

**survey
of**

**UNITED STATES
FOREIGN ECONOMIC
COOPERATION**

**by
David
Cushman
Coyle**

BEST AVAILABLE COPY

**since
1945**

THE CHURCH PEACE UNION

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*The Church Peace Union was founded by Andrew Carnegie
in 1914 to work through the major religious groups
for a greater measure of world order.*

a brief survey of
UNITED STATES
FOREIGN
ECONOMIC
COOPERATION
since 1945

David Cushman Coyle

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I. Foreign Aid Through 1945

The present American policies of foreign economic cooperation have roots in the earliest history of the Republic; but their more important characteristics have been derived from the sense of world responsibility and mutual interests growing out of experiences since 1914.

The constitutional right of the Federal Government to use tax money for the benefit of foreigners is now questioned only by eccentrics. It was debated and decided in 1794, when Congress voted \$15,000 for the relief of Haitian refugees. From then on Congress has assumed the power to give relief to victims of disaster abroad, with no more tangible benefit to the general welfare of the American people than to satisfy their feelings of compassion. The motives for modern "aid" programs, on the other hand, include many elements of national self-interest, more or less enlightened; and the moral aspects of public support of such programs are affected by judgments about these motives, their validity and their effect on those who receive the aid.

In particular, Americans are beginning to learn that any expectation of subservience to American policies out of gratitude for charitable benefits will arouse resentment and lose friends. The failure of many Americans to recognize this principle of human nature underlies many of the controversies about foreign aid policies in public discussion and especially in Congress.

The assistance programs of the period after 1945 began to take on most of their present characteristics soon after the beginning of World War II.

By September, 1939, The U.S. Department of State had begun to investigate postwar economic problems, and on January 1, 1940, Secretary Hull stated that we must "make our appropriate contribution toward helping the world as a whole to seek and find the road to peace and progress."

Before Pearl Harbor in 1941, the State Department was already studying the needs that would have to be met when European territory was liberated. In September, 1943, all civilian agencies dealing with foreign economic problems were coordinated under the Foreign Economic Administration.

In the meantime the nations fighting the Axis had established a committee in September, 1941, to accumulate supplies and hold them in readiness for the relief of liberated peoples. The British had refused to allow relief to be sent by the Friends and other charitable groups to the populations in occupied territories on the ground that it was impossible to prevent the Nazis from taking full advantage of any addition to the available supplies. There was much objection to this decision from the churches, but the United States Government, when it came into the war, took the same position as the British.

Relief and Rehabilitation

In November, 1942, the Office of Foreign Relief and Rehabilitation Operations (OFRRO) was set up in the State Department to work on the problems of postwar relief. Ten months later the Allies organized the United Nations Relief and Rehabilitation Administration, to which the United States transferred its efforts. For the first year each member nation contributed one percent of its national income for the year ending June 30, 1943. The United States contribution was \$1,350 million.

UNRRA involved the United States in multilateral relief and development activities, foreshadowing various United Nations programs in which the United States would take a leading part. UNRRA also provided that countries receiving supplies would sell them to their citizens whenever possible and use the money for internal rehabilitation projects—the “counterpart funds” that were to be so important a part of the Marshall Plan later on. The principles of UNRRA definitely looked toward rebuilding shattered economic systems, not merely to feeding the hungry with daily soup.

Another foretaste of postwar policies came in the Mutual Aid Agreement on lend-lease with the United Kingdom,

signed in February, 1942. Article VII provided that the return benefits to the United States "shall be such as not to burden commerce between the two countries, but to promote mutually advantageous economic relations between them and the betterment of world-wide economic relations." This principle derived directly from the Atlantic Charter. Its attitude of enlightened self-interest had been enlightened in large part by the unfortunate experiences with war debts after World War I. The United States was here committing itself to the proposition that the betterment of world-wide economic relationships would be a vital element in the interests of this country, overriding such considerations as money payments for supplies used in the war.

Latin American Assistance

Assistance to Latin America, which beginning before World War I had been largely devoted to military training, turned strongly toward economic aid and cultural exchange after the rise of the Hitler threat, and especially after 1938. The declared object was to help Latin-American countries resist Nazi and communist infiltration. Most of the assistance took the form of loans by the Export-Import Bank and the Reconstruction Finance Corporation. In 1942 two other Government corporations were created specially to work in Latin America, the Institute of Inter-American Affairs and the Inter-American Educational Foundation, to promote health and sanitation, education, and increased production. These wartime institutions were continued after the war and later merged into Point Four.

During the war the Latin countries shipped great quantities of supplies to the United States, and at the same time were unable to buy many desired goods because of wartime restrictions. By 1945, therefore, they had plenty of dollars, some of which they invested in the development of their own industries. At the end of the war the United States undertook to help the other American nations to cushion the shock of transition from war to peacetime trade, by stockpiling some materials and by making development loans through the Export-Import Bank.

Total U.S. Contributions, 1940-1945

Altogether, from 1940 to 1945, the United States gave military and economic assistance to other countries, mainly through lend-lease, amounting to over \$49 billion, and received aid, mainly reverse lend-lease, of over \$8 billion. The distinction between military and civilian assistance during this war period is not definable in practical terms.

While actual assistance was being directed to winning the war, the United States was also promoting the organization of postwar institutions to meet foreseeable needs. In addition to UNRRA, in 1943 the United States proposed the Hot Springs Conference on Food and Agriculture, which led to the establishment of the UN Food and Agriculture Organization (FAO). In the same year, the United States and United Kingdom led in a discussion of international finance at Bretton Woods, N. H., resulting in the founding of the International Monetary Fund and the International Bank for Reconstruction and Development. Under the quota systems adopted for these institutions the United States was, of course, the principal subscriber.

Finally in the San Francisco Conference of June, 1945, the United Nations was established, with the United States as a leading member and subscriber, in marked contrast with the failure of this country to join the League of Nations in 1919.

2. The Early Postwar Period

The first major form of assistance given by the United States after the end of the war was in connection with the winding up of lend-lease. Several billion dollars worth of material that could be put to peacetime use was in the lend-lease pipelines. This material was offered for sale to the recipient countries on favorable terms. So also were trucks, buildings, and supplies in the hands of the U.S. forces that could not economically be brought home. Payments were aided by Export-Import Bank loans.

The lend-lease settlement with Britain involved agreements by both countries to work toward reduction of trade barriers, under Article VII of the Mutual Aid Agreement of 1942.

In July, 1946, after many months of not always good-tempered negotiations, the United States lent Britain \$3.75 billion at two percent interest to piece out her trade deficits until she could rebuild her factories and her export trade.

The United States contributed to the support of the people of occupied territories, mainly by supplementary food supplies administered by the Army. This program ended with the peace treaties that ended the occupation.

UNRRA went into operation with the liberation of European lands from Axis control toward the end of the war. Altogether the United States contributed over 70 percent of the total subscriptions to UNRRA. The program was limited by Congressional insistence that it must not be used for reconstruction or development. Congress also was deeply suspicious of the Soviet satellites because they refused to give a clear accounting for UNRRA aid and apparently were using it to build Communist Party strength. Another source of contention was the Soviet insistence on forcing the return of refugees to communist countries, for the United States demanded that UNRRA should aid refugees even if they re-

fused to return home. The UNRRA program was closed out in 1947. It had shipped about \$3 billion worth of food, textiles, and other supplies. By 1947 it had begun to be plain that technical assistance and economic development, rather than merely relief and restoration of devastated areas to their prewar condition, would be the principal future needs even in Europe.

From 1945 to April, 1948

During this postwar period the United States gave direct aid to Korea through the Army of about \$137 million worth of civilian supplies. Direct U.S. assistance to China amounted to about a billion dollars, but it failed to prevent the collapse of the Chinese Republic on the mainland. There was a successful rehabilitation program in the Philippines that cost the United States about \$130 million. Aid to Greece and Turkey took \$165 million, and interim aid to Italy, France, and Austria in advance of the Marshall Plan amounted to \$312 million.

Altogether, from 1945 to the adoption of the Marshall Plan in April, 1948, the total of American foreign aid added up to grants of \$6.7 billion and loans of \$8.5 billion.

During this transition period between 1945 and the Marshall Plan, the United States was gradually taught by hard experience that world recovery would be a more difficult process than had at first been supposed. Great Britain, for instance, was unable to rebuild its trade as fast as it had hoped to do, and by 1947 was evidently going to come to the end of its American and Canadian dollar loans before reaching a balance between exports and imports.

Germany was not recovering, largely because of Allied policies of repressing German heavy industry and of allowing the Soviets to take reparations by dismantling German factories and carrying them off. The United States discovered that the net effect was that it had to feed the German economic system at one end while the Soviet Union bled it at the other. As a result, American policy changed to one of building up Western Germany, in which it was joined first by Britain and then by France. In May, 1946, dis-

mantling and payment of Soviet reparations from West Germany were stopped, and step by step East and West Germany became separated by a lowering iron curtain.

France's recovery was impeded by communist strikes and opposition to cooperation with the West; and in Italy, despite aid of some \$2 billion, most of it from the United States, living conditions were so bad that there was danger of a communist victory in the elections that were due in April of 1948.

The Truman Doctrine

The precipitating crisis that drastically changed American policy early in 1947 was the threat of communist success in Greece and Turkey. Greece had been cruelly devastated by the Germans, and had failed to recover either economic or political strength. British troops were stationed there at the request of the Greek Government, but communist guerrillas were in the hills, aided by the Soviet satellites to the north. Turkey was in better shape, but it also depended on military and economic aid from Britain. The Soviets were pressing for concessions, including control of the Dardanelles. Then early in 1947 Britain announced that it could no longer afford to help Greece and Turkey. Unless someone else would step in, the Soviets would break into the Eastern Mediterranean in full force.

On March 12, 1947, President Truman announced the policy that immediately became known as the Truman Doctrine, the policy of helping free countries to resist aggression and to work out their destinies in freedom. Mr. Truman asked from Congress the authority to give military and economic assistance to Greece and Turkey.

Opposition to the Truman Doctrine came mainly from communists, and from what are now called "neutralists," in Europe and the United States, who feared that a too-open defiance of Soviet expansion might lead to war. There was also a fear that American action outside the channels of the United Nations would weaken the UN, and there was a moral objection to supporting reactionary governments in Greece and Turkey. These arguments had much to do with the Progressive Party movement in America in 1948.

Defense of the Truman Doctrine during the Congressional hearings was led by Acting Secretary of State Dean Acheson. He pointed out that to help maintain the independence of Greece did not mean approval of the government then in power, but to reform that government was the business of the Greek people, not of any outsider. As for the United Nations, Acheson pointed out that if the UN ever were to become able to take over, the United States would gladly withdraw. There was no proposal to send American troops to either Greece or Turkey, but rather to supply training and equipment by which they could strengthen their own forces.

Economic and Military Aid

The net effect of the argument was that both military and economic aid in the defense of national independence as against communist aggression became established in American policy, but the relative weight of the two kinds of aid remained controversial. The moral question of supporting unsatisfactory governments was decided according to the almost unbroken American tradition of favoring the independence of nations even under a home-grown dictator rather than consigning them to the rule of a foreign master. In regard to military aid, Congress in 1947 had to be assured that American soldiers would not have to go to Greece or Turkey, but was not opposed to sending a small training team and considerable amounts of material. In later years, Congress has been far more willing to give military material to build up allied forces than to provide civilian material for building up their economic systems.

3. The Marshall Plan

The Truman Doctrine of American responsibility for the health of the free world led naturally to the Marshall Plan to apply American aid on a comprehensive scale to Europe, which if left to itself was evidently not on the road to recovery. The Plan was based on a memorandum prepared by the Policy Planning Staff of the State Department, headed by George Kennan. It emphasized that the troubles of Europe had not been caused by the communists but by the war, and that we should correct an impression already growing about the Truman Doctrine, that we were primarily fighting the Soviet Union. We should make clear that we were ready to help Europe restore its health and vigor whether there were any communists about or not. It was also necessary to avoid offering a blank check to any country if it merely threatened to yield to communism in case we should refuse to help it. This proposed attitude was later to become a matter of importance in our dealings with Asian countries. It has been difficult for many members of Congress to accept it, with the result that many Asians believe the communist charge that our motive in offering aid is solely to muster allies for a world war against the communist nations.

An important element in the proposed Marshall Plan was that the United States would not make the plans for Europe, but would only provide the necessary dollar supplement to balance a program planned by the Europeans and acceptable to the United States.

The fact that communists were counting on the collapse of Europe to open the way for revolution was recognized, and in France and Italy they were doing what they could to interfere with recovery, but this did not mean that communism was the root cause of the weakness of Europe in general. If the war devastation was the root cause, then it was fair to hope that a program of rebuilding might restore

Europe to a sound condition, in which it could throw off the infection of communism, assuming the Soviets would not attack with military force. (At that time the attack in Korea and the consequent fear of a march on Europe were still in the future.) In order to make clear the American position, the Marshall Plan was offered to all Europe, including the satellites, and the Soviet Union was invited to take part.

Early Soviet Cooperation

Secretary Marshall's speech proposing the Plan was made on June 5, 1947, and Mr. Truman repeated the offer on June 11 in a speech at Ottawa. The British and French went into action at once, and they invited the Soviets to join them in making preliminary plans. Molotov for the U.S.S.R. attended the first Big Three meeting in Paris. During the meeting Molotov got a telegram from home that obviously angered and embarrassed him. He immediately became uncooperative, and attended no more meetings on the Marshall Plan.

The British and French sent invitations to the other European countries to attend an organization meeting. Poland and Czechoslovakia, which had shown an interest in joining, were ordered by Moscow to keep away. It was clear that the Soviets wanted no recovery of Europe under free auspices.

Sixteen nations met in Paris on July 12 and formed a Committee on European Economic Cooperation (CEEC). The Committee presented a report to the United States Government on September 22, outlining a four-year recovery program, and showing an estimated need for dollars to meet trade deficits of about \$22 billion. These estimates were somewhat reduced when Congress showed signs of refusing to supply that much money, but the amount given in the first three years, before the Plan was distorted by the attack in Korea, was enough to get the program well under way.

It is important to remember that the Europeans themselves did the work and supplied over 95 percent of the money in the recovery program. The United States contribution was only the necessary blood transfusion that made the difference between life and death.

On the American side, President Truman in June appointed a committee under Secretary of Commerce W. Averell Harriman to analyze principles and policies for European recovery, and one under Secretary of the Interior Julius A. Krug to study American economic capabilities for supporting the program. The Council of Economic Advisors, headed by Edwin G. Nourse, also studied the economic effects on the United States. The reports generally agreed that Europe was capable of being saved by means within the power of the United States, and that if Europe were not saved free institutions everywhere would be in danger. The fact was emphasized that the United States was proposing to cooperate in an enterprise of vital importance to its own future as well as to that of Europe. The fact was also noted that this was no time to boggle over what seemed to many Americans to be too much socialism in some of the free countries. Britain, for instance, had a Labor government, but that could hardly be said to warrant throwing Britain and all Europe with it to the Soviet wolves.

Interim Aid

Meanwhile conditions in Europe were growing worse. The winter of 1946-47 had been extremely cold, and there was a drought in the summer of 1947. France and Italy were especially hard hit and the communists were riding high. On October 23 President Truman called a special session of Congress, which approved an Interim Aid Program of \$522 million to buy food and fuel for France, Italy, and Austria. It seems probable that the failure of the communists to win the Italian elections the following April was largely caused by this aid, together with the effect of private help from Italians and others in this country.

Congress had begun to study the Marshall Plan during the summer of 1947. A special committee of the House under the chairmanship of Christian Herter, Sr. went to Europe in August for extensive study and conferences. By January, 1948, when Congress met in regular session, there was much intelligent support for the Plan on both sides of the aisle. Since the Republican Party was in control of Congress, the

support of Senator Vandenberg, who took the lead in steering the law through the Senate, was of especial value.

A Citizens Committee for the Marshall Plan had been organized in late 1947 with Henry L. Stimson as Chairman. There was strong support from labor and business organizations, the Federal Council of Churches, the National Catholic Welfare Conference, and the principal organizations of women, farmers, and veterans. Opposition was voiced by Herbert Hoover, Felix Morley, Senator Taft, the National Economic Council, the American Coalition, and Henry Wallace. The Gallup Poll on December 7, 1947, showed 56 percent for the Plan to 17 percent opposed. In general, support for the Plan in America was much reinforced by communist attacks on it in Europe, and by the shocking communist seizure of Czechoslovakia.

The ECA

The Senate voted for the Plan 69 to 17 and the House 329 to 74, and it became law on April 3, 1948. The Act created an Economic Cooperation Administration, which was headed by Paul G. Hoffman and had offices in Washington. W. Averell Harriman was European representative with a central office in Paris, and there was an ECA mission in each participating country.

Senator Vandenberg insisted that the ECA must be independent of the State Department, which in his opinion was not suited by tradition and personnel to manage an "action" program.

The European countries were organized by the CEEC in March, 1948, into a permanent Organization for European Economic Cooperation (OEEC), which is still active and has helped to establish many other institutions for united action in Europe. Harriman as European head of ECA was Ambassador to OEEC.

Several features of the ECA are worth noting. American aid was given to the European governments in the form of goods. The actual steel and wheat were procured and distributed through the normal trade channels in each country, so as to restore those channels to healthy activity. Those who

received the goods paid for them in the money of the country. This money was placed in a "counterpart fund" and used by the government, with U.S. approval, for such purposes as public works or debt reduction. The emphasis on coordinated European planning, self-help, and mutual assistance did much to make clear that this was not a charity program. The Plan also implied a moral obligation on the United States to lower tariffs and other obstacles to American buying, so that as quickly as possible the Europeans might earn enough dollars to pay for their necessary imports from North America.

Congress required ECA to take over the task of China relief from UNRRA and that of Korea from the Army, against the wishes of Hoffman, who felt that European recovery ought to be managed separately.

The Marshall Plan Succeeds

Most of the history of the Marshall Plan and its technical institutions such as the European Payments Union need not be detailed in a paper for the present purpose. The Plan did succeed; Europe was saved from collapse and chaos and was well on the way to self-support and general prosperity when the attack in Korea aroused fears of a similar move in Europe and so forced a shift from a civilian to a military buildup. This shift, however, took effect only after several months. The success of the Plan was shown by the fact that in the second half of 1950 the OEEC countries showed an industrial yield of about 25 percent above 1938, or nearly the goal that had been set for 1952. Agricultural production was about 14 percent above prewar, enough to take care of a population increase of 11 percent since 1938. Technical assistance for improvement of efficiency was gaining emphasis as the problems of rebuilding and reorganizing had become less urgent. This unexpectedly rapid progress had led to smaller trade deficits than originally expected, with consequent smaller requirements for dollar aid.

The effect of Korea was not to stop the growth of European economic activity but to cause a new demand for dollar aid to meet enlarged trade deficits. For one thing, heavy

industry in Europe, which was largely devoted to making goods for export, had to be shifted to making military goods for rearmament, leaving once more a serious deficit in exports. For another, the United States was stepping up its military production and causing a rise in the prices of raw materials that Europe had to buy all over the world. The United States, therefore, had to cover these new trade deficits with military aid. But that, too, is another story.

Harry Bayard Price, in *The Marshall Plan and its Meaning*, concludes that the principal effect of the ECA and OEEC was the development of many kinds of cooperation among Europeans that previously would not have been thought possible. The moral effect of working together for aims that can be rather simply defined and generally agreed upon, such as having enough to eat, is obviously one of the fundamentals of a policy looking toward world peace. Its success in Europe therefore throws light on other plans for economic assistance.

The problems of recovery, as Price points out, turned out to be infinitely complex. Merely to get the factories going again was not enough. Economic systems had to be streamlined to meet postwar conditions. The political as well as economic effects of such institutions as tax rates and land tenure had to be taken into account. In other words, it is as hard to run a European country successfully as it is to run the United States, and the amount of advice that Americans can offer with assurance is limited. But cultural exchange on a large scale has been found beneficial, and the techniques for making it effective have been considerably improved since 1948.

Study and advice by many citizens' organizations in this country was of definite value to the ECA, and so was the public support mustered by ECA's strong information program. A great effort was made to reach the public with the facts to show that this was rehabilitation, not charity, and polls showed that the best support was coming from people who accepted that view. On the other hand Hoffman ruefully stated in 1953 that too many people "still think of ECA as a great charity."

4. Technical Assistance Programs

The people of what is now the United States have been getting technical assistance from other cultures ever since the Indians taught the first English settlers in North America how to plant Indian corn. One of the earliest jobs of our Department of Agriculture was to explore distant countries in search of new varieties of plants and farm animals. When American technicians in the past few years set out to promote the raising of alfalfa in Iran, they were returning a valuable plant that came originally from that country.

The moral aspects of our technical assistance programs today depend closely on a full realization by Americans that all cultures have something valuable to contribute and are worthy of respect. Even today, our people working abroad can bring home techniques, materials, drugs, and plant and animal stocks that often are worth more to the United States than the cost of the program.

The English colonists in America began our exchange of students by sending young men to study in the home country, and in the 19th century American students were scattered all over Europe, while some Latin-Americans were in school in the United States. Fifty years ago the United States devoted the Chinese indemnity, paid to us for damages in the Boxer Rebellion, to financing Chinese students in American colleges, and after World War II much of the money paid by allied countries for American material left abroad was similarly devoted to Fulbright exchange scholarships.

World War II Operations

During World War II many of our foreign operations had some features of technical assistance. The United States was involved, for instance, in the British Middle East Supply Center, which helped the Middle Eastern countries with production and trade problems. In Latin America the Insti-

tute of Inter-American Affairs, under Nelson Rockefeller, established the "Servicios," in which American technicians worked with those of the host country, mainly on educational, agricultural, and public health projects, auxiliary to military installations.

The Foreign Economic Administration made surveys for economic development in some countries, such as Ethiopia and Greece. After the war the FEA was divided between the State and Commerce Departments, and the section in Commerce included an embryo Office of Foreign Economic Development that devoted its attention to planning for technical assistance programs. This office, before it died in 1946 of a budget cut, had explored many of the problems that were later to be faced by Point Four. Its reports pointed out the obstacles that would be met in countries with powerful and corrupt politicians and landlords; the frequent insistence of the leaders in underdeveloped countries on starting with mammoth plants and labor-saving machinery like that in the United States; and the danger of population explosions in crowded countries.

In 1946 small programs of technical assistance were already operating in the United Nations, especially in its specialized agencies, such as UNICEF, FAO, WHO, and UNESCO. The United States was the leading subscriber to these programs.

European Productivity

When the Marshall Plan was adopted in 1948, Hoffman wanted to do something about European productive technology which was in some ways behind the times and a drag on recovery. Fortunately Sir Stafford Cripps, who was then the British Chancellor of the Exchequer, suggested to Hoffman that Britain could use some American techniques, in exchange for some of her own production secrets, and Hoffman jumped at the chance. From this conversation grew the Anglo-American Council of Productivity, which enlisted top men from British and American industry and labor. Teams from British industries visited the United States and made elaborate reports on practices that seemed

to them suitable for adoption in Britain. Other European countries were slower to take up the idea, but in later years it became widely accepted.

In recent years, European interest in American methods has turned particularly toward management techniques, especially to what is often called "human relations engineering." This is a late outgrowth of the efficiency engineering movement, with strong moral overtones. The essence of the technique is to convince the workers that they and their ideas are respected. The effect is to increase good will, intelligence, and productivity in the organization. It leads incidentally to higher money rewards for both labor and management, but the essential secret is the growth of mutual respect and good feeling. Where successfully introduced in Europe it has been found to be a powerful medicine against "class conflict" and therefore against communist attitudes among the workers. The moral importance of this technique is evidently considerable.

One of the biggest technical assistance jobs in the world after World War II was in Korea. During the long Japanese occupation of the country, Koreans had been excluded from management jobs, so that when the Japanese were expelled in 1945, practically no one was left who knew how to run a government or a business enterprise. The United States Army began training people while it was in control in South Korea. Then in September, 1948, when the Republic of Korea was installed, an ECA mission headed by Eric Biddle came in and set up a widespread training system for government and private industry. The Koreans were eager to learn, and by the time the war began in 1950 they were already taking hold well.

Point Four

In January, 1949, came President Truman's Inaugural Address proclaiming a "bold new program" of technical assistance that soon came to be known all over the world as Point Four. This proclamation was followed by a tortured period of argument about how Point Four should operate. Nelson Rockefeller was appointed Chairman of a committee

to advise on this subject. He recommended an independent agency, practically a successor to ECA, and he wanted not only technical assistance but also an extensive program of encouragement to private investment abroad. Hoffman was of like opinion.

But when the Point Four Act was passed in 1950, it provided strictly for technical help only with no obligation on the United States to find any capital funds for economic development. The President placed the new Technical Cooperation Administration in the State Department, the economic section of which never understood it or liked it. Dr. Henry Garland Bennett of the University of Oklahoma was made head of the TCA. He disagreed with the Rockefeller plan, wanted pure technical assistance, with no provision for investment funds, at least in direct connection with his program.

The State Department, meanwhile, sought to negotiate treaties with various countries that would protect American investors abroad from certain dangers, and there were efforts to have the U.S. Government guarantee approved foreign investments against political risks such as socialist expropriation. But many countries that were willing to accept financial help from the United States Government were hesitant about letting American private enterprises get a foothold.

Foreign Aid Agencies

In January, 1952, ECA was superseded by the Mutual Security Agency, which took charge of technical assistance work in the Far East, the remainder being left in the State Department. When Mr. Eisenhower became President, MSA was changed to the Foreign Operations Administration, into which Point Four was entirely absorbed, as originally recommended by Rockefeller. Harold Stassen was appointed Director. On July 1, 1955, the agency was renamed the International Cooperation Administration, and once more placed in the State Department, with John B. Hollister in charge. Hollister not only administers technical assistance, but also civilian economic development projects. He coordinates the

military assistance, administered by the Defense Department.

The checkered history of American technical assistance has not prevented some good work from being done in many parts of the world, especially as under Bennett it started with the simplest projects for improving primitive agricultural methods or fighting diseases like malaria. Work of this sort can be done with limited funds and limited personnel, and often adds notably to the productive power of the population, creating a favorable economic and psychological background for the more difficult tasks of further development. As the problems to be faced become more complex, there have to be technical advances in the arts of government, trade, banking, transportation, and education, and capital has to be obtained by saving, borrowing, or gift, to provide public works and services as well as private plants. Recent development programs therefore have been more complicated and expensive than those of a few years ago, and results have been slower, too.

Emergency Programs

When the FOA came into being in 1953, some of the best opportunities for immediate results appeared in the form of emergencies, where economic aid could be applied quickly with comparatively few complications. In August, 1953, for instance, Congress approved a \$200 million emergency aid program for Korea, following the truce. In the same year, FOA sent 600,000 tons of surplus wheat to Pakistan to relieve a scarcity caused by two years of drought; and in 1954 it sent medical supplies, food and American experts to help seven million people, the victims of a flood disaster in East Pakistan. In Iran, after Mossadegh was ousted, the country was found to be almost bankrupt, and FOA stepped in with financial help that relieved the crisis. It also supplied technical aid in planning a program of public works, including roads, housing, water supplies, schools, and hospitals. In 1954, also, FOA helped to take care of nearly 800,000 refugees in Viet Nam who had fled from the communists.

Lebanon: A Case History

United States technical cooperation is now going on in most of the countries of Latin America, Africa, and Southern Asia. Its complex nature can be illustrated by taking the country of Lebanon as an example. The total U.S. allocations in 1952 for technical and economic assistance in Lebanon amounted to \$3.5 million. By 1955 the accumulated total to date had risen to more than \$21 million. Of this amount something over \$3 million had been spent for U.S. personnel, and \$17 million for projects, including capital costs.

In the agricultural programs, the U.S. efforts are coordinated with those of a French Agricultural Mission, the British Middle East Office, the Near East Foundation, the American University at Beirut, the Ford Foundation, and many local business concerns. The Americans are introducing improved methods in animal husbandry, credit and cooperative organization, irrigation, marketing, veterinary medicine, and many other branches of agriculture. They have improved the varieties of crops, poultry, and farm animals by selection and importation, have trained operators and maintenance crews for farm machinery, have helped to stabilize blowing sand by planting native cane and stone pine, and have cooperated with Lebanese foresters in replanting the historic cedars of Lebanon.

In education, Point Four and the Ministry of Education have established two teachers colleges, one urban and one rural, and have also cooperated in giving in-service training to rural teachers. In this work the Americans provided much of the equipment. The Near East Foundation, which has had 25 years experience in the area, works under a contract with the U.S. Mission and the Ford Foundation in training teachers, agricultural agents, sanitation workers, and community development specialists.

Educational Programs

A "rehabilitation" program for 1800 students, most of them orphans, has been undertaken in cooperation with the Ministry of Social Affairs and several private organizations, including the YWCA, the Young Lebanese Artisans School,

the Young Women's Moslem Association, and a number of Moslem orphanages. In 1955 the Lebanese Government appropriated the money for a large trade school near Beirut, and the Americans obtained seven vocational specialists from the Delgado Central Trade School in New Orleans to organize the courses in auto mechanics, radio electronics, printing, textiles, and other skills. Technical assistance has also been given to the American University in Beirut and to several other schools, including Presbyterian Mission Schools in Sidon and Tripoli. Classes in English, especially for government employees and school teachers, have proved very popular.

Other services essential to a modern well-developed nation are being aided by the Americans, such as public health and sanitation, nursing schools, vital statistics, and rural clinics. The Industry Institute teaches management and accounting, marketing, and industrial engineering, and it operates a testing laboratory to standardize and raise the quality of products. It also runs a library of manufacturers' catalogs for the use of Lebanese business men. American specialists have advised the Government on the promotion of private investment institutions to attract capital from abroad and especially from prosperous Lebanese living in other countries.

The Lebanese Government is getting American advice and help in its program of resource conservation and development, chiefly for the purpose of making the best use of water supplies and irrigable land. The TVA principle of comprehensive river basin development is being applied in the Litani River Basin.

In Lebanon, as in all the countries with well-established development programs, the American contribution is only a small part of the total money expended on the cooperative work. There is a "trigger" effect, because many projects are made possible by a small but vital proportion of foreign equipment and advice that must be paid for in foreign money, though the bulk of the expense is local and paid for in the money of the country.

The Lebanon story serves to illustrate some of the compli-

cations of technical advance in an "underdeveloped" country. Lebanon already has a civilization much older than our own, and one that is in close contact with French, British, and other highly developed countries. When the details of our contribution are examined, they are seen to be not totally different from services that our Departments of Agriculture and Commerce render to farmers and business men here in the United States. The avoidance of superiority feelings among the Americans is facilitated by recognition of the overall similarity of government technical programs at home and abroad, even where the cultural, religious, and racial backgrounds are strikingly different. All countries are underdeveloped in one respect or another.

Aid and Trade

One of the aspects of foreign economic development that caused confusion in the State Department after 1949 was the fact that it necessarily implies some interference with "natural" trade patterns, contrary to the simple Hull doctrine of reciprocal relaxation of trade barriers. For example, at the end of the war, FEA was advising Ethiopia to make its own salt, so as to save foreign exchange that would be more usefully employed in buying machinery. Similarly the United States Mission in Iran has advised the expansion of sugar production when it found that Iran was importing more than half the sugar it uses. Changes of this kind may be advisable even if the domestic product costs more and requires some tariff protection. Protective tariffs and other interferences with trade are normal instruments for economizing a developing country's foreign money supply. The foreign money is then available for the most essential imports, particularly machines and engineering services, instead of being used up on goods that can be produced at some reasonable cost at home. Such considerations, necessary to the planning of a development program, tended to conflict with the free-trade preferences of the State Department tradition.

The effect of foreign industrial development is in general to increase the foreign demand for the most highly processed American technical products, and to reduce the

markets for our low-grade goods, thus forcing American industry and agriculture to upgrade their production. Coarse cotton cloth, for instance, tends to be produced in the areas where the textile industry is in its earliest growth, leaving the more developed industrial areas to produce the finer commercial grades—while some of the most luxurious fabrics can still be made only by the ancient “underdeveloped” cultures of Asia. This tendency to specialization, as well as the tendency to protect infant industries, cannot help causing trouble to some industries in the United States. They therefore press Congress to protect them with trade restrictions that are hostile to the foreign development program. This conflict naturally raises the question of how subsidies might be used in this country to indemnify various industrial, labor, and farmer groups, so that they will not obstruct necessary policies of foreign economic and technical aid.

It is often said that prosperity in distant parts of the world will necessarily create markets for American goods. This is sometimes true, but only provided those countries happen to produce something that Americans will buy, so that they can earn plenty of dollars that in turn they can spend for American goods. The details of this relation are sufficiently complicated that the general argument has little political weight against an expert lobbyist for a particular interest that fears it may be injured.

The aid programs may sometimes directly create markets for American products, especially agricultural surpluses. The communists accuse us of basing our whole effort on two unworthy motives: to sell surpluses that otherwise would cause depression at home; and to gain allies for a war against the communist countries that we are planning to bring about. These charges are widely believed in Asia. The color of truth in them is found in the attitude of some Congressmen and others who want no money spent merely to help the growth of democracy and prosperity abroad, and who insist on seeing the most direct economic benefits to ourselves and positive proof of compliance with our military policies. Those in the Executive Branch who are trying to counter the communist accusations make efforts to prevent dumping

our surpluses abroad where they will ruin the markets of friendly countries. There is also some effort to avoid Congressional actions that will harass a country such as India that insists on staying neutral—as George Washington did at the corresponding period of our own history, and as most Americans were doing in 1939.

Motivation

So far as possible, it is obviously useful to point out the direct benefits to our own technology and culture derived from what our people can learn abroad and from materials and goods that we are able to buy from other countries. Open appreciation of such values helps to smooth our relations with people to whom we are giving technical aid.

The legitimate selfish reasons for spending American tax money on foreign development need to be well understood, both to overcome suspicion abroad and also to reduce the opposition of Americans who fear injury to domestic interests or who dislike being taxed “for the benefit of foreigners.”

The overall selfish purpose in our foreign economic operations is of course to “strengthen” the free nations of the world for our own good as well as theirs. So long as the strongest communist nations are trying to conquer the world, an element of resistance to such conquest is unavoidable, and some confusion between military and economic “strengthening” is also unavoidable. But it is true and worth emphasizing that Americans would be interested in promoting technical advance and better living conditions if Russian imperialism did not exist. In fact, if something should happen in Russia that rendered it clearly impossible for that country to threaten our freedom, we should be glad to help the Russians and other peoples of the Soviet empire to develop higher living standards.

Regardless of probable direct benefits to American trade, and aside from the defense of freedom, it is evidently clear to the Eisenhower Administration, as it was to that of Mr. Truman, that Americans believe technical progress in general is good for the world. They believe that it will help to

make the kind of world that we want to live in. It is often possible for individual Americans working abroad to demonstrate that one of our common cultural characteristics is a personal hatred of hunger, disease, and cruel conditions of life afflicting other people. Many Americans show a visible pleasure in overcoming such enemies in a foreign country, a trait that helps to overshadow the natural foreign suspicion of their motives.

Personnel Shortage

There is, however, a scarcity of the ideal types of Americans who are in a position to take an assignment in our foreign program, and the scarcity is compounded by the fact that every member of the family must be friendly and not presumptuous among foreigners, or they will do more harm than good. In order to spread the effect of American personnel as well as to provide for the closest cooperation, each American technician is given a local "counterpart" to work with him. The two exchange information and skills, and in time the American is no longer necessary and can be transferred to a new project.

Some of the most effective answers to the personnel problem have been found in the use of American universities.

One method of using university resources is the contract by which faculty members are exchanged between an American and a foreign university in connection with the creation or extension of a new technical department or other enterprise. In December, 1955, Mr. Hollister reported that 49 American universities had entered into 78 contracts with universities in 35 foreign countries. Included were the American University in Beirut and the Universities of Puerto Rico and Hawaii, all of which are in favorable positions for showing some of the more attractive sides of American treatment of non-Anglo-Saxon people.

The other and more widespread use of educational institutions is in the exchange of students, which has grown to large proportions. Together with the exchange of mature business men, labor leaders, and government officials, these activities serve to bring great numbers of foreigners within

reach of American homes, schools, churches, and other community organizations. In these contacts Americans of good will, even without special technical training, can do useful service in building international understanding and friendship. The techniques for managing the schedules and the contacts for foreign visitors have been much discussed in recent years. Two of the problems are the prevention of mere tourism—traveling too fast to learn the important facts about America—and the problem of discourtesy to dark-colored visitors.

Voluntary agencies have taken a prominent part in bringing foreign students and visitors to the United States. They have also been increasingly active in collecting gifts of money and goods, and in locating needy persons abroad to whom such gifts can be sent without offense.

5. The Cost of Foreign Assistance

Since the first Point Four program, funds for technical assistance proper have been combined in the same appropriation bills with military assistance funds of various kinds and with substantial economic development projects involving some investments in public works. For the fiscal year ending June 30, 1956, Congress appropriated \$2,703 million, of which \$1,022 million was for military training, weapons, and material for allied countries. This latter sum was short of the amount actually supplied, according to recent accounts, the difference being made up by drawing down the "pipe line" of materials in process of manufacture and delivery. Accordingly, the Administration asked \$3,000 million for military assistance in fiscal year 1957.

Of the remaining 60 percent of the 1956 appropriations, more than half, \$999 million, was allocated to what is called "defense support," meaning economic assistance to countries that accept military aid, to enable recipient countries to build a strong economic base for mutual defense efforts, and to maintain fiscal and political stability. To a considerable degree, this form of words represents an effort to pacify those in Congress who oppose economic assistance but will let it pass if it is called something for defense. Obviously any economic strength is useful when a nation wants to arm as well as when it merely wants to raise its standard of living. Most of this item could be called economic aid, with less danger of alienating our friends abroad, if Congress would allow it.

\$162 million of the 1956 allocations was for development, mainly capital loans or grants for the physical aid plant.

\$153 million was for technical assistance, including not only Point Four but also the U.S. contributions to the technical assistance programs of the UN and of the Organization of American States.

\$167 million was for special programs, including the UN Childrens Fund (UNICEF), the payment of ocean freight on private gift packages, and the relief of Palestine refugees and other displaced persons.

\$100 million was for the President's Fund for Asian Economic Development, a special long-range program for the assistance of countries which were threatened by communist pressure.

\$100 million was for a contingency fund to be used at the President's discretion.

The 1957 Budget

In 1956 President Eisenhower asked Congress for \$4,900 million for the next fiscal year. He included a request for \$100 million for long-term commitments up to ten years, and in general he asked for more "flexibility" in the use of economic aid. The immediate reaction in Congress indicated that there was still a highly vocal isolationist sentiment in the country, that would insist on regarding foreign aid as an emergency program to be abandoned as soon as possible, that is, as soon as enough votes could be mustered in favor of abandonment. There was also some sentiment in favor of refusing all aid to any country that refused to conform to American international policies—underpinning the communist charge that any nation accepting aid from us will be reduced to a satellite. Press reports seemed to show a need for a more extensive educational effort by the Administration, as well as by private groups interested in international amity.

The President's position was supported by papers of the type of the *Washington Post* and *New York Times*. The *Times* of May 8, 1956, emphasized the value to this country of strengthening the economic systems of free nations with which we wish to do business, and it also pointed out the fact that military aid has made possible foreign military forces of vastly greater size than we could possibly support by our unaided efforts on our own economic and manpower base.

Congressional Cuts

In the end Congress voted only \$3,767 million, of which \$2,017 million was military assistance and \$1,162 million was for "defense support." The Latin-American item, for which \$27 million was requested as "development assistance," was raised by Congress to \$52 million and transferred to the defense support classification. The remaining development assistance was raised from a requested \$143 million to a \$250 million appropriation.

Technical Cooperation was given \$152 million, of which \$15.5 million was for the UN expanded program, and \$1.5 million for the Organization of American States. The miscellaneous classification was given \$185 million in place of a requested \$401 million, the chief omissions being the President's request for special funds of \$100 million each for Asian development and for the Middle East and Africa. The miscellaneous list includes refugee relief funds and the "Atoms for Peace" Foreign Reactor Projects.

It has been customary for Congress to give the President less mutual aid money than he wanted, while sometimes giving him more than his request on certain items. This has happened both to Mr. Truman and to Mr. Eisenhower. In 1952, for instance, President Truman asked for \$6.5 billion for the 1953 fiscal year, and got only \$6.0 billion. The next three years, the figures were \$5.1 to \$4.7, \$3.4 to \$2.8, and \$3.5 to \$2.7, respectively, ending up with \$4,860 to \$3,767 million for 1957.

Opponents of foreign aid often ask: "What have we got for all these billions?" They point to the fact that the world is still in a dangerous condition, and the answer is not immediately clear to the ordinary reader of an isolationist paper. But in the case of a patient suffering from a desperate illness, the only basis for continuing treatment is faith that the treatment is the best we know how to do, and so long as the patient still lives there is no use quitting in disgust because he is not well. In fact, the world has some favorable symptoms that it might not have shown without our help.

Europe, headed for chaos and communist domination in

1947, is better now. Greece and Turkey, though snarling at each other, are not communist satellites. The Red Army, that looked capable of taking Western Europe, has not yet done so. Red China, that a few years ago seemed about to overrun South and Southeast Asia, has not yet done so. There are some signs of there never being the final suicidal war, which looked practically inevitable a few years ago. In the new countries recently freed from West European control, the people generally want democracy, Western style, rather than communism.

All these results have come from a complex of causes, in which American help has usually been an important factor and in some cases the deciding makeweight between survival and collapse. It can be said that if the human race ever does come through these difficult times alive, it will owe no thanks to those who have wanted to abandon the awkward but not wholly futile American efforts to aid other countries.

6. Multilateral or Bilateral Aid?

In addition to its bilateral assistance efforts, the United States is also deeply interested in the technical and economic assistance work of the United Nations, with every sign that the 1956 crisis in the Near East will increase our interest.

The basic elements of the UN technical assistance programs are the specialized agencies. All of these agencies, ranging from the World Health Organization to the Universal Postal Union, deal with some aspect, concrete or abstract, of the application of modern techniques to the productive activities of mankind. Among them, the following have been chosen to be represented by their executive heads on the Technical Assistance Board, which coordinates UN technical assistance operations:

- International Labor Organization (ILO)
- Food and Agriculture Organization (FAO)
- UN Educational, Scientific and Cultural Organization (UNESCO)
- International Civil Aviation Organization (ICAO)
- World Health Organization (WHO)
- International Telecommunications Union (ITU)
- World Meteorological Organization (WMO)
- Technical Assistance Administration (UNTAA)

Each of the specialized agencies provides technical experts, educational facilities, exchange of persons, or even limited quantities of materials for educational work. UNTAA handles special programs that fall outside of the fields of the regular Specialized Agencies, such as social welfare, general economic development, and techniques of public administration.

Capital for development projects is not supplied through the technical assistance program, but the International Bank for Reconstruction and Development and the International

Monetary Fund cooperate closely with the technical assistance organizations. Plans are also under discussion for an International Finance Corporation to invest in suitable private enterprises, and for a Special UN Fund for Economic Development, to make low-interest loans or grants for non-self-liquidating roads, schools and other public works in developing countries.

The UN technical assistance program receives an appropriation of about \$1.5 million from the UN general funds, but most of its work is supported by contributions from member nations. Pledges for the expanded program amounted to \$20 million up to the end of 1951, and about \$30.5 million for 1957.

The United States limits its pledge to 50 percent of the total and is trying to get it down to less than 50 percent. The total fund is allocated by the Technical Assistance Board to the various specialized agencies according to the work they are doing in each country.

The Agencies, each of which has its own organization and membership, get subscriptions from the members, which may be greater than their allocation from the UN fund. The United States is a larger contributor to these agency funds, not limiting its share necessarily to 50 percent.

U.S. Funds

One of the most striking facts about the sums now being spent by the United States on foreign aid is that though small compared with the needs of the world, they are many times larger than the budgets of the UN and other international agencies. This fact constitutes the principal immediate difficulty in channeling a larger proportion of our aid through these agencies. The United States normally pays well over half the expenses of the international programs at the present time. If we should add a few million dollars more, our contribution would so swamp their budgets that the benefits of multilateral cooperation and divided responsibility would become largely imaginary. The American position is that as other countries become more prosperous we hope they will increase their subscriptions so that we too

can give more without too seriously unbalancing our percentage of the total.

Another difficulty is that many of the UN agencies are still in their infancy. Sometimes they cooperate successfully, and sometimes they are at cross purposes, competing for position and money. In some national capitals there have been stories of lack of harmony among the representatives of different UN specialized agencies.

On the other hand, there is an obvious advantage whenever it is possible to carry on a development project with the help of technicians from several different countries, provided they work in harmony. The natural suspicion of foreigners may be avoided to a considerable degree, especially if the team includes members from small nations that cannot be suspected of imperialist designs. Much of the benefit of multilateral cooperation is actually being obtained outside the international organizations by contracts between the Americans and others for the joint performance of specific development projects, as illustrated in the Lebanese programs described above.

Despite the difficulties of engaging more deeply in a multilateral assistance, it will undoubtedly be pressed for its apparent advantages in avoiding the suspicion that communist propaganda will strenuously endeavor to arouse wherever bilateral American aid is offered. The UN and its specialized agencies, in which we may take a larger part as soon as other countries feel able to do likewise, are not the only outlets for multilateral action. There is the Organization of American States, with its own technical affiliates. The U.S. is also a member of The Colombo Plan, operating in Southeast Asia and the Pacific Islands which is primarily a loose association of British Commonwealth nations to promote economic development in that part of the world.

The OAS

The Organization of American States has grown to be a closely-knit instrument of cooperation, especially since the Conference of Montevideo in 1933, where the United States announced its acceptance of the principle of non-intervention

in the internal affairs of its Latin-American neighbors. Pressures of World War II and of communist infiltration have strengthened the ties.

At San Francisco in 1945 the American nations already felt their solidarity so strongly that they forced the UN Conference to add a clause to its charter giving regional organizations the right to exist and to settle disputes among their members. The OAS was formally established in 1948 at the Bogota Conference, with the Pan-American Union as its secretariat. It has developed a number of specialized agencies of its own, such as the Pan-American Institute of Geography and History, and institutes for developing agriculture and protecting women and children. These agencies, working under the Pan-American Union, cooperate with corresponding UN agencies.

The Colombo Plan

The Colombo Plan, so called, is not a program but is what its official name implies: the Consultative Committee for Economic Development in South and Southeast Asia. Originally made up of British Commonwealth countries plus Burma, it was soon joined by the United States, Indonesia, the Indo-Chinese countries, Japan, Thailand, and the Philippines. The members meet periodically to consult on their development plans and economic relations. Actual development projects are arranged separately between the members; thus all the United States Point Four operations in the member countries are listed as contributions "under" the Colombo Plan, although primarily they are under the U.S. technical assistance program.

As an example of how the cooperation works, in Indonesia the United States equipped a teachers' training institute, staffed by the International Labor Organization, that trained the teachers for two other institutes equipped by New Zealand and Australia under the Colombo Plan.

Lester Pearson, Canadian Foreign Minister, has suggested that the UN establish a clearing house where each nation would register its economic-aid plans, which could then be "examined, made public, and coordinated, and any suspicion

that they were being used for political purposes could be challenged and exposed as true or false." This proposal offers many of the advantages of multilateral action without the present objection of U.S. predominance that is feared if our total contribution were pooled with the relatively small contributions of other countries. It would open the way for multilateral comment and criticism, which would not only safeguard our own work against "presumptuous aims," but also would protect us against communist bluff.

7. Some Foreign Appraisals

Foreign criticism of American economic aid is often directed to what appears to be excessive rigidity of mind. We tend too much to insist on the cooperation of small nations in our plans for military defense, in a world situation where many of them believe that in case of a war between the United States and the Soviets nothing they could do would prevent their total destruction. We do not always make clear when we cooperate in building up a country that we do not ask gratitude from people who, in one way or another, have suffered much more than we ever have. European countries in particular have resented our high tariffs and buy-American laws; they want to earn the dollars they need.

In the Arab world we have lost friends for a long time by taking the side of France and Britain in colonial disputes, and by helping Israel. In Asia also we are accused of favoring the colonial powers, as well as of overemphasizing military defense.

The Problem of Colonialism

The American position in relation to colonialism is an anomalous one. We started the modern anticolonial revolution nearly two hundred years ago, and it is natural for Asians who have recently won their independence to revere the name of George Washington, and to look for our wholehearted support. We can sympathize with their residual hard feelings toward their late rulers, for in our own country children still learned to think of "the redcoats" as the national enemy at least as late as the beginning of the Spanish War, and there is still much anti-European sentiment to be found among us even now. On the other hand, from our point of view, the communists appear as a threat to world freedom, and we have to be allied with the free powers of Western Europe, even with those who still have some colonies.

Moreover, as Walter Lippmann pointed out at the time of President Sukarno's visit here in May, 1956, the anticolonial revolution in Asia goes deeper than ours ever went. We rebelled successfully against the political oppression of the King, but we remained a part of the British stock and culture. The normal cultural condescension of the older country remained an irritant, but in the crises of the 20th Century blood was found to be thicker than water. Asia is in quite a different position. There the memories are not only of political and economic domination by the colonial powers, but of racial and cultural contempt. Such familiar manifestations as Kipling's poetry and hymns like "From Greenland's Icy Mountains" are not easily forgiven. There are definite signs that many Asians will not be satisfied until the remaining footholds of Western Europe in Asia and Oceania have been obliterated.

The Americans, in spite of our good relations with the Philippines, are not held wholly guiltless by the Asians. They resent our alliance with Britain, France, and the Netherlands; they resent our presence in Formosa and even in Korea; they resent our using their area as a waste land in which to test hydrogen bombs; and above all they cannot forget the way we treat our own Negroes and such foreigners as may be mistaken for Negroes. All these feelings have to be taken into account in any efforts we make to help the Asian countries, and especially in our choice of persons to send to Asia or to act as hosts to Asians in this country.

Technical Errors

Another source of criticism abroad is the record of occasional technical errors committed by American advisers, either from too hasty estimates of such local features as the soil and the climate, or from misapprehension of the culture and its ability to take on an American coloration. The story of any such mistake spreads rapidly, as a good joke on these smart Westerners. Dr. G. P. Malalasekera of Ceylon, President of the World Fellowship of Buddhists, spoke of this American tendency to hasty judgment when he was visiting the United States in the spring of 1956. He said it reminded

him of the old Chinese tale of the monkey who had climbed a tree during a flood. Seeing a fish struggling painfully against the current, the monkey was moved to pity, and scooping up the fish wedged him safely in a crotch of the tree where the water could no longer reach him. Many Asians try as tactfully as they can to make clear to us that we cannot expect to make them into a kind of Americans.

As James Reston said in the *Times* on April 15, 1956, "to be a policeman, banker, and baby-sitter to a restless world, when the coalescing force of fear has been largely removed, is a tough assignment."

On the other hand, technical and educational aid, offered with proper respect for the culture of the country and not too closely combined with demands for military cooperation, may be well received. Many countries also would like to have loans and grants for public works, but as a rule they are sensitive about having too many American inspectors checking on how efficiently and how honestly they use the money. Here the communists have the advantage over us, for since their purpose is only to make trouble they can make loans, or rarely, grants, with no visible strings attached, trusting to natural processes for their reward.

In general, those who have helped to manage the exchange of students and others believe that it is doing much more good than harm to our reputation abroad. There are reservations about our treatment of colored people, but even there many awkward situations have been salvaged by prompt and wholehearted courtesy on the part of Americans of good will.

The Democratic Process

In the United States, public opinion has always tended more toward short-term generosity toward victims of disaster than toward long-term planning in the interests of world freedom and prosperity. Isolationism is normal to us because of our colonial and revolutionary history, and we are therefore only incompletely adjusted to our role in the world under the threat of communist domination at the present time, and the threat of economic disruption for the long

future. Americans have also not yet become accustomed to the comparatively enormous wealth and productive capacity of this country since the war, and the total figures of the money spent on foreign aid can be used by isolationist orators to horrify the unwary. As a result of these incomplete adjustments, the President always has trouble with Congress over his foreign aid budget, and things are said that tend to poison our offers of help when they are made. The advantage of this democratic process, however, is that it stimulates the Administration to admit the need for frequent reappraisal of its program to meet constantly changing conditions.

8. The Continuing Debate

President Eisenhower's suggestion of a longer-term policy of foreign aid inevitably raised questions in Congress as to whether the present program of military and economic aid was well adapted to the new situation of world affairs. Did the change in Soviet tactics, from overt military aggression to an economic "peace offensive," render parts of the United States programs obsolete? Was Asia being needlessly offended by overemphasis on the military side? Would loans lead to better relations than grants?

Long and Short-Term Aid

The President could offer strong reasons for granting his request for a long-term extension of the program, even while examining it for necessary modifications. Much harm could be done by stopping unfinished projects. But there were important sections of informed opinion in favor of certain changes. There was pressure for some better mechanism for making low-interest loans, and for channeling more assistance through the UN, as suggested by Ambassador Lodge and Adlai Stevenson. A Foreign Relations subcommittee under Senator Mike Mansfield recommended that in the future foreign aid should be frankly divided into three classes: military, economic, and technical. The subcommittee noted that the classification "defense support" had been used as a selling device to get economic aid through Congress, a subterfuge that in its opinion ought to be done away with.

In April, 1956, Senator Walter George, Chairman of the Foreign Relations Committee, called for a "searching reappraisal" of foreign aid policies. Secretary of State Dulles also recommended a study of our own machinery and its effectiveness, and of the relations to Soviet aid activities. Adlai Stevenson suggested a "basic revision" of our aid methods, specifically to make greater use of the UN machinery.

Stevenson urged that we must convince the peoples of the underdeveloped countries that we want no dominion over them and that we look forward to the end of colonialism.

Paul Hoffman proposed that the United States "wage peace" against communism with a 5-year \$25 billion program of non-military aid to new and developing countries. Twelve Democratic Congressmen urged the President to invite the Western European countries to join us in an aid program.

President Eisenhower, addressing the American Society of Newspaper Editors in April, urged the need of continuing aid and of building up the incomes of the people in the low-income areas. He pointed to the danger that hopeless poverty might open the way to communist promises, and noted the fact that every American has a stake in the success of democracy in these new nations. They need training in modern skills and they need foreign capital. Private investment is useful "but for many areas it will clearly fall short of requirements. In our own enlightened interest we can and must do much. Assistance cannot be a transitory policy. . . . Our efforts must be continued over a number of years."

The *New York Herald Tribune* of April 23, summing up the discussion, noted the increasing complexity of relations among the free countries in the absence of a clear threat of war, and believed that more flexible policies were under study in the Administration. In Congress, however, there were still indications of a desire to base foreign aid solely on the danger of communist aggression, and also to refuse aid to neutralist countries.

"Neutralism"

Among people interested in foreign affairs, and in the better newspapers, there seemed to be a tendency to recognize good reasons for neutralism, especially in India and Southeast Asia. Comments more and more frequently mentioned George Washington's neutral policies in the era when the United States itself was new and frail. Hopes were expressed that ways could be found to offer help without let-

ting the host country play us off against the Soviets for that privilege, and without being in the position of trying to "buy friendship." The existence and nature of our legitimate selfish interests in promoting the freedom and prosperity of the new countries were mentioned in the President's speech to the editors, and there were signs that they might be further emphasized as an antidote to charges of imperialism, vote buying in the UN, and expectations of gratitude on our part.

No American in an official position can publicly mention birth control, and in fact any such mention would invite charges of race prejudice. But Japan, India, Puerto Rico, Communist China, and some other crowded countries are seriously trying to find practical ways to limit population growth, and the Catholic Institute of Social Research in Geneva has announced an essay contest looking for birth-control methods that the Church can accept. There are more or less definite stories of vegetable drugs in use by primitive tribes in several countries, such as New Guinea and Venezuela, for temporary suppression of fertility.

Population Pressures

Although not officially stated, American plans for economic aid to the crowded countries have to take into account the dangers that population growth may outrun the increase of economic production, and the hopes that limitation measures may be brought into effect in time to prevent failure of the economic program. In some areas it is noted, however, that health improvement may involve the cure of malaria, tuberculosis, yaws, and similar debilitating diseases that cause long disability rather than early death. Thus the immediate effect may be to increase the people's earning capacity faster than it reduces their death rate and increases their numbers so that for a time they may actually have more to eat. Another favorable factor is the rapid growth of industry and of middle-class occupations in some countries, both of which tend to reduce the birthrate. In general, the population experts are gravely concerned by the visible threat of population "explosions" in some parts of the world, but in other parts

there are already signs that controls can be applied in time to avoid frustrating the hope of prosperity.

Immigration

Obviously there are vast moral problems in prospect, such, for example, as whether a well-adjusted country with a high per-capita income shall have the right to exclude immigrants from one that has failed to control its rate of increase and is hopelessly sunk in poverty. Other problems will include the legitimate relation of population to voting rights in any proposed world government, and the relative ground space to be allowed to competing racial stocks.

The policies recommended by the Eisenhower Administration in major respects appear to be the same as those recommended by the Democrats when they were in power, and their support and opposition do not follow party lines. The Administration clearly wants more emphasis on economic rather than military aid; it wants the power to promise long-term aid, and to be able to give aid where it will do the most good without being forced by Congress to attach unacceptable conditions. It also wants to be able to assure the world that the American people are interested in fighting against poverty, disease, and cruel conditions of life as long as those enemies exist, not only so long as Congress is afraid of communist penetration.

Important elements in Congress are opposed to these policies desired by the Administration, and efforts at sabotage can be expected whenever the aid program comes before Congress for consideration. In this controversy Congress in the long run will yield to public opinion. Church opinion, if aroused and well informed, can undoubtedly be a strong ally for those of either political party who want to make the United States aid program more effective as an instrument of prosperity and peace.

LIST OF ABBREVIATIONS

CEEC—Committee on European Economic Cooperation
ECA—Economic Cooperation Administration
EPU—European Payments Union
Ex Im Bank—(U.S.) Export-Import Bank
FAO—Food and Agriculture Organization
FEA—Foreign Economic Administration
FOA—Foreign Operations Administration
IAEF—Inter-American Educational Foundation
IBRD—International Bank for Reconstruction and Development
ICA—International Cooperation Administration
ICAO—International Civil Aviation Organization
IFC—International Finance Corporation
IIAA—Institute of Inter-American Affairs
ILO—International Labor Organization
IMF—International Monetary Fund
ITU—International Telecommunications Union
MSA—Mutual Security Agency
OEEC—Organization for European Economic Cooperation
OFRRD—Office of Foreign Relief and Rehabilitation Operations
RFC—Reconstruction Finance Corporation
SUNFED—Special UN Fund for Economic Development
TAB—Technical Assistance Board
TCA—Technical Cooperation Administration
TVA—Tennessee Valley Authority
UN—United Nations
UNESCO—UN Educational, Scientific, and Cultural Organization
UNICEF—UN Children's Fund
UNRRA—UN Relief and Rehabilitation Administration
UNTAA—UN Technical Assistance Administration
UPU—Universal Postal Union
WHO—World Health Organization
WMO—World Meteorological Organization

**SUGGESTED REFERENCES ON DIRECT
ECONOMIC COOPERATION**

Government Publications

Publications available from the Office of Public Reports, ICA, 806 Connecticut Avenue, N. W., Washington 25, D. C. *Background of Collective Security*. A chronology of cooperation in Western Europe, 1944-1954.

Background for Mutual Security. A 26-page booklet outlining programs and progress of Mutual Security Program.

The Mutual Security Program, Fiscal Year 1957. A Summary Presentation, April 1956; 82-page booklet which summarizes unclassified material presented to the Committees of Congress most directly concerned with the Mutual Security Program.

Publications available from the Documents Office, U.S. Capitol, or Government Printing Office, Washington 25, D. C.

Mutual Security Act of 1956

Hearings before the Committee on Foreign Affairs, House of Representatives, 84th Congress, Second Session on H. R. 10082.

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Questions and Answers (No. 10) *On the Mutual Security Program*.

The Cost of Peace, by Secretary of State Dulles. An address, June 9, 1956.

Books

The Marshall Plan and its Meaning. An independent and unbiased appraisal of the entire record by Harry Bayard Price. (Available from Cornell University Press, 124 Roberts Place, Ithaca, New York.)

Promoting Economic Development by Edward S. Mason. Claremont College Press, Claremont, California.

American Foreign Assistance by William Adams Brown, Jr. and Redvers Opie. Brookings Institution, 722 Jackson Place, N.W., Washington, D. C., 1953, 615 pp. A study of the different forms of foreign assistance which the U. S. has extended to other nations since 1940.

The United Nations and How it Works by David Cushman Coyle. New American Library, 501 Madison Avenue, New York, N. Y., 1955, 40 cents. Contains descriptions of UN technical cooperation programs.

The United States Political System and How it Works by David Cushman Coyle. New American Library, 1954, 30 cents. Has been translated into 10 languages and is being used by U. S. Information Agency in Asia.

Films

Report to the American People on Technical Cooperation.

A 27-minute film depicting the various phases of the technical cooperation program. (Available from the Office of Public Reports, ICA, 806 Connecticut Avenue, N.W., Washington 25, D. C.)