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NATIONAL SECURITY COUNCIL
WASHINGTON, D.C. 20506

August 10, 1970

National Security Decision Memorandum 76

TO: The Secretary of State
The Secretary of the Treasury
The Secretary of Defense
The Secretary of Agriculture
The Secretary of Commerce
The Secretary of Labor
The Director, Office of Management and Budget
The Administrator, Agency for International
Development
The Special Trade Representative
The Director, Peace Corps
The Director, U. S. Information Agency
The Director, Office of Science and Technology
The Chairman, NSC Under Secretaries Committee
The Director, Office of Emergency Preparedness
The President, Export-Import Bank

SUBJECT: The New U. S. Foreign Assistance Program

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Based on the recommendations contained in the report of the Peterson Task Force, the issues paper submitted by the Under Secretaries Committee, and the memoranda submitted by several of you, the President has made the following decisions concerning his new foreign assistance program.

1. General Philosophy

- a. The United States has a profound national interest in the social and economic development of the lower income countries.
- b. The new U.S. foreign assistance program should be separated clearly, both in terms of objectives and organizations, into its three component parts: security assistance, humanitarian assistance, and development assistance.
- c. The United States, through its assistance programs should henceforth seek to support the initiatives of other countries and the international development institutions rather than seek to dominate the development process.
- d. The levels and forms of U.S. development assistance should be determined by the needs of the lower income countries and the most effective ways in which we can help meet them.

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e. Our development assistance should be divorced from short-term U.S. foreign policy objectives.

2. Security Assistance

a. The President has decided to consider further the rationale and organization of our security-related assistance programs before making a final decision on them.

b. The Under Secretaries Committee should therefore study the alternatives available for using our security-related assistance programs in support of the Nixon Doctrine. It should also study the alternative organizational arrangements for military assistance, foreign military credit sales, disposal of excess military stocks, supporting assistance and the contingency fund. A paper developing options and recommendations on both issues should be submitted to the President by October 1.

c. The Committee should also submit recommendations on whether the public safety program should be treated as a "security-related assistance program" and how it should be administered in the new assistance program.

3. Humanitarian Assistance

a. U. S. assistance programs which seek to promote our humanitarian interests -- child feeding, maternal feeding, disaster and emergency relief, and refugee relief -- should be combined in an International Humanitarian Assistance Act.

b. The Department of State should manage these programs, which should continue to rely heavily for their implementation on private organizations.

4. Development Assistance Policy

a. The United States should seek to channel all of its development assistance through multilateral institutions as soon as practicable, in light of the capabilities of the institutions and without raising the U.S. share in them.

b. The downward trend in the level of U.S. development assistance should be reversed, and the present level should be raised substantially. The U.S. will avoid any pledges to meet the international targets relating foreign assistance to GNP, but will seek to minimize damaging their usefulness to other donor countries.

5. Development Assistance Organization

a. A U.S. Development Corporation should be established as an independent government agency to carry out the U.S. bilateral development lending program.

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- The main criterion for use of Corporation resources should be their effectiveness in promoting development. There should be no attempt to relate Bank loans to short-term foreign policy considerations.
 - The Corporation should rely heavily on the efforts of the international institutions, to provide the broad framework and country programs within which it considers individual loans.
 - The Corporation's Board of Directors should include public officials and private citizens the Corporation should have a full-time President, serving also as Chairman of the Board, who reports directly to the President. The Secretaries of State and Treasury should be ex-officio members of the Board.
 - The Corporation's loan functions should be supplemented with authority to provide grant-financed technical assistance only for projects closely related to the Corporation's lending operations.
 - The Corporation should be equipped with authority to borrow directly from the public to supplement its appropriated funds and to subsidize, with reflows from existing foreign assistance loans, interest rates on loans financed from its borrowed capital.
 - The Corporation should be authorized to guarantee foreign official borrowing on international capital markets as a transitional device to help countries become independent of U.S. concessional lending.
 - The Corporation should seek authorizations on a multi-year basis, subject to annual appropriations.
 - The Corporation should centralize all of its loan operations in Washington, with technical advisors supplied only via field visits.
- b. A U.S. Development Institute should be established as an independent government agency to concentrate on bringing U.S. science and technology to bear on the problems of developing nations, help develop research capacities in the lower income countries, and help finance projects of private institutions working on social and economic problems in these areas.
- The Institute should have primary responsibility for administering U.S. technical assistance programs abroad.

-- The Institute's Board of Directors should include public officials and private citizens. It should be headed by an independent director, serving also as Chairman of the Board, who reports directly to the President. The Secretary of State should be an ex-officio member of the Board.

-- The Institute should seek authorizations on a multi-year basis, subject to annual appropriations.

c. U.S. economic policies toward the lower income countries should be coordinated by an interagency Council or committee, at the Under Secretary level, chaired by a Presidential Assistant in the White House. The Council or committee should formulate and coordinate over-all U.S. development strategy, under the general policy guidance of the National Security Council. The President will make more specific decisions in the near future on the organization of this committee. A Western Hemisphere subcommittee should be established and chaired by the new Under Secretary for Western Hemisphere Affairs, inter alia to recommend a guideline for the approximate share of resources of the U.S. development institutions that would go to Latin America.

6. Other Issues

a. The U.S. should henceforth permit goods and services financed under U.S. development loans to be purchased in any non-European lower income country (defined as any country with per capita income of less than \$1000) eligible to receive U.S. assistance, as well as in the United States.

-- Such purchases should be permitted for any eligible product for which at least 50 percent of the components originates in the U.S. or other eligible country.

-- AID should henceforth use untied dollars, instead of dollar credits, to purchase local currencies where local currency financing is necessary.

b. All procurement restrictions under the U.S. Extended Risk Guarantee Program should be removed.

c. The U.S. should seek to bring into operation the proposed International Investment Insurance Agency as soon as the minimum number of countries agree to do so.

d. We should propose that the Hickenlooper-type amendment in the new foreign assistance legislation (i) avoid any mandatory time limit for application.

of sanctions and (ii) require only that the President "take into account" expropriations in determining country eligibility for U.S. assistance.

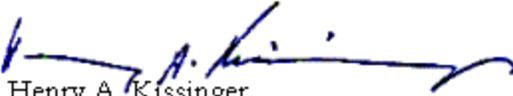
e. The new legislation should require only that the President "take into account" the specific "political" restrictions in the present law, rather than be required to apply them.

f. The new legislation should exclude procedural requirements which encumber the administration of the assistance program and reduce its flexibility, except for the 50 - 50 shipping requirement, the restrictions on sourcing of iron and steel products for Vietnam, and the limitations on the number and rank of Presidential appointees to the new institutions. Administrators will be accountable for achieving program objectives.

g. The U.S. should continue to press for the establishment of a generalized system of tariff preferences in the markets of the industrialized countries for exports of lower income countries, as directed in NSDM 29 and NSDM 65.

h. The U.S. should recommend that the UN Fund for Population Activities undertake a study of world population problems and measures required to deal with them, as a top priority item in the Second Development Decade.

7. To manage the transition from present arrangements to the new program, a temporary office will be created in the White House. The office will be responsible for directing the preparation of the implementing legislation, which is to be submitted in January 1971, and for directing Congressional consultations on the new program. The President has directed that addressees give their full support to this office, and that they make personnel available to it as requested.


Henry A. Kissinger