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Aspects  
of A. I. D.  
HISTORICAL  
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Point Four Progress

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## Appraising the Growth of the Point Four Program

*Statement by Secretary Acheson*

Press release 707 dated September 8

Two years ago today, at the direction of the President, the State Department assumed responsibility for the operation of the Point Four Program of technical cooperation and economic development.

On that occasion, the President stated that—

This program will provide means needed to translate our words of friendship into deeds. . . . By patient, diligent effort, levels of education can be raised and standards of health improved to enable the people of such areas to make better use of their resources. Their land can be made to yield better crops by the use of improved seeds and more modern methods of cultivation. Roads and other transportation and communication facilities can be developed to enable products to be moved to areas where they are needed most. Rivers can be harnessed to furnish water for farms and cities and electricity for factories and homes.<sup>1</sup>

Many of the potentials which the President saw in Point Four 2 years ago are becoming realities today. The Program is in action in 35 countries of Asia, Africa, and Latin America. More than 1,200 "shirt-sleeve diplomats" from all walks of American life are joining forces with some 13,000 foreign technicians in the attack on hunger, poverty, and disease. Each project is based on whole-hearted collaboration, and no project is begun unless the requirement of freely given and freely received cooperation is met.

The outpourings of the propaganda machine in Moscow and in the satellites would have the world believe that the United States is engaged in "warmongering" and that its Point Four Program is an "imperialist plot." Point Four is indeed a joint declaration by the United States and its partners in the free world attacking conditions of poverty and stagnation which have thwarted the

will to a better life. This is the only kind of "warmongering" that Moscow and its spokesmen can cite with truth.

The fact that Communist criticism of the Program has grown in intensity with each succeeding month is one indication that Point Four is achieving results, solid visible results in terms of better crops, safe water supplies, new health services, more schools and teachers, and many signs of local initiative among village people.

There are many examples of the way in which millions of people regard Point Four cooperation. I mention one recently told me by Stanley Andrews, the Administrator of the Program. A letter signed by the elders of an Iranian village reads:

Lately an organization under the name of Point Four has started beneficent activities for the welfare of our people in different parts of this country.

Among these parts, poor and knowledge-loving people of the village of Dastgerd-Far have been taken into consideration by this organization. Our preliminary school has been completed and a new Health Center according to modern methods and principles of hygiene has been constructed.

Therefore, we, the people of the village of Dastgerd, express our gratitude to the well wishing and philanthropic people and Government of the United States of America and the Point Four Organization in Iran; and hopefully request that other requirements of our thankful people which come under [the] Point Four Program will be considered by this organization and thus increase our ever sincere gratitude.

While Point Four does not seek gratitude, it welcomes concrete indications that its Program is steadily strengthening the human and material resources of the free world and encouraging the growth of free institutions through which peoples can develop their respective cultures and ways of life.

<sup>1</sup> BULLETIN of Sept. 25, 1950, p. 499.

# Point Four's Impact on the Middle East

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Remarks by Cedric H. Seager  
Chief, Iran Division, Technical Cooperation Administration<sup>1</sup>

The Middle East is probably as good a testing ground as any to prove the work of Point Four. That its impact has already been felt has become apparent, as I will seek presently to demonstrate. But before I do that, let me try and clear away some of the misconceptions about the work of Point Four that keep cropping up time and again.

We do not seek to woo the underdeveloped peoples of the world with our money. We are not, in fact, a big-money program. We do not seek to buy alliances. We do not try to ram our culture down other people's throats. We do not attempt to make nations in our own image.

We do not pretend to be other than the fortunate heirs of a great tradition; a tradition of freedom and independence that itself stems from the area which we are gathered here today to discuss. Our aim is to share that heritage with other free peoples of the world.

We do acknowledge, humbly, the privileges that are ours. We do recognize, without boastfulness, that in an incredibly short space of time we have attained to the highest living standard ever enjoyed by any people anywhere. The disparity between our wealth and the desperate poverty that prevails in the Middle East, and over so large a part of the world, is one reason why Point Four has assumed obligations aiming toward the closing of that gap. A further reason is the menace of communism, which exploits misery and feeds on despair.

Point Four was born of our realization that want is a scourge not to be tolerated in a free world; that the ramparts of liberty are not proof against the injustice of needless poverty and curable disease; and that our way of life, born of free enterprise and richly endowed by the marvels of modern science, is a way of life open to all mankind once intolerance and tyranny and naked greed are unmasked.

Our recognition of the factors making for hunger and want is shared by the great majority of mankind. Ours is no new discovery. As Dr. Henry G. Bennett<sup>2</sup> often said: "A billion people have found a window into the Twentieth Century. It is up to us to provide them a door."

<sup>1</sup> Made on Aug. 28 before the American Political Science Association at Buffalo, N. Y.

<sup>2</sup> Former Administrator of the Technical Cooperation Administration, who died in a plane crash in Iran on Dec. 22, 1951.

In the area of which we speak, which is the threshold to Communist Russia, lives a multitude of fine people. Progress has passed them by. Imperial subjugation for long centuries held them in thrall. The evils of feudalism perpetuated their misery. In their awakening consciousness of the needless want which they have so long suffered, they are ripe for revolution or for the orderly, sustained process of dignified evolution. Communism seeks to exploit the bloodier means of revolt; it is our privilege to demonstrate the fruits of a more orderly growth, a less explosive escape from the shackles of poverty and disease.

If there is one thing that we insistently proclaim, it is our detestation of communism and all its works. We make no secret of that, as we labor in the Middle East or wherever in the world hunger and despair offer fertile soil for the poisonous seeds of communism.

We know that if the door of opportunity is left closed for a billion people, despair will grow as freedom dies. Those things that have made us great provide the key. Men need not die in their thirties; a nation's per capita income can be immeasurably increased by the application of modern skills to industry; starvation can be replaced by plenty if all that we have learned in our country of improved agricultural methods can be applied in countries where such knowledge is still a closed book.

The Communists decry our aims because they fear them. Their very fears confirm the worth of what we are doing. The measure of our success will be the measure of their failure.

## At the Village Level

We have already established a partnership of common enterprise with the nations of the Middle East. We are working together. On the shores of the Caspian Sea, right up against the frontier of Russia, our men and women are working at the village level with the men and women of Iran. By technical training and by demonstration, the people are being taught how to combat disease, how to raise their standards of personal and community hygiene, and how to eradicate malaria and other scourges.

At the village level again, through the development of water resources and by demonstrating improved agricultural methods, the fruitful seasons are being lengthened, rotation practices intro-

duced, and the benefits of mixed farming exemplified.

All this, on the doorstep of Russia. All this, where people have been stirred to renewed anger by economic disaster. All this, uninterruptedly while crowds rioted in the streets of Tehran. Contrary to belief in many quarters, our labors in Iran have been unimpeded by the succeeding crises of recent months. We have good reason to believe, in the light of recent experience, that they will continue unimpeded.

Does that argue that the impact of Point Four is having effect? I think that it does.

Is this surprising? I think that it is not.

There is a movement growing in the Middle East that is of the very essence of our philosophy. Dr. Bennett preached it; Dean Acheson proclaimed it. On the occasion of the Food and Agriculture Organization Conference in Rome in November 1951, Secretary Acheson said:

You are talking here, you are working here dealing with resolutions on the subject of land reforms. That is a matter which we in the Department of State have believed is absolutely foremost in our whole international relations. . . . Landownership reform alone is not enough. Along with it have to go institutions for credit, proper taxation and things with which you are more familiar than I. It is in this front in which we really meet and grapple with the misleading slogans of communism, and therefore we in the Department of State have from the very beginning urged that this matter of land reform should become a primary objective within our own country, in our international relations and in those areas of the world which are now the battleground between freedom and communism. . . .<sup>3</sup>

#### Conference on Land Reform

In the fall of that same year, 1951, a short 12 months ago, Point Four had helped sponsor an international conference on land tenure at the University of Wisconsin, attended by political and agricultural leaders from all over the world.

For most of these eminent leaders, many from the Middle East, land reform was a wishful dream 12 months ago. Where does it stand today? Read your newspaper headlines. It has been front-page stuff these past few weeks.

Last spring, a Point Four expert spent 9 weeks in Iran working out with the Royal Commission on Crown Lands Distribution a detailed plan for enabling peasants on the lands of the Shah to become independent landowners. The program will eventually install 50,000 peasants on farms of their own. Principles of supervised credit, cooperative services, training, demonstration, and organized self-help are embodied in the plan. Premier Mosadegh has recently announced his support of a land-reform program of even greater magnitude; and we have concluded with his Government a project calling for joint support of the Development Bank to extend low interest-bearing credit

to peasants and to establish, in cooperation with the Ford Foundation and the Near East Foundation, a supervisor training school for the tremendous task that now awaits us at the village level. An American will direct that school and an American financial adviser will assist the Development Bank in carrying out that vast scheme. Prominent in this movement for land reform in Iran, and member of the Crown Land Distribution Committee, is Assadollah Alam, who attended the Wisconsin conference.

#### Significant News From Egypt

Significant news comes out of Egypt, where momentous events have recently taken place. Clean-up reformer, General Naguib, has declared that land reform is Egypt's most imperative and pressing necessity. The time is too early to guess at the progress that surely will be made, but the intention is clear and the announcement bears the ring of sincerity. In Cairo at this time, to give guidance as needed, is Point Four's leading land-reform expert; it is no accident that he happens to be there at this auspicious moment.

Back of General Naguib, a leader in General Naguib's land-reform movement is Mohamet Abdel Wahab Ezzat, who also attended the Wisconsin conference.

Is it a coincidence that these events have taken place during the period of Point Four's application to the problems of the Middle East? To stamp them as coincidence would be to belittle the value of the doctrines we proclaim; and, of course, they are not coincidence. They are the very essence of our impact upon the Middle East, the first rays of the dawn of the era to which we aspire.

I could speak of education, natural resources, and other programs in Saudi Arabia. I could speak of our work for the lonely and oppressed who have found sanctuary in Israel. I could speak of public health and economic and agricultural development in Iraq. I could speak of water resource and hydroelectric power projects in Lebanon.<sup>4</sup> I could speak of irrigation and agricultural extension in Jordan. I could speak of projects and plans and American men and women at work and of enthusiasms shared, of students and leaders brought to this country, of lasting friendships made, and of the sum of all our early efforts—all adding up to a profound impact on the Middle East, that area so vital to our civilization.

But, above all, I take pride in the worth of the effort we are putting forward; an effort that is cast in the best of American traditions; an effort that will end, though we know not when, in the sure downfall of communism and the birth of a more glorious age.

<sup>3</sup> BULLETIN of Feb. 11, 1952, p. 200.

<sup>4</sup> For an article on this subject, see Department of State FIELD REPORTER, July-August issue, p. 16.

## Point Four Health Units Reach Iran

Press release 722 dated September 12

Three large mobile health coaches, fully equipped as clinical laboratories for the use of the joint Point Four-Ministry of Health program in Iran, were displayed September 10 in Tehran.

The traveling units were inspected by the Iranian Minister of Health, Dr. Saber Farman Farmanian; Senator Adl-Almolk Dadgar of Gorgan; Point Four Director William E. Warne, and various other guests and officials of the Iranian Government and members of the Point Four Health Division.

Dr. Farman Farmanian said:

My Ministry and the Iranian Government express thanks for another example of the continuing help Point Four has extended to the development of Iran. The most important element of the health program has been the cooperation and complete understanding between Point Four and the Ministry. Through this cooperation many Iranian villages lacking public-health facilities will have access to improved health conditions for the first time through such activities as mobile health. However, this represents only the beginning of an expanded public-health program and future smaller units will cover the country where larger units cannot travel.

Senator Dadgar said:

Iranians will always remember what America is doing through Point Four to assist in the development and improvement of Iran by the factual evidence of projects like the mobile health program. We can learn from the American example of humanity. They are willing to leave the comforts of their own country to assist others in Asia, Africa, and throughout the world to better living conditions. America, through Point Four, is a living example of showing people how to help themselves.

The mobile units will be assigned to the Tabriz, Babolsar, and Tehran regions for five primary purposes: health survey, treatment, inoculations, public-health education, and initiation later of the country-wide health program with permanent clinics.

Unit teams include a doctor, a nurse, a midwife, a laboratory supervisor and assistant, a records assistant, and a driver. The vehicles contain an air-conditioned laboratory, dispensary, and examination-inoculation room with complete equipment. The units will travel in provincial areas, stopping at centrally located villages which do not have medical facilities. They will show films and posters, distribute pamphlets, and demonstrate improved health conditions.

The primary emphasis in the Point Four health program in Iran is to train Iranians in modern public-health methods. The program is carried out in complete cooperation with the Ministries of Health in the ten *ostans* (provinces). Point Four furnishes technical and administrative assistance and provides equipment. The Health Ministry also supplies technical personnel.

Comprehensive training under the program includes:

Nurses—on-the-job training

Laboratory technicians—training at the University  
Sanitation aides—boys working in public health, water treatment, DDT spraying, bathhouse construction in villages  
Health visitors—girls instructed in hygiene practices in villages

## Iranian Student Assistance Continued by Point Four

Press release 723 dated September 12

More than 800 Iranian students will be able to enroll in American colleges this fall under a continuation of the student-assistance program inaugurated last spring through Point Four.<sup>1</sup> This program was established to provide dollar exchange to students whose normal source of funds had been cut off by currency restrictions which the Government of Iran felt it necessary to adopt because of the shortage of dollars in Iran.

An agreement extending the project for a year, to August 31, 1953, has been signed in Tehran by William E. Warne, Director of Technical Cooperation in Iran, and Mehdi Azar, Iranian Minister of Education.

The parents and sponsors of the students make rial deposits in Iran to the Technical Cooperation Administration for dollars which TCA provides in the United States to the students, at an established rate of exchange. The rial deposits are used by TCA in Iran for local costs of Point Four projects in that country. The plan provides the only means of keeping most of the Iranian students in American colleges, as dollar exchange would not otherwise be available.

Under this program, dollars are provided for maintenance, tuition, and collateral educational expenses to Iranian students who meet set eligibility requirements. Most of the Iranian students are studying technical subjects such as agriculture, engineering, and medicine. From their ranks will come much of the technical and professional leadership that will be required in Iran in the years ahead.

On the occasion of signing the new agreement, Minister Azar said:

I wish to express the appreciation, not only of my ministry and Government, but also of the parents and relatives of young people directly benefited. Most Iranian students now go to the United States, whereas they once went to Europe. This will bind us closer in lasting friendship.

Approximately 700 thousand dollars was utilized in a similar exchange program under the first agreement, which covered the period of March 21 through August 31, 1952.

Each participating student is checked by the Ministry of Education in Iran, which issues a certificate of eligibility to the sponsor, enabling

<sup>1</sup> BULLETIN of Apr. 28, 1952, p. 659.

him to deposit rials to the student's account. The Near East Foundation in New York City obtains from the college a certification that the student is enrolled and in good standing. The Near East Foundation, acting as an agent under contract with TCA, actually makes the dollar payments to students. It is expected that about 1,800,000 dollars will be disbursed through the current year's program.

U.S. Ambassador Loy W. Henderson said, in announcing the extension of the agreement:

Among the many programs the United States has undertaken in Iran, the student aid program is one of the best accepted and most appreciated. I feel certain that these students will be good citizens of Iran and will assist in building up the country on their return.

The students are attending approximately 200 different schools, but more than half of them are enrolled at New York U., Columbia U., Syracuse U., U. of California, U.C.L.A., Los Angeles City College, U. of Southern California, Indiana U., the U. of Nebraska, Utah State Agricultural College, and the U. of Maryland.

## Point Four Study on Key Land Problems

Press release 699 dated September 5

Means of furnishing credit to increase ownership of land by individuals in underdeveloped countries and to improve methods for its use are under close study as a Point Four project. Representatives of 34 countries throughout the world will complete 2 months of investigations in the United States with a series of meetings with Washington officials held from September 29 to October 2.

The effort to make clear every phase of credit operations pertinent to progressive transition of land ownership and operation is a project of the Technical Cooperation Administration of the Department of State and the Mutual Security Agency.

It began on August 4 at the University of California, in Berkeley, as the International Conference on Agricultural and Cooperative Credit. Workshop discussions, addresses, and field trips will continue until September 13. The delegates then will divide into two groups to study regional aspects in the specific locales. One will proceed to Washington via Salt Lake City, Utah, Denver, Colo., and Clarksville and Chattanooga, Tenn.; and the other via Phoenix, Ariz., New Orleans, La., and Tuskegee Institute, Ala.

On Monday, September 29, they will meet with Stanley Andrews, Point Four Administrator, John Kenney, Mutual Security Agency deputy director, and members of their staffs. In the afternoon they will discuss related questions with Secretary Charles F. Brannan and other officials

of the U. S. Department of Agriculture and R. M. Evans, Governor of the Federal Reserve Board.

For the next 2 days, meeting at the Department of Agriculture South Building, they will hear officials discuss agricultural economics, rural electrification, and operations of the World Bank, Farmers Home Administration, Farm Credit Administration, and related agencies.

On Thursday a morning session will be held at the Federal Security Administration Building to hear spokesmen from the Bureau of Federal Credit Unions.

A visit to the White House, where the delegates are scheduled to be greeted by President Truman, will complete their Washington stay.

The visitors will number 62. Among countries represented at the Washington meetings will be Afghanistan, Bolivia, Colombia, Ecuador, Honduras, India, Iran, Israel, Libya, Pakistan, Paraguay, Peru, Thailand, Burma, Cambodia, Costa Rica, Cuba, Egypt, El Salvador, Indonesia, Iraq, Jordan, Laos, Lebanon, Mexico, Panama, the Philippines, Syria, Uruguay, and Vietnam.

The Conference is devoted to assembling information on organization and functions of agricultural credit institutions and facilities; the extent to which present facilities are adequate; and desirable measures to improve the services of rural credit in the countries concerned.

Emphasis throughout is being placed on credit as a means of increasing farm production and income as a basis for better farm living; financing for production needs and for the marketing and processing of farm products; the place and importance of cooperative enterprise; and the close ties between credit cooperatives and other types of cooperation.

Specific subjects on the agenda are:

- Organization and functions of the agricultural credit institutions and credit problems of each of the participating countries.
- Raising of capital and loanable funds.
- The relation of agricultural credit to economic stability and fiscal policy.
- The place of farm and home planning and supervision in the extension of credit.
- The procedure of handling loan funds from time of issuance from original source or agency to return of funds to such agency.
- The most practicable and reasonable interest rates for different types of loans.
- Relationships and problems involved in extension of production credit and the interrelationship with consumer loans.
- Financing land redistribution programs.
- The most efficient procedure for obtaining small loans at a reasonable rate.

The present Conference developed from the World Land Tenure Conference, a Point Four project conducted in the autumn of 1951 at the University of Wisconsin to prepare for greater international cooperation on land-tenure problems.

## Point Four Aid to Iran in Land Distribution

Press release 739 dated September 18

The long-range plan of the Shah of Iran for dividing his vast holdings into small farms and selling them to nearly 50,000 peasants living on them will be carried out with American technical advice and financial assistance through the Point Four Program.

The Shah in a brief ceremony in Tehran on September 17 inaugurated the Bank for Rural Credit, an integral part of the joint program in which the Technical Cooperation Administration (TCA) is cooperating with the Crown Lands Commission. The bank will finance cooperatives and other rural services and provide trained Iranian farm supervisors to help the peasants through the first 5 years of their new undertaking in self-management and independent ownership.

William E. Warne, Point Four director in Iran, informed the Shah that TCA would contribute \$500,000—half the initial capital—to get the bank started. Point Four will also provide an American financial adviser to assist the bank in developing its policies and carrying out its operations.

The Shah said, in thanking Mr. Warne,

The help of the United States through Point Four in this program is greatly appreciated by myself and Iran. This program cannot be permitted to fail. Your interest in it is most encouraging.

The Near East Foundation will help train the village supervisors. Ultimately, the bank will receive nearly 25 million dollars from the proceeds of the land sales. No part of these proceeds is to revert to the Crown, nor are they to be used for general economic or industrial development. All of the money from the sale of lands is to be devoted to rural services and other benevolent purposes for the direct benefit of the peasants, according to the terms of the Shah's decree.

Arrangements with the Crown Lands Commission covering Point Four participation in this program are expected to be completed later this week.

This marks the first major step by the United States to implement in the Middle East its policy of cooperating with other governments in carry-

ing out programs of land reform which they initiate themselves.

The Shah of Iran, on January 27, 1951, ordered the crown lands distributed to the peasants living on them. Since then the Crown Lands Commission has made surveys, divided up some of the lands, and transferred title to about 900 small farms in the Varamin area, about 30 miles east of Tehran.

Several months ago the Crown Lands Commission sought American advice on development of basic policies and machinery for assuring the success of this immense and highly significant undertaking. The agreement which was signed today is the result of intensive study and recommendations made in Iran earlier this year by Paul V. Maris, one of the foremost experts in the United States in matters of land tenure, supervised agricultural credit, and rural improvement. Following the request of the Crown Lands Commission for American advice, Mr. Maris, a veteran of 37 years with the Department of Agriculture, was sent to Iran in April by the Technical Cooperation Administration.

During the ensuing 9 weeks, Mr. Maris made a series of detailed recommendations covering every aspect of the crown-lands program, from the training of Iranian farm supervisors all the way through to completion of the distribution some 20 years from now. TCA Director Warne described Mr. Maris' work as "the best job of its kind I have ever seen done at home or abroad."

These recommendations were accepted in principle by the Crown Lands Commission and the TCA mission in Iran.

### Basic U.S. Contribution

The most important American contribution to the program in the long run may prove to be the application of principles which are considered to be essential in all efforts to improve tenancy conditions among peasant-type farmers. These principles include division of lands into family-size units; intensive advice and supervision in farm

management during the first few years of independent operation; extension of credit in direct combination with such supervision; organization of cooperatives for buying, marketing, and supplying of needed services; and help in organizing rural services for education, health, transportation, water supply, and the like.

The Shah's program for distributing the crown holdings, a plan which is entirely benevolent in character, was intended as a model and an inspiration to other landlords to follow suit. As such, it is considered imperative by the Shah and the Crown Lands Commission that the scheme be successful. The Commission has moved with great care and deliberation, first making a general survey of the extensive holdings, with their 300,000 acres now in cultivation, 131,000 acres of arable land not presently in cultivation, and 494,000 acres suitable for cultivation if properly irrigated. It was decided first to survey and divide into fairly uniform plots the 17,000 acres in the Varamin Plains area. Distribution of these lands to the peasants living on them has now been completed.

But land reform is much more than simply dividing up lands and transferring title. It was in recognition of this fact that American advice was sought by the Crown Lands Commission.

The prospective farm owners have a tradition of many years of peasantry behind them, in which they have had few management decisions to make and few business responsibilities. As a rule, they have little education, their tools are simple and inefficient, their livestock is of inferior quality, they know little of modern farming techniques. Suddenly finding themselves in the position of ownership and responsibility, with annual payments to make, they would have little chance for success unaided, in spite of a great capacity for hard work.

To guard against the discouragement and failure which would be the lot of many of the new owners, the heart of the program is a plan to make available to each group of about 75 peasant families the services of a technically trained Iranian farm supervisor.

A service charge of 1 percent of the price of the peasant's land allotment will be levied annually for 15 years to meet the cost of supervisory service. This means that the peasant's annual payments will be about 75 dollars a year while he is receiving the benefits of technical guidance, whereas they would be about 15 dollars less than that if the help of supervisors were not provided. The returns to the farmer from such a guidance are expected to exceed the cost many times.

### Villagers To Be Trained as Supervisors

The supervisors, all of whom will be Iranian villagers, trained in a special school conducted by the Near East Foundation under the auspices of the Iranian Ministry of Education, will help the farmers with advice, planning, and supervision in developing cropping systems, applying proper fertilizers, controlling insects and diseases, organizing and using cooperative services, installing and maintaining farm irrigation works, and in various other ways.

The cost of training the supervisors will be borne by Point Four. Inasmuch as the proceeds of the 1-percent service charge will not be sufficient at the outset to cover costs of supervision, the salaries of supervisors in the Varamin Plains demonstration area will be paid out of the Point Four contribution to the Rural Credit Bank funds.

The bank will make loans to farmers and will finance cooperatives and other enterprises of direct benefit to farmers, for purposes such as acquiring improved livestock and seeds, needed machinery and supplies; providing basic community facilities in the villages; developing irrigation works, and so on. Its activities will include 1-year crop loans, 1-to-5-year farm improvement and equipment loans, and longer-term community facility loans.

The funds of the bank will be progressively augmented by the annual purchase-price payments by farmers on the crown lands. These will average about 60 dollars each (not including the service charge for farm supervision), amounting in 20 years to almost 25 million dollars. The purchase price of the farms will be about 80 percent of the assessed valuation, without any interest charge. None of the proceeds revert to the Crown.

The surveying, allotment, distribution, sale, and settlement of the crown holdings will take a good many years to complete. Under present plans, the peasants will be given 25 years to pay off their interest-free notes, and it will be almost 20 years before all the 49,117 farm families on the Shah's estates will be started on the road to ownership. Approximately 3,000 farms will be laid out and transferred to the peasants each year after the program gains momentum.

Point Four work in village improvement, health, education, water development, irrigation, and other fields is being planned and carried out in Iran with a view to supporting the basic objectives of the crown-land program. The farm supervisors will develop and encourage participation in these and other community activities and services. The Point Four Program will assist in meeting village needs in these respects.

## Breaking the Barriers to Capital Investment Abroad

by Eric A. Johnston

Chairman of the International Development Advisory Board<sup>1</sup>

Nothing I have been able to do in my 7 months' association with the International Development Advisory Board has been more significant or more useful than what I am doing at this moment. For I am convinced that you hold the key to the door of progress and a better way of life for a billion human beings in the less advanced nations of the still-free world.

More than that, I believe your willingness to turn the key of progress for these people may well determine the future of the democratic institutions of free men. Perhaps you think that is an overstatement. Perhaps you believe I am laying it on a bit too thick. If you do, I can only invite you to consider the premises which have led me to that conviction.

First of all, you represent the social force that built America—the creative power of American free enterprise that made possible the American achievement. That force, with its vast resources of experience, capital, and skill, must now be put to work to help give economic strength and vitality to the community of free peoples who share our belief in the dignity of man.

### Necessity for Economic Security

For the security of the free world is more than a matter of armaments or military alliances or containment. The threat to democratic institutions lies less in the might than in the method of the aggressive totalitarianism that stalks the peoples of the world today, preying on their misery and discontent, undermining their allegiances with hollow promises and fallacious doctrine.

The subtle danger is the greater. We must be sure that the strength and solidarity of the free

world is not sapped and weakened, like a house destroyed by termites, bit by bit. We know that communism thrives on misery. But it starves on progress. We must starve it to death in every corner of the still-free world.

Once we have thus identified the necessity of developing the economic structure of less advanced nations with the ultimate security of our democratic system, it seems to me that the problem becomes mainly one of mechanics.

By what means, in other words, can we best extend our help to the people of those countries? What is the best formula for bringing our resources of skill, scientific knowledge, and capital to their aid?

I think the answer to that question is Point Four.

### Interpreting Point Four

Now there seem to be some very widespread and fundamental misconceptions about Point Four, and I would like to take just a moment to make it clear what I think Point Four is.

Many people seem to regard it as another "Government give-away," or as an adventure in "global do-gooding." Somehow the idea has got about that it is an expensive system of generous hand-outs to indigent nations, from whom we may expect nothing in return but recrimination and dislike.

But Point Four is none of these things, I assure you. Indeed, I think it is inaccurate even to consider it a Government program, for it is considerably more than merely that.

Point Four, it seems to me, is an idea as big and as broad as American life itself. It is the idea that the people of the United States, through their own democratic institutions, *private* as well as public, can help the less advanced nations of the free world to develop their human and material resources as we have developed ours.

<sup>1</sup> Address made before Government and business leaders at the Pacific Coast Conference on Private Investment in International Development at San Francisco, on Sept. 24.

Evidence of the practicality of this idea is right under our noses, in the prominent role played by European capital and know-how in the development of our resources in North America over past decades—to the mutual profit and benefit of all concerned. There's no reason, given proper planning and cooperation between governments and businesses, why our North American experience cannot be repeated elsewhere in the world.

Very few people understand that private enterprise—on our part and on the part of those we want to help—is the very essence of the Point Four idea. Very few appear to realize that American industry is the strong right arm upon which the whole idea depends.

For Point Four, as spelled out by Congress in the Act for International Development, clearly recognizes the traditional spheres of activity reserved in our system for public and private initiative. Government activities under the act have been directed primarily toward the job of helping underdeveloped peoples to increase their production of food and to improve their levels of education and public health. These certainly are legitimate functions for Government, in line with our basic conception of the respective spheres of public and private action.

And, also in line with that conception, Point Four relies upon the initiative and imagination of private capital for the enormous task of industrial and commercial development which must be accomplished before the underdeveloped nations can be said to have achieved a solid base of economic and social stability. It does this wisely, in my opinion, because in the long run, only the continuous flow of private investment capital into sound and productive undertakings in these countries—undertakings profitable to the country itself as well as to the investor—can do the job that must be done.

### 3 Years of Point Four in Government

Stanley Andrews<sup>2</sup> will tell you this afternoon what the Government has been able to do in the 3 years since Point Four began. I will only say that in those 3 years, technical-cooperation activities under the Act for International Development have cost the American people a total of 280 million dollars. I leave it to you to decide, after hearing Mr. Andrews, whether that money is being wisely spent.

In any event, I urge you to broaden your thinking about Point Four. I urge you to think of it not as a Government program but as a means of focusing all of the creative forces of our free society on a task that can only be accomplished by all of them together.

Our purpose at this meeting is to examine the part of private capital in the performance of that

<sup>2</sup> Administrator, Technical Cooperation Administration, Department of State.

task. At the risk of presuming upon the prerogatives of a keynote speaker, I should like to offer a suggestion or two regarding our discussions on that question.

### Surmounting Investment Obstacles

First of all, I suggest that we assume that we all know about the obstacles to a larger flow of investment capital to the underdeveloped areas. Very formidable impediments do exist; but surely by this time they are too well known to all of us to require further definition.

I believe I could name a dozen lengthy reports by highly competent groups in private industry and in the Government setting forth in great detail the nature of the barriers to capital investment abroad.

I hope, therefore, that we will concern ourselves this afternoon and tomorrow with the problem of finding out how to break these barriers down, or surmount them, or get around them in one way or another. Let us start out with the attitude that nothing is impossible. The situation calls for imagination and resourcefulness. The obstacles—many of them, at least—are a part of the reality of our time; and our job, it seems to me, is to find out how to live with that reality.

Second, I propose the empirical approach. We are after practical, workable solutions. I believe we shall find many of them in the experience of hundreds of investors who have found it possible and profitable, despite the obstacles, to establish successful operations in many countries of the free world.

Just before I left Washington, I asked a Government expert to give me a short list of companies now engaged in foreign enterprise of one kind or another. The reply was that a representative list would have to include the names of something like a thousand of the best known corporations in the country. What becomes of the obstacles and hazards in the light of that illuminating fact?

Third, I would suggest that we regard the U.S. Government as a willing partner in the search for ways and means of facilitating foreign investment. It is the policy of the Government, clearly expressed in the Act for International Development, to encourage private enterprise to invest in the underdeveloped countries; and I can assure you that the agencies of Government concerned are eager to provide every measure of encouragement within their power.

### An Exchange of Views Between Government and Business

Representatives of those agencies are present here today. They have come for the purpose of obtaining your ideas and suggestions as to how they might do more to encourage capital to go

abroad. They are prepared also to help you find out what the various agencies of the Government can do now to help the potential investor in the international field. The discussions at the conference are designed to be free and frank, in the nature of an exchange of views between Government and business, and I hope you will take full advantage of the opportunity they are intended to provide.

Finally, with respect to our discussions at this conference, I hope we will undertake to learn and understand the point of view of some of the countries whose development means so much to the security and prosperity of the free world.

From those countries, at our invitation, have come representatives of government and of business to discuss with you the nature of their own problems and the opportunities open to American capital. My only regret is that it was impracticable to invite representatives from all of the free nations of the world.

I believe that we shall learn from those who have honored us by their presence at this conference that we can solve most of the problems, surmount most of the obstacles, by the time-tested American process of sitting down and talking things over. We will find on their part, I believe, a sincere welcome to American capital if it is willing to come into their countries in a spirit of cooperation and work for the people of the country as well as for itself. It is necessary, I believe, to try to understand the other fellow's situation if we are to act with intelligence and statesmanship.

#### Investments Abroad—A Sound Enterprise

Not long ago, a news reporter in Washington asked me why we should expect American capital to go abroad when there are ample opportunities with less risk in the United States.

The answer, it seems to me, is that it has proved to be good business. Income from our direct investment abroad was 1 billion, 148 million dollars in 1949. In 1950 it was 1 billion, 469 million dollars. And in 1951 it totaled 1 billion, 632 million dollars. That was an increase of nearly half a billion dollars between '49 and '51. During that period, the total value of American direct foreign investment grew from 11 billion, 200 million dollars to more than 13 billion, 500 million dollars.

Yet during those years, the annual outflow of direct investment capital, exclusive of reinvestment of earnings abroad, declined from 786 million dollars to approximately 600 million dollars.

Now one can only hazard a guess at the amount of private capital we might reasonably be expected to send abroad annually. As a possible yardstick, however, we might consider the fact that Great Britain, at the height of her world economic power, sent as much as 2½ percent of her national income into foreign investment. Two percent of our own national income today would

exceed 5 billion dollars, but even such an optimist as I would scarcely hope that the total will reach that figure.

But it would seem to be apparent that American industry should be able to put a far larger stake into the industrial development of the less advanced countries of the world than it is now investing.

The opportunities are abundant. The profit potential is good. In many of these countries, such as India, Pakistan, and Colombia, for example, the climate for foreign investment is good or steadily improving as the result of deliberate efforts to attract development capital from abroad. And even where the climate is reported to be less favorable, American concerns appear to be operating successfully.

What, then, is the reason for the lag? Why are we holding back? What can be done to break the jam? These are the fundamental questions I hope this conference will help to answer.

For I am convinced that we are on the threshold of an era of industrial statesmanship that will see American enterprise at work throughout the world in new patterns of cooperation with the capital of other nations. Those patterns are already beginning to emerge from the experience of imaginative and constructive American industrialists who have found that partnership with the enterprise of other lands produces not only profits but friends.

And in a politically bipolar world, the friendship and confidence that grows from working and building together for mutual benefit and the common good is more important to us than ever before. It can be the strongest of the nails that hold the structure of the free world together.

Very often I am advised not to talk to businessmen in terms of moral responsibility and the obligations incumbent on us all as citizens of the Nation to which the free world looks for leadership. Businessmen, I am told, are not interested in abstractions of that kind; talk to them in solid terms of dollars and cents.

#### Interplay of Social and Economic Forces

Well, I haven't followed that advice before and I haven't followed it today. I simply refuse to accept the idea that the members of the business community are insensitive to the interplay of social and economic forces which condition and influence the course of world affairs. Perhaps that is why I find it so easily possible to assume that American initiative and capital will accept the challenge to statesmanship inherent in the realities of our time.

One of those realities pertains directly and immediately to the future of American industry itself. It seems to me to remove the whole question of foreign investment from the realm of the desirable into the realm of the essential. That reality

is our growing dependence upon foreign sources for the supply of raw materials essential to the continued expansion of our own economy.

**Increasing Need for More Raw Materials**

Doubtless many of you have read the report of the President's Materials Policy Commission, headed by William Paley of the Columbia Broadcasting System. Those of you who have not will find it, I believe, one of the most illuminating and provocative documents produced in recent years. Let me quote from the report:

By the midpoint of the twentieth century we had entered an era of new relationships between our needs and resources; our national economy had not merely grown up to its resource base, but in many important respects had outgrown it. We had completed our slow transition from a raw materials surplus nation to a raw materials deficit nation.

The hard political facts of the mid-twentieth century add further great weight to the proposition that it will be to the mutual advantage of all freedom-loving peoples of the earth to work toward a greater economic and political cooperation founded on the principles of mutual help and respect.

Security and economic growth for the United States and the rest of the free world must be the essential aim of any policy worth the name. Materials strength is a prime ingredient of general economic strength and growth, which in turn is the foundation of rising living standards in peace and of military strength in war. This Commission is convinced that if the United States and other free nations are to have such strength, they must coordinate their resources to the ends of common growth, common safety, and common welfare. In turn, this means that the United States must reject self-sufficiency as a policy and instead adopt the policy of the lowest cost acquisition of materials wherever secure supplies may be found.

It now requires something like two and a half billion tons of raw materials to feed the gigantic maw of our industrial machine, according to the report. By 1975, it probably will take double that amount. Technology, conservation, and development of new domestic sources will help to keep pace with this enormous growing appetite, but they will not be enough.

The sober fact is that we must seek abroad for an ever-increasing proportion of the essential ingredients of our industrial production. Our ability to maintain the level of our own economy depends on how successfully we are able to find and develop new sources of raw materials supply.

**Incentive for a Program**

In other words, the chips are down. If there is a question of incentive, it can no longer be phrased solely in terms of the obligations of world leadership or of moral responsibility for the less fortunate peoples of other lands. Our own economic self-interest has become inextricably bound up with theirs.

Let me try to sum up the situation as I see it. In the free world there are a billion people just emerging from centuries of social lethargy. They are the people of the ancient lands of Asia, Africa, and the Middle East, whose aspirations for a better life have produced the cataclysmic social upheavals which rock those regions of the world today. They are the people, also, of the young lands of Latin America, sensitive of their independence, and eager for growth.

These billion people want a greater share of the fruits of progress and enlightenment in the modern world, and we have the capacity to help them get it.

They, in turn, have the capacity to help us. They own the sources of raw materials supply on which our industrial economy increasingly depends. More than that, they are a vast potential market for the produce of our industry.

What we do to help them will determine their ability to help us; how we go about it will determine their willingness. We must consider their interests on an equal basis with our own, in a relationship of partnership and mutuality. They can be our friends; today they look to us for leadership and aid in the enormous tasks confronting them. If we fail them, they may turn tomorrow to our enemies.

That brings me to the point I made when I began. Whether we fail them depends upon the willingness of American private enterprise to turn the key of economic development and progress for these lands. If we fail them, we shall have also failed ourselves.

Now there is work to be done. I invite you to share in it with a sense of mission as well as with the practical common sense that has made American industry what it is.

I do not expect miracles from you at this one conference. But as the first of a series of regional meetings on this subject, I believe you can point the way to a practical program which will bring substantial results.

So, let's get down to business.

<sup>1</sup>H. doc. 527, 82d Cong., 2d sess.

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