

UNITED STATES FOREIGN ECONOMIC POLICY

Summaries of Recent Studies and Reports

Non-Governmental Reports

This is the second of several summaries of recent studies and reports on the foreign economic policy of the United States, with emphasis on the Mutual Security Program. It covers major reports issued since 1950 by leading private research organizations. The first covered Executive Reports and the third will deal with Legislative reports.

The purpose of these summaries is to make the results of research more readily available to policymakers and leaders of public opinion, and thus to contribute toward more effective consideration of the issues involved.

Report #2

July, 1959

NON-GOVERNMENTAL REPORTS

- 1) NPA, A Statement of Principles by the Steering Committee, "The United States and the Lesser Developed Countries of the World," February, 1951.
- 2) NPA, A Statement of Principles by the Steering Committee, "Private Investment in Underdeveloped Countries," October, 1951.
- 3) American Enterprise Assn., Abbot, Charles C., "The International Position & Commitments of the United States," July, 1953.
- 4) AEA, Charles R. Carroll, "Private Investments Abroad," 1954.
- 5) CED, Statement by the Research & Policy Committee, "Economic Development Abroad & the Role of American Foreign Investment," February, 1956.
- 6) CED, Research & Policy Committee, "Economic Development Assistance," April, 1957.
- 7) American Assembly, "International Stability & Progress: U.S. Interests & Instruments," May, 1957.
- 8) NPA, Statement by the International Committee, "A New Approach to Foreign Economic Assistance," May, 1957.
- 9) CED, Sapir, Michael, "The New Role of the Soviets in the World Economy," April, 1958.
- 10) AEA, Raymond E. Mikesell, "Agricultural Surpluses & Export Policy," February, 1958.
- 11) Rockefeller Brothers Fund, Special Studies Project Report II. "Foreign Economic Policy for the Twentieth Century," 1958.
- 12) NPA, Agricultural Committee, "Farm Surpluses & Foreign Aid," June, 1959.

AN EXPLANATORY NOTE

ABOUT THIS REPORT

Organizations Included

These summaries include reports of the Committee for Economic Development, The National Planning Association, and the American Enterprise Association, each of which was prepared by individual specialists or by combined groups of persons from business, labor, government and the universities. Also included are two special reports published by the Rockefeller Brothers Fund and the American Assembly.

CED, NPA, and AEA are tax-exempt research and public information organizations, whose membership and financial support are drawn largely from among leading businessmen or corporations. All three conduct a variety of studies of public questions, including American economic foreign policy.

The Rockefeller Brothers Fund, not to be confused with the Rockefeller Foundation, was established by the sons of John D. Rockefeller. It is publishing a series of seven Special Studies Projects under the overall heading of America at Mid-Century, of which the study included here was the third.

The American Assembly, which was organized under Dwight Eisenhower during his presidency of Columbia University, and is headed by Dr. Henry Wriston, consists of a series of annual conferences on major public questions, with participants drawn from business, labor, agriculture, the professions, both political parties and government.

Basis of Selection

It was impossible to include all of the reports on American foreign economic policy prepared by all of the private organizations in the United States. In attempting, first, to narrow the number of reports to manageable proportions; second, to emphasize reports which reflect group opinion; and, third, to include reports which give specific conclusions and recommendations for policy-program innovation and improvement, it was decided to concentrate on reports of the more non-partisan research-oriented organizations, especially those whose membership and activities reflect the views of important segments of American public leadership. It was also decided to include only shorter, paper-bound reports, and among these, to include only reports on major questions of American foreign economic policy. In the case of the National Planning Association especially, this necessitated excluding a number of valuable reports on specific aspects of foreign economic relationships and operations.

Also excluded were the short studies in the Public Affairs Institute's Bold New Program Series, (a list of which can be obtained from the Institute, 312 Pennsylvania Avenue, S.E., Washington 3, D.C.) and the longer studies of the Twentieth Century Fund and the Brookings Institution. Lists of publications can be obtained from Brookings at 722 Jackson Place, N.W., Washington 6, D.C., and from the Fund at 41 East 70th Street, New York, N.Y.

Where Reports Can Be Obtained

The reports of the Committee for Economic Development are available from that organization at 1000 Connecticut Avenue, N.W. The National Planning Association reports can be requested from 1606 New Hampshire Ave., N.W., and the American Enterprise Association is located at 1012-14th Street, N.W. These are all in Washington, D.C.

The Rockefeller Brothers Fund reports are distributed commercially or single copies may be requested from the Fund, 22 West 55 Street, New York, N.Y. Publications of the American Assembly are available through their office at Columbia University, New York 27, N.Y.

ABOUT OTHER SOURCES OF INFORMATION

1. Organizations

Specialized Groups

1) Citizens Foreign Aid Committee

A group organized in 1959 to support modifications and reductions in foreign aid. The Chairman is Walter Harnischfeger, a Milwaukee industrialist. The National Director is Brig. Gen. Bonner Fellers, and the Legal Counsel is Clarence Manion. Members of the Committee include T. Coleman Andrews, Spruille Braden, J. Bracken Lee, General Albert Wedemeyer, and General Robert E. Wood. The Committee has published a brief statement of its position, entitled Foreign Aid and You, and has testified in congressional hearings on the 1959 Mutual Security authorization bill. Available from the Committee on Foreign Affairs is a committee print which includes the Citizens Committee Statement with comments by the Departments of State, Treasury and Defense, and the International Cooperation Administration.

Brig. Gen. Bonner Fellers, National Director
The Citizens Foreign Aid Committee
1001 Connecticut Avenue, N.W.
Washington, D.C.

2) Committee for International Economic Growth

The "continuing committee" for the 1958 Conference on Foreign Aspects of U.S. National Security, which was organized by Eric Johnston at the request of President Eisenhower to create support for the foreign aid program. Financed by contributions from individuals, organizations and corporations, CIEG publishes Economic World, a monthly journal in newspaper form, which reports on the international development field, as well as handy fact sheets on various aspects of U.S. foreign economic policy. In the spring of 1959, the Committee conducted an outstanding public conference in Washington on "India and the United States -- 1959," which stressed India's economic needs, and the relationship of India to American foreign economic policies and objectives.

Williard Johnson, President
Committee for International Economic Growth
1028 Connecticut Avenue, N.W.
Washington 6, D.C.

3) Committee for a National Trade Policy

Created in 1953 to support a liberalized U.S. foreign trade program. Has taken the lead in supporting the extension of the Reciprocal Trade Program, including a 1956 National Conference of Organization on International Trade Policy at the time extension legislation was being considered by Congress. Financed by corporations, primarily those with large exports, officers of which comprise a Board of

Directors. Partly tax-exempt. Publishes Trade Talk, a newsletter about events in the trade field, particularly actions of the U.S. government. Also produces useful research reports, especially during the periods of Congressional debate on Reciprocal Trade extension.

Mr. John W. Hight, Executive Director
Committee for a National Trade Policy
1025 Connecticut Avenue, N.W.
Washington 6, D.C.

4) Committee to Strengthen the Frontiers of Freedom

A recently organized group of backers of Mutual Security legislation, with special emphasis on the military assistance program, whose object is to increase public understanding of the need for an adequate and ably managed program. Chairman is Dr. Vannevar Bush, director of the Office of Research & Development during World War II. Vice-Chairman is Dr. Henry M. Wriston. The group, which was organized by Tracy Voorhees, general counsel for the Draper Committee, has as some of its active members Theodore Streibert, James B. Conant, John Lord O'Brian, Laird Bell, William Clayton, Harold Boeschstein, Samuel Goldwyn, Grayson Kirk, Barry Bingham, John W. Gardner. The Committee is supported by individual contributions from interested persons.

Mr. Frederick C. McKee
Committee to Strengthen the Frontiers of Freedom
1025 Connecticut Avenue, N.W.
Washington 6, D.C.

5) International Economic Policy Association

A recently-established organization, supported by various commercial interests, which was inaugurated by a conference on "The United States Economy and International Relations" in Washington. A primary interest is the need for private investment in the economic development field. President is Dr. N.R. Danelian, who is also head of the Great Lakes-St. Lawrence Association, a business-supported organization which was active on behalf of the St. Lawrence seaway project.

Dr. N. R. Danelian, President
International Economic Policy Association
1625 I Street, N.W.
Washington, D.C.

6) National Conference on International Economic and Social Development

(See Point Four Information Service.)

7) Nation-Wide Committee of Industry, Agriculture and Labor on Import-Export Policy

An organization of commercial interests, headed by Oscar R. Strackbein, which is the leading advocate of the more "protectionist" position on foreign trade policy. Supported by business contributions. Produces occasional statements and speeches.

Mr. Oscar R. Strackbein
Nation-Wide Committee of Industry
815 Fifteenth Street, N.W.
Washington, D.C.

8) Point Four Information Service

An informal coalition of "cause" organizations, primarily church groups and labor unions, led by the Cooperative League of U.S.A. which holds Washington luncheon meetings for the sharing of information and the coordination of activities, as well as conducting, through the tax-exempt "National Conference on International Economic and Social Development," an annual conference in Washington. (Co-chairmen in 1959 were Governor Freeman of Minnesota and Charles P. Taft.) In November of 1958, an International Cooperation Workshop was also held, in which participants attempted to develop "areas of agreement" about international economic matters.

Mr. Wallace J. Campbell
Point Four Information Service
1025 Vermont Avenue, N.W.
Washington 5, D.C.

9) Society for International Development

A professional society with international membership open to all individuals and organizations interested in economic development and technical cooperation. Established in Washington in 1957. Now seeking tax-exemption. Conducted its First Annual International Conference in February, 1959. Will begin publishing an International Development Review this fall. 1959-1969 officers are: Hugh L. Keenleyside of Canada, UN Assistant Secretary-General for Administration, President; and Dr. P.S.N. Prasad of India, Assistant Director of the Economic Staff of the International Bank, Vice-President.

Mr. Marion Clawson, Executive Secretary
Society for International Development
1145 Nineteenth Street, N.W.
Washington 6, D.C.

10) Technical Assistance Information Clearing House

Operates under contract with ICA as liaison with voluntary and non-profit agencies engaged in technical assistance programs abroad. Maintains information on the work of these agencies, as well as information on the under-developed areas. Published a Directory of America

Voluntary and Non-Profit Agencies Interested in Technical Assistance, the next edition of which will appear this fall. (The last edition was published in April, 1958.) Also publishes the Technical Assistance Quarterly Bulletin, consisting of short papers on the subject collected from a variety of sources.

Dr. Wayland Zwyer, Executive Secretary
Technical Assistance Information Clearing House
20 West 40 Street
New York 18, N.Y.

Business and Labor Groups

Available from the Chamber of Commerce of the United States, Washington, D.C. are several publications. Spotlight on Foreign Aid, 1958; What American Businessmen Abroad Think of Foreign Aid, 1958; and U.S. Tax Incentives for Private Foreign Investment, 1954.

The National Association of Manufacturers at present has no relevant material. The International Relations committee of the NAM has recently been reconstituted, however, and requests for information about its proposed studies can be sent to the committee, NAM, 2 East 48th Street, New York, N.Y.

In addition to copies of their testimony before legislative committees, the AFL-CIO can supply copies of the December, 1958 issue of Labor's Economic Review which deals with "America's Role in: Helping World Economic Growth." The address is 815-16th St., N.W., Washington 6, D.C.

Farm Groups

Policy statements about the agricultural surplus program (P.L. 480) are available from the American Farm Bureau Federation, the National Farmers Union and the National Grange.

Publications of the American Farm Bureau Federation, which are available from 425 13th St., N.W., Washington, D.C., include their statements on P.L. 480 before the House and Senate Agriculture committees. To date, they have made six statements: April, 1954; March, 1957; June, 1957; February, 1958; May, 1958; May, 1959.

Congressional testimony of the National Farmers Union is available from the Legislative Service Division of the Union, 1404 New York Ave. N.W., Washington 5, D.C. Two other publications can be requested directly from the National Farmers Union, Membership & Services Division, 1575 Sherman Ave., Denver 1, Colorado. The titles are Expanded Consumption Abroad and This We Believe: Food for Peace.

The National Grange puts out an annual booklet called The Legislative Policies & Program of the National Grange. They can be requested from the Grange at 744 Jackson Place, Washington, D.C.

Other Groups

Testimony of representatives of other groups in 1959 before the House Foreign Affairs Committee and the Senate Foreign Relation Committee is available in the published committee hearings on the Mutual Security Act of 1959. Committee hearings may be requested from each of the committees, Washington 25, D.C. The groups which testified are: The Friends Committee on National Legislation, American Veterans Committee, League of Women Voters, National Council of Churches, Chamber of Commerce, Brethren Service Center, Synagogue Council of America, Council for Christian Social Action, Americans for Democratic Action, Citizens Foreign Aid Committee, American Association of University Women, Cooperative League of the U.S.A., International Economic Policy Association, National Congress of Parents-Teachers, Citizens Committee for UNICEF, American Coalition of Patriotic Societies, International League for Peace & Freedom, and the Committee for International Economic Growth.

2. Printed Materials

In addition to the printed materials available from groups listed above, other useful materials include:

Doorway to the 20th Century, a news sheet on international economic development, including U.S. policies and programs. Published monthly by the Foreign Policy Clearing House, 300 Independence Ave., S.E. Washington 3, D.C. at \$5.00 per year.

Headline Series, Foreign Policy Association, 345 East 46 St., New York 17, N.Y. The Series publishes six issues a year and sometimes covers issues related to foreign economic policy. \$2.00 per year.

International Conciliation. Each issue is devoted to a single issue in the field of international organization including economic issues. Published five times a year. \$1.00 for a year's subscription. Carnegie Endowment for International Peace, United Nations Plaza at 46th St., New York 17, N.Y.

Notes on International Economic Issues, published by the U.S. Council of the International Chamber of Commerce, 105 Park Ave., New York 17, N.Y. No price stated.

The United States in the World Economy, a bibliography of leading books, pamphlets and articles, available for 25 cents from the World Affairs Center for the United States, United Nations Plaza at 47th Street, New York 17, N.Y.

National Planning Association,
Statement of Principles by the Steering Committee

The United States & the Lesser Developed Countries of the World

Focus of Report: If tangible evidence is given the aspiring under-developed countries of the possibility of success, it is believed they will develop in a tradition compatible with the traditions and values of the liberal nations.

Conclusions & Recommendations:

I. Conditions affecting success of the program:

- A. Political acceptance and cooperation by host country;
- B. Degree of balance among activities;
- C. Extent and rapidity of cultural changes which program may require;
- D. Methods used to make program effective.

II. A balanced program should include services for health, education, internal transportation and communication, improved agriculture; initial encouragement of home industries, commerce, simple banking systems. Programs for each country will differ, depending on conditions and objectives.

III. Regard for the difficulty of cultural change:

- A. Too rapid industrialization would inhibit growth of a stabilizing middle-class with habits of savings and investment;
- B. Need to convince recipient countries of possible progress if they embrace principles of individual liberty and free economic organization.

IV. More effective program:

- A. First need is an elaboration of a set of precise and realistic objectives by host country with the assistance of technical experts;
- B. In most cases, it is preferable that expert be supplied through the UN;
- C. Extensive use of UN would help avoid misinterpretation of U.S. purposes;
- D. Primary responsibility for decisions about acceptability of personnel should be with the host country.

V. Financing:

A. Possibility of lending U.S. dollars to under-developed countries to buy goods in a third country; this should be done sparingly and only with confidence that there will be a maximum use of self-reliance by recipient;

B. Private

1. Should be analysis of how to integrate private foreign investment projects with other public projects, technical assistance and education;

2. Governments (U.S. and foreign) should consider removing unnecessary restrictions;

3. Possible to expand joint financing of foreign private and local capital.

National Planning Association,
Statement of Principles by the Steering Committee

Private Investment in Underdeveloped Countries

Members: Charles J. Symington, Chairman
H. Christian Sonne
Clinton S. Golden
Luther H. Gulick
Albert J. Hayes
Allan B. Kline
Donald R. Murphy
Clarence E. Pickett
Elmo Roper
Beardsley Ruml

Focus of Report: To explore ways for stimulating increased participation by private enterprise and to discuss relation of public to private financing.

Conclusions & Recommendations:

I. Private Financing:

- A. Private savings & investment are the foundations on which a country's long-run progress will be built;
- B. Public investment should have as one of its principal aims creating acceptable conditions for the use of private funds;
- C. To stimulate foreign investment risks must be minimized & profit enhanced.

II. World tension & other government restrictions are major deterrents to private investment.

III. U.S. actions to encourage investment:

- A. Foreign earned income by U.S. firms should be free of U.S. tax; be taxable only in local country;
- B. Government insurance arrangements to protect against inconvertibility;
- C. Grants tend to deter potential borrowers, except where the grant is needed to make loans feasible;
- D. Public, government, and international agencies should consider how best to encourage recipient nations to attract private investment capital.

IV. Domestic capital is the soundest long-run method for developing economy. However, country must first have a sound base.

American Enterprise Association (published & distributed)
Abbot, Charles C.

The International Position and Commitments of the United States

Focus of Report: The goals and instruments of foreign policy and their relative position and success.

Points Discussed: U.S. commitments; Economic resources; International organizations; Budgetary items.

Conclusions and Recommendations:

I. Lack of success of post-war U.S. foreign economic policy:

- A. It has been extremely expensive;
- B. It has not produced self-sustaining international economy;
- C. It is doubtful that it has faced up to economic realities;
- D. It has not established belief in American tenets of economic activity, i.e., self-betterment and free markets.

II. Basic needs for U.S. policy;

- A. Develop sources of raw materials;
- B. Establish markets to maintain and improve world conditions.

III. Recommends:

- A. Trade rather than aid;
- B. Invest more U.S. capital abroad to get raw materials and to provide foreign nations with dollars.

IV. Suggested measures to accomplish recommendations:

- A. Tariff reduction;
- B. Eliminate import quotas;
- C. Simplify customs procedures;
- D. Abolish government preference of U.S. goods;
- E. Extend reciprocal trade agreements;
- F. Consider foreign aid measures according to whether it contributes to the type of world economy the U.S. favors;
- G. Construct a complete and perfect system treaty arrangements for trade and investment.

American Enterprise Association (published & distributed)
Charles R. Carroll, Counsel to the Board of Directors,
National Foreign Trade Council, Inc.

Private Investments Abroad

Focus of Report: The place of private foreign investment; the changes that have taken place, relation to other political and economic factors.

Points Discussed: Nature of foreign investment; Growth of private foreign investment; Impact of taxation on foreign investment; Private investment and international economic relations; Political relation of U.S. policy with private investment.

Conclusions and Recommendations:

I. It may be assumed that availability of capital, currently and in the foreseeable future, will be enough to support both domestic and foreign investment at or above current levels:

A. In underdeveloped countries; unfamiliarity with mechanisms of investment contributes to suspicion and hostility toward foreign enterprise;

1. One alternative has been the mobilization of indigenous wealth and its conversion into public development funds of the "fomento" type;

2. Another alternative has been capital levies and forced loans, with overall unfavorable results;

B. Nonetheless foreign capital and enterprise may be the absolute essential to development of any reliable character;

C. Experience shows that eventually the introduction of foreign capital does bring to light local resources and stimulates their application as venture capital;

D. Investment may be induced by appropriate political action, but it is almost never accomplished by governmental compulsion.

II. Unless the resources of the World Bank are largely expanded, governments will continue to look to Washington for solution of their difficulties:

A. U.S. government should recognize that any sovereign is entitled to set the pattern of its own economy;

B. However, if U.S. is asked to give assistance it is entirely proper for the U.S. Congress to impose terms which express U.S. predilection for private enterprise.

III. Historical comparison suggests that direct investment showed a resilience under pressure of adverse economic situations which was not shown by portfolio investment.

IV. Government to government financing is not true investment, and the salient feature of post-war period has been the enormous volume of funds of public origin going into world monetary adjustments:

A. Of the about \$40 billion government (U.S.) money that has been intended for capital use, certainly some has been dissipated in various unintended ways;

B. It is not an accident that the geographic patterns of private investment and public lending are notably different.

V. The principal reason why private investment has not been greater is that the investor has been increasingly selective in new commitments made during the last decade:

A. Given the few countries in which there is both a congenial climate for private investment and an economic potential large enough to provide commercial justification, the overall expansion in post war period seems creditable;

B. Complaints about lack of adequate financing comes from countries which do not provide basic conditions;

C. However, this selectivity will continue until differences in economic climate and commercial potential are adjusted by the host country.

VI. The most obvious feature of post-war foreign investment scene is the dominance of the extractive industry, especially oil.

VII. The prospect of better returns from overseas ventures than from comparable domestic activities is an essential prerequisite to an acceleration of investment.

VIII. All taxes are inherently deterrents to economic activity:

A. The deterrent effect can be circumvented by a tax system which cancels itself out between business categories;

B. When foreign tax is more moderate than U.S., the U.S. system which requires that the difference be paid to U.S., frustrates investors incentive and also encourages the foreign government to raise tax to U.S. level;

C. Tax recommendations:

1. Outright exemption of foreign earned business income is the plainest and most effective means of ending double taxation;

2. Next best means is a concession rate; it is doubtful whether the present 14 point differential favors foreign investment very much over domestic;

3. Tax treaties can be used to secure relief.

IX. An expanding international trade is essential to the development and functioning of most types of overseas investment, and to the assurance of returns in convertible currencies.

X. Economic isolationism has not really been a possibility since the Spanish-American War;

A. However, up to 1952, the U.S. government gave very little attention to analyzing political deterrents to foreign private investment;

B. A change to a more favorable acceptance of private investment would be due primarily to the curtailment of indiscriminate economic aid by the U.S. government;

C. Also, to the degree to which the U.S. government implements free enterprise in the U.S., to that extent it will influence the improvement of the investment climate abroad

Committee for Economic Development
The Research and Policy Committee

Economic Development Abroad & the Role of American Foreign Investment

Members: Frazar B. Wilde J. Cameron Thomson Jervis J. Babb
Elliott V. Bell William Benton James F. Brownlee
Thomas D. Cabot Walker L. Cisler Paul F. Clark
S. Bayard Colgate S. Sloan Colt Gardner Cowles
Jay E. Crane Edmund Fitzgerald William C. Foster
Philip L. Graham Robert Heller T. V. Houser
Meyer Kestnbaum Fred Lazarus, Jr. Ralph Lazarus
Thomas B. McCabe Don G. Mitchell Howard C. Petersen
Philip D. Reed Walter Rothschild Beardsley Ruml
Harry Scherman George F. Smith S. Abbot Smith
William C. Stolk Frank L. Sulzberger Wayne C. Taylor
H. C. Turner, Jr. Theodore O. Yntema J. D. Zellerbach

Focus of Report: To discuss generally the interests which are served by economic development; the major obstacles to development and the role of American foreign investment.

Points Discussed: The importance of underdeveloped countries to the U.S.; Economic development and the threat of communism, expanding world trade, and democracy; Obstacles to development; American foreign investment.

Conclusions and Recommendations:

I. The impact of the West on the underdeveloped countries has evoked responses which may profoundly affect the position of West:

A. Nationalism, which is a combination of resentment and pride;

B. A growing sense of urgency to catch up with Western material power.

II. Economic Development:

A. The threat of communism is increased by agrarian unrest and the lack of economic opportunity for a segment of urban middle class;

B. The economic dependence of allies will be greatly affected by development and increased markets and the need for trade by the developing countries;

C. The growth of democracy is not an automatic consequence of economic development; however, day-to-day association and common interests can aid in transmittal of social values.

III. Obstacles to Development:

A. Shortage of Capital: In most cases, it is up to the government to mobilize the resources available for capital;

B. Shortage of entrepreneurial and managerial talent: Lack of opportunity to learn, since not enough European and American industrial firms are conducting business in these areas;

C. Need for balance in economic development: In addition to better agricultural procedures, industrial development should emphasize light, labor-intensive manufacturing industries to make the best use of scarce capital and abundant manpower.

IV. Role of American capital investment:

A. In addition to private and public investment the U.S. supports international technical assistance programs; CED supports continued and expanded U.S. participation in these programs;

B. Report gives major attention to foreign investment;

C. Obstacles include lack of direct monetary return; lack of a market for government bonds, discriminatory regulation; restriction of foreign ownership, political instability, administrative weakness, foreign exchange troubles, labor problems, expropriation and nationalistic hostility;

D. Measures within purview of U.S. policy to stimulate investment are limited:

1. Continue investment treaties program;
2. Allow a further test of the usefulness of the investment guaranty program;
3. Favors tax proposals to cut by 14 point the corporate income tax on income earned abroad and postpone-ment of the payment;
4. Would favor larger point reduction and some means of encouraging U.S. investment in foreign securities;
5. Favors public-private partnership and welcomes establishment of International Finance Corporation;

E. Public Investment:

1. Although the U.S. should act regardless of Soviet policy, their offensive underlines the urgency of U.S. decisive action;
2. Committee believes an expanded program of public investment is in U.S. national interest;

- a. Program should be selective;
 - b. Projects should be mainly for creation of basic economic facilities;
 - c. It is inappropriate to attach unrelated, military, and diplomatic conditions to programs;
3. In general loans are preferable to grants in most instances;
 4. Agricultural surpluses can provide underdeveloped countries with some of needed capital, though this is strictly limited;
 5. An expanded program of public investment should be administered by U.S. agency or agencies, except in certain situations where an international approach is more advantageous.

Committee for Economic Development
The Research and Policy Committee

Economic Development Assistance

Focus of Report: Given the needs and desires of underdeveloped areas for economic growth, the Committee considers methods of U.S. assistance to encourage strength, independence and stability in that development.

Points Discussed: The concept of security; The function of economic assistance; Requirements of a program, Cost.

Conclusions and Recommendations:

I. Achievements are possible, given:

- A. Sincere effort by underdeveloped countries to achieve economic growth;
- B. Long-range commitment by the U.S. to help poor countries help themselves.

II. U.S. goal is to encourage economic growth sound enough for recipient country to become self-sustaining. U.S. should not expect aid to buy friends, but stability in underdeveloped areas will serve U.S. national interest.

III. Committee sets up eight guiding principles:

- A. Economic development can be effective only with a long-term program of assistance;
- B. Program must have country-by-country planning, with all projects directed toward a general achievement of economic growth and independence;
- C. U.S. should decide recipient countries and projects, though in some cases multilateral assistance may be better;
- D. In most cases, assistance should go to specific economic projects;
- E. Loans are best for economic assistance, though some grants will be required;
- F. Take special account of the need of underdeveloped countries for enterprises and management that can use capital and labor effectively;
- G. Do not encumber agreements with mutual defense or friendship guarantees;
- H. Should use agricultural surpluses to promote economic growth.

IV. Cost of Assistance:

A. Should not provide more development funds than can be productively invested;

B. Increase in flow of private capital is a valuable force;

C. Considers that a dependable flow of government capital into basic development projects and technical assistance to increase the ability of underdeveloped countries to manage capital and business, would act as a stimulus to flow of private capital.

D. Does not recommend any special amount; but considers that amount should be determined by satisfactory evidence of productive use. Seems unlikely that this would exceed \$5 billion, in period of five years;

E. The essence of economy is to distinguish between the vital and the merely desirable.

American Assembly
Arden House
Harriman, N.Y.

International Stability and Progress: United States Interests and
Instruments (Eleventh American Assembly)

Participants in the Eleventh American Assembly:

Dillon Anderson	Edward S. Greenbaum	James A. Michener
George W. Ball	Allen Griffin	Melvin S. Moyer
William Benton	Mrs. J. Ramsay Harris	Paul H. Nitze
Jonathan B. Bingham	Henry J. Heinz, II	F. Taylor Ostrander, Jr
Thomas C. Blaisdell, Jr.	Francis Hickman	Norman D. Palmer
Roy Blough	Benjamin Higgins	Gardner Patterson
Robert Blum	Paul G. Hoffman	Herbert V. Prochnow
Courtney C. Brown	Edward F. Holter	Whitelaw Reid
Arthur F. Burns	Donald W. James, Jr.	Walter W. Rostow
Harlan Cleveland	Philip C. Jessup	Dean Rusk
John Cowles	Clement D. Johnston	Thomas C. Schelling
Philip K. Crowe	Eric A. Johnston	Forrest W. Seymour
William Diebold	Sam H. Jones	Lauren K. Soth
Douglas Dillon	Robert J. Kleberg, Jr.	Ib Eric Sundt
James Terry Duce	Allan B. Kline	Wayne C. Taylor
Marriner S. Eccles	Walter J. Levy	Max W. Thornburg
Lamar Fleming, Jr.	George C. McGhee	Frank N. Trager
Edwin T. Gibson	William W. Marvel	John M. Vorys
Brig. Gen. Sidney F. Griffin	The Rev. Dr. Kenneth L. Maxwell	Edward W. Weidner
Lincoln Gordon	Abe Mellinkoff	Howard Whidden
		David J. Winton
		C. Tyler Wood

Focus of Report: The consideration of the following goals for U.S.
policy;

To maintain and strengthen Free World Alliances;
To harmonize interest of neutralist underdeveloped
countries with the Free World in the short run and to secure
identification with the cause of freedom in the long run;
To contain Soviet expansionism and to weaken the
cohesion of the Bloc;
To free selves from the myths of omnipotence and
impotence.

Points Discussed: Papers by individuals precede the Final Report:

Lincoln Gordon: Introduction: foreign assistance
in perspective

Philip C. Jessup: Ends and means of American foreign policy
Gregory Grossman: Soviet economy and Soviet world power
Edward S. Mason: Competitive coexistence and economic development in Asia
Paul H. Nitze: The policy background for military assistance
Thomas C. Schelling: American aid and economic development: some critical issues

Conclusions and Recommendations:

I. In mid-twentieth century, U.S. is inescapably involved in a world of rapid change:

A. The most pressing danger comes from Soviet power combined with Red China;

B. A major challenge is the emergence into nationhood of the vast populations of Asia and Africa.

II. Military, economic and technical assistance must be instruments of U.S. foreign policy for the foreseeable future:

A. Long-range purposes of assistance;

1. Serves in the interest of political independence, stability and economic progress;

2. Permits the evolution of new nations as peaceful and constructive members of world community;

3. Encourages expansion of international trade and private investment, thereby helping U.S. as well as recipient.

B. Military assistance:

1. The U.S. needs formal allies and prospective military associates to deal with the danger of general or limited war;

2. Arms assistance and defense support buy more than a comparable expenditure for the U.S. defense establishment;

3. U.S. assistance may help less stable countries achieve political stability and develop basic administrative and technical skills;

4. Military assistance should not be used to encourage local armaments races or to aggravate regional tensions.

C. Economic development:

1. Orderly economic progress in underdeveloped countries accords with the political, security and economic interests of the U.S.;

2. The promotion of sound economic development should be an accepted element of American foreign policy;

3. The success of development programs depends in large part upon the execution and administration by underdeveloped countries;

4. A program must be built up in the light of actual conditions in each country;

5. Alliance with the U.S. should not be a prerequisite for development assistance;

6. Assistance program must be geared to the long run:
a. Encourage leadership in the countries,

b. Strongly favors establishment of a development loan fund, with authorization covering several years;

7. Assistance for development should over a period of time create the ability to repay; it should normally be on a loan basis;

8. Agricultural surpluses should be used in conjunction with other assistance for promoting foreign economic development;

9. Magnitude of development assistance should probably be higher than present level;

10. Assistance in some form will probably be necessary for some years to come.

D. Economic assistance for special purposes:

1. In limited amounts, assistance may be used to secure a specific advantage to the U.S., to avert a crisis or to cope with a disaster;

2. Assistance to communist countries should not be precluded if it will help increase the independence of such countries.

E. Technical assistance:

1. More satisfactory arrangements should be made to attract qualified administrative and technical manpower;

2. U.S. should be prepared to employ suitably qualified foreign nationals in technical assistance programs;

3. U.S. should encourage gradual expansion of UN programs.

III. Countering Soviet initiatives:

A. Best general means of minimizing the effectiveness of Soviet moves is for U.S. to have a constructive program;

B. U.S. must also be prepared to deal with counter measures in particular cases.

VI. Private enterprise:

A. Tax incentives and guarantee arrangements are of real value in encouraging foreign investment;

B. Should carefully explore expanding joint public and private financial arrangements, especially in connection with a development loan fund;

C. Efforts should be made to encourage an appreciation that progressive private enterprise methods offer the best long-range prospects of economic development and also strengthen democratic foundations.

V. Organization and administration:

A. The purpose behind making a sharper distinction between military and economic assistance is sound;

1. It would serve to clarify the objectives of the program;

2. It must still be realized that political, military and economic developments are inter-related and that American policy must be an integrated whole;

3. Therefore it is essential to strengthen the decision-making and coordinating arrangements with the U.S.

B. Efforts should be made to ensure maximum participation by other advanced countries;

C. Administration of programs in U.S. government requires a new sense of purpose, a new spirit of drive, energy and imagination, as well as a clarification of objectives and methods;

D. The financial cost of the program as a whole does not impose unreasonable strains on total resources or any important segment of U.S. economy;

E. Foreign assistance is one of the most important means of eventually being able to reduce military expenditures, which in turn would be a significant factor in lightening the U.S. tax burden.

National Planning Association
Statement by the International Committee

A New Approach to Foreign Economic Assistance

<u>Members:</u>	Frank Altschul	Isador Lubin
	Louis Brownlow	Mrs. Helen Hill Miller
	Stanley Andrews	Philip E. Mosely
	Solomon Barkin	Paul Nitze
	John F. Chapman	Charlton Ogburn
	Harlan Cleveland	Lithgow Osborne
	Myron M. Cowen	Clarence E. Pickett
	Carter Goodrich	Victor G. Reuther
	Ernest Gross	Morris S. Rosenthal
	August Heckscher	Michael Ross
	William W. Wayjack	Wayne Chatfield Taylor
	Walter H. Wheeler, Jr.	Robert A. Whitney

Focus of Report: To discuss economic aid and the reasons justifying an improved and enlarged program.

Conclusions and Recommendations:

I. For foreseeable future, nationalism will probably continue to dominate economic policies of underdeveloped countries:

A. NPA approves self-respect and aspiration for self-reliance which motivates dislike of recipients for grants;

B. In every underdeveloped country, at least the educated groups desire rapid social and economic progress;

1. This is a force so great that regardless of East-West conflict, neither pole could ignore development;

2. It is important to reduce economic gap and relieve attitude of hopelessness.

II. Object of U.S. concern about development is to ensure that development does not create conditions incompatible with maintenance and progress of Western society and U.S. democracy;

A. Two ways for American influence to be morally valid and practically effective:

1. It can provide the benefits of extensive living and working together over long periods of time in local countries and in U.S.;

2. It can provide an increment of resources and skills which may make the margin of difference in the success of a program;

B. Neutralism and isolationism of underdeveloped countries will be abandoned only when they have achieved substantial social and economic progress;

C. Necessity is to express adequately in the foreign aid program a combination of sympathy and realism, patience and prodding, forbearance and firmness.

III. Recommendations:

A. Aid should be long-term and continuous:

1. Economic aid and technical assistance programs will be necessary instruments of foreign policy as long ahead as it is practical to look;

2. Should enact permanent authorization legislation and eliminate need for annual appropriating legislation;

3. To administer foreign aid programs U.S. should establish a U.S. government corporation:

a. Should be an arm of the State Department, autonomous in operation, but under policy guidance of State;

b. Should have greater flexibility in its lending policies and operations;

c. Should not require annual renewal for the corporation;

B. Program should be of adequate size:

1. Optimum level of aid depends on readiness of development plans, kinds and amounts of benefits to be obtained, the physical and economic capacity of recipient country to use resources;

2. Too small efforts may prove more wasteful in the long run than too large;

3. Original capital of foreign aid corporation should not be less than \$1 billion, to be appropriated;

C. Aid should be on a repayable basis:

1. A large element of mutuality in aid may make easier the mobilizing of political support for aid on a long-term basis;

2. Aid in general should be given on a repayable basis with terms fitted to individual capabilities;

3. Grants should continue on a limited scale;

4. Technical assistance should not be repayable, since it already has large element of mutuality;

D. Economic aid should be separate from military aid;

1. It is desirable to make the separation formal and explicit;

2. The term "defense support" is undesirable; this type of aid should be under foreign aid corporation;

E. Since it is largely through close working with American concepts, practices and organizations that the values and institutions of recipient country can be influenced, private participation in aid should be encouraged;

1. Should increase the practice of sub-contracting part of economic aid and technical assistance programs;

F. Personnel conditions should be improved;

1. Selection and training should be directed toward having personnel sympathetic with other cultures;

2. Periodic rotation, especially of technical personnel is desirable to keep in touch with latest developments and to refresh approach.

Committee for Economic Development
Sapir, Michael

The New Role of the Soviets in the World Economy

Focus of Report: The growing Communist economic offensive, and its implications for the Free World.

Points Discussed: Nature of Soviet offensive; Comparison with U.S.; Soviet techniques; objectives, capacity.

Conclusions and Recommendations:

I. Economic Drive:

A. Trade:

1. Although still a minor factor in world trade as a whole, Soviet Block trade with Free World increased 77% between 1952-56.

2. Significant because of degree of dependence of underdeveloped country on Soviet.

B. Steadily more Soviet participation in trade fairs.

C. Grants and Credits:

1. Estimated that about 20% of credits have been used.

2. 95% have gone to six countries.

D. Technical assistance: Large dynamic program. It is not known to what extent this is paid for or granted.

II. Comparison of Soviet and U.S.:

A. In uncommitted nations, Communist countries have extended only slightly less than Free World (1954-57);

B. Most Free World aid goes to the defense support countries.

III. Techniques: Soviet

A. Soviets use selves as example of economy which successfully modernized rapidly;

B. Paternalistic Asian societies have a more natural inclination toward collectivist system;

C. Low interest rates; partial repayment in goods;

D. Technical assistance an integral part of the program; experts are trained in language and customs;

E. Soviet techniques more easily adaptable to primitive economies.

IV. Political and economic interests of Soviets mesh:

- A. Aim is to weaken Free World alliance;
- B. Holds firm belief that time is running in Soviet favor.

V. Soviets have capacity to increase effort several times over:

- A. Soviet Gross National Product increasing.
- B. European satellite economic and industrial strength is growing.

VI. Implications for U.S.:

A. Must keep constantly aware that Soviets are driving for ultimate goals and probing for Free World weak spots;

B. Soviet program has difficulties too; red tape, negotiations, credit terms. But these are not reasons for U.S. complacency.

C. Possible that the Communist offensive will have the effect of strengthening appreciation and support for free market mechanism and private enterprise.

D. Therefore, the West should demonstrate attractiveness of its way of doing business:

1. Increase trade;
2. Help more abundantly and understandingly in economic development.

American Enterprise Association (published and distributed)
Mikesell, Raymond F.

Agricultural Surpluses and Export Policy

Focus of Report: To discuss and analyze the foreign disposal programs and their relationships to domestic agricultural policies and foreign relations.

Points Discussed: Agricultural surpluses and export policy; U.S. agricultural export programs; Domestic agricultural policy and foreign trade; Foreign impact of U.S. export programs.

Conclusions and Recommendations:

I. Not only are foreign disposal programs of questionable soundness for domestic policy, but some have proved harmful to U.S. foreign relations.

II. U.S. and the world agricultural market:

A. There is evidence that if U.S. had not priced itself out of world market for certain commodities and had not encouraged foreign production for export by its own high-support prices, U.S. agricultural exports could have been fairly well maintained without disposal programs;

B. Barter program encourages bilateral dealings and a by-passing of free international markets involving use of convertible means of payment;

1. Commodities received for stockpiling are in excess of requirements for defense purposes as determined by officials;

2. This program involves subsidy to producers of minerals and increases inflationary pressures.

III. Foreign impact of U.S. export programs:

A. Purpose of PL 480 program is not to save recipient country foreign exchange it would ordinarily have spent for agricultural products;

1. Recipient should absorb additional amounts of commodities;

2. Use these additional amounts in ways that will contribute to economic development;

B. Funds for increased investment derived from surplus agricultural sales may be inflationary;

1. Provision must be made to meet additional demand for non-agricultural commodities;

2. Recipient country can advance economic policies which result in increased saving and an appropriate shift in production;

3. U.S. can accompany PL 480 shipments with loans or grants to finance imports of non-agricultural commodities;

C. A recipient country should be able to count on the availability of a surplus for 5 or 6 years, in order to enhance the contribution of the program to planned economic development;

D. To be successful, the program must also have careful planning and coordination with local policies in underdeveloped countries and with the other forms of economic assistance;

E. Foreign countries have objected to unfair limitations placed by U.S. on exports; U.S. practice of selling below U.S. domestic prices and failing to consult with other governments prior to carrying out disposal programs;

1. U.S. answer has been that "reasonable precautions" were taken and that sales are made at competitive world prices in order to restore U.S. "fair historical share" of world market;

2. Report contends that the whole concept of maintaining fair historical share is wrong;

a. It denies the principle of comparative advantage;

b. In competitive world economy there are no fair historical shares, but continual shifts in trade determined by comparative advantage.

IV. Much can be said for an orderly foreign disposal program provided it meets the following conditions:

A. The program is limited to liquidation of existing surplus stocks and not designed as a continuing outlet for surplus production;

B. Surplus disposal does not displace normal commercial exports of U.S. or of third countries.

V. Criticisms of the program:

A. In fact, the programs have become an engine for continuing overproduction;

B. There is dual publicity about the program as both foreign aid and as a competitive device for expanding

U.S. agricultural exports, therefore, there has been less goodwill attached to program.

VI. Advantages of changing program to one of development assistance in name as well as in fact:

A. Recipient country would regard commodities as economic assistance rather than sales for which U.S. expects eventual cash return;

B. Exporter of competitive products would not regard PL 480 program as simply an unfair competitive practice;

C. American public would regard transactions as grants and not a contribution to U.S. export sales.

VII. U.S. should help improve the machinery for international consultation with regard to foreign disposal programs which affect the interests of other agricultural exporting countries.

VIII. Objectives of the surplus disposal program:

A. To see that the resources which U.S. gives away make the maximum contribution to realization of foreign policy objects;

B. To help the domestic farm price policies restore farm production to status in which it can win its share of world exports on a non-subsidized basis.

Rockefeller Brothers Fund
Special Studies Project Report III
America at Mid-Century Series

Foreign Economic Policy for the Twentieth Century

Members:

Milton Katz	Frederick H. Harbison
Adolf A. Berle, Jr.	Stacy May
Chester Bowles	David Rockefeller
Harlan Cleveland	Max Weston Thornburg
John Cowles	Forrest D. Murden

Focus of Report: To outline a structure for a free world economy based on interdependence of nations and fostering achievement of aspirations of people. Impetus must be positive beliefs, not a fear of alien forces.

Points Discussed: Nature of the Problem; Possible Economic Structure of the Free World; Special Problem of Development; Financing; Private Enterprise; International Trade; Western Hemisphere; Economic Growth and World Objectives.

Conclusions and Recommendations:

I. Underdeveloped countries:

A. Economic, social and political institutions must be built simultaneously;

B. Problem of rapid population growth is compounded by the impatience of comparatively youthful populations for realization of expectations.

II. Soviet Threat:

A. Insidiousness derives in part from their appearance as champion of democratic values; e.g., freedom, human dignity, national sovereignty;

B. Competition of Soviet offensive is essentially political, at least for now;

C. Bloc economy and resources are ample for expanded program;

D. Bloc program is menacing to the degree that cohesion of Free World is inadequate.

III. Nations of Free World should make a deliberate effort to determine common objectives and create effective institutions. Many of past arrangements have been set up on ad hoc basis to meet specific needs.

IV. Basic to world economic growth is an expanding and vital U.S. economy.

V. Regional Arrangements:

A. U.S. should encourage regional arrangements designed with regard to general growth and cohesion; the structure for each should be determined by consultation;

B. Strive for increasingly free relations among the groupings;

C. U.S. must make bolder commitments and subscribe fully to international organizations, e.g., OTC.

VI. Functional Arrangements: Some problems must be dealt with on world-wide basis.

A. Primary commodity products:

1. Crisis situations can be relieved through extension of international credits;

2. Longer term; major industrial nations must put more effort and imagination into devising procedures to reduce instability and fluctuation of commodity prices; possibilities are agreements to hold fluctuations within limits, or credits with safeguards;

B. Science and technology: U.S. should seek to develop series of agreements for stimulating scientific interchange and for fostering scientific progress on world scale;

C. International institutions:

1. Multiplicity of international organizations requires that there be a better system of coordination;

2. Suggests using regional development banks as a means of relating regional needs to forms of international assistance available;

3. Some U.S. aid can be most effectively channeled through U.N.;

4. Consideration should be given to the establishment of an International Development Authority.

VII. Ultimately the vitality of the Free World will be revealed in active trade:

A. Major fault of U.S. trade policy has been the lack of assurance of direction and continuity;

B. It is essential that the Reciprocal Trade Agreements Program be made a permanent part of national policy;

1. Recommends broadening Presidential discretion; reconsider escape clauses, peril point provisions and defense essentiality;

C. Trade policy must be considered a central part of U.S. foreign economic policy.

VIII. Critical primary factors in economic development:

A. Must have a responsible government structure able to carry on basic services;

B. Must have quality and availability of educational facilities and trained manpower;

1. U.S. should make assessment of all its present activities;

2. U.S. should cooperate in development of educational institutions; especially of higher education;

3. Develop specially trained personnel in U.S. government, educational, philanthropic and industrial institutions;

C. Public health and sanitation: Must have more effective planning and coordination of present U.S. and international programs;

D. Countries need major extension of agricultural extension service and home demonstration;

E. Must have systematic expansion of basic works.

IX. Development Loan Fund:

A. Should be incorporated as permanent government corporate institution;

B. Recommends that it be specifically authorized to make grants;

C. Recommends that it be authorized to contract with American companies to produce goods and services abroad in areas where risks discourage private capital;

D. Advises more participation with IBRD and Export-Import Bank; believes a considerable capital increase is warranted;

E. DLF should be focal point for U.S. government effort in international development field;

F. Should work closely with an IDA if it is set up.

X. Private Enterprise:

A. Government policies in underdeveloped countries should encourage initiative and savings and should have favorable tax structures;

B. In U.S. policy there should be coordination of public and private activities;

1. Information about private investment overseas and international subsidiaries activities should be collected;

2. Handling of intergovernmental loans could be less time-consuming and more productive; Use combinations of public and private capital;

3. U.S. could negotiate agreements with recipient governments to provide technical and managerial services contracts with American concerns;

C. U.S. must seek to establish legal institutions and arrangements as a foundation for dependable flow of investment and trade.

XI. Need is for an imaginative program developed in advance of emergencies.

XII. Western Hemisphere:

A. U.S. should participate in calling an Inter-American Economic Conference;

1. Economic growth: Inter-American Development Authority as a focus for cooperative action;

2. Consideration should be given to establishing a Common Market and Payments Union to provide full currency convertibility;

3. Discuss social objectives and means of promoting a high level of trade.

XIII. One of the chief obstacles to effective U.S. foreign economic policy has been the absence of public awareness of the stake for U.S. in world economic and social progress and U.S. leadership has not been effective in encouraging this awareness.

National Planning Association
Agricultural Committee

Farm Surpluses and Foreign Aid

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Focus of Report: To propose changes of emphasis in surplus program which would require more careful planning and closer tying in with other U.S. foreign assistance and technical cooperation programs.

Conclusions and Recommendations:

I. Shortcomings of Present Program:

A. American promotional tactics have not always been careful of interests of allies, e.g., Canada, New Zealand, Denmark, and Australia;

B. Frequently there is a time lag between receiving surplus food and beginning of economic development program;

C. Program continues to be expedient, temporary and unpredictable.

II. U.S. should initiate a long-range planning effort in cooperation with other countries in order to make clearer the place of U.S. surplus farm products in international economy:

A. Recommends that agreements for sales for foreign currency be permitted for five (5) years;

B. Recommends that U.S. be prepared to make policy commitments of long-run nature about forms of programs, eligibility of recipients, and other procedural matters;

C. A more advantageous attitude might be created if it were clear that U.S. surpluses were to be used for economic progress.

III. Food for development in needy countries:

A. Recommends separating lending from planning functions;

1. Recipient country should develop development plans with aid of international agencies;

B. Suggests tying of a specific surplus to a broad development plan; i.e., would commit U.S. to supply a commodity for duration of plan;

C. Considers unwise the restriction on local currency for research which will benefit only U.S.; Should be research of value to development program;

D. Committed this way, it ceases to be a "disposal" operation;

1. Supplies become development supplies and are built into demand for U.S. farm products;

2. Some provision should be made for government use of "plentiful" foods, even if not surplus, to balance out food needs of recipient countries.

IV. Pricing principle should be one that speeds development and does not cut commercial imports; this can range from grants to low prices.

V. International Cooperation:

A. Other nations with surplus problems should be invited to participate in "food for development" program;

B. UN agencies (FAO and WHO) ought to be included in planning and executing program;

C. Cannot use program as a "tool" for diplomatic purposes;

D. U.S. should call upon UN to develop plans for use of surpluses in economic development programs.

VI. Long-range plan probably would cost more; but, NFA urges that program be part of foreign aid program, rather than a disposal operation.