

Partners in Progress



A REPORT TO
PRESIDENT TRUMAN BY THE
INTERNATIONAL DEVELOPMENT
ADVISORY BOARD

FOREWORD BY
NELSON A. ROCKEFELLER

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FOREWORD

BY NELSON A. ROCKEFELLER

ONE OF the tragedies of the period in which we live is the loss of faith and hope. As the last war drew to a close there was a stirring of the people the world over—an awakening that found expression in the formation of the United Nations. Old patterns had been destroyed or broken down, but people believed that a new order of world unity was going to take its place. There was hope and faith that in this new unity of nations the peoples of the world could work together in the common interest of all. The people who had lived for centuries in poverty and sickness and the people of Europe and the United States alike united in a common cause.

Today, after five years of frustration and disillusionment, where are we? One-third of the people of the world have lost their freedom and are herded together under Soviet imperialism. The remaining two-thirds of the world's population is coming to see that the relentless pressures of military aggression from without and political subversion from within cannot be ignored or appeased. They again face the need to defend their freedom. But the free people the world over are awakening to the fact that defense, in and of itself, is not enough—that there must be a positive force as well.

Two world wars have been won through the sacrifice of hundreds of thousands of lives, and now it appears, for the second time, the peace might be lost. The defense of freedom is one thing, the use of freedom is another. Perhaps we should be as alive to and aware of the latter as we are of the former. Perhaps they are more closely interrelated than we have realized. It might even be that winning world peace is even more difficult than winning a world war.

Clearly nothing can be done now that diverts our energies from the all-important task of military mobilization for defense. Is that enough? Can it alone win a war today? What assurance is there that even if another war were fought and won that we could deal more effectively with the peace thereafter? Does the defense of our freedom preclude the use of our freedom to work for the common interest of all?

In simple terms, the Board felt that the free world community just like any other community must have the strength to preserve law and order—without which it cannot live in peace. However, law and order alone are not enough to meet the needs of a people. Their

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MOST OF THE FREE WORLD IS UNDERDEVELOPED

DEVELOPED AREAS

*23% of the world's people
25% of the world's area*

INTERNATIONAL COMMUNIST AREA

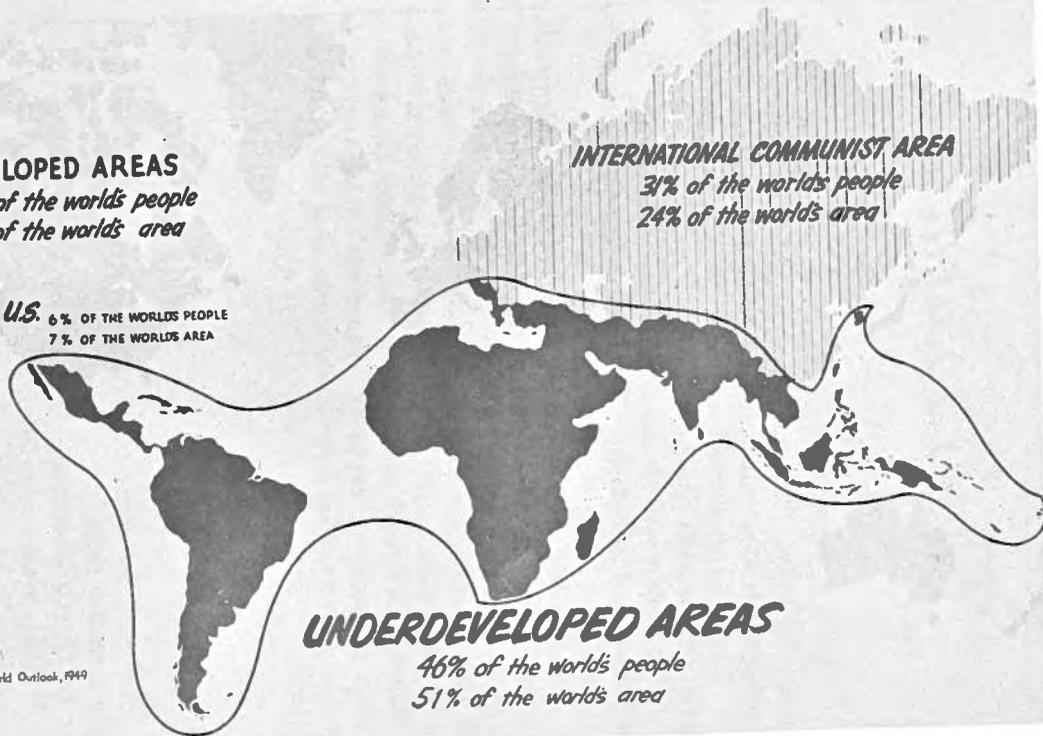
*31% of the world's people
24% of the world's area*

U.S. 6% OF THE WORLD'S PEOPLE
7% OF THE WORLD'S AREA

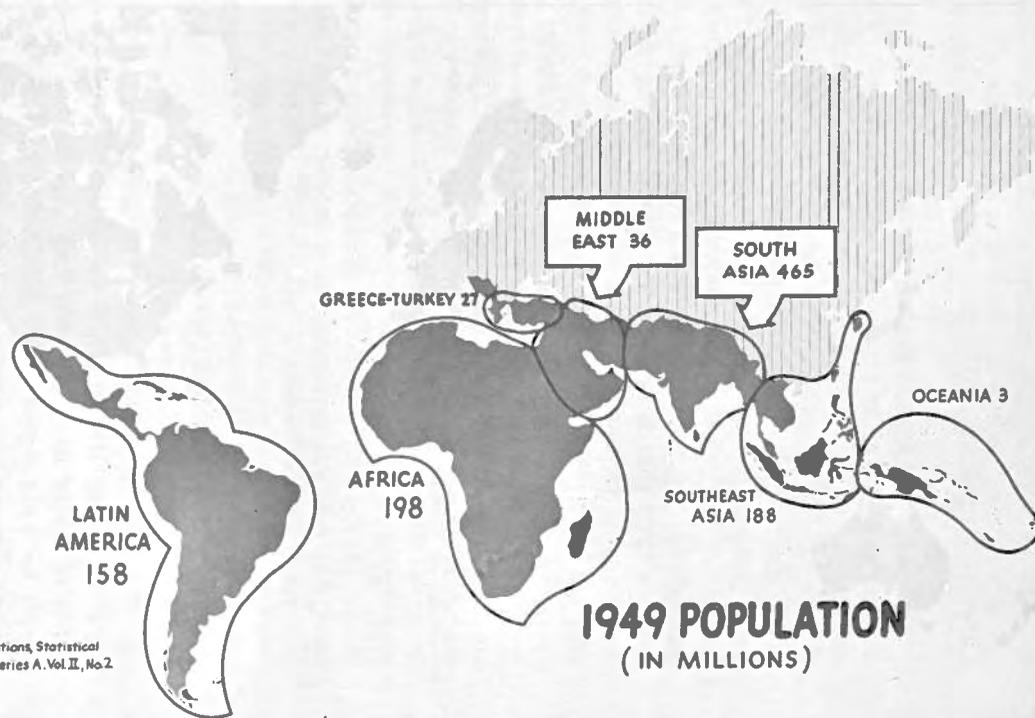
UNDERDEVELOPED AREAS

*46% of the world's people
51% of the world's area*

SOURCE: F.A.O. World Outlook, 1949



A BILLION PEOPLE LIVE IN UNDERDEVELOPED AREAS



SOURCE: United Nations, Statistical
Papers, Series A, Vol. II, No. 2

to implement that strategy must be sufficiently broad to beat off the threat of social and economic collapse from within as well as the threat of aggression from the outside.

Development vs. Subversion

Peace, free institutions, and human well-being can be assured only within the frame of an expanding world economy. The production of the free world today is not sufficient to meet both the human and the defense needs of its people. The very fact that we must now put so much of our resources into weapons to police the peace emphasizes the necessity for stepping up economic productivity both at home and abroad. No one nation can do the job alone. Only by working together in our common interest can we produce the increased volume of food, raw materials, and manufactures that is needed. To achieve lasting peace, security, and well-being in the world we must join forces in an economic offensive to root out hunger, poverty, illiteracy, and disease.

The issue really is one of economic development versus economic subversion. Soviet imperialism is seeking to chop off country after country, to leave us in isolation. Our economic policy must seek to strengthen the ties of cooperation which band the free peoples together.

Our strategy must be a positive one, based on constructive progress and a genuine sense of humanity's needs for common effort toward the future. It must be both global, embracing every part of the world, and total, with political, psychological, economic, and military considerations integrated into one whole.

What of Defense Needs?

To some there may seem to be a contradiction between pressing these objectives abroad while mobilizing for defense at home. The Advisory Board has given this long and serious thought. The more deeply we have explored the relationship of economic development to defense the more impressed we have been with how truly inseparable they are.

Consider, for example, the impressive facts as to our dependence upon the so-called underdeveloped areas:

With only 6 per cent of the world's population and 7 per cent of its area, the United States accounts for roughly half of the whole world's industrial output. But virtually all of our natural rubber, manganese (upon which the manufacture of steel depends), chromium, and tin, as

well as a quarter of our zinc and copper and a third or more of our lead and aluminum, come from abroad, mostly from the underdeveloped areas. This is also true of the largest part of our uranium ore. Of all the imported items which are of sufficient military importance to be included in our stock piles, 73 per cent in total value are drawn from these areas. Last year these countries supplied 58 per cent of all our imports.

THE UNDERDEVELOPED AREAS¹

<i>Region</i>	<i>Population</i>
Latin America-----	158, 000, 000
Africa-----	198, 000, 000
Turkey and Greece-----	27, 000, 000
Middle East-----	36, 000, 000
South Asia-----	465, 000, 000
Southeast Asia-----	188, 000, 000
Oceania-----	3, 000, 000

¹ The Advisory Board is using the term "underdeveloped areas" in the same geographical sense as in the Gray Report. Actually, of course, all nations are "underdeveloped," in that all can achieve a greater degree of economic progress than they presently have. Within all lands there are wide variations in health, education, wealth, and other things among the people. Within the same geographical region are wide disparities in annual income, from \$40 a person in Haiti to \$346 in Argentina, from \$25 in Indonesia to \$67 in Ceylon, from \$40 in Saudi Arabia to \$389 in Israel. In listing the populations of the major "underdeveloped areas" in the table above it should be clear that there is no thought of implying that all the people in these regions are in the same dire need or that all parts of the regions listed are "underdeveloped." Also our listing has not included the "underdeveloped areas" under Soviet control.

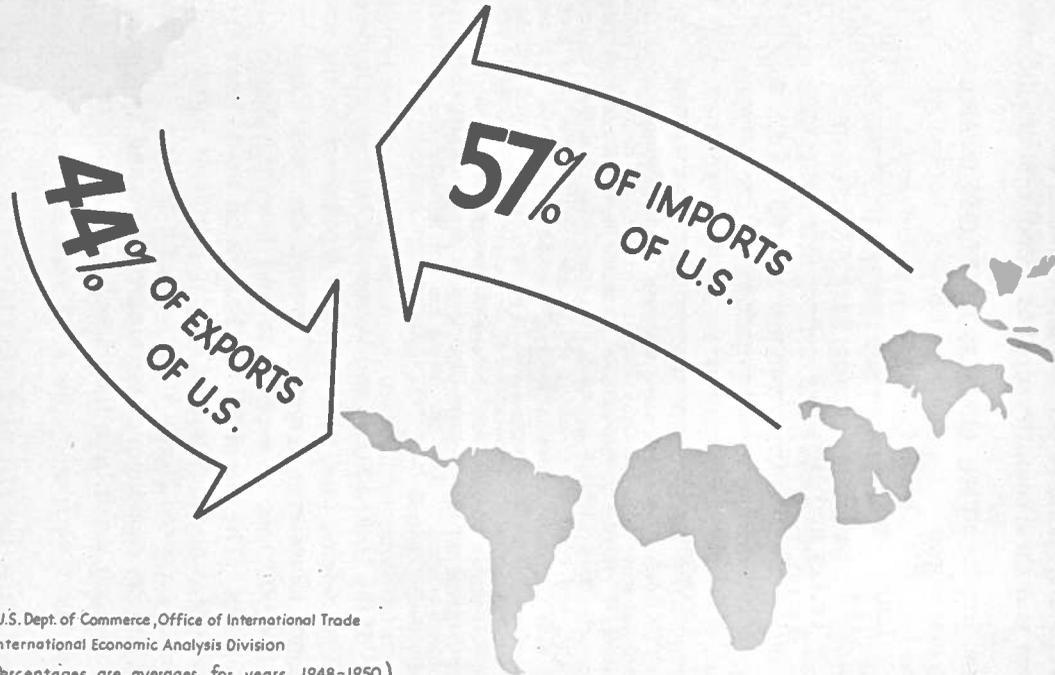
If the United States and Western Europe are considered as a single, unified defense unit, their strategic dependence on the underdeveloped regions looms even larger. Through the Suez Canal in 1949 passed 57,000,000 tons of supplies to and from the North Atlantic Treaty countries. The loss of Middle Eastern oil would leave Western Europe with only one-fourth of her regular petroleum supply. This would be a serious blow to North Atlantic Treaty defenses. It would disorganize the civilian economies of the United States and Europe as both tried to pump their needs from the oil wells still available.

Maintain Essential Exports

The dependence of the lesser developed countries upon us is no less impressive:

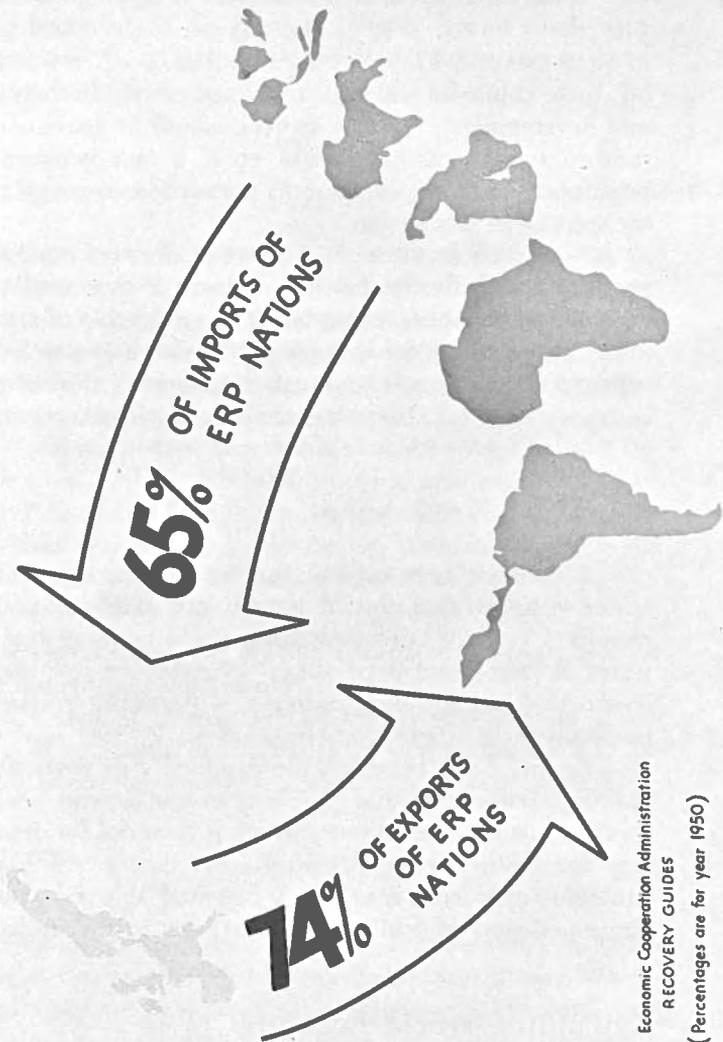
Few are self-sufficient even in food. All must look abroad for the machinery, spare parts, and other equipment without which their economies would collapse. Seventy-one per cent of their imports come from

ALMOST HALF OF U.S. TRADE IS WITH UNDERDEVELOPED AREAS



SOURCE: U.S. Dept. of Commerce, Office of International Trade
International Economic Analysis Division
(Percentages are averages for years 1948-1950)

**ALMOST 70% OF WESTERN EUROPE'S TRADE
IS WITH UNDERDEVELOPED AREAS**



SOURCE: Economic Cooperation Administration
RECOVERY GUIDES
(Percentages are for year 1950)

the United States and Western Europe—31 per cent from the United States and 40 per cent from Western Europe. Of the imports from this country, about half consist of machinery, vehicles, metals, and manufactures, little of which these countries can make for themselves.

Some of these countries are still struggling to climb back to pre-war export levels. For all the regions, the physical volume of exports in 1949 was still 12 per cent below 1937. If essential imports are cut off, these countries will be thrust back cruelly in their postwar recovery and development. Such a setback would be particularly harsh in that most of these areas are caught up in a race between production and population, with the increase in population in many cases outstripping the increase in production.

Narrowed resources and growing numbers must intensify the deprivation and suffering in these areas. Unrest and turmoil could be expected to boil more furiously. The production of critical and strategic materials on which our defense production draws so heavily would drop rather than increase. Aggravated dangers of subversion and economic collapse could make larger defense outlays necessary.

Need and Need Alike

Much has been said of the "share and share alike" attitude on scarce supplies that should govern our relations with the other free peoples. Perhaps our relationship could be more realistically stated in terms of "need and need alike." Neither we nor the underdeveloped countries could run our economies without the greatest distortions and hardships if cut off one from the other.

Again, if one considers the machinery of government necessary to handle foreign economic problems in our present crisis, one finds that much of the same machinery which is required for defense is also necessary for development. Control mechanisms which prevent items of strategic value from reaching a potential aggressor can also assure the continued flow of truly essential exports to the underdeveloped areas.

Expanding World Economy

Immediate and long-term objectives also merge. With critical shortages developing rapidly, a quickened and enlarged production of materials in the underdeveloped countries is of major importance. These emergency development projects should be pressed within the framework of long-term national and regional development programs, which provide for balanced economic progress. During the existing

emergency many parts of these long-range development programs will have to be postponed. But as scarce materials and equipment become more readily available, more and more of these programs can be carried out. In that way we would be strengthening our defenses while at the same time broadening the raw-material and industrial base for the expanding world economy of the future. This is just as vital to the United States and Europe as it is to the underdeveloped areas and is essential to a decent, lasting peace.

Priorities for Peace

To maintain continuity between the urgencies of defense and the objectives of steady economic development is particularly important in view of the uncertainty as to how long the present state of near-war will persist. We dare not let down our guard and invite aggression. But we must also continue to invest in the future so that all the free peoples grow steadily stronger, even while policing the peace.

Of course, it will not always be possible to strike a neat balance between these objectives. Many desirable undertakings will have to be put off since the rule of first things first must prevail. However, the Advisory Board does not feel it should be too difficult to assign the proper priorities for guiding the disposition of available resources, provided two things are done:

1. That our mobilization for defense include the basic objective of the steady strengthening of the free world.
2. That machinery of government be set up effectively to weigh the contributions of economic development to world progress and security against the resources necessary to see the programs through.

Waste Is Lives

We are moving into a new period of national accountancy in which a waste of resources now may have to be paid for later in lives. Wasteful or sentimental programs have no place. Whatever is proposed must be measured against the availability of scarce materials, scarce labor, and scarce production facilities; against the need to limit money costs at a time of heavy taxes and inflationary pressures; and in terms of the direct contribution to defense.

To attempt to justify activities as "strategic" when they are not really so would be false both to our national interest and to the interests of all the free peoples.

By the same strict accountancy, those programs of economic development which do make a significant contribution to world security should be pressed with all vigor.

Place of Point Four

There has been much misinterpretation of the Point Four program since it first was proposed by the President 2 years ago. The Advisory Board holds to the concept of "Point Four" as originally enunciated by the President and as declared by Congress in the Act for International Development:

"The peoples of the United States and other nations have a common interest in the freedom and in the economic and social progress of all peoples. Such progress can further the secure growth of democratic ways of life, the expansion of mutually beneficial commerce, the development of international understanding and good will, and the maintenance of world peace."

The Advisory Board believes that economic development, when brought within the necessary broad strategy of a total foreign policy, will play an important role in our mobilization for defense.

Reaffirming Our Ideals

The nature of the conflict we are engaged in, the Board believes, requires our reaffirming the ideals for which the United States stands. The emergency does demand of us that we recognize the priority of effort which must govern what specific projects can be undertaken now in furthering those ideals.

The United States was built upon faith, more specifically, upon faith in people, in their ability to govern themselves, and in their capacity to advance their common interest through their own labors. It must remain our aim continuously to strengthen human freedom and the inherent dignity of man throughout the world. In offering to work in partnership with all who seek to forward this freedom, there can be no thought of imposing our institutions upon other peoples.

The concept of freedom is and always has been a liberating one, a revolutionary idea that rejects the inevitability of poverty and injustice and demands continuous improvement. It rejects the claims of any who in the name of "progress" or "equality" or even "liberty" impose their own dictatorship upon people. We believe that progress thrives best under genuinely democratic institutions.

Our concept of economic development, it will be seen, carries with it land and other reforms where the people feel them needed, a living wage, fair and rising labor standards, full participation in the benefits accruing from increased wealth or income, the removal of discriminations based on race, color, nationality, religious belief, caste, or sex. It also includes freedom of speech, freedom from want, the right of trial by jury, the right to vote, the right to self-organization, the right to work, the right to strike. It also includes training in democracy to enable all of the people to take an active part in public affairs.

With these rights go inherent responsibilities and duties.

Without a Crisis

So much is said in this report about the relation of economic development to defense that perhaps this should be stressed: Even if there were no threat of aggression in the world or no danger of subversion, a world-wide task of economic and social development would still remain. The United States tradition has always been one of working with the peoples of other lands to help them improve their living standards. This has been reflected in a traditional humanitarian concern for the welfare of other peoples which has been so courageously carried forward by religious, philanthropic, and other voluntary groups in their work abroad.

Surge of Nationalism

Roughly 500,000,000 people in the underdeveloped countries have won their national independence since the end of the last war. In all these countries the pent-up discontents of past generations are breaking through in demands for better living. Yet in many of these lands population is rising more rapidly than production. Some of the newly independent governments are inexperienced in the arts of governing. Some are still suspicious and even resentful of outside aid.

This rising nationalism creates delicate problems of statesmanship—on both sides. If our people and the newly independent peoples are to find a common basis of cooperative understanding it cannot come through rehashing old memories. It can come only by working together toward a common future in which all will have a stake.

The problem of constructing a lasting peace is not one of *preserving* an existing order in the world but of building a new structure in which all nations can work together, exchanging their skills, labor, and capital to mutual benefit.

How Big Is the Job?

To many the task of helping a billion people better their lot may seem a hopeless one. But how big is the job to be done in economic terms? According to United Nations estimates, the total annual income for the billion inhabitants of these areas would run about 80 billion dollars. The current United States national income alone is well over 250 billion dollars annually, while that of the countries of Western Europe totals between 140 and 150 billion dollars. Put in another way, in 1949 the per capita incomes were 80 dollars for the underdeveloped areas, 473 dollars for Western Europe, and 1,453 dollars for the United States.

Taken alone, the economy of the United States has more than three times the productive output of all the economies of the underdeveloped areas together. Combined, the economies of Western Europe and the United States have five times the economic weight of the underdeveloped regions. It is in those terms that the job to be done should be measured, not in population numbers but in economic output.

The prevailing economic pattern of these regions could be revolutionized through a consistent investment flow from the Western industrialized world of several billion dollars a year, if combined with local capital and channelled into genuinely productive enterprise.

Nor is this a task with which the United States is left to deal alone. Western Europe's dependence upon the underdeveloped areas, and their dependence upon Western Europe, is even greater than is our own. The Advisory Board believes that the European nations will, in increasing measure, supply capital funds and capital equipment, trained technicians and other personnel for a united effort in the underdeveloped areas.

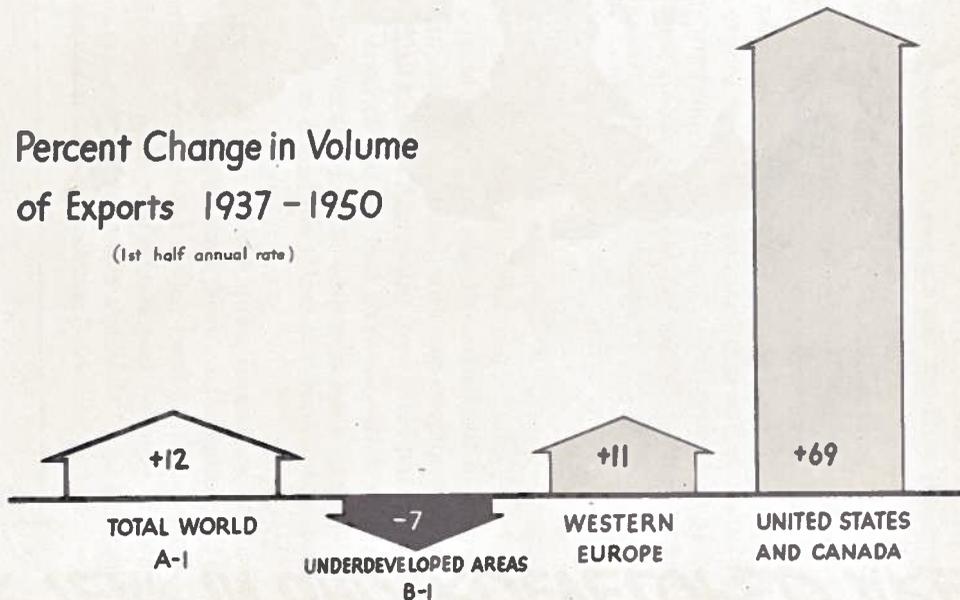
The result of such a joint effort can be immense. Free institutions thrive best in an expanding world economy. With an expanding productive base it will become possible to increase individual productivity, raise living levels, increase international trade, meet the needs of growing populations in the underdeveloped countries, and resettle peoples from the industrial areas whose population pressures are growing. The new frontiers of opportunity for the whole free world lie in the vigorous and effective working together of the peoples of the underdeveloped and industrial areas.

Miracles are not accomplished overnight. Social patterns established over centuries are slow to change. The apathy that accompanies malnutrition and ill health is harder to overcome than the causes which produced it. What is really important is that we do now what can be done with the means available. To do nothing is to invite despair. To act is to hope.

TRADE OF UNDERDEVELOPED AREAS HAS DECREASED—WORLD TRADE HAS INCREASED

Percent Change in Volume of Exports 1937 - 1950

(1st half annual rate)

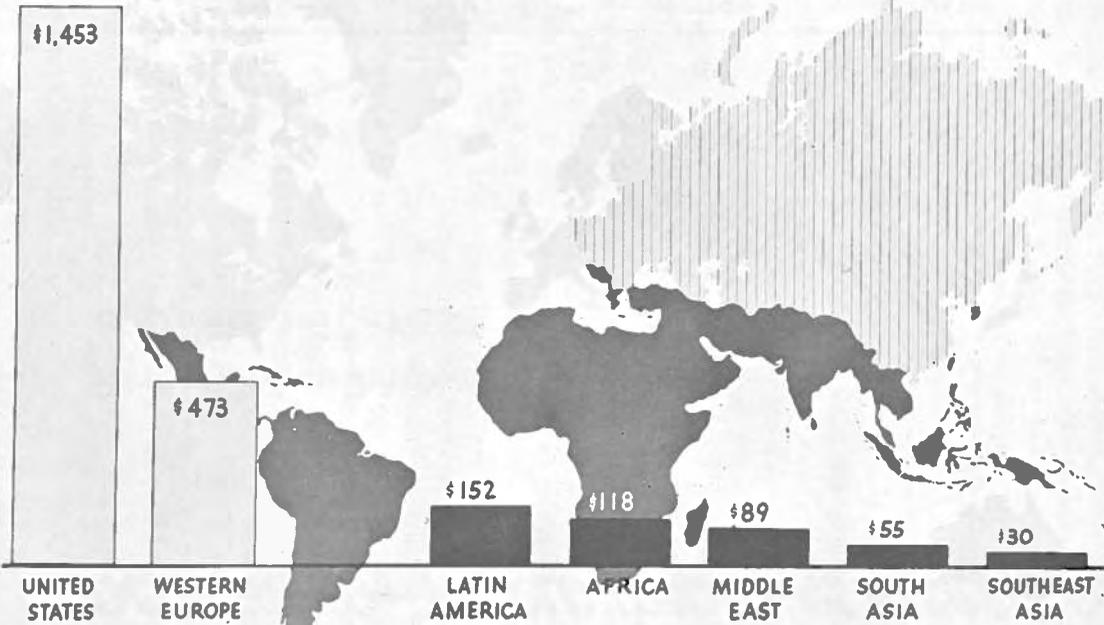


A-1 Excludes International Communist Area

B-1 Includes China, Australia and New Zealand

SOURCE: United Nations Statistical Papers Series D-#4

INCOME PER PERSON AVERAGES \$80 PER YEAR IN UNDERDEVELOPED AREAS



SOURCE: United Nations, Statistical Papers, Series E, Number 1, 1950

People to People

In the last analysis, what this nation has always stood for has really been a people-to-people approach to the problems of mankind. We like stability in government because we have made so much progress by dealing with our problems through a frame of law. But the United States does not stand for the perpetuation of regimes merely because they happen to be in power. In essence the Advisory Board sees economic development as a people-to-people program. It should be pressed with full sensitivity to the diversity of their cultures and institutions.

Sound economic development requires the maximum participation and support by the governments and peoples of the countries themselves. It must be their program in its planning, in its direction, in the encouragement of local capital, and in the management and technical training offered to ever-growing numbers of them. Only as increasing numbers of the people of these countries master the various techniques and skills will they be able to carry on for themselves.

Age of Revolution

Economic cooperation should also be carried out in such a way as to bring together in intimate contact with the peoples of these underdeveloped countries all kinds of Americans from every part of the United States, from every level of income and from all social, economic, and racial groups. The diversity of individuals who have contributed to our culture and institutions is one of the things that have made this country strong and productive.

It has been well said that we are living in an Age of Revolution. That should not dismay us, who were born of revolution. The cause of progress and self-government has always been the cause of the United States. It is the cause of the underdeveloped peoples. If we remain true to our ideals and use the resources available to us in hardheaded, realistic fashion we can meet the challenge before us.

2

Centralize for Action

In one sense the materials shortages forced by our defense mobilization may help rather than hinder the formulation of an effective program for dealing with the underdeveloped areas. By compelling us to weigh soberly and carefully all demands that draw upon materials or products in short supply, these shortages focus our attention upon what we get in return. The immense contribution of the underdeveloped areas in critical materials alone emphasizes how genuinely important their partnership is both in our immediate and longer-term strategy.

The Advisory Board feels that the time has come to face realistically the needs of these billion people, country by country and region by region and determine:

What are the gravest difficulties confronting each country?

What is required to overcome them?

What resources are available? In the country concerned? From the United States? From other nations?

How can the over-all job be spread over the years so first things come first and the maximum use is made of all available resources?

In short, what is undertaken should be fitted to the resources available, within a concrete, specific, detailed program which will expand production and contribute to the common defense.

One Over-All Agency

That kind of job cannot be accomplished by uncoordinated, scattered agencies which have overlapping responsibilities and conflicting functions and which are not organized to come to grips with problems raised by the mobilization.

To make the most of our productive powers and to avoid waste, *the Advisory Board recommends the speedy centralization and unification*

of major foreign economic activities of the United States Government into one over-all agency headed by a single administrator reporting directly to the President. This agency might be called the United States Overseas Economic Administration.

The Administrator, who would be named by the President and confirmed by the Senate, should be a man of proved administrative capacity with vision and understanding, whose appointment would command the instant confidence of the public.

He would operate under the over-all foreign policy laid down by the Secretary of State on behalf of the President and under the general mobilization policy laid down by the Director of Defense Mobilization. The Administrator would also have a Public Advisory Board, broadly representative of the Nation, which should be consulted regularly and which would advise the Administrator on basic policy matters.

Time to Act—Now

As the mobilization for defense cuts deeper, the Government will necessarily be forced to expand its foreign economic operations. Shortages of critical materials will spur the hunt for new sources of supply all over the world. International machinery is being set up as in the last war to allocate tight supplies among the countries of the free world. The curtailments imposed in this country must be kept in balance with similar actions taken by governments allied with us.

Again the imposition of a general price ceiling here at home calls attention to the need for international action to control the prices of basic materials which we buy.

These and other problems will be more effectively acted upon if action is taken *now* to centralize foreign economic operations. Without such an over-all agency, there will be much confusion and conflict, friction and wasted effort, and perhaps irretrievable losses to the benefit of potential aggressors.

New Setup Needed

A unified agency with a new point of view is needed. A mere on-paper shift of existing agencies and functions will not suffice. Nor will it do simply to transfer additional functions to the Economic Cooperation Administration. ECA, the Technical Cooperation Administration (TCA), now in the Department of State, and the Institute of Inter-American Affairs should all be brought into the new Overseas Economic

Administration. Existing legislation provides a tested foundation for essential operations of the new agency, although amendments will be needed. But there should be a truly unified organization planned from the ground up to deal with present and future problems, not the problems of the past.

The Job to Be Done

The new Overseas Economic Administration will have to integrate measures of economic defense with actions to stimulate production through the whole free world. It will also be the responsibility of the new administration to secure the maximum participation of private enterprise and to carry out the continuing programs of the ECA, TCA, and the Institute of Inter-American Affairs (IIAA). Besides the agency's economic programs in support of defense in Europe, its specific functions in relation to the underdeveloped areas will include the following:

1. To act as the claimant for needed exports on behalf of *all* foreign countries before all the mobilization agencies, including the agency allocating shipping. After the over-all foreign allocations are made, the new Overseas Economic Administration would determine how the amounts should be divided among the claimant countries and see that the necessary export licenses are issued.
2. To preserve the economic stability of the underdeveloped countries by seeing that they get essential materials, spare parts, and other equipment.
3. To conserve scarce materials and other things in short supply in this country both by screening all requests for United States exports and by stimulating development abroad.
4. To stimulate, in cooperation with the underdeveloped countries, an immediate increase in food production abroad.
5. To safeguard and increase the production and flow of all necessary imports to this country, particularly of critical and strategic materials the production of which can be spurred by sound development work.
6. To direct the handling of foreign procurement of materials required by the Office of Defense Mobilization and other agencies of the United States Government. The new agency will be able to relate United States buying to all other foreign economic operations, such as the assurance of necessary exports to these countries and

A CENTRAL AGENCY FOR FOREIGN ECONOMIC OPERATIONS

removes duplication... cuts costs... increases results

Bring together
present functions of

E. C. A.

T. C. A.

I. I. A. A.

OTHER OPERATIONS AFTER
BUDGET BUREAU REVIEW

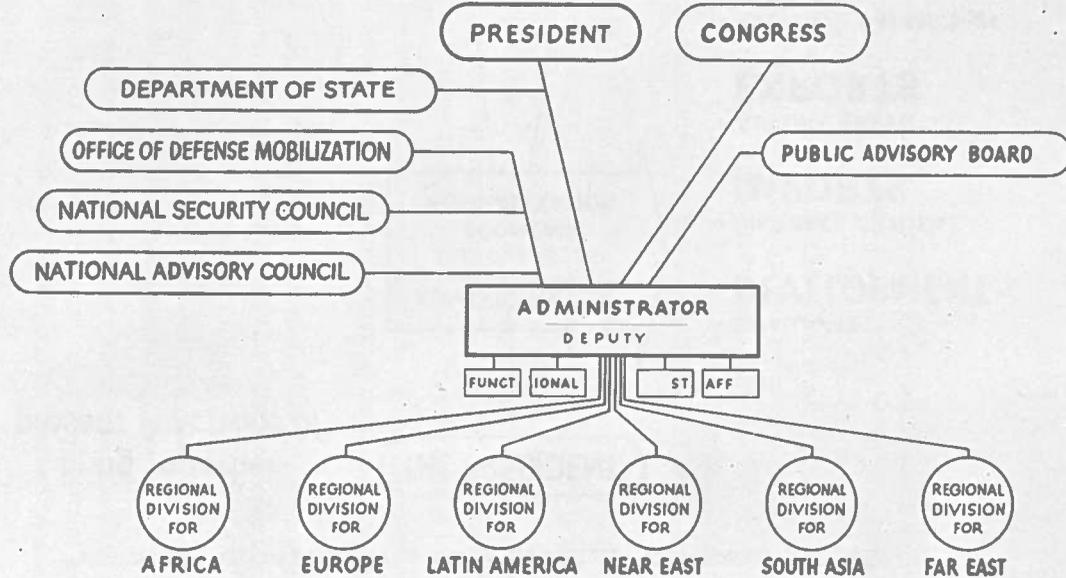
THE PRESIDENT

ADMINISTRATOR
U. S. OVERSEAS
ECONOMIC
ADMINISTRATION

COORDINATION
OF RELATED
PROGRAMS

- STIMULATE **DEVELOPMENT**
- INCREASE CRITICAL **IMPORTS**
- ASSURE ESSENTIAL **EXPORTS**
- PRESERVE BALANCE OF **PRICES**
- STIMULATE PRODUCTION OF **FOOD**

POLICY FROM ABOVE



A REGIONAL APPROACH

development work. The actual details of procurement might be left to the General Services Administration, subject to policy direction by the Administrator.

7. To assist in controlling and keeping in balance, by agreement among the countries concerned, the prices of both manufactured goods and primary products moving in trade among the free nations.

8. To take the initiative in working out on a cooperative basis national and regional development programs for the underdeveloped areas by which first things will be pushed first and continuity given to immediate and long-range objectives.

New Job—New Setup

No existing agency, as presently organized, can handle these and other necessary functions of the proposed Overseas Economic Administration. The task ahead of us requires a sharp break with past thinking habits. The new agency will have to think in terms of physical resources, like strategic materials and scarce equipment, as well as in terms of balance of payments. It will have to think in terms of steady economic development as well as postwar reconstruction. It will have to operate through an organization geared to the regions and countries, for only in regional terms can there be intelligent planning to meet the problems of these areas.

There must be a reorientation of approach—an orientation which fully recognizes the part other countries, international organizations, voluntary agencies, and private enterprise can play in a total foreign economic program; an orientation which is flexible in its procedures, practices, and purposes.

We have suggested that the new operating agency be named the United States Overseas Economic Administration. Whatever the name, it should avoid the implication that economic development is a short-run, emergency policy.

Coordinate Existing Agencies

A tabulation prepared for the Advisory Board lists 33 different international agencies operating in the economic field and 23 United States agencies with some foreign economic operations. Most of these agencies operate in well-defined fields. In some cases there is duplica-

tion. The creation of one over-all United States agency would make possible the merging of certain of these United States units, the coordination of others, and closer cooperation with international organizations.

We are recommending that the Bureau of the Budget review the foreign economic operations of all United States Government agencies to determine which can best be included in the new agency, which left subject to over-all coordination, and where existing units should be pruned.

The Bureau of the Budget should initiate action to assure that the following foreign economic operations are made responsive to, and consistent with, the programs of the Administrator. Unless this is done, the Administrator will be unable to discharge his responsibilities:

- (a) Foreign procurement, now conducted by the General Services Administration and others,
- (b) Export licensing, now carried out primarily by the Department of Commerce,
- (c) Encouragement of foreign mineral production, the primary responsibility for which is now lodged in the Department of the Interior,
- (d) Loans made by the Export-Import Bank,
- (e) Activities of the United States Executive Director for the International Bank for Reconstruction and Development,
- (f) Activities of United States representatives to United Nations agencies dealing with economic development including programs of technical assistance, food, and health.

Matters relating to commercial policy, transport and communications policy and their negotiation, also reciprocal trade treaties, should remain in the Department of State.

Wisdom Needed

The varied responsibilities entrusted to the new over-all agency clearly require the utmost flexibility and wisdom in administration. On all matters of policy the Administrator would of course be guided by the national policy as formulated by the President and the Congress. He should be guided in all matters of foreign policy by the Secretary of State and should be in frequent consultation with the Secretaries of Defense, the Treasury, Commerce, Labor, Agriculture, the Interior, and the heads of the other interested agencies including the Director of Defense Mobilization.

In setting up the new agency the relationship between it and the State Department should be clearly stated and understood. The respon-

sibility of the State Department for United States foreign policy must not be diluted. Within that policy it is equally essential that the Administrator have full authority effectively to carry out the operations and responsibilities assigned to him.

High Level Policy

To insure the effective integration of foreign economic operations with our total and global strategy, *the Advisory Board recommends that the Administrator be made a member of the National Security Council* which is presently charged with formulating highest strategic policy.

To insure effective integration with United States financial and monetary policy, *the Advisory Board recommends that the Administrator be made a member of the National Advisory Council on International Financial and Monetary Policy* of which the Secretary of the Treasury is chairman.

The Advisory Board further recommends that the Administrator be made an ex officio director of the Export-Import Bank, the lending facilities of which will be called upon frequently to accomplish many objectives of foreign economic policy.

Down-to-Earth Planning

We have emphasized the need for a hardheaded analysis of each country's problems and possible contribution to defense—and of the resources available to meet both. Without such an analysis and careful joint planning much of what is attempted will be wasted. When comprehensive development programs are worked out with each country it will become possible to balance immediate and long-time objectives, to utilize fully that country's own resources in harmony with the efforts of other nations.

Regional Approach Favored

Since such down-to-earth planning can be done only in terms of the specific countries, their problems and resources, *the Advisory Board recommends that the Overseas Economic Administrator plan and operate the new agency on a regional basis*. However, various functional staff units will be required within the administration for several specialized services and functions upon which the over-all regional

programs must necessarily depend. Only with a basic regional form of organization can the objective of integrated regional and country programs be attained. To attempt to operate on a functional basis, we fear, would result in a hit-or-miss attack on problems which are primarily regional. Over-all objectives would be sacrificed to some particular function.

Organizing the new agency on regional lines would parallel the bureau organization of the State Department, which should facilitate cooperation in support of over-all foreign policy. It would permit quick adjustment to abrupt changes in the economic and strategic situation. At the same time it assures greater continuity between immediate and long-range objectives.

One United States Spokesman

Overseas personnel of the new Overseas Economic Administration would report directly to the new agency in Washington. However, there can be only one top United States representative in any country. He should be the Chief of the United States Mission—the Ambassador or Minister. He should be kept completely informed on all activities of United States Overseas Economic Administration personnel in the country. Should the Chief of Mission object to any proposed action of the new agency in the country, he should have authority to suspend that action until it has been referred back to Washington for decision by the Secretary of State and the Overseas Economic Administrator. He should also have the right to ask for the removal of any representatives of the economic agency assigned in the country.

The new agency's senior representative in any country should be responsible for carrying out programs assigned to him and of course should have authority to communicate directly with the Administrator in Washington on all matters, including those on which he disagrees with the Chief of Mission.

The objective is to settle all differences without airing them abroad.

Personnel policies and salary standards for employees of the new agency assigned abroad should be consistent with those applicable to other United States Government employees abroad.

Cooperation Not Competition

One point, while not directly related to the problems of administration, is worth stressing because of its indirect bearing. In the course

of this study the Advisory Board has had presented to it the argument, "Economic development is a job that only private enterprise can do."

The Advisory Board has also had presented to it the argument, "Private enterprise will never do this job; only government can do it."

It is the considered judgment of the Advisory Board that neither government agencies, nor private groups, nor international agencies, nor national agencies can do the job of international economic development *alone*. Each has its proper role and a highly important role. It is not a question of government versus private effort or of international versus national effort. The task of the Overseas Economic Administrator is to hitch all the horses into a single team.

Effective Public Cooperation

The Advisory Board recommends that the new Overseas Economic Administrator have an Assistant Administrator charged with working with all international agencies and voluntary groups. Religious, philanthropic, and other voluntary groups have been and still are pioneers in the field of economic and social assistance in the underdeveloped areas. Their experience should be drawn upon constantly.

The fullest use should be made of the United Nations and other international organizations operating in the field of economic and social development. They permit the pooling of skills and techniques of numerous nations, enabling other countries to participate in common international effort. International programs are particularly adapted to dealing with area problems which defy national boundaries.

In addition to the direct United States financial contribution to international organizations for work in this field—a contribution which should come out of the appropriation for the new Overseas Economic Administration—the Advisory Board believes the Administrator would find it advantageous to enter into joint projects with United Nations organizations in meeting specific problems and situations. The Advisory Board also believes the Administrator would find it advantageous to make contracts with philanthropic and other voluntary groups as provided for by Congress in the Act for International Development.

The principal United Nations units rendering technical assistance in various countries are:

- Food and Agricultural Organization (FAO)
- U. N. Technical Assistance Administration (UNTAA)
- World Health Organization (WHO)
- U. N. Educational, Scientific and Cultural Organization (UNESCO)

International Labor Organization (ILO)
International Civil Aviation Organization (ICAO)

The naming of an Assistant Administrator, whose special functions will include working with the United Nations, the Organization of American States, the Colombo Plan, and other regional agencies, should encourage more efficient coordination with international activities. In dealing with the international organizations, the Assistant Administrator of course would clear through the existing liaison arrangement which the State Department has set up for all United States Government agencies.

Effective Private Enterprise

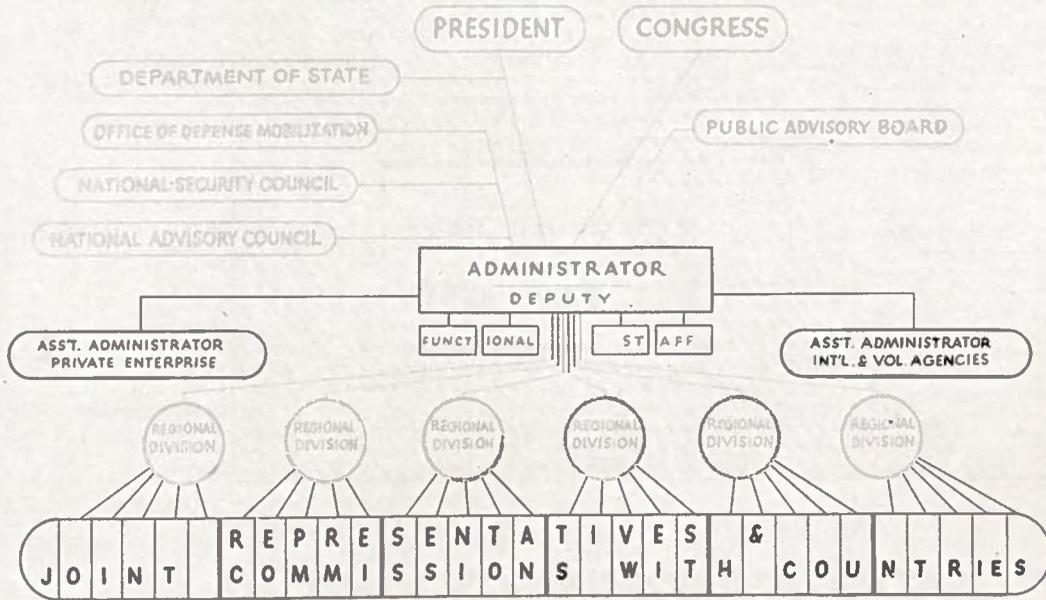
In a later section this report deals with the necessary financial tools the Administrator should have to carry out his responsibilities, as well as measures that are needed to stimulate the flow of private capital. Right here it might be noted that the Advisory Board believes the *Administrator should have another Assistant Administrator charged with making the most effective use of private enterprise.*

Continuity the Great Need

Finally, the Advisory Board would be less than frank if it did not say that it believes the United States needs a permanent governmental agency which will give consistency and continuity to United States foreign economic policy. However, the Advisory Board also recognizes that some of the powers which must now be entrusted to the Administrator are of an emergency character and should be terminated on the expiration of the emergency. At that time there should be a re-examination to determine the organizational structure and the authority which would then be required by the Overseas Economic Administration.

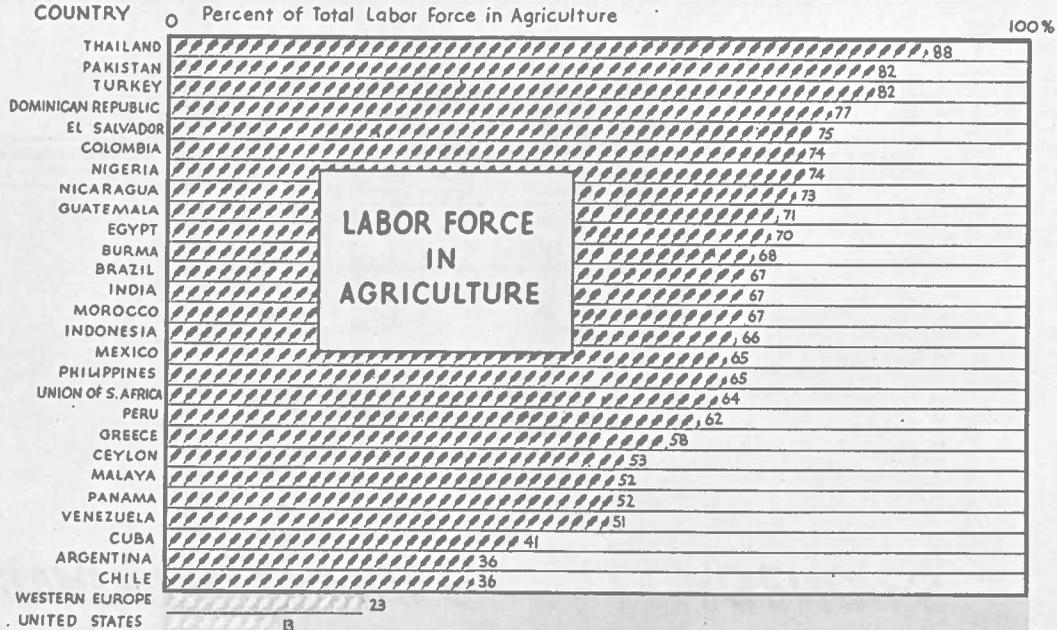
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PRIVATE ENTERPRISE

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DOWN TO EARTH PLANNING.

AGRICULTURE IS THE MAIN OCCUPATION IN UNDERDEVELOPED AREAS



They have relatively little industry

Food and Health for Independence

Hunger and ill health cast a common shadow for most of the billion people in the underdeveloped areas.

With few exceptions the peoples of Asia, Africa, the Middle East, and Latin America subsist on diets 20 per cent below the minimum necessary for health and efficiency. In many regions malnutrition is chronic with intermittent periods of actual starvation on a wholesale scale. In many regions one-half of all children born do not live to the sixth year of life and the average life span is less than one-half that in the developed areas.

Yet there is no country in these areas in which food production could not be raised appreciably through simple improvements in agricultural methods and equipment or the wider use of fertilizers.

There is no country in these areas where new tools of medical science could not bring under control most of the debilitating illnesses sapping the productive energies of these peoples.

All-out Food Drive

The Advisory Board recommends that the Administrator of the new over-all agency make this his first major objective—to cooperate with these countries in a vigorous food-production drive which would break the back of famine and hunger.

No one action could have greater value in the struggle in which we are now engaged. It would strike at the greatest single cause of the suffering and discontent on which subversion feeds. It is the logical first

step toward putting many of the underdeveloped countries on their own economically. We feel that this drive can rightly be called a food-for-independence drive.

With food production in these countries as low as it now is, the outbreak of war with a consequent interruption of normal food distribution could cause widespread starvation.

Two Tasks in One

Looking further into the future, if hunger, starvation, and ill health can be overcome as factors in man's struggle for existence, he will be more able to resist those who seek to destroy his freedom. Freedom has little meaning to a man who is starving.

To make up the present calorie deficiency among these peoples would require them to increase their food production at least 25 per cent above current levels. Additional production increases would be necessary to keep pace with population growth.

Expanding food production is both an immediate and long-time proposition. In some of the underdeveloped areas sound projects are already under way. To other countries missions would have to be sent and programs drawn up to be spread over many years. Land clearing and irrigation projects would have to be undertaken, energy-sapping diseases stamped out, and the level of technical skills among these peoples lifted considerably.

Scythe for the Sickle

Fortunately, sufficient progress has been made in some countries to prove that substantial increases in production are possible without extensive and expensive projects. In many areas production could be increased by the mere substitution of the scythe for the sickle or the introduction of the steel-pointed plough. The problem is not one of imposing highly mechanized modern agricultural techniques on these areas. Rather it is a problem of making step-by-step advances from what is now a largely primitive agricultural economy.

In more developed areas more modern improvements are possible. For example, the recent development of African oil-palm plantations in Costa Rica is expected to make that country self-sufficient in fats and oils within 5 years. By 1957 this program, which was started by a private business group, should provide a surplus for export to other shortage areas.

In Peru potato production was more than doubled—from 633,000 tons to 1,300,000 tons—by a 4-year program of teaching farmers how to combat insects and diseases. The potato is a necessity in Peru with consumption needs far in excess of production. When this work was started by the Peruvian Government in cooperation with the Institute of Inter-American Affairs the production of potatoes was being abandoned in many sections of the country.

Rice Exports Down

The Advisory Board puts particular stress on increasing the production of rice because of its enormous importance in present troubled Asiatic conditions. Half of the average diet in the Far East is made up of rice. Although populations are 10 per cent higher than before the war, rice output still is below prewar levels. The result—starvation and suffering among millions.

Before the war Asia's "rice bowl"—Burma, Thailand, and Indochina—normally exported five to six million tons of rice to the surrounding rice-deficit countries. Last year the rice exports of these three countries were still only half of the prewar level.

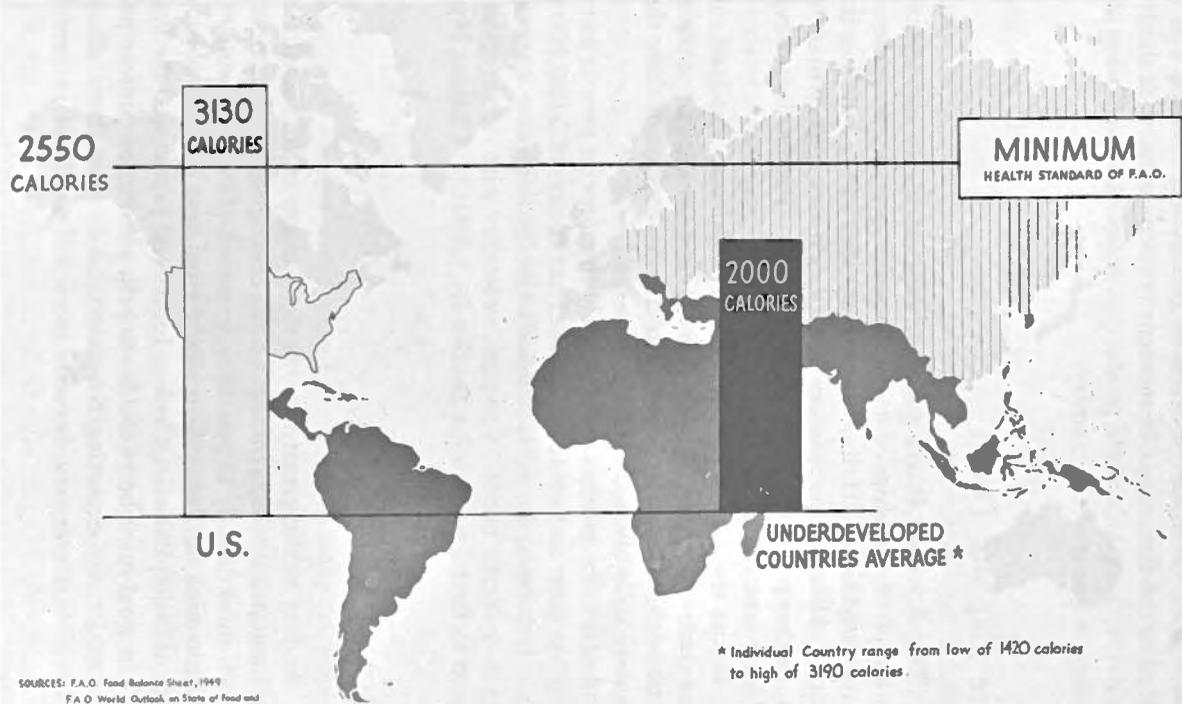
India's rice production is roughly the same as prewar but its population has risen and continues to swell at the rate of 5,000,000 persons a year. Indonesia, formerly self-sufficient in rice, now must import to meet its domestic needs. Formosa, ordinarily with rice to spare, is hard-pressed to feed a population swollen by 1,500,000 Chinese Nationalists.

If "Rice Bowl" Goes

Adding to the gravity of this rice hunger is the fact that the "rice bowl" countries, which furnish 65 per cent of the world's rice total, are exposed most directly to possible aggression. Should Burma, Thailand, and Indochina fall, with them would go a good part of the normal food supply of India, Pakistan, Ceylon, Indonesia, Japan, and the Philippines.

The goal must be twofold—to help restore the prewar production of the major rice-exporting countries and to press every effort to help the rice-deficit countries become more self-sufficient in cereal grains.

AVERAGE DIET IN UNDERDEVELOPED AREAS IS 20% BELOW MINIMUM HEALTH STANDARD



MALARIA IS CONCENTRATED...



 ENDEMIC AREAS

...IN UNDERDEVELOPED AREAS

SOURCE: Global Epidemiology, 1944

Rice to Wheat

The margin of possible improvement is perhaps indicated by the fact that rice yields per acre in southeast Asia are only about one-half of the United States average.

The drop in rice exports has deranged much of the food economy of the whole world. India, Indonesia, Malaya, Japan, and the Philippines have all had to turn to the West for wheat and other grains. At the same time Western Europe has been short of grain because Soviet control of Eastern Europe has cut that region's traditional exports of wheat and other foods to Western Europe to about one-fourth of the prewar volume.

Drought and Famine

Most of the 50,000,000 tons of grain India produces annually is consumed where grown. Even in good crop years not more than half of the 8,000,000 tons needed for urban consumption was obtainable from domestic supply. Last year drought seared India's rice areas for the fourth consecutive year. The Indian Government has estimated that at least 6,000,000 tons of food grains will have to be imported if serious famine is to be avoided.

Till More Land

Expanding food production is not solely an agricultural problem. To achieve the best results, the food production drive should be pressed as part of an over-all national and regional development program. For instance, extensive well-drilling and irrigation programs in India may be essential to prevent recurring famine. The building of farm-to-market roads, storage facilities, and the improvement of rail facilities would help move crops to markets. Advances in public health would not only make human labor more productive but could open up sizable expanses of fertile acres to new cultivation.

In central Africa the tsetse fly holds captive several million acres of fertile lands. By infecting human beings and their domestic animals with sleeping sickness, the tsetse fly makes it impossible to work these lands. A new drug, antrycide, has been developed which seems to be an effective prophylactic in both man and animals for about 6 months after each injection. The development of this and other new drugs holds out hope that it may become possible to bring these acres under cultivation.

SLEEPING SICKNESS IS CONCENTRATED...



 ENDEMIC AREAS

...IN UNDERDEVELOPED AREAS

SOURCE: Global Epidemiology, 1944

YELLOW FEVER IS CONCENTRATED...



 ENDEMIC AREAS

SOURCE: Global Epidemiology, 1964

...IN UNDERDEVELOPED AREAS

Similarly in India, more effective methods of malaria control may make it possible to tap the potentialities of the Great Terai, an area about 50 miles wide and nearly 1,500 miles long in the foothills of the Himalayas. Before the First World War the British and Indian Governments tried to colonize the region but malaria killed off the settlers. A number of different Indian tribes from other malarious sections were brought into the Terai in the belief that they might have acquired some immunity to the disease. The death rates continued high. Currently two United Nations units, the FAO (Food and Agricultural Organization) and the WHO (World Health Organization), are developing a joint program which aims at bringing malaria under control and opening the area to intensive colonization.

Through the use of DDT and other insecticides—plus such drugs as paludrine and chloroquin—it now is possible to control malaria in many tropical areas all around the world. In south Asia and south-east Asia alone malaria is estimated to cause 1,500,000 deaths annually.

Chronic Ills Not Plagues

At present the great ravages are being inflicted by the chronic debilitating infections which drain man's productivity and not by the dramatic epidemics of plague, yellow fever, or cholera. Dysentery is a leading cause of death and disablement. Hookworm and other intestinal parasites produce lethargy, apathy, and mental retardation. Trachoma, frequently causing blindness, occurs in tens of millions of the world's inhabitants.

During the past few decades science has forged powerful new weapons which for the first time in history make it possible to free the whole world of many major diseases.

Food and health are basic to economic and social progress, yet real progress in health or agriculture cannot be attained without a lift in the entire economy and in education and vocational training. Care must be taken that "progress" in one field does not cause difficulties in another. In some parts of Asia two-thirds of the malaria is due to the fact that mosquitoes were left ideal breeding conditions because of poorly planned irrigation projects and highway and railway embankments.

Farm Credit Needed

Over the whole of the Near East only about one acre of land per person is cultivated compared with three acres per person in the United

States. Almost 20 per cent of Syria's uncultivated land area is suitable for irrigated farming or dry farming. In Latin America only about 3 per cent of all the land is cultivated. With modern mechanized methods it is estimated this could be raised to 13 per cent.

Elsewhere land reform is needed to free the soil for productive development. Land-tenure patterns vary with different countries and no single system of reform could be applied to all countries alike. The Advisory Board believes it is imperative that land reform should be encouraged where it is needed to provide security of tenure. In some countries neither the fight against hunger nor the fight against subversion can be won without land reform.

It is also necessary that credit facilities and education operate in close coordination. Education cannot be effective among people who have not the means to carry out what they are taught. Credit cannot be extended to people who do not know how to use it. Separately, credit and education remain indefinitely on dead center. Combined, they can produce an economic base out of which high standards of living will come.

“Operation Breadbasket”

In addition there are a number of land-development projects which have not been engineered and whose potential can only be guessed at. Still they should not be overlooked, since they may ultimately release immense new resources.

In South America, east of the Andes, runs a 2,000-mile-long stretch of fertile valleys and plateau land which may lend itself to development. If carried through successfully, it would open up a new major source of food for the entire Continent, as well as a home for settlers from the most densely populated areas of Western Europe.

This project could perhaps be carried out best by creating an East Andean Development Authority, representing the seven countries directly affected—Venezuela, Colombia, Ecuador, Peru, Bolivia, Brazil, and Paraguay.

Another possibility is the reclamation of the Tigris-Euphrates Valley in the Middle East. Several million acres of potentially fertile land could be irrigated and a new “breadbasket” created. Perhaps two to three million persons could be settled on these new farms.

If feasible and carried through—which would require several years at best—the new lands could absorb the 750,000 Arab refugees from Palestine, at present the gravest source of unrest in the Middle East.

The Jordan Valley holds similar possibilities. Other important examples are to be found in the Colombo Plan. Facilities to further

regional developments of this character are recommended in a later section.

Technical Training Vital

This caution should be noted in considering large-scale land-development schemes. They kindle high hopes but to carry them through is likely to involve sizable investments of capital. Also they are perhaps more important as areas of settlement than for increasing food production now. For the immediate future a small improvement, such as the introduction of an improved variety of a single crop, could do more to increase food output than opening up a new land area.

The difficulties which must be overcome to revolutionize the agriculture and health of the underdeveloped areas should not be underestimated. The plight of many of these countries is the result of centuries of poverty, illiteracy, disease, and warfare which have left eroded lands, primitive farming methods, even a lack of the necessary body energy for vigorous labor.

Along with the immediate measures to step up food production and to reduce disease must go a carefully worked out program of long-time agricultural and health improvement. The use of fertilizers, equipment, and farm machinery may yield larger harvests quickly. If these gains are not to disappear there must be left behind among the people the "know how" necessary for continued improvement and the economic means to sustain such improvement.

Similarly, the spectacular inroads on disease that can be made through vigorous public health and sanitation programs must be supported by a strengthening of governmental health agencies, the expansion of hospital facilities, and the training of greater numbers of doctors, nurses, and other professional technicians.

Plant the Roots

The importance of conducting all assistance programs so they produce steadily growing numbers of qualified local technicians cannot be emphasized too strongly. The people in these countries must learn the procedures which they can use themselves. They must build their own "know how" institutions designed to train technicians qualified to expand agricultural extension teaching and to maintain programs for experimentation, demonstration, and technical advice. Only by broadening the human base of technical skills in the underdeveloped countries

can the United States withdraw from these programs, assured that the roots of lasting results have been firmly planted.

In this connection the value of our students going abroad and students of foreign countries coming here is worth noting. Private foundations, colleges, and government agencies have found that the granting of fellowships to foreign students has been among the most productive of all international activities.

One final note: So varying are the conditions in the different countries that the techniques and improvements which are possible must be carefully fitted to each country. The agency operating in this field should ascertain as fully as practicable just what conditions of food production, land ownership, land rental, and distinctive farm practices prevail in each region. It should study what efforts for improving agricultural conditions have proved effective in different areas.

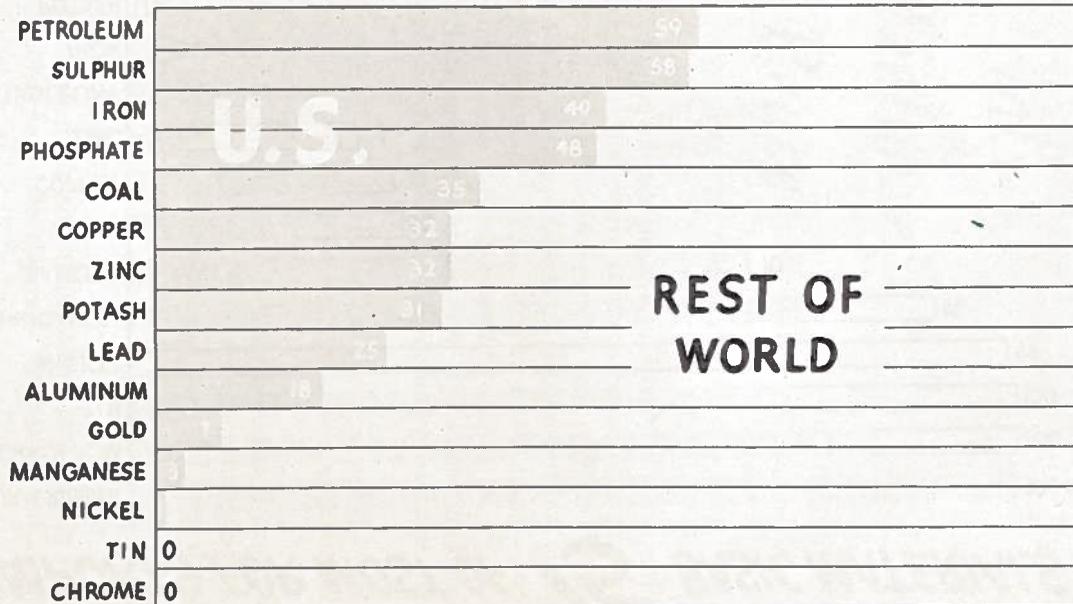
Having studied each particular country, the operating agency will be able to judge how far successful techniques can be applied such as: (a) training rural leaders; (b) experiment-station research; (c) demonstration and extension work by farm and home agents; (d) 4-H clubs and other youth training; (e) farmer organizations and cooperatives; (f) soundly directed rural-credit and insurance agencies; (g) efficient marketing and crop reporting agencies; (h) better crop and seed selection; (i) soil conservation and other proved practices.

All these techniques are needed in some degree in every country. The mere establishment of them, however, is not sufficient. Two further steps are absolutely essential, namely, the *integration of these techniques into an operating program* adapted to each country and the *establishment of that operation as an indigenous process within the governmental framework of that country.*

U.S. Produces Over Half the World's Industrial Output But Mines Only a Third of World Mineral Output

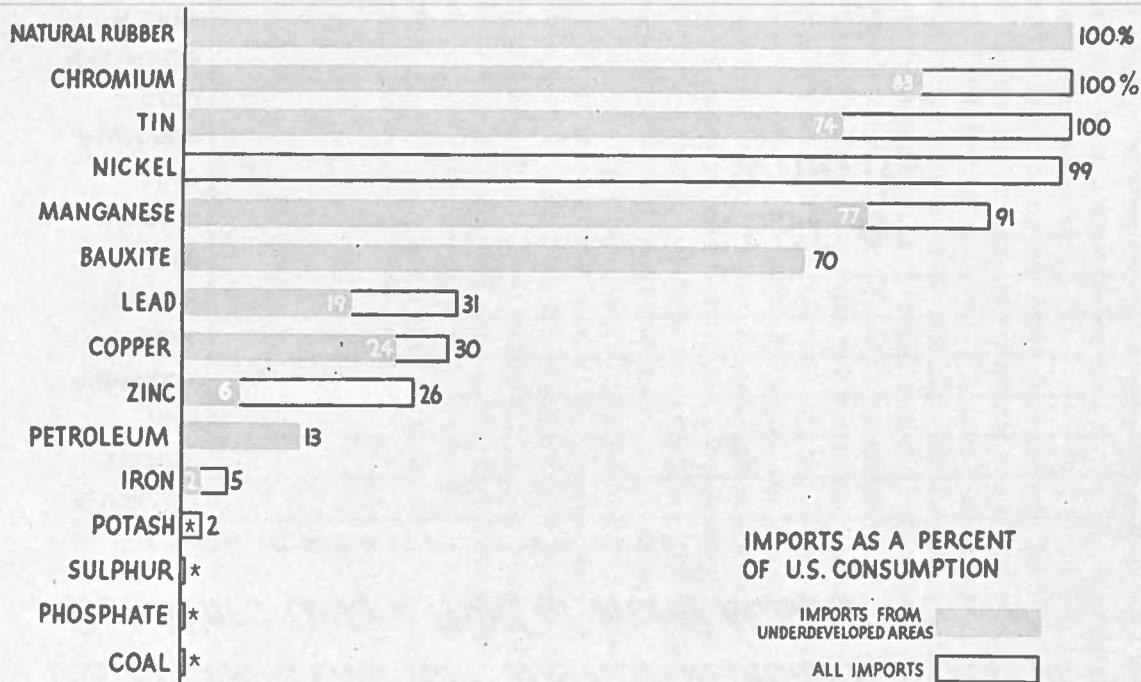
U.S. MINERAL EXTRACTION AS PERCENT OF WORLD TOTAL

100%



SOURCE: Article by Allan F. Matthews, Editor U.S. Minerals Yearbook
in FREEDOM AND UNION, October 1950

U.S. HEAVY INDUSTRY DEPENDS ON IMPORTS FOR MOST OF 15 BASIC MATERIALS



* LESS THAN 05 %

SOURCE: 1950 Commodity Year Book, Commodity Research Bureau, N.Y.

4

Materials for Defense and Peace

The fact that shortages of materials are already forcing some curtailment of civilian production warns of the necessity of expanding the raw-material base on which the free peoples rely. While there is a general awareness of this, a comprehensive, fully worked out attack on the problem has still to be made. *The Advisory Board recommends that the new Overseas Economic Administrator lose no time in organizing and pressing a sizable development program which will both step up output from sources already available and bring into production new untapped resources.*

An investment of 2 billion dollars in production facilities over the next few years could swell the flow of critical materials to this country and to Europe by a billion dollars a year.

The Advisory Board feels that this increased production can best be carried out under private auspices. The necessary management skills can be most readily found in private firms. Many of these development projects could be undertaken under long-term government purchase contracts. Other projects would be eligible for accelerated amortization as defense facilities.

Both immediate defense needs and longer-range peace needs warn of grave consequences unless such a development program is undertaken promptly.

The need for careful study of the long-term requirements for raw materials has recently been recognized by the appointment of the President's Materials Policy Commission. Steadily expanding economies of the United States and Western Europe are dependent upon expanding economies of the underdeveloped areas.

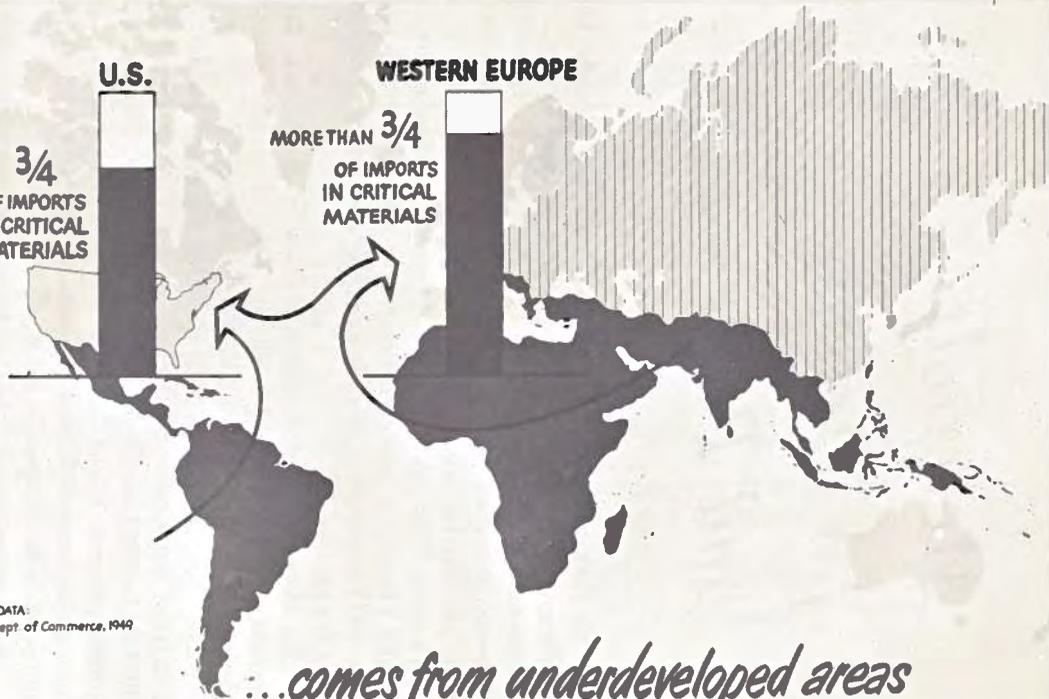
73% OF U.S. IMPORTS OF STRATEGIC & CRITICAL MATERIALS...

U.S.
3/4
OF IMPORTS
IN CRITICAL
MATERIALS

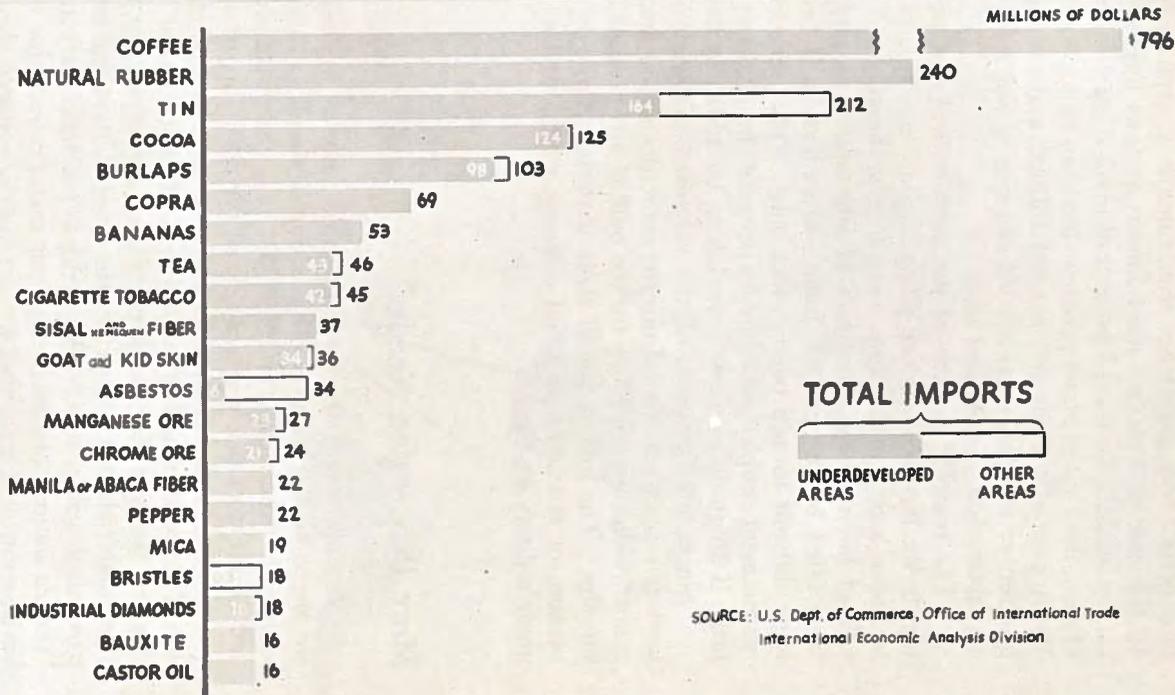
WESTERN EUROPE
MORE THAN 3/4
OF IMPORTS
IN CRITICAL
MATERIALS

SOURCE OF US DATA:
U.S. Dept. of Commerce, 1949

...comes from underdeveloped areas



THE U.S. DEPENDS ON UNDERDEVELOPED AREAS FOR SUPPLIES OF ESSENTIAL PRODUCTS



SOURCE: U.S. Dept. of Commerce, Office of International Trade
International Economic Analysis Division

Six of Fifteen

Of the 15 basic minerals, the United States is relatively self-sufficient in only six: coal, petroleum, iron, sulphur, phosphate rock, and potash. In the case of iron, we must import various ferro-alloys before steel can be made. Of the 13 pounds of manganese required for every ton of steel, the United States produces less than half a pound here at home. We import all of our tin, natural rubber, and cordage fibers; three-quarters of our tungsten; a third or more of our lead; and more than a quarter of our copper and zinc.

The reserves of some of the most critical and strategic materials which we have been stock-piling against the risk of war are likely to prove sorely inadequate were war to break out. At the present rate of buying only about half of our total stock-pile goals will have been filled by the end of June. Moreover, it is becoming increasingly difficult to add to our stock piles. The devouring demands of rearmament coupled with hungry demands for civilian production leave little, if anything, of most materials to be added to our reserves.

Since three-quarters of the imported materials included in the stock-pile program come from the underdeveloped areas, it is to those countries that we must look for the bulk of any possible increase in these supplies. The loss of any of these materials, through aggression, subversion, or economic or social collapse, would be the equivalent of a grave military set-back.

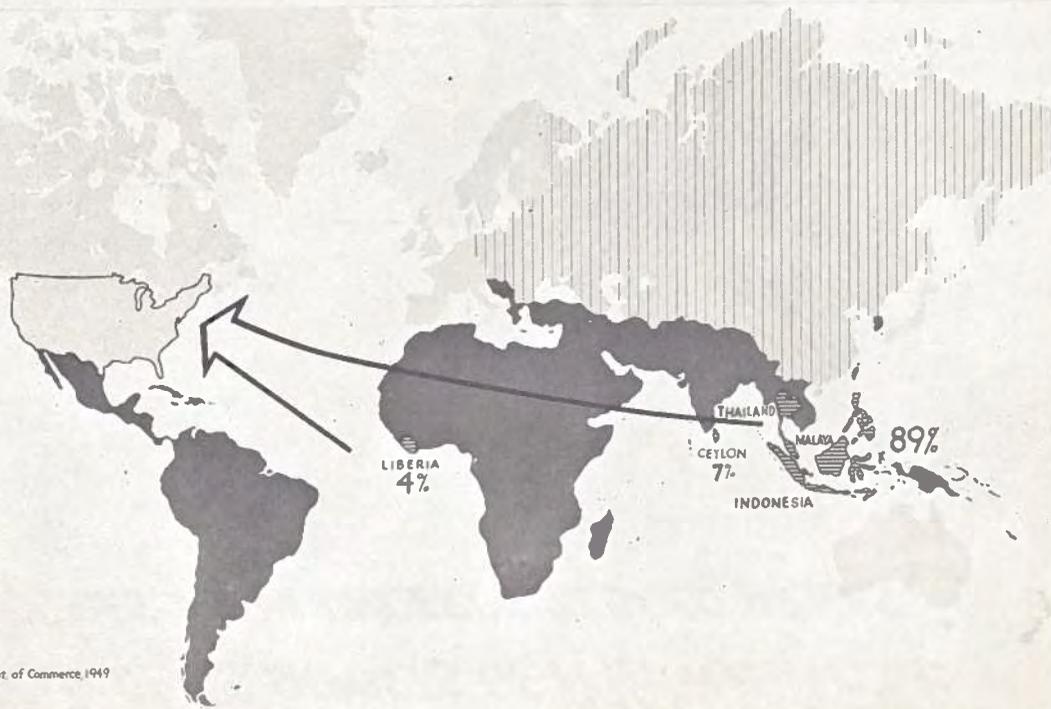
More Production Needed

An immediate step-up in the production of key minerals is vital if we are to be able to meet the growing demands of military production without harsh civilian curtailments. It is vital if we are to continue to add to our stock-pile reserves against the possibility of all-out war.

Several further reasons for losing no time in expanding the production of strategic materials can be cited. Today many of the free peoples, those of Western Europe in particular, are dependent upon food and other materials that come from the Soviet Union and her satellites. In part this dependence reflects a desire to maintain markets in which these Western nations can exchange their own products for the goods of the Soviet-controlled areas; but in part this dependence also reflects the fact that these commodities are not obtainable elsewhere except at extremely high costs.

The Advisory Board shares the hopes that the people in the satellite countries will be able to regain their freedom and become active

100% OF U.S. IMPORTS OF NATURAL RUBBER COMES FROM UNDERDEVELOPED AREAS



SOURCE: U.S. Dept. of Commerce, 1949

85% OF U.S. IMPORTS OF MANGANESE COMES FROM UNDERDEVELOPED AREAS



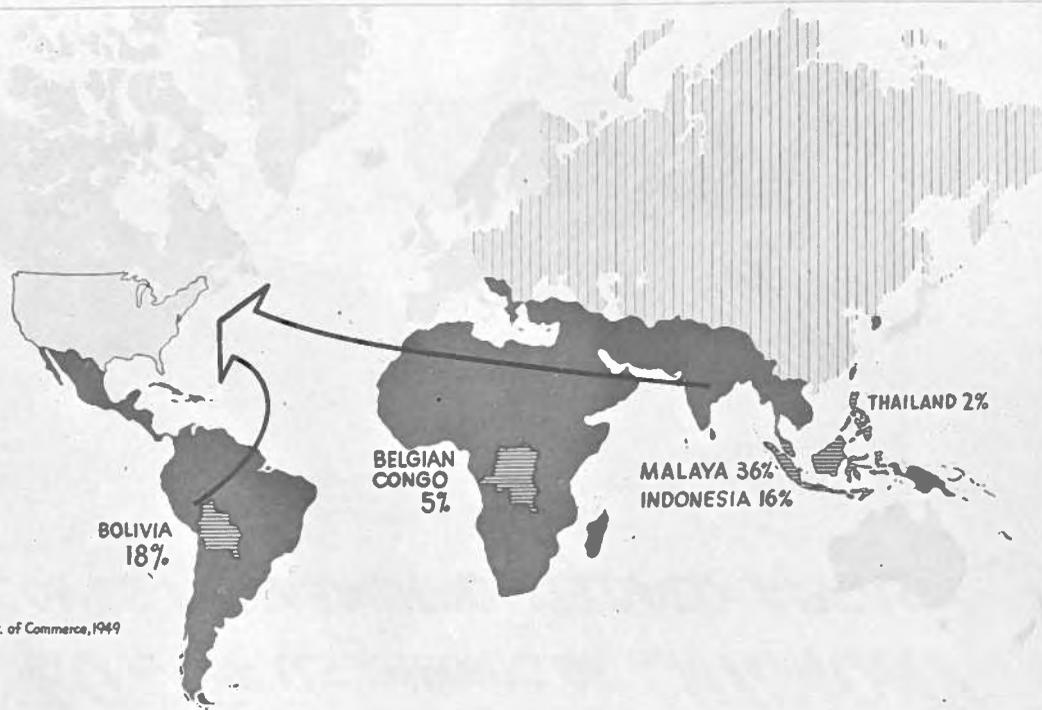
SOURCE: U.S. Dept of Commerce, 1949

80% OF U.S. IMPORTS OF ANTIMONY COMES FROM UNDERDEVELOPED AREAS



SOURCE: U.S. Dept of Commerce 1949

77% OF U.S. IMPORTS OF TIN COMES FROM UNDERDEVELOPED AREAS



SOURCE: U.S. Dept. of Commerce, 1949

partners in expanding world trade. The harsh reality that confronts us today is that their trade is now tightly controlled by the Soviet Government. Few things move westward unless it suits the Soviet Government to have them do so. We must expect these goods and materials to be held back whenever the Soviet Government wills it, as has already happened with Soviet shipments of manganese and chrome to the United States.

Free the West

In the manganese and tungsten deposits of Latin America, Africa, and Asia, the chrome ores of Turkey and the Philippines, the timber stands of Chile and Brazil, the pulpwoods of Labrador lie substitute sources for many of the materials which once came from or still come from Soviet-dominated areas.

The Advisory Board fully appreciates the difficulties that will have to be overcome before such resources can be brought into fruitful production. At best 2 to 3 years would be required for significant results. That fact argues all the more strongly for not losing any more time in getting started on this development work.

Had such a development program been begun 3 or 4 years ago when the Soviet imperialists first clamped tight their monopoly control over the trade of the satellites, a number of these projects would have been completed by this time.

Prepare for the Worst

No one now can foresee fully what measures the free peoples may be forced to take if persistent Soviet aggression is to be halted short of all-out war. The continued dependence of free nations upon imports from Soviet-controlled areas weakens them in enforcing measures of economic defense.

Longer-range objectives also clamor for expanding the base of available raw materials. Although the United States accounts for more than half of the world's heavy industry production, it mines only about one-third of the world's annual output of the 15 basic minerals. Another third is accounted for by six other signers of the Atlantic Pact (Canada, the United Kingdom, France, Belgium, the Netherlands, and Luxembourg), although a large part of this comes from overseas territories which fall within the underdeveloped areas.

How long could the United States maintain its place as a producer of more than half of the world's industrial output if forced to depend on its own materials supplies?

Strength Makes Strength

A sizable development program in these underdeveloped regions would not only increase available supplies of critically short materials but it would give an appreciable lift to the underdeveloped countries themselves. In bringing into production new resources or stepping up the output of available sources, improvements would have to be made in power facilities, highways, railways, and ports. Health and sanitation programs would be pressed. Opportunities would be created for all sorts of ancillary industries. With larger earnings of foreign exchange and greater tax collections internally, the governments of these countries would be able to push through additional development projects on their own.

All the problems of these areas would be lightened by an increase in exports, even as many of these countries have had all their problems aggravated in recent years by a loss in their prewar production for export. In newly independent Indonesia, for example, the fact that exports of strategic materials are about 50 per cent of prewar volume has drastically reduced the ability of the Indonesians to buy the imports which are vital for reconstruction. From Indonesia comes rubber, tin, petroleum, cinchona bark, pepper, kapok, copra, palm oil, sugar, coffee, and vegetable fibers. Indonesia also has important deposits of nickel, bauxite, manganese, and coal, which have been developed relatively little.

Mobilize Local Capital

Wherever possible, local capital should be encouraged to enter into partnership with United States investors in pushing these development projects. Encouragement should also be given to the processing in these countries of at least a part of their own raw materials, particularly where this would save shipping and other costs.

Raw Materials for Peace

One further justification for an appreciably greater development of raw materials is worth bearing in mind. No really effective structure of peace can be erected until the former enemy nations, Germany, Japan, and Italy, are fitted back into the world economy. All three of these countries are densely populated in relation to their resources. All three traditionally looked beyond their frontiers for the raw materials their

factories processed and for their trade outlets. In significant part, these raw materials and former markets are now controlled by the Soviet Union and her satellites. This condition has thrown additional burdens upon the economies of the West. The full impact of these dislocations may be much greater in the future.

The case of Japan presents a particularly drastic threat. Japan has already been cut off from her prewar sources of materials in North China and Manchuria. Were Southeast Asia to fall, the economic base on which Japan's future depends would have to be fundamentally recast.

To free Japan and Germany completely of economic dependence on the Soviet-controlled areas may not be immediately practicable. To the degree that this dependence is lessened, the easier it will be for these nations to resist Soviet pressures and to avoid having their independence subverted.

Recovery Sharpens Problem

Until lately the importance of this problem has remained largely hidden in the immediate necessities of physical reconstruction. With Western Europe's factories producing full blast and the recovery of Japan, Germany, and Italy quickening, the need for expanding the available supplies of raw materials and markets will grow more acute. If a desperate struggle for industrial survival and a cutthroat scrambling for available raw materials is to be avoided, Western Europe's industrial recovery should be paced by a sizable economic development in the underdeveloped areas. If that were done, each would strengthen the other. From Western Europe and Japan could go additional equipment to help speed economic progress of these areas.

Job for Private Enterprise

In the field of mining and smelting, which covers our important metals procurement, private United States investment capital is now flowing abroad at the rate of about \$75,000,000 per year. Most of this is going to Latin America, with a small amount going to Africa. Presently planned expansions will increase the annual rate of investment over the next few years to about \$120,000,000 per year. In addition, we are informed that the United States metals industry has plans for overseas projects which are sufficiently promising to warrant a further investment of about \$120,000,000 per year.

Double Investment

The projected rate of private investment abroad in mineral development could be quickly doubled.

Aside from minerals, important expansions are contemplated to increase our supplies of rubber, petroleum, fats and oils, and some basic fibers.

The 2-billion-dollar investment in expanded strategic-materials production, referred to by the Advisory Board, would probably require 4 to 5 years to complete. As stated earlier, the Advisory Board feels no further time should be lost in acting.

Realistic Planning Needed

In urging this development program the Advisory Board is not proposing that we embark upon widely speculative mineral hunts here, there, and everywhere in the underdeveloped countries. Before any project is undertaken, the details should be carefully worked out in cooperation with the foreign governments involved. Where alternate locations are possible, care must be taken to select sites which are least vulnerable strategically and which are closest to established transportation and communication facilities. In many cases, old railroads will have to be repaired and new ones built to bring out the materials produced. These and other factors must all be weighed not only in terms of the money to be spent, but in terms of the materials which would be used so as to yield the maximum defense returns.

It was to insure the most effective use of available resources that the Advisory Board recommended the working out of long-term regional and national development programs. As an illustration of how the different pieces of a development program can be fitted together so each strengthens the others, consider what was done in the Rio Doce Valley of Brazil. Absenteeism on the Vitória-Minas railroad was cut dramatically by effective malaria control. This has made it possible to reduce maintenance crews by one-third, which, in turn, has cut the cost of extracting and transporting iron ore and mica from the Rio Doce Valley. At the same time, the death rate among adults and infants in the valley has been lowered because of the pure water, safe sewage disposal, and community health services in the main population centers.

Workers Must Share

Throughout the underdeveloped areas our objective should not be to "mine and get out" but to strive for a balanced economic develop-

ment which will lay an enduring base for continued economic progress. These development programs should recognize the need for an expansion of all types of local industry. They should give workers a full share in the benefits as quickly as possible. This is not stressed merely out of sympathy for the people in these countries, but in realistic awareness of what this country is trying to do. The experience of workers and employers in the United States has shown that proper labor-management relations are a highly valuable national asset.

Fair Labor Standards

Improving the standard of living of the people of the underdeveloped areas is a definite strategic objective of United States foreign policy. That grievances are constantly being exploited by subversive forces hardly needs elaboration. Soviet agents have been particularly diligent in efforts to propagandize and control industrial and rural workers.

The free trade unions in the underdeveloped areas have done a praiseworthy job in fighting off communist and fascist infiltration, while striving to better the lot of their members. In this they have been aided with funds and advice from United States trade unions. *The Advisory Board recommends the continued encouragement of the free labor unions in the underdeveloped areas.*

Over the last three decades the International Labor Organization has developed a number of conventions and recommendations for desirable labor standards, especially framed for underdeveloped areas. *The Advisory Board endorses these ILO fair labor standards as a guide for minimum labor standards in the underdeveloped areas.*

In the ultimate sense, all our hopes for continued cooperation with the free peoples of the world must rest upon our realizing that we all have a common stake in the future. If that sense of being in it together is to be genuine and lasting it must be shared by all segments of the population. America's own experience has shown that the surest guarantee of political stability and orderly progress is an improving standard of living. We stress the word "improving" rather than "better living." More important than the particular level of living which may prevail at any one time is that things should be getting better. Hope is really our strongest ally.

Need and Need Alike

As the United States and Western Europe mobilize their resources for defense, more and more of their normal economic activities can be expected to be brought under control. Scarce materials will be diverted from less essential to more essential uses. Factories and man power will be shifted from the production of civilian to military items. Existing export controls will be tightened.

The Advisory Board recommends that vigilant care be exercised to ship to foreign countries their truly essential imports, treating their needs on the same "first things first" basis as our own—no tougher, no easier.

Unless an adequate flow of necessary materials, equipment, and spare parts is maintained, our aim of mobilizing the strength of the free world will fail. All plans for increasing food production and manufacturing will become meaningless. All plans for spurring the production of strategic materials in these areas will be rendered futile. Even the current output of these materials, which are indispensable for defense production, can be expected to suffer if the already strained economies of these countries are deprived of essential imports.

Deepening hardship and unrest would undermine the forces of stability and strengthen the forces of subversion.

Let the Left Hand Know

The Advisory Board regards the protection of these essential exports as a particularly crucial recommendation in that if this is not done many of its other recommendations would become ineffective.

To neglect the essential needs of these countries could result in more damage to their economies than all the good that could come from a food-production drive and the expanded development of strategic-material production.

Western Europe as well must maintain its shipments of essential exports to these areas. Actually Western Europe fills a greater propor-

tion of the import needs of these countries than we do—40 per cent to our 31 per cent. It will hardly suffice for the United States to safeguard shipments from this country if Western Europe fails to continue its exports to these areas. Western Europe in turn must continue to receive essential imports from the United States.

In 1949, which was a year in which many of these countries were reducing their purchases from the United States because of a lack of dollars, exports from the United States to the underdeveloped areas were about 5 billion dollars. Exports of that volume would represent less than 2 per cent of our present gross national production, a relatively small allowance in proportion to the strategic contribution of these areas. To stimulate the output of critically needed minerals and food from the underdeveloped areas, as recommended earlier in this report, would require additional exports of equipment from this country. These higher allocations would be compensated for by relief from present and prospective shortages of critical materials.

Ability to Pay

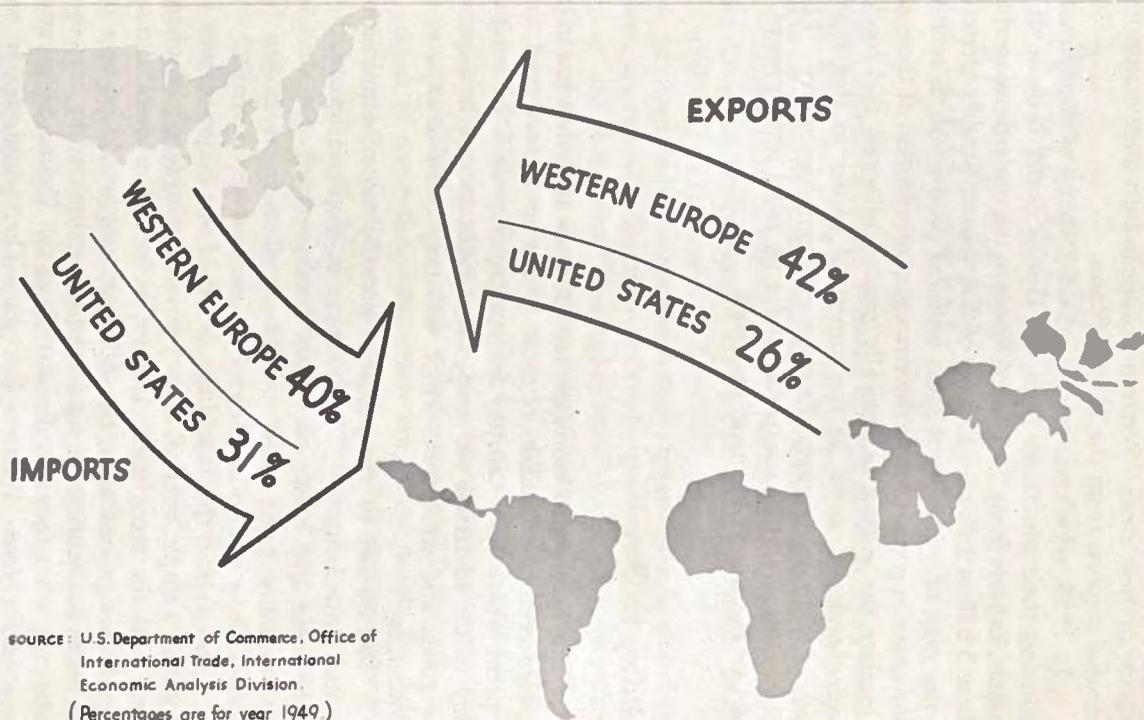
The heightened world demand for raw materials has improved the foreign-exchange position of most of the underdeveloped countries to a point where they can pay for current imports. In return for shipping us the materials we need, these countries can be expected to ask for goods and equipment which will help them to expand their own economies.

The essence of the problem is really one of administration here in the United States. The question is, shall we ignore the needs of these areas and invite disastrous consequences? Or shall we set up the necessary government machinery so their needs are fairly considered along with other defense or essential requirements?

To establish this machinery is one of our major reasons for recommending a single, over-all agency governing all foreign economic operations. As the recognized claimant before other mobilization agencies for *all* foreign countries, the Administrator would be in a position to eliminate duplications in export requests submitted by various countries, balancing what they are allocated from the United States against what they receive from Western Europe. The Administrator would also be able to guide the allocated exports so that they make the maximum contribution to our defense and the strengthening of the free world.

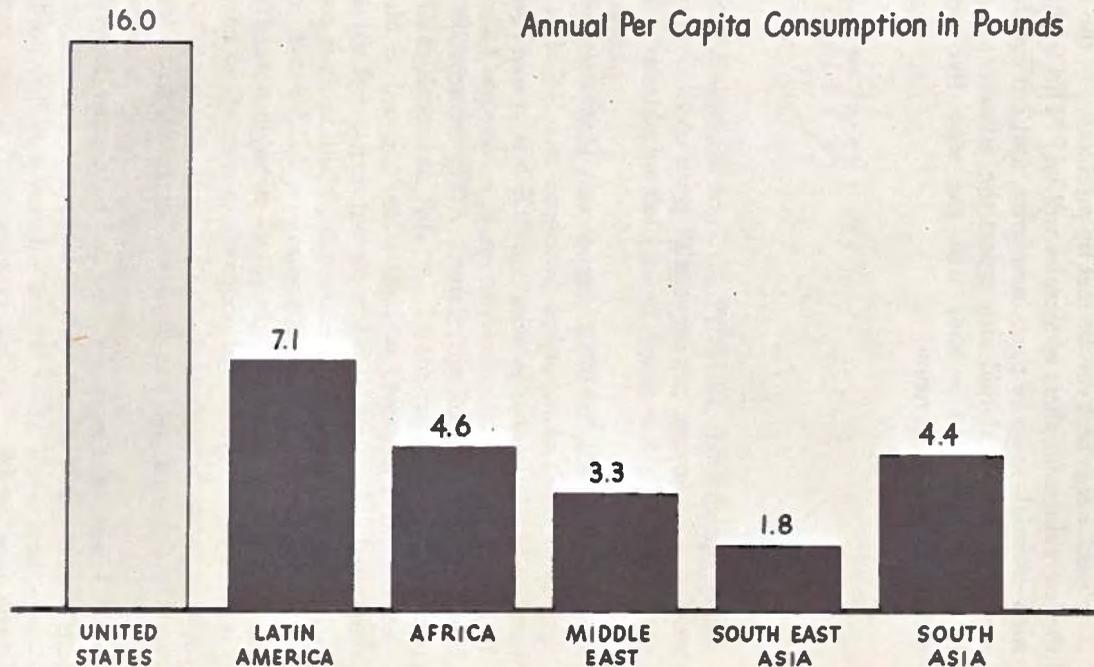
In allocating exports, we would expect the Administrator and the mobilization agencies to favor projects which increase needed military or essential civilian supplies, yield the quickest returns for the resources

UNDERDEVELOPED AREAS DEPEND ON U.S. AND WESTERN EUROPE FOR 70% OF THEIR TRADE



SOURCE: U.S. Department of Commerce, Office of International Trade, International Economic Analysis Division.
(Percentages are for year 1949.)

COTTON CONSUMPTION IN UNDERDEVELOPED AREAS IS LESS THAN 1/5 OF U.S. USE PER PERSON



SOURCE: Food and Agriculture Organization, Commodities Series Bulletin No. 14, 1949

invested, reduce the future drain on scarce items, or contribute directly to promoting political and social stability. An important step in this direction can be accomplished by assisting an already established trend toward development of local manufacturing industries. The more of their basic needs that can be met by production in the areas themselves, the less vulnerable their economies will be. This is particularly true of such essentials as spare parts, newsprint, and critical chemicals (including DDT). We should also expect the Administrator to give priority to those nations cooperating with the other free peoples in mutual defense against aggression.

Country by Country

In the letter of assignment from the President, the Advisory Board was instructed specifically to study "the types and size of the programs which it considers desirable for the United States to undertake" in the underdeveloped areas.

During the current fiscal year roughly \$280,000,000 is being spent on programs of technical and economic assistance to these areas (exclusive of Turkey, Greece, and Korea), most of it through three agencies: The Economic Cooperation Administration (ECA), the Technical Cooperation Administration (TCA), now in the State Department, and the Institute of Inter-American Affairs. In the main these programs, all of which would be brought under the new Overseas Economic Administration, provide for cooperative assistance in improving basic governmental services, such as health, education, and vocational and agricultural training. Some ECA programs provide for small-scale public works, such as irrigation dams in Thailand, or for larger projects, such as the rehabilitation of the port of Rangoon in Burma. ECA also furnishes essential commodities, chiefly foods, textiles, and medical supplies, to underdeveloped countries unable to pay for them out of their own financial resources.

The Gray Report, completed last year, recommended that United States economic assistance to the underdeveloped areas be increased "up to about 500 million dollars a year for several years, apart from emergency requirements arising from military action." Along with that, the Gray Report urged a step-up in the lending activities of the Export-Import Bank and the International Bank for Reconstruction and Development, plus stimulation of the flow of private investment abroad as "the most desirable means of providing capital."

Avoid Wasted Effort

The Advisory Board is fully in accord with this belief in the prime importance of private capital. In fact, the Advisory Board believes it can become far more important than is generally envisioned. Our specific recommendations for at least doubling the flow of private investment abroad are set forth in the last chapter along with proposals for new activity for both the Export-Import Bank and the International Bank.

As to United States Government financed programs, the need for economic assistance is acute, and the Advisory Board believes that the expenditures recommended by the Gray Report in these areas are justified. However, this further point must be noted—*the Advisory Board does not think that the most effective results will be obtained or the most economical use made of available resources unless these programs are carried out through a new, centralized foreign economic agency organized along regional lines.*

Much of what is undertaken would be dissipated unless all programs of foreign economic cooperation—whether they are financed by the United States, by other governments, or by international agencies—are fitted together as parts of a unified program for each country and each region.

Unify All Programs

What is undertaken in the field of health or education, for example, should be integrated with what is done to expand the production of strategic materials and to lift food output. To tap a new ore body in many of these countries will require malaria control. The same improved highway or rail facilities required to transport ores could facilitate the movement of crops to market, which in itself would make possible agricultural changes which otherwise would not be economical. Sound agricultural and industrial development must go hand in hand. Only to the extent that the individual programs are part of an over-all national plan can maximum use be made of available resources.

Employ Joint Commissions

As a means of facilitating United States economic cooperation with the other nations *the Advisory Board believes that joint commissions, consisting of representatives of the local country and of the United States*

as provided for in the Act for International Development, will often be useful.

Where established, the joint commissions would be the vehicle through which the Overseas Economic Administration would help in working out a national development plan, covering both immediate and long-range objectives. They would prepare lists of the country's essential imports from abroad which are needed to preserve economic stability. They would plan and work out the basis for increased production of strategic and critical materials for defense. They would set targets and work out cooperative programs for increases in food production, advances in health, training in basic skills, and improved transportation. The commissions should also study the course of the mobilization to determine in advance where the heaviest impacts will fall, what shortages are likely to develop, and what could be done to anticipate and ease them.

These joint commissions would in no way preclude the establishment of other types of mixed commissions or United States participation in regional commissions.

Worked Well Before

Joint commissions have recently been established between the United States and Brazil, Liberia, and Paraguay. During the last war, a similar Mexican-American Development Commission, among other things, worked out a series of projects in Mexico which included irrigation, power, chemicals, steel, and other manufacturing. When these plans were first drawn up no action could be taken on many projects because needed equipment was not available. However, all engineering, financial, and organizational details were worked out during the war. With the close of the war these delayed projects immediately went forward.

Test as You Go

Through joint commissions development problems can be approached in terms of the over-all economy of a country, seeking to cut through to the sorest difficulties of each country, with *specific targets of accomplishment clearly set forth*.

The needs of the underdeveloped areas are truly staggering, and there is no end of worth-while projects that can be undertaken. But simply to allocate United States assistance funds to something "worth

while" is not good enough. *The Advisory Board recommends that whatever is undertaken should be directed towards overcoming specific problems within set time limits.*

Only against the yardstick of specific goals can the effectiveness of what is attempted be measured. Only in that way can we learn from experience what really works and what does not, what should be discarded and what should be expanded.

Test as you go. That rule should govern all foreign assistance. The time for vagueness in administrative objectives has passed.

Coordinate in the Field

One of the objectives of the Administrator must be to avoid duplication and overlapping of programs abroad.

There would be two points for coordination of United States programs with those of international organizations—in Washington, through the Overseas Economic Administration, and in each country, through the joint commission, where one exists, or otherwise through the senior representative of the Overseas Economic Administration.

Balanced Progress Sought

A typical national development plan would strive for simultaneous progress in each of the three fields of economic endeavor:

1. The production and distribution of goods, including foodstuffs, manufactured products, and raw materials for export. This is primarily a function of private enterprise.
2. Public works, such as roads, railways, harbors, and irrigation works. With these, development is hastened. Without them, development is retarded. These are primarily the responsibility of governments.
3. Basic services, such as public health and sanitation, education, agriculture, public administration, and training people in basic skills. These are fields in which governments have primary responsibilities.

Taking up each of these three areas, we have left private enterprise and public works for later chapters and here consider the development of the basic services.

Reach the People

If these basic-service programs are to be successful, they must reach down to the people. A highly effective means of accomplishing this has been worked out in Latin America over the last 8 years under the auspices of the Institute of Inter-American Affairs, which is a United States Government corporation.

In 16 Latin American countries "servicios," meaning cooperative service agencies, have been set up. These cooperative service units are set up within the governmental framework of the local country—a highly important feature. A unit on public health and sanitation, for example, will operate under the Minister of Health. This serves to strengthen the governmental services. It inspires heartier cooperation than if the operation units were in competition with the local government, which has happened under other types of assistance programs.

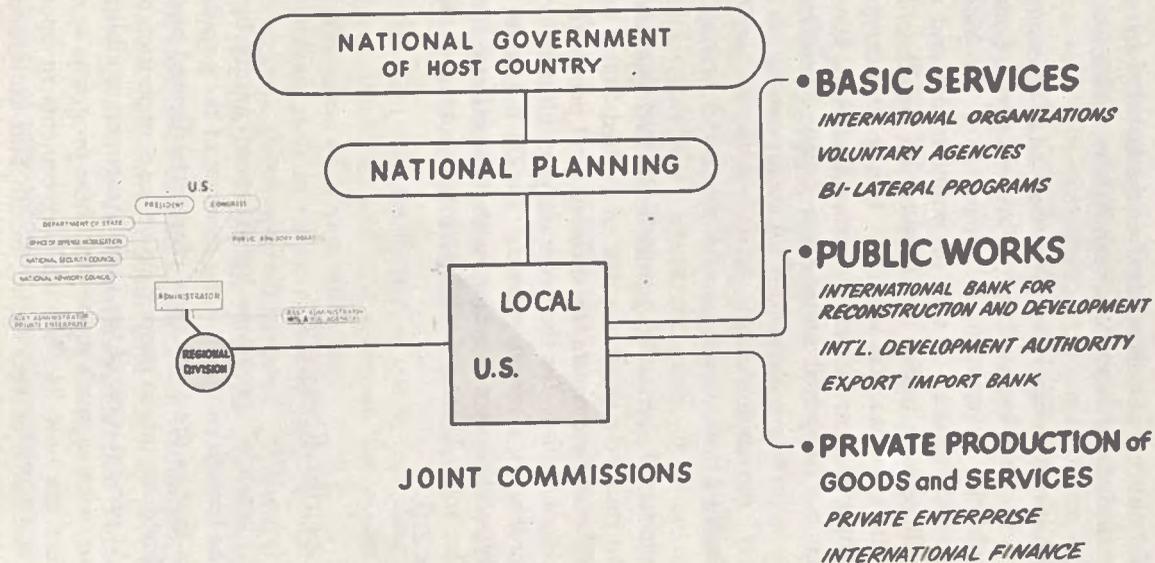
Jointly Staffed

The "servicios" are staffed jointly by United States and local personnel. The relatively small number of United States technicians on the "servicio" staffs are constantly training local people to assume ever-increasing responsibilities for the programs and ultimately to take them over. According to a recent estimate, 10,000 nationals in the Latin American republics were working with the various "servicio" field parties. The total United States personnel engaged on these same projects was 210.

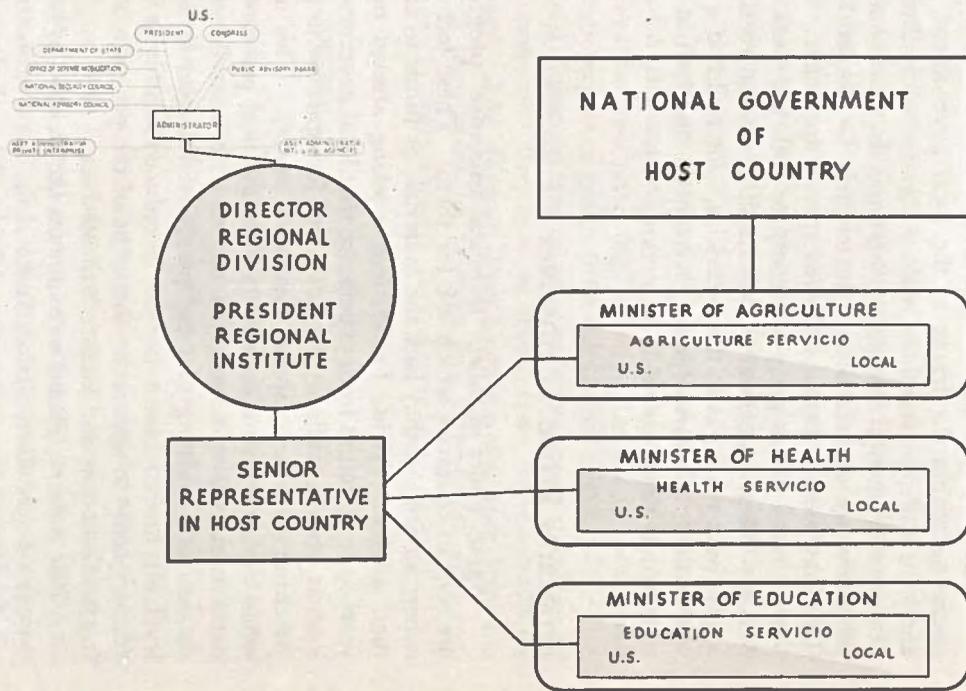
Largely Locally Financed

All the "servicio" programs are financed jointly by the United States and the foreign country. One measure of the popularity of these "servicios" is that as the years have passed the United States contribution has declined steadily in proportion to the contribution of the foreign countries. At present most of the Latin American republics are putting up more than twice as much money for these programs as is the United States. There are now 24 "servicio" agreements in operation in 16 countries in the fields of agriculture, health and sanitation, education, and vocational training.

BI-LATERAL COORDINATION and PLANNING through JOINT COMMISSIONS



BI-LATERAL ORGANIZATION FOR BASIC SERVICES THROUGH SERVICIOS



Institute Favored

The United States portion of the funds, materials, and technicians for these "servicios" is provided through the Institute of Inter-American Affairs in Washington. The Inter-American Institute recruits the necessary United States technical personnel for the projects, it maintains progress reports on the work, and it supervises the technical and financial aspects of our contribution to these cooperative programs.

The principal advantages of the Institute-servicio program—its operating within the frame of the local government, joint financing, and joint staffing—stand out when contrasted with other types of United States governmental assistance programs. In some countries these other programs are organized and run entirely by United States personnel. This may seem a simple and even speedy approach. When successful, these United States programs compete with the work of local governments. When unsuccessful, they result in mutual recriminations. Nor is provision made, as in the "servicios," for building a lasting function within the framework of local governments and for training local people to take over the program as their own.

Programs Prove Themselves

Again, under so-called "technical assistance" programs, technicians are sent to countries which ask for them. These technicians can give expert advice but they lack the materials or funds to carry through on their advice. Private foundations working abroad over the past 50 years have all found from experience that local governments tend to lose interest after a while in the advice of foreigners who are telling these governments how to spend their own money. This is especially true when the advice runs counter to local political pressures. These foundations learned to accompany advice with material and financial assistance and training of local personnel. Begun at a relatively high level, this financial assistance can be reduced steadily as the people in the country come to appreciate the value of the program and become willing to take it over and finance it themselves.

The Advisory Board recommends the creation of regional institutes for the Middle East, Africa, South Asia, and Southeast Asia similar to the Institute of Inter-American Affairs. These institutes should be used wherever practicable as the vehicle to set up joint "servicio" units with other governments to carry out cooperative jointly financed programs in the fields of health and sanitation, agriculture, education, and public administration. The experience of the Inter-American Institute has

shown that they can attract and hold highly qualified personnel, who overcome language barriers and build a career.

Through these institutes the new Overseas Economic Administration would carry out country-to-country basic-service programs. The institutes would be an integral part of the regional divisions in the Overseas Economic Administration.

Share the Load

At the outset of any program, the United States proportion of financing will probably be high, but there should be a sliding scale by which United States financing will go down as the local country takes up a larger share. From the very outset of a program, the Advisory Board believes that people in the country must feel they have a stake in the program and be prepared eventually to carry it on with their own resources.

The Advisory Board recommends the adoption of this general principle—all United States assistance programs should provide for some measure of cooperative local financing, including the use of local funds set aside as the counterpart of grants from the United States.

If the regional institutes are to plan their programs soundly and operate them economically, they must be able to enter into contracts for several years ahead. *The Advisory Board recommends that provision be made enabling these institutes to enter into three-to-five-year contractual obligations to carry through their development work.*

Budget Appropriation

For the next fiscal year, the Advisory Board recommends that the cost of these basic-service programs be met from the appropriation of \$500,000,000 for the underdeveloped areas recommended in the Gray Report.

In endorsing the Gray Report proposal, it should be noted that this \$500,000,000 figure was "apart from emergency requirements arising from military action" and therefore was not intended to cover the needs of Greece, Turkey, or Korea. Nor is it intended to cover such a famine as now threatens in India. The funds proposed are intended solely for the geographical areas of Latin America, Africa, the Middle East, South Asia, and Southeast Asia. The Advisory Board has not gone into the

matter of the appropriation for European recovery or for economic aid in support of the North Atlantic defense treaty or the appropriations for the occupied areas, including Japan.

Point Four on the March

The Advisory Board believes that the proposed regional institutes, functioning as dynamic organizations, can accomplish with maximum dispatch and effectiveness the human purposes of Point Four as they were envisaged by the President in his Inaugural Address of January 1949. Through these institutes the objective of "food and health for independence" can be achieved. Its achievement, in turn, will make a major contribution to the production of "materials for defense and peace."

These institutes point the way to helping the free peoples of the world, in the words of the President, "through their own efforts, to produce more food, more clothing, more materials for housing, and more mechanical power to lighten their burdens."

Base To Build On

The automobile industry in the United States is an excellent example of the crucial interrelationship between public works and economic progress. The swift expansion of automobile ownership and production would hardly have been possible without the simultaneous development of a nationwide network of highways and roads.

In the underdeveloped countries, as well, progress in the production of food, raw materials, and manufactures must move along with the construction of highways, the improvement of rail and port facilities, the expansion of electric power for factories, and irrigation to bring in new farm lands. Unless projects of this nature are carried through, efforts to increase production or to lift living standards will be frustrated.

Currently in most of the underdeveloped areas these facilities are either entirely lacking or woefully inadequate. Their cost is high and generally beyond the financial resources of these underdeveloped countries, even if assisted by existing lending institutions.

Impact of Emergency

Many of these projects yield no direct income or only small returns over many years. In other cases the costs are so large that they run far beyond the present borrowing capacity of these countries.

The construction of essential public works gains urgency as the result of the present emergency. The opening of new sources of strategic and critical materials for the free nations requires highways, railroads, improved ports, new land under cultivation, and electric power. Properly conceived, these improvements will prove a lasting contribution to the productivity and well-being of the underdeveloped areas.

Protect Strategic Projects

What is the most efficient way of financing these public works?

Certain public works projects are of basic importance to our total defense effort. These fall into two general categories, first those essential to the production of strategic and critical materials, and second those relating to the preservation of the economic strength of nations under pressure of aggression.

Whether it is expanding railroad facilities to handle a stepped up flow of strategic and critical materials or roads, irrigation, drainage, or power facilities to build up production in the Middle Eastern or Southeast Asian countries to stem the tide of hunger and despair, the job must be done.

The new Overseas Economic Administration must have sufficient funds to be able to provide direct financial assistance to these countries for strategic public works. Time is of the essence. Only the unavailability of materials and equipment should occasion delay.

Therefore the Board recommends that the Administrator be authorized to use whatever funds are needed for this purpose from the appropriation of \$500,000,000 for the underdeveloped areas recommended in the Gray Report.

Avoid Giveaway Pressures

As to public works essential for development but not primarily defense projects, the Advisory Board has weighed all the proposals which have been made as to how they should be financed. Among the tools presently available are the loans of the International Bank and the Export-Import Bank. The Gray Report suggested loans for development by the two banks on a scale of \$600,000,000 to \$800,000,000 annually. A continued flow of loan capital from these sources is required. However, there are many projects of basic importance to the development of underdeveloped countries that cannot be financed entirely on a loan basis. Our considered judgment is that *such public works can be most effectively financed and developed through a well-managed international agency.*

It is not a job which the United States can do alone or should attempt to do alone except during the emergency. The costs should be shared by many countries. A wholly United States agency would in the long run be subjected to diplomatic pressures to approve public works to serve political purposes. In contrast, an international agency would be in a better position to resist such pressures and to insist that proposed public works be strictly essential.

To administer the construction and financing of public works efficiently, standards and procedures must be laid down. It is difficult

for one country, such as the United States, to impose its standards upon other countries. However, an international agency can establish international standards applicable to all countries which obtain outside financing in carrying through public-works programs.

Prudent Management

To finance a *portion* of the cost of public works which are essential to the underdeveloped countries and which cannot be financed on an ordinary loan basis, *the Advisory Board recommends the prompt creation of a new International Development Authority in which all the free nations will be invited to participate.*

This new Development Authority should be set up with total initial funds not to exceed half a billion dollars to be subscribed by the United States and other countries in the same proportions as their subscriptions to the International Bank for Reconstruction and Development, each in its own currency.

The new Development Authority would have its own board of directors who would decide finally which projects submitted to it would be approved or rejected. *It should operate however under a management contract with the International Bank.* The services of the staff and management of the International Bank would be available for the investigation of proposed projects; also for the supervision of grants after they are made.

Joint Financing Seen

This plan for a new International Development Authority has been discussed with officials of the International Bank. We believe that the International Bank would give sympathetic consideration to making its management facilities available to the new Development Authority which we are recommending.

The close link with the International Bank will have another highly important advantage in that it will make possible the joint financing of projects. At present there are numerous projects of economic and social importance which cannot be financed entirely on a regular loan basis. However, if part of the cost of the project were covered by a grant from the International Development Authority, the International Bank would be able to finance the remainder of the cost through a sound loan.

Only Partial Grants

In *no* case should the Development Authority make grants covering the *full* cost of any project. All projects should be able to support at least a portion of the necessary financing on a loan basis, and in every case there should be some degree of matching of the grant by the beneficiary country in terms of local materials, local labor, or other local resources. This is in line with the principle stated earlier that all programs of economic assistance should provide for some measure of cooperative local financing.

Perhaps the most promising method of achieving cooperative financing would be through the establishment in these countries of local or regional authorities, similar to the Port Authority in New York. As in the case of the New York Port Authority, which operates in more than one State, these authorities can be set up to operate in more than one country.

Providing Funds

In the opinion of the Advisory Board, the possibility of establishing such an International Development Authority should be explored with other countries at the earliest possible date. Furthermore, *the Advisory Board recommends that the subscription of the United States should be \$200,000,000.* In the event that the Development Authority is organized and in a position to function in the fiscal year 1952, the Administrator should be authorized to transfer funds to the Authority out of the appropriated funds to the extent available at the time and should request the remaining funds in his appropriations for the fiscal year 1953.

Test for the Future

The Advisory Board has been reluctant to propose the creation of another governmental agency, even though it would be operated by the International Bank under management contract; but no existing agency is presently organized or has the authority to perform the functions which would be entrusted to the new Development Authority. We have suggested a ceiling of half a billion dollars on the Authority's operations to make certain that the Authority will be subjected to a thorough testing.

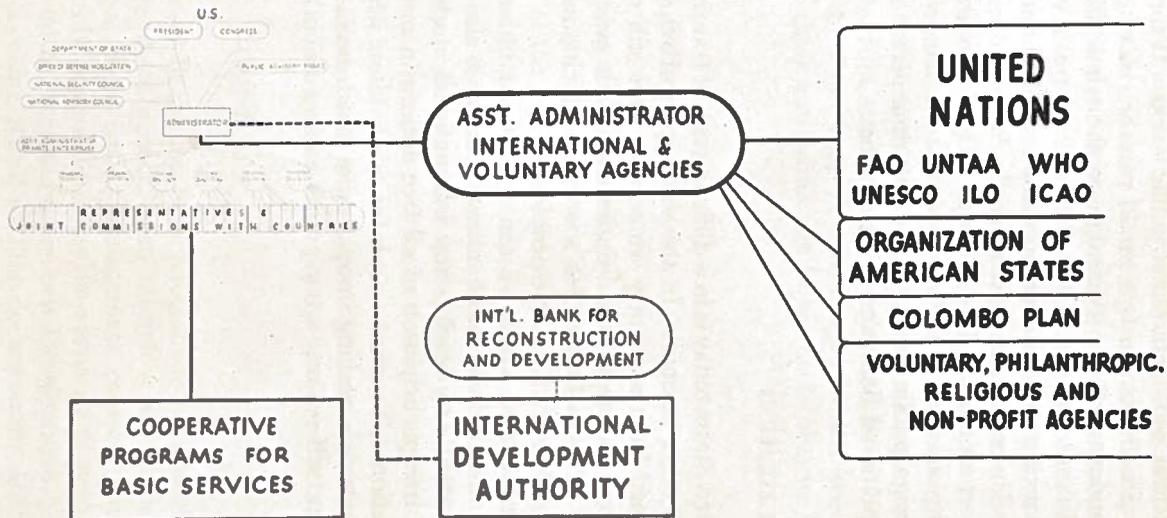
In recommending the establishment of the Authority on a test basis, the Advisory Board has been influenced by its conviction that one nation can hardly impose on another the conditions essential to assure efficiency in the construction and operation of public works. If the United States tried to enforce such standards it would run the risk of engendering ill will and misunderstanding. Although on the whole the programs of economic assistance have been handled well, there is urgent need to devise new financing tools which reduce and even eliminate the emphasis on large-scale United States "giveaways." We should seek a genuine pooling of effort among the free nations. The International Development Authority may prove to be a practical mechanism for financing large-scale foreign public works over a long-time period in cooperation with the International Bank and other nations.

U. S. in Transition

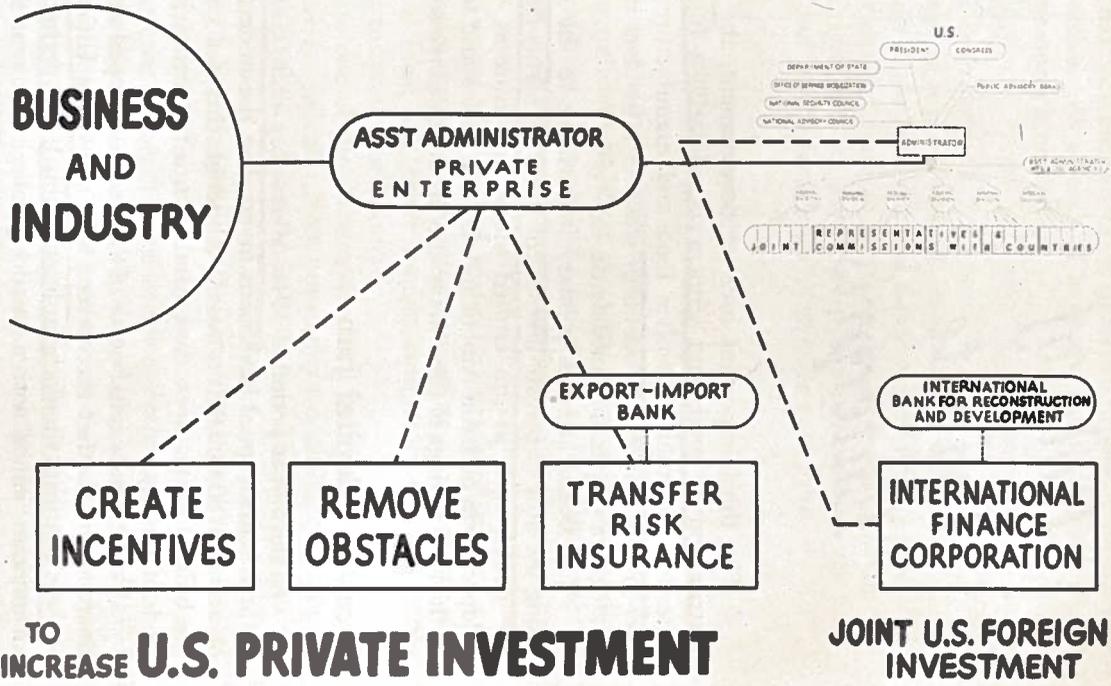
The United States today is in a difficult state of transition as regards its relations to other nations. In the short span of 60 years we have been transformed from a country whose eyes were still turned inward while pushing ever westward the frontier within our own boundaries to a nation which today looks out upon a world in which ours is the responsibility for leadership of all the free peoples.

There are limits to which we can entrust our interests to new or partially tried international mechanisms. But it is also true that we must strive constantly to develop new international mechanisms which encourage the free participation of all free nations in mutually advantageous association. We must search for mechanisms which avoid the paternalistic approach, seeking instead those which build up a sense of responsibility and self-reliance among other nations and other peoples.

FINANCING THE PROGRAM **PUBLIC CAPITAL**



FINANCING THE PROGRAM **PRIVATE CAPITAL**



TO INCREASE **U.S. PRIVATE INVESTMENT**

JOINT U.S. FOREIGN INVESTMENT

8

Role of Private Enterprise

The third important area of development, the production and distribution of goods and services, is primarily a function of private enterprise whether it involves food and manufactured goods to meet ever-growing civilian demands or whether it involves the production of strategic raw materials for defense.

The Board attaches primary importance to the means of stimulating the flow of private investment from the highly developed areas of the world, such as the United States and Europe, to the underdeveloped areas of Latin America, Asia, and Africa and to the channeling of the local savings of these areas into productive investment.

Break the Capital Jam

In the 5-year period of 1946-50 roughly \$3,500,000,000 of private United States capital have been invested in the underdeveloped areas, or about \$700,000,000 a year. Although this is a considerable sum, the bulk of it has been concentrated in a few countries and in a few fields of activity.

To meet the capital needs of the underdeveloped areas the Advisory Board estimates that the current flow of private United States capital to these countries should be at least doubled, and perhaps tripled. Such an increase, joined with a smaller public investment through national and international agencies and the more effective mobilization of local capital, could give a revolutionary lift to the economies of the underdeveloped areas. The present pattern of near-stagnation and relatively feeble development could be quickly transformed into a progressively expanding one.

Action on Several Fronts

How can this expanded outflow of private investment abroad be achieved? The Advisory Board has discussed this problem with numerous groups and has weighed scores of different proposals for accomplishing this objective. As a result of its study, the Board feels that a combination of measures is needed:

A tax incentive.

Bilateral tax and commercial treaties.

Underwriting the transfer risk on foreign dollar obligations.

A new affiliate of the International Bank to serve private enterprise.

An assistant administrator in the Overseas Economic Administration charged with no duties other than to encourage the maximum and most effective use of private enterprise.

Risks Outweigh Returns

At present, returns from investments abroad after all taxes are deducted are not sufficient to offset the great risks of business failure under strange conditions, exchange risks, and other extraordinary risks of foreign investment. This is especially true in view of the counter-attraction of domestic investment, which offers high returns and less risk. Moreover, the payment of a United States tax on top of foreign taxes puts a United States company operating abroad at a competitive disadvantage against local and other foreign companies which are not taxed at home on income earned abroad.

Low taxes are one of the attractions which underdeveloped countries can offer foreign capital. This inducement is nullified by applying the high United States tax rates to income earned in these countries.

The Advisory Board believes that income from foreign sources should be free of United States tax to the extent necessary to stimulate the flow of private capital to underdeveloped areas. This can be accomplished in the case of corporations by the adoption of the principle that income from business establishments located abroad should be taxed only in the country where the income is earned and should therefore be wholly free of United States tax. This exemption should also be extended to income received by United States corporations from investments in foreign and United States corporations deriving substantially all of their income from active conduct of foreign business.

No Cut in Revenue

The last available estimate of the revenue collected by the United States Treasury on income from foreign sources is roughly \$200,000,000. To avoid any drop in revenues at the present time, with defense expenditures mounting, the Advisory Board recommends that during the emergency, only *new* investment abroad by corporations be made free of United States tax. As soon as the emergency is officially declared at an end, this exemption should be extended to future income from investment abroad by corporations regardless of when the investment was made.

A check of national tax laws reveals that at least 17 countries recognize the principle that income from foreign business establishments should be taxed in the country in which the capital is at work and not in the country from which the capital happened to come.

In the United States, Congress has granted partial exemption to corporations operating in Western Hemisphere countries and qualifying as Western Hemisphere Trade Corporations.

No Unfair Advantage

The enactment of the tax incentive recommended by the Advisory Board does not give and is not intended to give United States businessmen abroad any competitive advantage over local or other foreign businessmen in those countries. To the contrary, the purpose is to remove a competitive disadvantage under which United States companies now suffer.

Under this proposal the income from new investments abroad by corporate investors would be free of United States tax. Unless a comparable exemption is granted to individuals, large amounts of potentially available venture capital would not be attracted into foreign investment. The Advisory Board believes that, in view of the high progressive tax rates applicable to individual or noncorporate investors, a partial exemption would be a sufficient incentive to stimulate investment and would be consistent with the principle of taxing according to ability to pay.

If conditions are not created that will encourage the increased investment of private capital to meet the need for productive facilities in underdeveloped areas, there will be a tendency for the government to try to meet the whole problem with government funds. The result will be a major increase in the load on the taxpayer, and the job will not get done.

Tax Treaties Sought

The United States should continue to press for bilateral tax treaties with other countries aimed at eliminating discriminatory taxes levied upon United States corporations abroad.

The Advisory Board recommends that Congress authorize the inclusion in bilateral tax treaties of a provision that income from business establishments of one country located in the other shall be subject to taxation only in the country where earned.

The following countries have entered into bilateral treaties for reciprocal exemption from income tax of income from the business establishments of their nationals located in the territory of the other nation: Austria, Belgium, Czechoslovakia, Denmark, Finland, France, Germany, Hungary, Iceland, Ireland, Italy, Netherlands, Poland, Rumania, Sweden, Switzerland, Union of Soviet Socialist Republics, and Yugoslavia.

More Commercial Treaties

Three bilateral commercial treaties carrying mutual assurances of fair treatment of foreign investments have been concluded recently by the United States. Those with Italy and Ireland were ratified and have gone into effect. That with Uruguay has been ratified by the United States Senate but awaits approval by the Uruguayan General Assembly. A score of others are in various stages of negotiation.

The Advisory Board believes that these treaties are of definite although limited usefulness. Perhaps their greatest merit is that they serve to increase the confidence of investors and provide a basis for diplomatic representations if American investors are subjected to discriminatory or unfair treatment. In the process of treaty negotiations the climate of investment can sometimes be improved or new fields of investment opened.

The Advisory Board recommends that in the negotiation of future treaties recognition be sought for the principles stated by Congress in the Act for International Development:

“ . . . capital investment can make maximum contribution to economic development only where there is understanding of the mutual advantages of such . . . investment and where there is confidence of fair and reasonable treatment and due respect for the legitimate interests of the peoples of the countries . . . in which the investment is made and of the countries from which the . . . investments are derived. . . . this involves

confidence on the part of the people of the underdeveloped areas that investors will conserve as well as develop local resources, will bear a fair share of local taxes and observe local laws, and will provide adequate wages and working conditions for local labor. It involves confidence on the part of investors . . . that they will not be deprived of their property without prompt, adequate, and effective compensation; that they will be given reasonable opportunity to remit their earnings and withdraw their capital; that they will have reasonable freedom to manage, operate, and control their enterprises; that they will enjoy security in the protection of their persons and property, including industrial and intellectual property, and nondiscriminatory treatment in taxation and in the conduct of their business affairs."

Transfer Risk an Obstacle

At one time more than \$1,000,000,000 a year went from private United States investors to foreign countries through the private capital market in the United States. This market is almost nonexistent today. To revive it, more than tax inducements are needed. It is also necessary to remove the fear that foreign borrowers will be unable to meet their dollar obligations because they cannot obtain dollars in exchange for their own currencies.

The Advisory Board recommends that \$100,000,000 of the loan and guaranty authority of the Export-Import Bank be earmarked to underwrite for a fee the transfer risk on new foreign debt obligations purchased by private United States investors. No legislation would be required for this purpose. However, the Advisory Board assumes that, in accordance with the President's recent budget message to Congress, the Export-Import Bank will be granted adequate funds to continue its lending operations as well as to take on the underwriting function here proposed.

Under this arrangement, which has been discussed with officials of the Export-Import Bank, if a foreign borrower is unable to obtain the dollar exchange to meet his obligations, the Export-Import Bank would make the dollars available for paying United States investors against the deposit of the local currency. The foreign borrower would be required to maintain on deposit at all times, until the dollar exchange is available, sufficient local currency to cover the amount of dollars advanced for servicing the debt. In this way the foreign borrower and not the Export-Import Bank would assume the risk of any fluctuations in the rate of exchange.

Not Blanket Insurance

This underwriting arrangement, it should be made clear, is not a blanket one. It would apply only to those debt obligations which had been specifically underwritten for the transfer risk by the Export-Import Bank. Each issue of securities would be approved individually and underwritten separately.

Also, private investors would still bear the risk that the foreign borrower might prove unable or unwilling to pay his obligations in his local currency. However, the Advisory Board believes that there are large numbers of potential foreign borrowers abroad whose credit standing would make their obligations acceptable to United States investors if the transfer risk were eliminated, as recommended here. For example, one privately owned foreign railroad, of unquestioned credit standing, was unable because of the transfer risk to borrow at long-term in the private capital market in order to purchase rolling stock.

Revive Capital Market

A major objective of this proposal is to reestablish the private market for foreign securities in the United States and thus restore a vitally needed mechanism for private capital investment in economic development abroad.

The Advisory Board has been informed that certain United States life insurance companies are seeking authority to enable them to invest a small proportion of their assets without regard to present restrictions. This would permit them to invest in foreign securities. Some companies already have such authority. The assumption of the transfer risk by the Export-Import Bank would enable insurance companies to invest in foreign securities with greater safety, which, in turn, would open up additional sources of funds for foreign investment.

Wanted: Local Capital

Frequently United States and other foreign investors are ready and willing to provide equipment and management for enterprises in underdeveloped countries but are unable to find local equity money which is willing to come in with them for a share in the prospective earnings. Or, they find they cannot borrow the necessary local funds to finance the installation of the equipment and the buildings to house it. If they

borrow dollars or other foreign currencies for this purpose, they take on the risk of exchange in addition to the ordinary risk of business loss.

At present no national or international agency can offer sound financing of this kind.

Mobilize Local Capital

This is one pressing need. Another pressing need is to obtain a more effective employment of the capital that is locally available in the underdeveloped countries. In the case of Brazil, for example, net domestic savings in 1947 were estimated at \$13 per capita. Of this only \$6 per capita went into genuinely productive investment, as against \$90 for Norway, \$50 for the United Kingdom, and \$35 for France and the Low Countries. Throughout the underdeveloped areas only a small percentage of total earnings goes into really productive enterprise. The bulk of savings traditionally finds its way into land holdings, buildings, or hoardings.

In part, this is a problem of economic organization and statesmanship in the underdeveloped areas: the necessity for private financial institutions and governments to help channel available capital resources into productive enterprise. But in part the failure to mobilize local capital reflects the inadequacy of existing means for bringing together private local investors and private United States and other foreign investors in joint financing of new enterprises and expansions of old enterprises abroad.

Bank for Private Enterprise

To meet both these needs, that of enabling private investors to obtain supplementary capital in local currencies and that of mobilizing local capital, *the Advisory Board recommends that the United States take the initiative in creating an International Finance Corporation, as an affiliate of the International Bank, with authority to make loans in local and foreign currencies to private enterprise without the requirement of government guaranties and also to make nonvoting equity investments in local currencies in participation with private investors.*

The authority to make nonvoting equity investments would make it possible to launch numerous productive enterprises which would otherwise never be started for want of adequate financing. It would also make it possible to avoid overloading a new enterprise with the fixed charges of loan financing. With the earnings drawn from successful

enterprises, the International Finance Corporation would be able to offset the exchange risks it would assume in making investments in local currencies.

The equity investments of the International Finance Corporation should not carry voting rights so long as they are held by the Corporation. Hence it would not acquire control or responsibility for management. As an enterprise in which it invested became profitable, the Corporation would offer to sell its interests to private investors. By thus offering seasoned securities to local investors, the Advisory Board feels the Corporation would help underdeveloped countries direct the savings of their people into productive enterprise. The Corporation would also assist these countries in instituting modern methods of marketing securities. In the long run this particular feature of the Corporation's work could prove highly important.

International Partnership

The Advisory Board has been informed that the new International Finance Corporation can be set up as an affiliate of the International Bank for Reconstruction and Development without amending the charter of the Bank. The International Bank can establish such an affiliate by a nominal subscription to voting stock. Members of the International Bank would be invited to subscribe to nonvoting stock in the new Corporation, of which the authorized amount might be the equivalent of \$400,000,000. The United States would subscribe \$150,000,000, or in proportion to its holdings of the shares of the International Bank. Other member countries of the International Bank would be invited to subscribe the remainder in their own currencies. With one-third of the subscribed capital paid in, which would include \$50,000,000 from the United States, and the balance subject to call, the Corporation could begin operations.

Establishing this International Finance Corporation as an affiliate of the International Bank would give the Corporation the benefit of the management, staff, and technical services of the International Bank. It would avoid the duplication and extra expense of an entirely new and separate organization.

Legal Problems

Certain legal problems present obstacles to the effective enlistment of private capital for foreign investment. These must be dealt with in

order that a businessman operating or investing in a foreign country will be able to obtain in advance reasonable assurance as to the legality of his proposed action in furtherance of foreign economic development.

Free Private Enterprise

As a further means of stimulating private investment in underdeveloped areas, *the Advisory Board recommends that the United States Overseas Economic Administrator have as an Assistant Administrator a man of recognized business experience who would be charged with securing the cooperation of private enterprise, removing obstacles to the investment of private capital in these areas, and facilitating in every possible way the maximum use of private capital and private initiative in the furtherance of foreign economic development.*

The Advisory Board feels confident that the combination of these measures—the tax incentive, the underwriting of the transfer risk on foreign debt obligations, the new International Finance Corporation, and an Assistant Administrator to spur the use of private capital—would at least double the present flow of private United States investment to foreign countries bringing it from \$1,000,000,000 to \$2,000,000,000. If \$2,500,000,000—only one per cent of the national income of the United States—were invested abroad, this goal would be more than met. Clearly this sum is within our capacity. The real task is to organize the financial facilities needed to get on with the job.

Appendixes

A

*Letter of Assignment
From the President*

THE WHITE HOUSE

WASHINGTON

November 24, 1950

DEAR MR. ROCKEFELLER:

At the time I requested you to serve as Chairman of the Advisory Board on International Development, I expressed the conviction that any adequate and sound program of international economic development must be both broadly conceived in relation to our national interests and so formulated as to lend itself to realistic and continuing cooperation between private enterprise and government, here and abroad. I regard such a program as vital to the attainment of our goal of an expanding world economy and to the building of the security of the free world.

On March 31, 1950, I requested Mr. Gordon Gray to undertake a comprehensive study of the foreign economic policies and procedures of this Government in the light of present developments and conditions. Mr. Gray has now submitted his report. A reading of it reinforces my conviction that an effective program for international economic development must be integrated both as to policy and operations with all other governmental and private activities relating to the international trade and economic life of the nation.

Our policy in relation to the underdeveloped areas is one of the central points toward which the Gray Report is addressed. When that Report was made public, I stated that I was asking you to have the Advisory Board "as its first task, consider Mr. Gray's proposals concerning our policy toward the underdeveloped areas in the context of the full report, in order that this Board will be able to give us its views early in the coming year on the types and size of programs which it considers desirable for the United States to undertake in this field."

In accordance with this request, I should like to have the Advisory Board address itself specifically to the consideration of desirable plans to accomplish with maximum dispatch and effectiveness the broad ob-

jectives and policies of the Point Four program. In carrying out this task you should take into account existing governmental and private activities bearing on international economic development. You will wish to formulate your recommendations in the light of the Gray Report's comprehensive analysis of our entire foreign economic policy.

This is a special task which I am asking the Advisory Board to undertake for me in addition to the duties which are assigned to it under the Act for International Development. In carrying out this task, you may provide yourself and the Advisory Board with such assistants as may be required.

I am hopeful that you may find it possible to make your recommendations to me by the beginning of February of next year.

The various departments and agencies of the Government responsible for our foreign aid programs, in particular the Department of State, are as you know now studying the problem of continuation and possible modification of those programs. Those departments and agencies will, of course, extend to you the fullest cooperation in your work.

I am most interested in the work you are undertaking and I know you will apprise me from time to time as to how the work is proceeding.

Sincerely yours,

HARRY S. TRUMAN

Mr. NELSON ROCKEFELLER
30 Rockefeller Plaza
New York, New York

B

Fourth Point of President Truman's Inaugural Address, January 20, 1949

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.

More than half the people of the world are living in conditions approaching misery. Their food is inadequate. They are victims of disease. Their economic life is primitive and stagnant. Their poverty is a handicap and a threat both to them and to more prosperous areas.

For the first time in history, humanity possesses the knowledge and the skill to relieve the suffering of these people.

The United States is preeminent among nations in the development of industrial and scientific techniques. The material resources which we can afford to use for the assistance of other peoples are limited. But our imponderable resources in technical knowledge are constantly growing and are inexhaustible.

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.

Our aim should be to help the free peoples of the world, through their own efforts, to produce more food, more clothing, more materials for housing, and more mechanical power to lighten their burdens.

We invite other countries to pool their technological resources in this undertaking. Their contributions will be warmly welcomed. This should be a cooperative enterprise in which all nations work together through the United Nations and its specialized agencies wherever practicable. It must be a world-wide effort for the achievement of peace, plenty, and freedom.

With the cooperation of business, private capital, agriculture, and labor in this country, this program can greatly increase the industrial activity in other nations and can raise substantially their standards of living.

Such new economic developments must be devised and controlled to benefit the peoples of the areas in which they are established. Guaranties to the investor must be balanced by guaranties in the interest of the people whose resources and whose labor go into these developments.

The old imperialism—exploitation for foreign profit—has no place in our plans. What we envisage is a program of development based on the concepts of democratic fair-dealing.

All countries, including our own, will greatly benefit from a constructive program for the better use of the world's human and natural resources. Experience shows that our commerce with other countries expands as they progress industrially and economically.

Greater production is the key to prosperity and peace. And the key to greater production is a wider and more vigorous application of modern scientific and technical knowledge.

Only by helping the least fortunate of its members to help themselves can the human family achieve the decent, satisfying life that is the right of all people.

Democracy alone can supply the vitalizing force to stir the peoples of the world into triumphant action, not only against their human oppressors, but also against their ancient enemies—hunger, misery and despair.

C

Act for International Development (Public Law 535)

TITLE IV

SEC. 401. This title may be cited as the "Act for International Development".

SEC. 402. The Congress hereby finds as follows:

(a) The peoples of the United States and other nations have a common interest in the freedom and in the economic and social progress of all peoples. Such progress can further the secure growth of democratic ways of life, the expansion of mutually beneficial commerce, the development of international understanding and good will, and the maintenance of world peace.

(b) The efforts of the peoples living in economically underdeveloped areas of the world to realize their full capabilities and to develop the resources of the lands in which they live can be furthered through the cooperative endeavor of all nations to exchange technical knowledge and skills and to encourage the flow of investment capital.

(c) Technical assistance and capital investment can make maximum contribution to economic development only where there is understanding of the mutual advantages of such assistance and investment and where there is confidence of fair and reasonable treatment and due respect for the legitimate interests of the peoples of the countries to which the assistance is given and in which the investment is made and of the countries from which the assistance and investments are derived. In the case of investment this involves confidence on the part of the people of the underdeveloped areas that investors will conserve as well as develop local resources, will

bear a fair share of local taxes and observe local laws, and will provide adequate wages and working conditions for local labor. It involves confidence on the part of investors, through inter-governmental agreements or otherwise, that they will not be deprived of their property without prompt, adequate, and effective compensation; that they will be given reasonable opportunity to remit their earnings and withdraw their capital; that they will have reasonable freedom to manage, operate, and control their enterprises; that they will enjoy security in the protection of their persons and property, including industrial and intellectual property, and nondiscriminatory treatment in taxation and in the conduct of their business affairs.

SEC. 403. (a) It is declared to be the policy of the United States to aid the efforts of the peoples of economically underdeveloped areas to develop their resources and improve their working and living conditions by encouraging the exchange of technical knowledge and skills and the flow of investment capital to countries which provide conditions under which such technical assistance and capital can effectively and constructively contribute to raising standards of living, creating new sources of wealth, increasing productivity and expanding purchasing power.

(b) It is further declared to be the policy of the United States that in order to achieve the most effective utilization of the resources of the United States, private and public, which are or may be available for aid in the development of economically underdeveloped areas, agencies of the United States Government, in reviewing requests of foreign governments for aid for such purposes, shall take into consideration (1) whether the assistance applied for is an appropriate part of a program reasonably designed to contribute to the balanced and integrated development of the country or area concerned; (2) whether any works or facilities which may be projected are actually needed in view of similar facilities existing in the area and are otherwise economically sound; and (3) with respect to projects for which capital is requested, whether private capital is available either in the country or elsewhere upon reasonable terms and in sufficient amounts to finance such projects.

SEC. 404. (a) In order to accomplish the purposes of this title, the United States is authorized to participate in multilateral technical cooperation programs carried on by the United Nations, the Organization of American States, and their related organizations, and by other international organizations, wherever practicable.

(b) Within the limits of appropriations made available to carry out the purposes of this title, the President is authorized to make contributions to the United Nations for technical cooperation programs carried on by it and its related organizations which will contribute to accom-

plishing the purposes of this title as effectively as would participation in comparable programs on a bilateral basis. The President is further authorized to make contributions for technical cooperation programs carried on by the Organization of American States, its related organizations, and by other international organizations.

(c) Agencies of the United States Government on request of international organizations are authorized, upon approval by the President, to furnish services and such facilities as may be necessary in connection therewith, on an advance of funds or reimbursement basis, for such organizations in connection with their technical cooperation programs. Amounts received as reimbursements from such organizations shall be credited, at the option of the appropriate agency, either to the appropriation, fund, or account utilized in incurring the obligation, or to an appropriate appropriation, fund, or account currently available for the purposes for which expenditures were made.

SEC. 405. The President is authorized to plan, undertake, administer, and execute bilateral technical cooperation programs carried on by any United States Government agency and, in so doing—

(a) To coordinate and direct existing and new technical cooperation programs.

(b) To assist other interested governments in the formulation of programs for the balanced and integrated development of the economic resources and productive capacities of economically underdeveloped areas.

(c) To receive, consider, and review reports of joint commissions set up as provided in section 410 of this title.

(d) To make, within appropriations made available for the purpose, advances and grants in aid of technical cooperation programs to any person, corporation, or other body of persons, or to any foreign government or foreign government agency.

(e) To make and perform contracts or agreements in respect of technical cooperation programs on behalf of the United States Government with any person, corporation, or other body of persons however designated, whether within or without the United States, or with any foreign government or foreign government agency: *Provided*, That with respect to contracts or agreements which entail commitments for the expenditure of funds appropriated pursuant to the authority of this title, such contracts or agreements, within the limits of appropriations or contract authorizations hereafter made available may, subject to any future action of the Congress, run for not to exceed three years in any one case.

(f) To provide for printing and binding outside the conti-

mental limits of the United States, without regard to section 11 of the Act of March 1, 1919 (44 U. S. C. 111).

(g) To provide for the publication of information made available by the joint commissions referred to in section 410, and from other sources, regarding resources, opportunities for private investment capital, and the need for technical knowledge and skill in each participating country.

SEC. 406. Agreements made by the United States under the authority of this title with other governments and with international organizations shall be registered with the Secretariat of the United Nations in accordance with the provisions of article 102 of the United Nations Charter.

SEC. 407. In carrying out the programs authorized in section 405 of this title—

(a) The participation of private agencies and persons shall be sought to the greatest extent practicable.

(b) Due regard shall be given, in reviewing requests for assistance, to the possibilities of achieving satisfactory results from such assistance as evidenced by the desire of the country requesting it (1) to take steps necessary to make effective use of the assistance made available, including the encouragement of the flow of productive local and foreign investment capital where needed for development; and (2) to endeavor to facilitate the development of the colonies, possessions, dependencies, and non-self-governing territories administered by such requesting country so that such areas may make adequate contribution to the effectiveness of the assistance requested.

(c) Assistance shall be made available only where the President determines that the country being assisted—

(1) Pays a fair share of the cost of the program.

(2) Provides all necessary information concerning such program and gives the program full publicity.

(3) Seeks to the maximum extent possible full coordination and integration of technical cooperation programs being carried on in that country.

(4) Endeavors to make effective use of the results of the program.

(5) Cooperates with other countries participating in the program in the mutual exchange of technical knowledge and skills.

SEC. 408. The President is authorized to prescribe such rules and regulations as may be necessary and proper to carry out the provisions of this title.

SEC. 409. The President shall create an advisory board, hereinafter referred to as the "board", which shall advise and consult with the President or such other officer as he may designate to administer the program herein authorized, with respect to general or basic policy matters arising in connection with operation of the program. The board shall consist of not more than thirteen members to be appointed by the President, one of whom, by and with the advice and consent of the Senate, shall be appointed by him as chairman. The members of the board shall be broadly representative of voluntary agencies and other groups interested in the program, including business, labor, agriculture, public health, and education. All members of the board shall be citizens of the United States; none except the chairman shall be an officer or an employee of the United States (including any agency or instrumentality of the United States) who as such regularly receives compensation for current services. Members of the board, other than the chairman if he is an officer of the United States Government, shall receive out of funds made available for the purposes of this title a per diem allowance of \$50 for each day spent away from their homes or regular places of business for the purpose of attendance at meetings of the board or at conferences held upon the call of the chairman, and in necessary travel, and while so engaged they may be paid actual travel expenses and not to exceed \$10 per diem in lieu of subsistence and other expenses. The President may appoint such committees in special fields of activity as he may determine to be necessary or desirable to effectuate the purposes of this title. The members of such committees shall receive the same compensation as that provided for members of the board.

SEC. 410. (a) At the request of a foreign country, there may be established a joint commission for economic development to be composed of persons named by the President and persons to be named by the requesting country, and may include representatives of international organizations mutually agreed upon.

(b) The duties of each such joint commission shall be mutually agreed upon, and may include, among other things, examination of the following:

(1) The requesting country's requirements with respect to technical assistance.

(2) The requesting country's resources and potentialities, including mutually advantageous opportunities for utilization of foreign technical knowledge and skills and investment.

(3) Policies which will remove deterrents to and otherwise encourage the introduction, local development, and application of technical skills and the creation and effective utilization of capital, both domestic and foreign; and the implementation

of such policies by appropriate measures on the part of the requesting country and the United States, and of other countries, when appropriate and after consultation with them.

(c) Such joint commissions shall prepare studies and reports which they shall transmit to the appropriate authorities of the United States and of the requesting countries. In such reports the joint commissions may include recommendations as to any specific projects which they conclude would contribute to the economic development of the requesting countries.

(d) The costs of each joint commission shall be borne by the United States and the requesting country in the proportion that may be agreed upon between the President and that country.

SEC. 411. All or part of United States support for and participation in any technical cooperation program carried on under this title shall be terminated by the President—

(a) If he determines that such support and participation no longer contribute effectively to the purposes of this title, are contrary to a resolution adopted by the General Assembly of the United Nations that the continuance of such technical cooperation programs is unnecessary or undesirable, or are not consistent with the foreign policy of the United States.

(b) If a concurrent resolution of both Houses of the Congress finds such termination is desirable.

SEC. 412. The President may exercise any power or authority conferred on him by this title through the Secretary of State or through any other officer or employee of the United States Government.

SEC. 413. In order to carry out the purposes of this title—

(a) The President shall appoint, by and with the advice and consent of the Senate, a person who, under the direction of the President or such other officer as he may designate pursuant to section 412 hereof to exercise the powers conferred upon him by this title, shall be responsible for planning, implementing, and managing the programs authorized in this title. He shall be compensated at a rate fixed by the President without regard to the Classification Act of 1949 but not in excess of \$15,000 per annum.

(b) Officers, employees, agents, and attorneys may be employed for duty within the continental limits of the United States in accordance with the provisions of the civil-service laws and the Classification Act of 1949.

(c) Persons employed for duty outside the continental limits of the United States and officers and employees of the United States Government assigned for such duty, may re-

ceive compensation at any of the rates provided for the Foreign Service Reserve and Staff by the Foreign Service Act of 1946 (60 Stat. 999), as amended, may receive allowances and benefits not in excess of those established thereunder, and may be appointed to any class in the Foreign Service Reserve or Staff in accordance with the provisions of such Act.

(d) Alien clerks and employees employed for the purpose of performing functions under this title shall be employed in accordance with the provisions of the Foreign Service Act of 1946, as amended.

(e) Officers and employees of the United States Government may be detailed to offices or positions to which no compensation is attached with any foreign government or foreign government agency or with any international organization: *Provided*, That while so detailed any such person shall be considered, for the purpose of preserving his privileges, rights, seniority, or other benefits, an officer or employee of the United States Government and of the United States Government agency from which detailed and shall receive therefrom his regular compensation, which shall be reimbursed to such agency from funds available under this title: *Provided further*, That such acceptance of office shall in no case involve the taking of an oath of allegiance to another government.

(f) Experts and consultants or organizations thereof may be employed as authorized by section 15 of the Act of August 2, 1946 (5 U. S. C. 55a), and individuals so employed may be compensated at a rate not in excess of \$75 per diem.

(g) Such additional civilian personnel may be employed without regard to subsection (a) of section 14 of the Federal Employees Pay Act of 1946 (60 Stat. 219), as amended, as may be necessary to carry out the policies and purposes of this title.

SEC. 414. No citizen or resident of the United States, whether or not now in the employ of the Government, may be employed or assigned to duties by the Government under this Act until such individual has been investigated by the Federal Bureau of Investigation and a report thereon has been made to the Secretary of State: *Provided, however*, That any present employee of the Government, pending the report as to such employee by the Federal Bureau of Investigation, may be employed or assigned to duties under this Act for the period of three

months from the date of its enactment. This section shall not apply in the case of any officer appointed by the President by and with the advice and consent of the Senate.

SEC. 415. The President shall transmit to the Congress an annual report of operations under this title.

SEC. 416. (a) In order to carry out the provisions of this title, there shall be made available such funds as are hereafter authorized and appropriated from time to time for the purposes of this title: *Provided, however,* That for the purpose of carrying out the provisions of this title through June 30, 1951, there is hereby authorized to be appropriated a sum not to exceed \$35,000,000, including any sums appropriated to carry on the activities of the Institute of Inter-American Affairs, and technical cooperation programs as defined in section 418 herein under the United States Information and Educational Exchange Act of 1948 (62 Stat. 6). Activities provided for under this title may be prosecuted under such appropriations or under authority granted in appropriation Acts to enter into contracts pending enactment of such appropriations. Unobligated balances of such appropriations for any fiscal year may, when so specified in the appropriation Act concerned, be carried over to any succeeding fiscal year or years. The President may allocate to any United States Government agency any part of any appropriation available for carrying out the purposes of this title. Such funds shall be available for obligation and expenditure for the purposes of this title in accordance with authority granted hereunder or under authority governing the activities of the Government agencies to which such funds are allocated.

(b) Nothing in this title is intended nor shall it be construed as an expressed or implied commitment to provide any specific assistance, whether of funds, commodities, or services, to any country or countries, or to any international organization.

SEC. 417. If any provision of this title or the application of any provision to any circumstances or persons shall be held invalid, the validity of the remainder of the title and the applicability of such provision to other circumstances or persons shall not be affected thereby.

SEC. 418. As used in this title—

(a) The term "technical cooperation programs" means programs for the international interchange of technical knowledge and skills designed to contribute to the balanced and integrated development of the economic resources and productive capacities of economically underdeveloped areas. Such activities may include, but need not be limited to, economic, engineering, medical, educational, agricultural, fishery, mineral, and fiscal surveys, demonstration, training, and similar projects that serve the purpose of promoting the development of

economic resources and productive capacities of underdeveloped areas. The term "technical cooperation programs" does not include such activities authorized by the United States Information and Educational Exchange Act of 1948 (62 Stat. 6) as are not primarily related to economic development nor activities undertaken now or hereafter pursuant to the International Aviation Facilities Act (62 Stat. 450), nor pursuant to the Philippine Rehabilitation Act of 1946 (60 Stat. 128), as amended, nor pursuant to the Foreign Assistance Act of 1948 (62 Stat. 137), as amended, nor activities undertaken now or hereafter in the administration of areas occupied by the United States armed forces or in Korea by the Economic Cooperation Administration.

(b) The term "United States Government agency" means any department, agency, board, wholly or partly owned corporation or instrumentality, commission, or independent establishment of the United States Government.

(c) The term "international organization" means any intergovernmental organization of which the United States is a member.

D

Statistical Tables

TABLE 1

Population of Underdeveloped Areas^a

1949—MIDYEAR

(thousands)

<i>World total</i>	2, 377, 981	<i>Africa—Continued</i>	
<i>Underdeveloped areas, total</i>	<u>1, 075, 273</u>	Union of South Africa ..	12, 108
<i>Latin America</i>	157, 728	Belgian Congo	11, 046
<i>Southern North America</i> ..	51, 248	Algeria	8, 751
British West Indies	2, 651	French Equatorial Africa	4, 332
Costa Rica	837	rica	47
Cuba	5, 199	French Somaliland	16, 432
Dominican Republic	2, 277	French West Africa	4, 396
El Salvador	2, 150	Madagascar	8, 594
French West Indies	549	Morocco	252
Guatemala	3, 784	Réunion	3, 387
Haiti	3, 750	Tunisia	4, 597
Honduras	1, 326	Angola	139
Mexico	24, 448	Cape Verde Islands	6, 251
Netherlands West		Mozambique	431
Indies	158	Portuguese Guinea	62
Nicaragua	1, 184	São Tomé and Príncipe ..	1, 172
Panama	764	Spanish Morocco	164
Puerto Rico	2, 171	Spanish Possessions,	
<i>South America</i>	106, 480	North Africa	173
Argentina	16, 555	Spanish Guinea	78
Bolivia	3, 990	Spanish West Africa	8, 038
Brazil	49, 350	Anglo-Egyptian Sudan ..	3, 739
Chile	5, 709	Gold Coast	5, 454
Colombia	11, 015	Kenya	24, 081
Ecuador	3, 404	Nigeria	15, 726
Paraguay	1, 304	British non-self-govern-	
Peru	8, 204	ing territories	17, 659
Uruguay	2, 353	British Trust Terri-	
Venezuela	4, 596	tories	2, 641
<i>Africa</i>	198, 293	Former Mandated Ter-	
Egypt	20, 045	ritories	150
Ethiopia	16, 700	Tangier	7, 852
Liberia	1, 648	Greece	19, 623
		Turkey	

^a Source: United Nations, Statistical Papers Series A, Vol. II, No. 2.

<i>Middle East</i>	36,441	<i>Southeast Asia</i>	187,832
Aden	732	Borneo	900
Bahrein	110	Indochina	27,460
Iran	18,387	Indonesia	79,260
Iraq	4,990	Korea	29,291
Israel	1,057	Malaya	5,091
Kuwait	120	Philippines	19,356
Lebanon	1,238	Portuguese Asia	1,487
Saudi Arabia	6,000	Taiwan	7,000
Syria	3,407	Thailand	17,987
Transjordan	400	<i>Oceania</i>	2,570
<i>South Asia</i>	464,934	British Pacific Islands	453
Afghanistan	12,000	French Pacific Islands	109
Burma	18,200	Australian New Guinea	1,008
Ceylon	7,297	Netherlands New Guinea	1,000
India	346,000		
Nepal	7,000		
Pakistan	74,437		

TABLE 2

Total United States Exports to Underdeveloped Areas by Commodity Groups

1948-1950 AVERAGE *

Commodity	Total U. S. exports	Exports to underdeveloped areas										
		Total ^b	Southern North America	South America	Africa	Greece	Turkey	Middle East	South Asia	South-east Asia	Formosa	Oceania
(MILLION DOLLARS)												
Total exports ^b	11, 405. 3	4, 994. 8	1, 377. 3	1, 587. 1	581. 4	175. 5	97. 6	270. 8	307. 1	562. 4	28. 9	6. 6
Animals and animal products, edible	340. 9	181. 5	62. 4	50. 7	5. 2	13. 2	(x)	6. 3	3. 1	40. 4	. 2	. 1
Animals and animal products, inedible	140. 3	50. 3	20. 3	8. 0	6. 2	5. 4	. 2	. 9	. 8	8. 2	. 2	. 1
Vegetable food products and beverages	1, 700. 5	459. 7	167. 3	80. 3	29. 2	64. 4	5. 2	14. 1	44. 0	54. 2	. 5	. 4
Vegetable products, inedible	576. 8	165. 9	38. 1	36. 1	23. 5	3. 3	1. 0	10. 8	10. 1	41. 9	1. 0	. 3
Textile fibers and manufactures	1, 475. 2	555. 9	146. 8	104. 2	78. 7	12. 0	1. 3	35. 5	42. 9	132. 6	1. 0	. 8
Wood and paper	212. 6	116. 3	43. 6	26. 5	18. 2	1. 4	. 3	6. 0	3. 7	16. 2	. 3	. 2
Non-metallic minerals	1, 127. 7	305. 7	102. 0	92. 3	45. 7	5. 1	4. 2	7. 7	21. 0	24. 6	1. 9	1. 2
Metals and manufactures	1, 008. 8	528. 4	122. 3	209. 1	47. 5	8. 7	9. 3	48. 8	31. 3	49. 3	1. 4	. 7
Machinery and vehicles	3, 440. 9	1, 950. 4	462. 8	757. 5	281. 7	34. 1	60. 5	112. 1	110. 5	118. 2	10. 8	2. 2
Chemicals and related products	753. 1	375. 1	114. 2	138. 4	22. 1	6. 7	3. 2	13. 5	30. 1	39. 2	7. 5	. 2
Miscellaneous	628. 7	305. 7	97. 4	84. 0	23. 4	21. 3	12. 4	15. 0	9. 8	37. 5	4. 3	. 6

(PERCENT OF TOTAL EXPORTS SENT TO UNDERDEVELOPED AREAS)

Total exports	100	43.8	12.1	13.9	5.1	1.5	0.9	2.4	2.7	4.9	0.3	0.1
Animals and animal products, edible.	100	53.2	18.3	14.9	1.5	3.9	(x)	1.8	.9	11.9	.1	(x)
Animals and animal products, inedible	100	35.9	14.5	5.7	4.4	3.8	.1	.6	.6	5.8	.1	.1
Vegetable food products and beverages	100	27.0	9.8	4.7	1.7	3.8	.3	.8	2.6	3.2	(x)	(x)
Vegetable products, inedible	100	28.8	6.6	6.3	4.1	.6	.2	1.9	1.8	7.3	.2	.1
Textile fibers and manufactures	100	37.7	10.0	7.1	5.3	.8	.1	2.4	2.9	9.0	.1	.1
Wood and paper	100	54.7	20.5	12.5	8.6	.7	.1	2.8	1.7	7.6	.1	.1
Non-metallic minerals	100	27.1	9.0	8.2	4.1	.5	.4	.7	1.9	2.2	.2	.1
Metals and manufactures	100	52.4	12.1	20.7	4.7	.9	.9	4.8	3.1	4.9	.1	.1
Machinery and vehicles	100	56.7	13.4	22.0	8.2	1.0	1.8	3.3	3.2	3.4	.3	.1
Chemicals and related products	100	49.8	15.2	18.4	2.9	.9	.4	1.8	4.0	5.2	1.0	(x)
Miscellaneous	100	48.6	15.5	13.4	3.7	3.4	2.0	2.4	1.6	6.0	.7	.1

^a Data for 1950 are based on January–October totals at annual rates.

^b Does not add exactly due to rounding.

(x) Less than one-half the unit.

Source: U. S. Department of Commerce. Prepared in Office of International Trade, International Economic Analysis Division, from basic data of Bureau of the Census (all figures are imports for consumption).

TABLE 3
Total United States Imports From Underdeveloped Areas by Commodity Groups

1948-1950 AVERAGE *

Commodity	Total U. S. imports	Imports from underdeveloped areas										
		Total ^b	Southern North America	South America	Africa	Greece	Turkey	Middle East	South Asia	South-east Asia	Formosa	Oceania
(MILLION DOLLARS)												
Total imports ^b	7, 374. 8	4, 225. 4	1, 004. 1	1, 655. 1	390. 0	14. 3	54. 5	101. 2	359. 0	642. 4	1. 7	3. 2
Animals and animal products, edible.....	308. 0	77. 1	21. 0	49. 2	3. 3	(x)	. 9	2. 4	. 2	. 2	(x)	(x)
Animals and animal products, inedible.....	342. 6	148. 3	7. 8	47. 7	36. 3	2. 1	1. 3	6. 9	42. 9	2. 8	. 1	. 4
Vegetable food products and beverages.....	1, 937. 8	1, 681. 3	603. 0	786. 2	114. 8	2. 2	3. 9	5. 1	76. 2	88. 5	1. 0	. 3
Vegetable products, inedible.....	725. 4	632. 0	43. 3	70. 0	36. 1	9. 8	37. 7	4. 7	44. 7	385. 4	. 3	. 2
Textile fibers and manufactures.....	856. 9	471. 0	43. 9	160. 6	53. 6	(x)	1. 5	20. 1	161. 7	29. 4	. 1	(x)
Wood and paper.....	972. 0	34. 8	19. 3	2. 8	7. 3	(x)	(x)	(x)	. 8	4. 5	. 1	(x)
Non-metallic minerals.....	749. 9	603. 7	155. 1	289. 6	78. 9	(x)	(x)	60. 1	19. 0	. 9	(x)	(x)
Metals and manufactures.....	976. 1	507. 8	91. 5	211. 1	57. 2	(x)	9. 1	. 7	12. 2	124. 5	(x)	1. 6
Machinery and vehicles.....	146. 9	. 5	. 4	(x)	(x)	(x)	(x)	(x)	(x)	(x)	.....	(x)
Chemicals and related products.....	122. 4	36. 1	5. 0	29. 7	. 5	(x)	(x)	(x)	. 2	. 7	(x)	(x)
Miscellaneous.....	236. 6	32. 7	13. 9	8. 1	2. 1	. 2	. 2	1. 1	. 9	5. 5	. 1	. 6

(PERCENT OF TOTAL IMPORTS RECEIVED FROM UNDERDEVELOPED AREAS)

Total imports ^b	100	57.3	13.6	22.4	5.3	0.2	0.7	1.4	4.9	8.7	(x)	(x)
Animals and animal products, edible.....	100	25.0	6.8	16.0	1.1	(x)	.1	.8	.1	.1	(x)	(x)
Animals and animal products, inedible.....	100	43.3	2.3	13.9	10.6	.6	.4	2.0	12.5	.8	(x)	0.1
Vegetable food products and beverages.....	100	86.8	31.1	40.6	5.9	.1	.2	.3	3.9	4.6	.1	(x)
Vegetable products, inedible.....	100	87.1	5.9	9.6	5.0	1.4	5.2	.6	6.2	53.1	(x)	(x)
Textile fibers and manufactures.....	100	55.0	5.1	18.7	6.3	(x)	.2	2.3	18.9	3.4	(x)	(x)
Wood and paper.....	100	3.6	2.0	.3	.8	(x)	(x)	(x)	.1	.5	(x)	(x)
Non-metallic minerals.....	100	80.5	20.7	38.6	10.5	(x)	(x)	8.0	2.5	.1	(x)	(x)
Metals and manufactures.....	100	52.0	9.4	21.6	5.9	(x)	.9	.1	1.2	12.8	(x)	.2
Machinery and vehicles.....	100	.3	.3	(x)	(x)	(x)	(x)	(x)	(x)	(x)	(x)	(x)
Chemicals and related products.....	100	29.5	4.1	24.3	.4	(x)	(x)	(x)	.2	.6	(x)	(x)
Miscellaneous.....	100	13.8	5.9	3.4	.9	.1	.1	.5	.4	2.3	(x)	.2

^a Data for 1950 are based on January–October totals at annual rates.

^b Does not add exactly due to rounding.

(x) Less than one-half the unit.

Source: U. S. Department of Commerce, Office of International Trade, International Economic Analysis Division, from basic data of Bureau of the Census (all figures are imports for consumption).

TABLE 4

Western Europe's Foreign Trade, 1950

EXPORTS OF ERP COUNTRIES ^a

	Value ^b (millions of U. S. \$)	Percent of total
Total	9, 187	100
United States	1, 017	11
Canada	412	4
Eastern Europe	919	10
Underdeveloped areas ^c	6, 839	75
Latin America	1, 227	13
Overseas territories	2, 248	24
Other areas	3, 364	38

IMPORTS OF ERP COUNTRIES ^a

Total	13, 873	100
United States	3, 125	23
Canada	661	5
Eastern Europe	1, 081	8
Underdeveloped areas ^c	9, 005	65
Latin America	1, 825	13
Overseas territories	2, 840	21
Other areas	4, 340	31

^a Excludes trade among ERP countries.

^b First nine months at an annual rate.

^c Includes China, Australia, and New Zealand as well as areas classified in this report as underdeveloped.

Source: Economic Cooperation Administration, *Recovery Guides*. ERP countries refers to the countries participating in the European Recovery Program.

TABLE 5

Pattern of Trade of Underdeveloped Areas, 1949

EXPORTS

Area	Million dollars				Percent of total		
	Total	U. S.	W. Eur.	Other	U. S.	W. Eur.	Other
Total.....	13, 552	3, 492	5, 726	4, 334	26	42	32
Southern North America and South America.....	6, 078	2, 533	1, 921	1, 624	42	31	27
Southern North America ¹ ...	1, 894	1, 045	562	287	55	30	15
South America ²	4, 184	1, 488	1, 359	1, 337	40	38	22
Africa ³	3, 073	154	2, 010	909	5	65	30
Middle East ⁴	880	87	578	215	10	66	24
South Asia ⁵	1, 951	269	722	960	14	37	49
Southeast Asia ⁶	1, 570	449	495	626	29	31	40

IMPORTS

Area	Million dollars				Percent of total		
	Total	U. S.	W. Eur.	Other	U. S.	W. Eur.	Other
Total.....	15, 837	4, 872	6, 359	4, 606	31	40	29
Southern North America and South America.....	5, 062	2, 777	1, 386	899	55	27	18
Southern North America ¹ ...	1, 432	1, 126	150	156	79	10	11
South America ²	3, 630	1, 651	1, 236	743	46	34	20
Africa ³	4, 466	615	2, 683	1, 168	14	60	26
Middle East ⁴	1, 637	472	710	455	29	43	28
South Asia ⁵	2, 522	343	947	1, 232	14	37	49
Southeast Asia ⁶	2, 150	665	633	852	31	29	40

¹ Southern North America excludes Bermuda, Bahamas, Leeward and Windward Islands, Barbados, French West Indies, British Honduras, and Trinidad and Tobago.

² South America excludes British Guiana, Surinam, French Guiana, and Falkland Islands.

³ Africa excludes Tangier, Libya, Spanish Africa, Gambia, Gold Coast, Sierra Leone, Portuguese Guinea, Liberia, Eastern Italian Africa, French Somaliland, Seychelles and dependencies, Mauritius, Zanzibar, and Nyasaland.

⁴ Middle East excludes Jordan, Aden, Bahrein, Arabian Peninsula States; includes Greece and Turkey.

⁵ South Asia excludes Afghanistan.

⁶ Southeast Asia excludes Thailand and Portuguese Asia.

Source: Compiled by International Economic Analysis Division, Department of Commerce, on basis of statistics published by Statistical Office of United Nations, International Monetary Fund and International Bank for Reconstruction and Development, and from national sources.

Imports Essential to the United States, 1949

110

Commodity	Total imports (Million dollars)	Imports from underdeveloped areas		Principal countries of origin	
		Value (Million dollars)	Percent of total	Country	Percent of total
A. Articles for which the United States is wholly or largely dependent on imports and for which substitutes are nonexistent or not satisfactory:					
Total	2,275.4	1,601.2	70		
<i>Necessities</i>	1,130.2	499.0	44		
Metals:					
Antimony.....	3.8	3.0	80	{ Bolivia.....	34
Bauxite.....	16.4	16.4	100	{ Mexico.....	33
Beryll or beryllium ore.....	.9	.8	97	Surinam.....	80
Cadmium.....	1.9	1.6	84	Brazil.....	87
Chrome ore or chromite.....	24.2	19.9	82	Mexico.....	83
Cobalt ore and metals.....	10.9	7.3	67	{ Turkey.....	37
Columbium ore or concentrates.....	.6	.6	100	{ Philippines.....	13
Corundum ore.....	.2	.2	100	Belgian Congo.....	67
Manganese ore.....	26.8	22.8	85	Nigeria.....	87
Mercury.....	6.8	.2	3	Union of South Africa.....	99
Nickel.....	66.0	(x)	(x)	{ India.....	27
Platinum group metals.....	11.9	1.8	15	Gold Coast.....	18
Tantalum ore.....	.2	.2	94	Union of South Africa.....	16
Tin.....	212.3	164.1	77	Mexico.....	3
				{ Colombia.....	12
				{ Brazil.....	83
				Belgian Congo.....	6
				{ British Malaya.....	36
				Bolivia.....	18
				Indonesia.....	16

Titanium ore (rutile) . . . . .	. 2		0		
Tungsten ore and concentrates	6. 3	1. 1	18	{Siam	6
Uranium	(a)			{Bolivia	4
Zirconium ores . . . . .	. 6	. 1	21	Brazil	21
Non-metallic minerals:					
Asbestos unmanufactured	33. 9	6. 2	18	{Union of South Africa	9
				{Southern Rhodesia	9
Graphite	1. 2	1. 0	83	{Mexico	34
				{Ceylon	29
Industrial diamonds	17. 6	16. 3	93	{Union of South Africa	67
Mica	19. 3	19. 1	99	{Belgian Congo	24
Monazite sand and other thorium ore	(a)			{India	88
Quartz crystals	1. 5	1. 4	98	Brazil	98
Textile fibers and manufactures:					
Extra-long staple cotton	6. 9	6. 9	100	{Egypt	68
Burlaps	103. 1	98. 3	95	{Peru	32
Manila or abaca fiber	22. 4	22. 4	100	{India	95
Sisal and henequen fiber	36. 5	36. 5	100	{Philippines	65
Silk waste . . . . .	. 3	(x)	6	{British East Africa	33
Drugs and chemicals:				{Haiti	23
Cinchona bark . . . . .	. 1	. 1	100	{Mexico	20
				{Indonesia	38
Ergot . . . . .	. 3		0	{Belgian Congo	25
Opium	2. 3	2. 3	98	{Guatemala	20
Radium salts	1. 7		0	Turkey	91
Dyeing and tanning materials:					
Quebracho extract	10. 6	10. 6	100	{Argentina	60
Wattle bark and extract	3. 8	3. 8	100	{Paraguay	39
				{Union of South Africa	89
Other:				{India	20
Goat and kid skin	36. 0	33. 9	94	{Nigeria	14
				{Ethiopia	13
Jewel bearings	5. 1		0	{Brazil	11
Newsprint	437. 6		0	{British East Africa	10

See footnotes at end of table.

Imports Essential to the United States, 1949—Continued

112

Commodity	Total imports (Million dollars)	Imports from underdeveloped areas		Principal countries of origin	
		Value (Million dollars)	Percent of total	Country	Percent of total
<i>Semi-necessities</i>	1, 145. 1	1, 102. 1	96		
Foodstuffs:					
Bananas.....	52. 7	52. 7	100	{ Honduras.....	18
				{ Costa Rica.....	17
				{ Panama, Republic.....	13
				{ Mexico.....	11
				{ Colombia.....	11
				{ Gold Coast.....	34
Cocoa or cocoa beans.....	124. 5	123. 9	99	{ Brazil.....	27
				{ Nigeria.....	19
Coffee.....	795. 5	795. 2	100	{ Brazil.....	54
				{ Colombia.....	26
Tea.....	46. 0	43. 0	93	{ India.....	37
				{ Ceylon.....	36
Cloves.....	. 4	. 4	100	{ Madagascar.....	49
				{ British East Africa.....	47
Pepper, unground.....	22. 4	22. 3	99	{ India.....	73
				{ Indonesia.....	20
Drugs and chemicals:					
Calcium cyanide.....	5. 6	.....	0		
Calcium nitrate.....	1. 4	.....	0		
Ipecac (emetine).....	. 2	. 2	100	{ Colombia.....	73
Menthol.....	2. 7	1. 8	68	{ Brazil.....	68
Pawpaw juice or papain dried.....	. 8	. 8	100	{ British East Africa.....	78
				{ British East Africa.....	68
Pyrethrum flowers.....	2. 4	2. 4	99	{ Belgian Congo.....	30

Oils and oilseeds:					
Castor oil	16.1	16.1	100	Brazil	95
Rapeseed oil . . . . .	.5		0		
Sperm oil	1.4	(x)	(x)		
Other:					
Agar . . . . .	.5	.1	15	Mexico	15
Bristles	18.3	.3	2	India	1
Cork	8.4	1.3	16	Algeria	12
Cigarette leaf tobacco, Turkish type	45.3	41.6	92	Turkey	68
B. Articles the supply of which is wholly or mainly imported, but for which, in most or all of their uses, a domestic product can be satisfactorily substituted:					
Total	425.4	401.7	94		
Selected items imported at a rate exceeding \$100 million:					
Natural rubber	240.3	240.3	100	{ British Malaya	48
All other	185.1	161.4	87	{ Indonesia	26
C. Articles the consumption of which is largely supplied by domestic production, but of which considerable imports are necessary to supplement domestic production:					
Total	1,406.1	825.1	59		
Selected items imported at a rate exceeding \$100 million:					
Cane sugar	372.1	372.1	100	Cuba	85
Raw wool and related hair (except Mohair)	222.2	130.8	59	{ Argentina	20
				{ Uruguay	19
Copper	219.1	173.5	79	{ Chile	52
				{ Mexico	11
Wood pulp	182.4		0		
Lead ore, pigs, bars, scrap, and dross	119.0	72.6	61	{ Mexico	32
				{ Peru	12
All other	291.3	76.1	26		

(x) Less than one-half the unit.

* Not available.

Source: U. S. Department of Commerce, Office of International Trade, International Economic Analysis Division, from basic data of Bureau of the Census (all figures are imports for consumption).

TABLE 7

Value of United States Imports of Strategic and Critical Materials and Percentage of Total Supplied by Underdeveloped Areas, 1949

Commodity	Total imports (thousand dollars)	PERCENT OF TOTAL SUPPLIED BY UNDERDEVELOPED AREAS										Percent
		Total	Southern North America	South America	Africa	Turkey	Middle East	South Asia	South-east Asia	Taiwan (Formosa)	Oceania		All other areas
Total imports, strategic and critical	1, 276, 339	73	9	19	9	1	(x)	5	30	(x)	(x)	27
<i>Group I</i>												
Aluminum	36, 082	3	(x)		2		(x)		(x)			97
Antimony	3, 773	80	33	47								20
Asbestos:												(x)
Amosite	1, 654	100			100							11
Chrysotile	4, 131	89			89							6
Crocidolite	957	94		1	93							(x)
Bauxite	16, 353	100		85					15			3
Beryl	858	97		87	11							23
Bismuth	834	77		77								16
Cadmium	1, 899	84	84	(x)								0
Castor Oil ¹	16, 080	100	2	97	(x)							0
Celestite ²	177	8	8									92
Chromite:												
Chemical grade	2, 357	100			59	27			14			0
Metallurgical grade	18, 451	77	1		16	44		1	6		8	23
Refractory grade	3, 392	100	30		12	1			49		8	0
Cobalt	11, 011	67			67							33
Coconut oil	15, 271	99	(x)					5	94			1
Columbite	562	100		1	99							0
Copper	219, 045	79	14	57	6	1	(x)		1			21

Cordage fibers:											
Manila	22,419	100	34	(x)					66		0
Sisal	36,408	100	51	5	44			(x)	(x)	(x)	0
Corundum	186	100			99		1				0
Diamonds, industrial	17,643	93	(x)	2	91		(x)	(x)	(x)		7
Feathers and down, waterfowl, for beds	5,705	1			(x)		(x)		(x)	1	99
Fluorspar:											
Containing about 97 percent calcium fluoride	493	12	12								88
Containing not more than 97 percent calcium fluoride	1,056	73	73								27
Graphite:											
Amorphous	956	85	44		1			40			15
Flake	277	75			75						25
Crucible lump	14	100						100			0
Dust and other crystalline lump	14	100						100			0
Hyoscine (henbane)	50	90			90						10
Jewel bearings	5,117	0									100
Kyanite ³	325	100			50			50			0
Lead	121,563	62	34	20	7		(x)	1	(x)		38
Magnesium	537	1			1						99
Manganese ore:											
Over 10, but less than 35 percent manganese	304	100		(x)	100						0
35 percent & over, battery grade	1,966	73	5		68			(x)			27
35 percent & over, other	24,527	86	11	13	32			30	1		14
Mercury	6,762	3	3								97
Mica, total	19,316	99	(x)	7	3			88			1
Muscovite black, valued over 15 cents	1,423	100		51	6			42			(x)
Mica film	733	100	2	10	(x)			87			0
Mica splittings	16,178	100	(x)	1	2			96			(x)
Molybdenum ⁴	3	0									100
Nickel ⁵	65,999	0			(x)						100
Opium	2,349	98				91	7				2
Palm Oil	10,755	100			63				37		0

See footnotes at end of table.

Zinc:										
Ores.....	16, 008	61	55	6		(x)				39
Old and worn out for remanufacture.....	223	5	1		2	1		1		95
Dross and skimmings.....	335	2	2							98
Blocks, pigs, or slabs.....	29, 341	8	8				(x)	(x)		92
Sheets.....	8	0								100
Dust.....	4	0								100
Vanadium ore or concentrates.....	272	100		100						0
Tungsten ore.....	6, 439	19	(x)	7	1		(x)	10		81
<i>Group II</i>										
Agar.....	471	15	15							85
Cryolite, natural.....	1, 312	0								100
Diamond dies.....	80	0								100
Emetine.....	181	100	22	78						0
Iodine.....	720	80		80						20
Mica:										
Muscovite, value not above 15 cents.....	25	100		100						0
Phlogopite block.....	93	78		26			52			22
Optical glass.....	12	0								100
Pepper.....	22, 420	99			1	1	74	24		1
Platinum group metals:										
Osmium.....	32	0								100
Palladium.....	1, 593	1	(x)			1				99
Rhodium.....	873	0								100
Ruthenium.....	210	1				1				99
Osmiridium.....	231	56		56						44
Rutile.....	180	0								100
Selenium.....	317	0								100
Talc, steatite, ground.....	537	0					(x)			100
Zirconium ores.....	637	21		21						79

¹ Includes castor beans.

² Includes strontianite or mineral strontium carbonate and celestite or mineral strontium sulphate.

³ Includes sillimanite.

⁴ Includes ore, concentrates, compounds, alloys, ingots, shot, bars, and scrap.

⁵ Includes ore, oxide, alloy, pigs, ingots, shot, cubes, etc.

(x) Less than one-half the unit.

Prepared in U. S. Dept. of Commerce, by International Economic Analysis Division, Office of International Trade, from basic data of the Bureau of the Census (all figures are imports for consumption).

E

Organizations Concerned With Economic Development

(SELECTED LIST)

A. International

I. WORLD-WIDE ORGANIZATIONS

a. *Financial*

1. International Bank for Reconstruction and Development
2. International Monetary Fund

b. *Technical Assistance*

1. U. N. Technical Assistance Board
2. U. N. Technical Assistance Administration
3. Food and Agriculture Organization
4. International Labor Office
5. U. N. Educational, Scientific and Cultural Organization
6. World Health Organization
7. International Civil Aviation Organization
8. International Telecommunication Union
9. World Meteorological Organization
10. Universal Postal Union

c. *Emergency Operating Programs*

1. International Refugee Organization
2. U. N. International Children's Emergency Fund
3. U. N. Relief and Works Agency for Palestine Refugees in the Near East

d. *Study Groups*

1. Economic Commission for Asia and the Far East
2. Economic Commission for Latin America
3. Economic and Social Council

II. REGIONAL ORGANIZATIONS

a. *Western Hemisphere*

1. Organization of American States—Technical Cooperation Committee
2. Pan American Union
3. Pan American Sanitary Bureau
4. Inter-American Statistical Institute
5. Inter-American Indian Institute
6. Pan American Institute of Geography and History
7. American International Institute for Protection of Childhood
8. Inter-American Institute of Agricultural Services
9. Caribbean Commission

b. *Africa*

1. Commission on Cooperation in Technical Matters in Africa, South of the Sahara
2. Central Africa Council
3. East Africa High Commission

c. *Asia and Pacific*

1. Commonwealth Consultative Committee on South and Southeast Asia (Colombo Plan)
2. Council for Technical Assistance in South and Southeast Asia (Colombo Plan)
3. South Pacific Commission

d. *Europe*

1. Organization for European Economic Cooperation
2. North Atlantic Treaty Organization

B. United States

I. GOVERNMENT

a. *Financial*

1. Export-Import Bank
2. Treasury Department
3. Department of State
4. Economic Cooperation Administration
5. Defense Department (GARIOA—Government and Relief in Occupied Areas)

b. *Technical Assistance*

1. Economic Cooperation Administration
2. Technical Cooperation Administration

3. Institute of Inter-American Affairs ¹
4. Department of Agriculture ¹
5. Defense Department (GARIOA)
6. Federal Security Agency ¹
 - (a) Office of Education ¹
 - (b) Social Security Administration ¹
 - (c) Public Health Service ¹
 - (d) Office of Vocational Rehabilitation ¹
7. Department of the Interior ¹
8. Department of State ¹
9. Department of Labor ¹
10. Bureau of the Budget ¹
11. Housing and Home Finance Agency ¹
12. Department of Commerce ¹
 - (a) Civil Aeronautics Administration ¹
 - (b) Bureau of Public Roads ¹
 - (c) Census Bureau ¹
 - (d) Weather Bureau ¹
 - (e) Office of International Trade

II. RELIGIOUS, PHILANTHROPIC, AND VOLUNTARY ORGANIZATIONS

There is a very large number of agencies in this category.

¹ The Technical Cooperation Administration finances these programs out of its appropriation; projects are executed by the indicated agency.

WHAT GREAT MEN HAVE SAID ABOUT THE THESIS OF PARTNERS IN PROGRESS

"We cannot escape our collective responsibility for the kind of life that is going to emerge from the ordeal through which the world is passing today. We cannot be an island. We may discharge that responsibility unwisely but we cannot escape the consequences of our choice."

FRANKLIN D. ROOSEVELT, *radio address*, March 8, 1941

"In nearly every country I went to, there is some great dam or irrigation project, some harbor or factory, which has been built by Americans. People like our works only because they help to make life easier and richer, but also because we have shown that American business enterprise does not necessarily lead to attempts at political control."

WENDELL J. WILLKIE, in *One World*

"We shall not make effective lasting progress against the communists, we shall not win the millions of democratic allies needed to convert the negative defense against the Kremlin into a positive building of the peace until we understand and do something practical about the basic unsolved economic and social problems that are the source of communist power."

WALTER P. REUTHER, in *A Total Peace Offensive*

"So far, war has been the only force that can discipline a whole community, and until an equivalent discipline is organized, I believe that war must have its way. But I have no serious doubt that the ordinary prides and shames of social man, once developed to a certain intensity, are capable of organizing such a moral equivalent as I have sketched, or some other just as effective for preserving manliness of type. It is but a question of time, of skilful propagandism, and of opinion-making men seizing historic opportunities."

WILLIAM JAMES, in *The Moral Equivalent of War*