

TECHNICAL ASSISTANCE

FINAL REPORT

OF THE

COMMITTEE ON FOREIGN RELATIONS

PURSUANT TO

The Provisions of S. Res. 214, 83d Congress, 2d Session ;
S. Res. 36 and S. Res. 133, 84th Congress, 1st Session ;
and S. Res. 162, 84th Congress, 2d Session
[Extended by S. Res. 60 and 99 of the 85th Cong.]



MARCH 12 (legislative day MARCH 2), 1957.—Ordered to be printed
with illustrations

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SUBCOMMITTEE ON TECHNICAL ASSISTANCE PROGRAMS

[Created pursuant to S. Res. 214, 83d Cong., and S. Res. 36, S. Res. 133, S. Res. 162, 84th Cong., S. Res. 60 and 99, 85th Cong.]

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PAT M. HOLT, *Staff Director*

FRANCIS R. VALEO, *Consultant*²

¹ Appointed by the Vice President to serve with the subcommittee.

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PREFACE

(By Senator Mike Mansfield, Chairman)

This is the final report of the Subcommittee on Technical Assistance which was created pursuant to the terms of Senate Resolution 214 (83d Cong.), as amended by Senate Resolutions 35, 133, and 162 (84th Cong.). The Committee on Foreign Relations on January 23, 1957, authorized the filing of this report. The filing of the final report was delayed pending completion of additional preliminary reports.

During the subcommittee's period of activity, the following reports and studies have been made available to the Senate:

Senate Report 1956: May 7, 1956.

Committee print, Development of Technical Assistance Programs: Background Information and Documents, November 22, 1954.

Staff Study No. 1, Multilateral Technical Assistance Programs, March 29, 1955.

Staff Study No. 2, Organization and Administration of Technical Assistance Programs, April 1955.

Staff Study No. 3, Soviet Technical Assistance in Non-Communist Asia, June 10, 1955.

Staff Study No. 4, Summary of Reports of American Citizens Abroad on Technical Assistance Programs, December 22, 1955.

Staff Study No. 5, Government Utilization of Private Agencies in Technical Assistance, January 9, 1956.

Staff Study No. 6, Economic Development in India and Communist China, June 2, 1956.

Staff Study No. 7, Soviet Technical Assistance, July 12, 1956.

Staff Study No. 8, Development Programs in Africa South of the Sahara, November 23, 1956.

Technical Assistance in the Far East, South Asia, and the Middle East, report of Senator Theodore Francis Green on a study mission, January 13, 1956.

Economic Aid and Technical Assistance in Africa, report of Senator Theodore Francis Green on a study mission, February 21, 1957.

Technical Cooperation in the Andes Countries of South America, report of Senator Mike Mansfield and Senator Bourke B. Hickenlooper, March 1957.

In addition to the submission of these reports, the subcommittee has printed the following hearings:

Hearings, February 17, 18, 21, and 23, March 2, 3, 4, 1955, part 1.

Hearings, January 23, 1956, part 2.

On behalf of the subcommittee I wish to express its deep appreciation to the members of the staff for their able assistance. Mr. Pat M. Holt served as staff director and was responsible for the overall guidance of the staff. His counsel was always timely and his advice sound. Mr. Francis Valeo, who was detailed to the subcommittee from the Library of Congress, served as the principal assistant to Mr. Holt

and gave the subcommittee much needed assistance. His ideas and judgment were of great value to the subcommittee. The subcommittee was also assisted in its work by Mr. Alwyn Freeman, of the Foreign Relations Committee staff, who prepared one of the staff studies and who accompanied several Senators on visits to technical-assistance installations. Another staff study was prepared by Miss Morella Hansen, of the staff of the Committee on Foreign Relations. Miss Hansen was invaluable in the assistance she gave the subcommittee in the collection of background material. In addition, special studies were prepared by Mr. Dudley Ball, Dr. Sergius Yakobson, Mr. J. Clement Lapp, and others of the Legislative Reference Service of the Library of Congress. Each of these individuals deserves great credit for his help. I also wish to extend the subcommittee's thanks to members of the staff of the full Committee on Foreign Relations who, under the capable guidance and direction of Carl Marcy, chief of staff, made themselves available at all times to help the subcommittee in its work. To all those mentioned the subcommittee is deeply indebted for the cooperation and guidance so freely given.

MARCH 5, 1957.

CONTENTS

	Page
Preface.....	III
I. Introduction.....	1
II. Summary of findings and recommendations.....	2
III. Latin America.....	3
A. Scope and emphasis.....	3
B. Local responsibility.....	4
C. Social, economic, and political impact.....	5
D. Productivity and labor.....	6
E. Puerto Rican training center.....	7
IV. Africa.....	8
V. Multilateral programs.....	9
A. Organization of American States.....	9
B. United Nations.....	10
Financial statement.....	11

APPENDIXES

1. SUBCOMMITTEE REPORT OF MAY 7, 1956

Foreword.....	14
I. Introduction.....	15
A. Background.....	15
B. Subcommittee action.....	16
II. Summary of findings and recommendations.....	17
III. Concept, objectives, and evaluation of technical assistance.....	18
A. The United States national interest.....	18
B. Definition of technical assistance.....	23
IV. General level of authorizations.....	25
V. Relation to U. N. and OAS programs.....	27
VI. Coordination of United States agencies.....	30
VII. Utilization of private agencies.....	31
VIII. Degree of self-help and mutual assistance in recipient countries.....	34
IX. Relationship of technical assistance, economic aid, and military assistance.....	36
X. Effectiveness of the administration of technical assistance in advancing the foreign policy of the United States.....	41
XI. Conclusion.....	43

2. DEVELOPMENT OF TECHNICAL ASSISTANCE PROGRAMS: BACKGROUND INFORMATION AND DOCUMENTS

Prefatory note.....	46
Foreword.....	47
I. Background.....	49
II. "Point Four".....	51
A. The Original Concept.....	51
B. The Act for International Development.....	52
III. Scope of the Technical Assistance Program.....	54
A. Definition.....	54
B. Relation to Economic Assistance.....	55
C. Appropriations and Personnel.....	56
IV. Organization.....	60
V. Multilateral Technical Assistance Programs.....	62
A. The United Nations.....	62
B. The Organization of American States.....	64

Appendix A. Documents relating to technical assistance:		Page
I. Legislation and executive order-----		67
1.	Philippine Rehabilitation Act of 1946-----	67
2.	Institute of Inter-American Affairs Act, 1 47, 1949-----	71
3.	United States Information and Educational Exchange Act of 1948-----	74
4.	Economic Cooperation Act of 1948-----	77
5.	China Aid Act of 1948-----	78
6.	International Aviation Facilities Act, 1948-----	78
7.	Act for International Development, 1950-----	79
8.	Foreign Aid Appropriations Act, 1951-----	84
9.	Mutual Security Act of 1951, as amended-----	85
10.	Reorganization Plan No. 7 of 1953-----	89
11.	Mutual Security Act of 1954-----	91
12.	Mutual Security Appropriations Act, 1955-----	100
13.	Senate Resolution 214, July 6, 1954-----	100
II. Policy Statements-----		101
14.	Inaugural address of President Truman, January 20, 1949-----	101
15.	President Truman's message to the Congress on technical assistance for the underdeveloped areas of the world, June 24, 1949-----	102
16.	Message of President Eisenhower on extension of the Mutual Security Program, May 5, 1953-----	106
17.	Report of the Commission on Foreign Economic Policy (Randall Commission), January 23, 1954-----	106
18.	Message of President Eisenhower on recommendations concerning United States economic policy, March 30, 1954-----	108
19.	Report of the Senate Committee on Foreign Relations on the Act for International Development, March 24, 1950-----	109
20.	Report of the Senate Committees on Foreign Relations and Armed Services on the Mutual Security Act of 1951, August 27, 1951-----	116
21.	Report of the House Committee on Appropriations on the mutual security appropriation bill, 1952, October 10, 1951-----	117
22.	Report of the Senate Committee on Foreign Relations on the Mutual Security Act of 1952, April 30, 1952-----	118
23.	Report of the House Committee on Foreign Affairs on the Mutual Security Act of 1952, May 12, 1952-----	118
24.	Report of the Senate Committee on Foreign Relations on the Mutual Security Act of 1953, June 13, 1953-----	122
25.	Report of the House Committee on Foreign Affairs on the Mutual Security Act of 1953, June 16, 1953-----	122
26.	Report of the House Committee on Appropriations on the mutual security appropriations bill, 1954, July 18, 1953-----	123
27.	Report of the House Committee on Foreign Affairs on the Mutual Security Act of 1954, June 25, 1954-----	124
28.	Report of the Senate Committee on Foreign Relations on the Mutual Security Act of 1954, July 13, 1954-----	127
29.	Report of the Senate Committee on Appropriations on the mutual security appropriation bill, 1955, August 6, 1954-----	129
III. United Nations resolutions-----		130
30.	Resolution of the General Assembly, December 4, 1948-----	130
31.	Resolution of the Economic and Social Council, August 15, 1949-----	131
32.	Resolution of the General Assembly, December 1, 1950-----	137
33.	Resolutions of the Economic and Social Council, July 29, 1954-----	138
IV. Organization of American States resolution-----		140
34.	Resolution on program of technical cooperation of the Organization of American States, as amended, April 10, 1950, and August 28, 1951-----	140

CONTENTS

VII

Appendix B. Tables:

I. United States technical exchange and technical cooperation programs	Page
-----	146
Table 1—Europe: Obligations by cost component, cumulative, April 3, 1948–June 30, 1953	146
Table 2—Europe: Obligations by field of activity, fiscal year 1953	147
Table 3—Europe: Obligations by cost component, fiscal year 1954	148
Table 4—Europe: Obligations by field of activity, fiscal year 1954	149
Table 5—Far East: Obligations by cost component, fiscal year 1953	149
Table 6—Far East: Obligations by field of activity, fiscal year 1953	150
Table 7—Far East: Obligations by cost component, fiscal year 1954	150
Table 8—Far East: Obligations by field of activity, fiscal year 1954	151
Table 9—Far East: Program by cost component, fiscal year 1955	151
Table 10—Far East: Program by field of activity, fiscal year 1955	151
Table 11—Latin America: Obligations by cost component, fiscal year 1953	152
Table 12—Latin America: Obligations by activity, fiscal year 1953	153
Table 13—Latin America: Obligations by cost component, fiscal year 1954	154
Table 14—Latin America: Obligations by activity, fiscal year 1954	155
Table 15—Latin America: Program by cost component, fiscal year 1955	156
Table 16—Latin America: Program by activity, fiscal year 1955	157
Table 17—Near East, Africa, and South Asia: Obligations by cost component, fiscal year 1953	158
Table 18—Near East, Africa, and South Asia: Obligations by activity, fiscal year 1953	159
Table 19—Near East, Africa, and South Asia: Obligations by cost component, fiscal year 1954	160
Table 20—Near East, Africa, and South Asia: Obligations by activity, fiscal year 1954	161
Table 21—Near East, Africa, and South Asia: Program by cost component, fiscal year 1955	162
Table 22—Near East, Africa, and South Asia: Program by field of activity, fiscal year 1955	163
Table 23—Status of FOA technical cooperation and technical exchange personnel, as of the end of the fiscal years, 1953, 1954	164
Table 24—Europe: Status of FOA technical exchange personnel, as of the end of fiscal year 1953	165
Table 25—Europe: Status of FOA technical exchange personnel, as of the end of fiscal year 1954	166
Table 26—Far East: Status of FOA technical cooperation personnel, as of the end of fiscal years 1953, 1954	167
Table 27—Latin America: Status of FOA technical cooperation personnel as of the end of fiscal year 1953	168
Table 28—Latin America: Status of FOA technical cooperation personnel as of the end of fiscal year 1954	169
Table 29—Near East, Africa, and South Asia: Status of FOA technical cooperation personnel as of the end of fiscal year 1953	170
Table 30—Near East, Africa, and South Asia: Status of FOA technical cooperation personnel as of the end of fiscal year 1954	171

Appendix B. Tables—Continued	Page
II. United Nations technical assistance program-----	172
Table 31—Contributions pledged by Government for the expanded program for all four financial periods, as of April 15, 1954-----	172
Table 32—Contributions outstanding for the first, second, and third financial periods, as of June 18, 1954-----	173
Table 33—Pledges to central account, local contributions, and funds allocated for country assistance, calendar year 1954-----	174
Table 34—United States appropriations and pledges toward U. N. calendar-year program and fiscal-year funds from which pledges are met, 1952-55-----	176
Table 35—Obligations by United Nations Specialized Agency, 1950-54-----	176
III. Organization of American States technical assistance program....	177
Table 36—Status of contributions pledged and paid for the program of technical cooperation, 1951-54-----	177
3. STAFF STUDY NO. 1: MULTILATERAL TECHNICAL ASSISTANCE PROGRAMS	
Foreword-----	180
I. United Nations-----	181
A. The "regular" and "expanded" programs-----	181
B. Organization and administration-----	184
C. Finance-----	189
D. Relationship of United Nations and United States programs..	199
II. Organization of American States-----	204
A. Background and organization-----	204
B. Method of operation-----	205
C. "Regular" work of participating agencies-----	207
D. Finance-----	207
E. Questions for the future-----	210
III. Colombo plan-----	211
A. Background-----	211
B. Technical assistance-----	212
C. Capital investment-----	213
4. STAFF STUDY NO. 2: ORGANIZATION AND ADMINISTRATION OF TECHNICAL ASSISTANCE PROGRAMS	
Foreword-----	216
I. Introduction-----	217
II. Background-----	218
III. Administration through the United Nations-----	220
IV. Administration of the United States bilateral program-----	222
A. Location of the program in the Department of State-----	223
B. Location of the program in the Foreign Operations Admin- istration-----	225
C. Alternative locations of the program-----	226
V. Internal organization problems-----	226
VI. Personnel problems-----	228
A. Control of staff-----	228
B. Recruitment-----	229
C. Relations of diplomatic and technical assistance personnel in the field-----	230
D. Length of overseas assignment-----	230
VII. Financial arrangements-----	231
VIII. Evaluation methods-----	232
IX. Relations with private organizations-----	232
X. Concluding comments-----	233

5. STAFF STUDY NO. 3: SOVIET TECHNICAL ASSISTANCE IN NONCOMMUNIST ASIA

	Page
Foreword.....	236
Map.....	238
I. Introduction.....	239
II. Background.....	240
III. Administration.....	243
IV. Afghanistan.....	244
V. India.....	247
VI. Other non-Communist States of Asia.....	255
A. Indonesia.....	255
B. Burma.....	258
C. Ceylon.....	259
D. Thailand, Pakistan, and Japan.....	260
E. The Near East.....	261
VII. Soviet participation in United Nations technical assistance programs.....	261

6. STAFF STUDY NO. 4

Foreword.....	270
I. Introduction.....	271
II. General level of authorizations of funds for the future to enable the programs efficiently to achieve their purposes.....	272
A. Factors affecting need for technical assistance.....	273
B. Relationship to other financial needs.....	274
C. Need for program stability and flexibility.....	275
III. Relationships between the technical assistance programs of the United Nations and of the Organization of American States and those conducted by the United States.....	276
A. Coordination machinery.....	276
B. Advantages of multilateral programs.....	277
C. Disadvantages of multilateral programs.....	278
IV. Coordination of United States agencies in operations within and outside the United States.....	279
V. The extent to which the programs have been able to utilize private agencies in achieving their purposes.....	281
A. University contracts.....	281
B. Relations with private agencies.....	282
VI. The degree of self-help and mutual assistance available in countries receiving technical assistance.....	283
A. Self-help and development plans.....	283
B. Factors limiting self-help.....	284
C. Mutual assistance.....	285
VII. The relationship between technical assistance, economic aid, and military assistance.....	286
A. Importance of economic assistance.....	286
B. Relation to military assistance.....	287
C. Technical assistance and lending activities.....	287
VIII. The effectiveness of the administration of the program in advancing the foreign policy of the United States.....	288
A. Danger of overzealousness.....	289
B. Personnel problems.....	290
C. Grass-root awareness of programs.....	291
D. Publicity problems.....	291
E. Relationship to other financial needs.....	292
F. Criteria for selecting projects.....	292
G. Cut-off date.....	293

7. STAFF STUDY NO. 5: GOVERNMENT UTILIZATION OF PRIVATE AGENCIES IN TECHNICAL ASSISTANCE

Foreword.....	296
I. Introduction.....	297
II. The role of Government in relation to private agencies.....	298
A. Legislative background.....	298
B. Methods of implementation.....	300

	Page
III. Administrative policies and procedures.....	300
A. The Technical Cooperation Administration.....	300
B. The Foreign Operations Administration.....	301
C. The Voluntary Foreign Aid Division of FOA.....	302
D. The Contact Clearing House Service.....	303
E. Special reserve fund.....	304
IV. Contracting operations of TCA and FOA.....	305
V. The university contract program.....	306
A. Nature and scope of the program.....	306
B. Contractual controls in the university program.....	308
VI. Government-private agency cooperation.....	309
A. Private enterprise.....	309
B. The "people-to-people" approach: International Voluntary Services, Inc.....	309
C. The Near East Foundation.....	310
D. The International Development Advisory Board.....	311
VII. Concluding observations.....	311
Appendixes:	
Appendix 1: Circular Airgram, October 23, 1952.....	313
Appendix 2: Foreign Operations Administration Manual.....	315
Appendix 3A: Business contracts for participation of private agencies in TCA programs.....	321
Appendix 3B: List of FOA-financed agricultural technical assistance contracts with American commercial organizations in operation in cooperating countries, as of March 1, 1955.....	323
Appendix 4: Office for Refugees, Migration, and Voluntary Assistance, Voluntary Foreign Aid Division. Voluntary agency participation in technical cooperation programs—Contractual and cooperative relationships in force, completed and under consideration.....	328
Appendix 5: Alphabetical listing by participating countries of FOA- financed university contracts in operation as of March 31, 1955.....	333
Appendix 6: Alphabetical listing by participating United States uni- versities of FOA-financed university contracts in operation as of March 31, 1955.....	335
Appendix 7: Illustrative contract between a United States college and a foreign college.....	337
Appendix 8: Illustrative FOA letter of commitment/guaranty.....	340
 8. STAFF STUDY NO. 6: ECONOMIC DEVELOPMENT IN INDIA AND COMMUNIST CHINA	
Foreword.....	344
I. Introduction.....	347
II. The inherited economies: 1947-49.....	348
A. Demographic comparison.....	350
B. National income compared.....	351
C. Currency inflation and cost of living compared.....	352
D. Transportation compared.....	352
E. Agriculture compared.....	354
F. Basic mineral resources compared.....	356
G. Industry compared.....	357
H. Production compared.....	359
III. Economic planning: India.....	360
A. India's approach to planning.....	360
B. India's first 5-year plan.....	362
C. Development programs.....	365
D. India's second 5-year plan.....	375
IV. Economic planning: China.....	376
A. China's first 5-year plan.....	377
B. China's second 5-year plan.....	391
V. Summary comparisons.....	
A. The inherited economy.....	491
B. Basic resources.....	392
C. The institutional setting.....	392
D. Distinctions in economic goals.....	393
E. Rate of development compared.....	395

9. STAFF STUDY NO. 7: SOVIET TECHNICAL ASSISTANCE

	Page
Foreword.....	400
I. Introduction.....	401
II. Background.....	403
III. Administration.....	406
IV. Afghanistan.....	407
V. India.....	412
VI. Burma.....	426
VII. Other Non-Communist States of Asia.....	430
A. Indonesia.....	431
B. Ceylon.....	433
C. Pakistan.....	435
D. Japan.....	437
E. Thailand and Cambodia.....	439
VIII. The Near East and Egypt.....	440
IX. Africa.....	447
X. Latin America.....	450
XI. Soviet participation in United Nations technical assistance programs.....	455

10. STAFF STUDY NO. 8: DEVELOPMENT PROGRAMS IN AFRICA SOUTH OF THE SAHARA

Foreword.....	464
Map.....	465
I. Introduction.....	467
II. Independent States.....	469
A. Ethiopia.....	469
B. Liberia.....	472
III. French Sub-Saharan Dependencies.....	475
A. French West Africa.....	477
B. French Equatorial Africa.....	478
C. French East Africa.....	479
D. Concluding observations.....	479
IV. Belgian African Territories.....	480
V. Portuguese Africa.....	482
VI. British Dependencies in Africa.....	485
A. Nigeria.....	487
B. The Gold Coast.....	489
C. Sierra Leone and Gambia.....	492
D. British East Africa.....	492
1. Uganda.....	494
2. Kenya.....	495
3. Tanganyika Trust Territory.....	497
4. The Central African Federation.....	499
VII. Concluding observations.....	502

11. UNITED STATES TECHNICAL ASSISTANCE PROGRAMS IN CENTRAL AMERICA:
A REPORT BY SENATOR MIKE MANSFIELD

Foreword.....	506
I. Mexico.....	507
A. The national interest of the United States and Mexico.....	507
B. Conclusion.....	509
II. Guatemala.....	510
Conclusion.....	511
III. El Salvador.....	512
Comments.....	513

12. REPORT ON THE TECHNICAL ASSISTANCE TRAINING CENTER IN PUERTO RICO:
A REPORT BY MR. FRANCIS R. VALEO, STAFF CONSULTANT

Foreword.....	516
I. Introduction.....	517
II. Nature of the training program in Puerto Rico.....	519
III. Organization and operations of the training program.....	519
IV. Estimate of program.....	520
V. Recommendations to the subcommittee.....	521
VI. Concluding remarks.....	521

13. TECHNICAL ASSISTANCE IN THE FAR EAST, SOUTH ASIA, AND MIDDLE EAST:
A REPORT BY SENATOR THEODORE FRANCIS GREEN

	Page
I. Introduction.....	527
VI. The political background.....	527
A. Nationalism.....	528
B. Lack of political institutions.....	530
C. Lack of administrative experience.....	531
III. Problems of technical assistance.....	531
A. Readiness for economic development.....	531
B. Planning and selection of projects.....	532
C. Administration.....	533
D. Surplus agricultural commodities.....	534
E. Private contracts.....	535
IV. United Nations technical assistance.....	536
V. The Soviet economic offensive.....	537
VI. The country programs.....	538
A. Japan.....	538
B. Formosa.....	539
C. Vietnam.....	540
D. Thailand.....	541
E. Pakistan.....	542
F. India.....	542
G. Iraq.....	544
H. Iran.....	544
I. Egypt.....	545
J. Israel.....	546
VII. Conclusions and recommendations.....	547

APPENDIX

A. Itinerary.....	548
B. Expenses.....	548

14. TECHNICAL ASSISTANCE IN EUROPEAN COUNTRIES: REPORT BY SENATOR
HOMER E. CAPEHART

Letter of transmittal.....	550
I. Introduction.....	551
II. A suggested program for economic and technical assistance.....	553
III. Technical assistance.....	557
IV. Telecommunications.....	558
V. Mission to certain European countries, August 19 to October 11, 1955.....	560
A. Great Britain.....	561
B. Turkey.....	562
1. Support and acceptance of program in country.....	564
2. Country resources devoted to program.....	565
3. Coordination of technical assistance programs in foreign areas.....	567
4. Private enterprises and industrial assistance.....	567
C. Greece.....	567
1. Technical assistance to Greece by agencies other than the USOM.....	568
i. United Nations and related agencies.....	568
ii. Organization for European Economic Cooperation (OEEC).....	569
iii. The American farm school.....	569
iv. Near East Foundation.....	569
2. Future of technical assistance in Greece.....	569
D. Italy.....	572
E. Spain.....	573
F. Portugal.....	580
VI. Conclusions.....	592

15. TECHNICAL ASSISTANCE IN SOUTH AMERICA: A REPORT BY MR. PAT M. HOLT, STAFF DIRECTOR, SUBCOMMITTEE ON TECHNICAL ASSISTANCE PROGRAMS

	Page
Foreword.....	594
I. Introduction.....	595
II. Major Problems.....	597
A. Local responsibility.....	597
B. Recruiting and orientation of United States technicians.....	597
C. Surplus agricultural commodities.....	598
D. Acceptability and long-term implications of technical assistance.....	600
III. Administrative problems.....	602
IV. Multilateral programs.....	603
V. The country programs.....	604
A. Colombia.....	604
B. Peru.....	606
C. Bolivia.....	607
D. Chile.....	609
E. Argentina.....	610
F. Brazil.....	612

16. ECONOMIC AID AND TECHNICAL ASSISTANCE IN AFRICA: REPORT BY SENATOR THEODORE FRANCIS GREEN

PREFACE.....	616
1. Introductory comment.....	619
2. Nationalism and related problems.....	621
3. Scope of United States economic aid programs in Africa.....	622
4. The independent countries:	
A. Tunisia.....	624
B. Libya.....	626
C. The Sudan.....	629
D. Ethiopia.....	631
E. South Africa.....	634
F. Liberia.....	636
G. Morocco.....	639
5. Aid programs in the dependent overseas territories (DOT):	
A. In general.....	640
B. Kenya (British East Africa).....	641
C. The Belgian Congo.....	642
D. French Equatorial Africa.....	643
E. The Gold Coast.....	643
F. Nigeria.....	645
G. French West Africa.....	646
6. United Nations Technical Assistance.....	646
7. Soviet aid efforts.....	647
8. Project publicity.....	647
9. Morale of the Foreign Service.....	648
10. Obstacles to effective programing.....	649
11. Conclusions.....	650

APPENDIX

A. Itinerary of African study trip.....	651
B. Statement of expenses and counterpart funds used.....	651

17. TECHNICAL COOPERATION IN THE ANDES COUNTRIES OF SOUTH AMERICA: REPORT BY SENATOR MIKE MANSFIELD AND SENATOR BOURKE B. HICKENLOOPER

Letter of transmittal.....	654
I. Introductory.....	655
Nature of technical cooperation.....	655
Objectives of technical cooperation.....	655
Effectiveness of technical cooperation in the Andes countries.....	655
Returns to the United States.....	656

	Page
II. Setting for the technical cooperation programs.....	657
Geographic and social factors.....	657
Political setting.....	658
Natural resources for development.....	659
Agricultural resources.....	660
Foreign trade.....	660
The role of technical cooperation in development.....	660
III. The technical cooperation programs in the Andes countries.....	661
Origins.....	661
The servicios.....	661
Cost of technical cooperation.....	662
Military aid.....	663
Export-Import and International Bank loans.....	663
Other programs in the Andes countries.....	664
Operation of a typical technical cooperation program—Peru.....	664
The results.....	665
IV. Concluding comments and recommendations.....	666
1. Improvement in coordination of the United States technical cooperation and other aid programs.....	666
2. Transfer of control of projects developed under the program.....	667
3. Interchange in the Andes countries.....	667
4. Improvement in the exchange program.....	667
5. Increasing the "mutuality" of the program.....	667
6. Technical cooperation in public administration.....	668

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MR. MANSFIELD, from the Committee on Foreign Relations, submitted
the following

FINAL REPORT

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84th Cong.]

I. INTRODUCTION

The Committee on Foreign Relations herewith transmits to the Senate the final report of the Subcommittee on Technical Assistance Programs, created pursuant to Senate Resolution 214 of the 83d Congress, agreed to July 6, 1954. This final report is supplementary to the report of the subcommittee transmitted to the Senate May 7, 1956 (S. Rept. 1956, 84th Cong.).

In that report, the subcommittee said:

In the coming year, the subcommittee intends to give particular attention to Latin America, to Africa, and to the organization of the State Department and the International Cooperation Administration for the administration of technical assistance. Except for these three items, the subcommittee regards its work as substantially complete with the submission of this report.

Since that report was filed, members of the subcommittee, as well as members of the staff, have conducted further studies of Latin America and Africa and have made on-the-spot observations in selected countries. During the same period, the Senate has undertaken a much broader study of foreign aid in general through the Special Committee To Study the Foreign Aid Program, created pursuant to Senate Resolution 285 of the 84th Congress, agreed to July 11, 1956. In order to avoid duplication, the Subcommittee on Technical Assistance Programs has accordingly limited itself to a study of technical assistance as such in Latin America and Africa and to some further observation of the United Nations technical assistance program. The subcommittee has not further considered the organ-

ization of the State Department and the International Cooperation Administration for the administration of technical assistance. That question is being dealt with by the special committee.

II. SUMMARY OF FINDINGS AND RECOMMENDATIONS

As to Latin America

1. On the whole, the technical assistance program in Latin America is worth continuing at approximately its present level.

2. Within the limits imposed by political considerations, the program's administrators should seek to bring about a change in emphasis so that more attention is given to the problem of general resources management. This problem encompasses not only public administration but also the field of public policymaking and particularly the relationship of one policy to another so that the whole is consistent.

3. Within the United States Government, there are policy inconsistencies and unresolved policy questions as between technical assistance and surplus agricultural commodity disposal programs. The question of the uses and control of foreign currency accruing from surplus disposal can be expected to become increasingly urgent. These are matters which go beyond the technical assistance program as such and should be considered in the broader context of the overall foreign aid study now in progress by the Special Committee To Study the Foreign Aid Program.

4. There is a tendency for the United States to continue to carry out technical assistance projects after they have passed from the demonstrational to the operational stage. This is due in part to the reluctance of local governments to accept full responsibility for operation of the projects. United States administrators should adopt a firmer attitude in regard to insisting upon local assumption of responsibility.

5. Latin American cultural attitudes are gradually and slowly changing under the impact of technical assistance, but there are some projects that raise questions as to whether (a) technical assistance is in fact going to the people who need help most, and (b) technical assistance is stimulating demands faster than they can be satisfied.

6. Technical assistance in the field of labor—particularly as it relates to industrial productivity—could well be expanded substantially, primarily through an increase in the number of labor leaders brought to the United States on training grants.

7. Within the limits of available facilities and administrative capacity, maximum possible use should be made of the technical assistance training center in Puerto Rico.

As to Africa

1. The United States should be prepared to increase substantially its technical assistance programs in Africa, within the limits of each country's absorptive capacity and provided appropriate arrangements can be worked out with the other government concerned.

2. One of the greatest needs is help for newly independent states in public administration and resource utilization. In these fields, multilateral aid from the United Nations is likely to be more effective than bilateral aid from any single country.

3. Although United States strategic, political, and economic interests in Africa are great and increasing, development of dependent

territories is primarily the responsibility of the metropolitan government and the peoples of those territories.

As to multilateral programs

1. The United States should continue its support of the technical assistance program of the Organization of American States.

2. Congress should reconsider the proviso of the Mutual Security Appropriation Act, 1957, which limits United States contributions to the United Nations technical assistance program to one-third of the total in 1958.

III. LATIN AMERICA

A. SCOPE AND EMPHASIS

The technical assistance program of the United States had its genesis in Latin America, where concerted technical assistance activities were begun in the early 1940's, in most cases with the immediate purpose of increasing the production of strategic or critical materials needed for World War II. Since that time, technical assistance has been carried on continuously in Latin America; and, with few exceptions, it has not been mixed with economic assistance.

For the first 10 years, however, the program was very small. It has roughly quintupled since 1951, and currently amounts to about \$30 million a year. This is between one-fifth and one-fourth of worldwide bilateral technical assistance expenditures. The typical country program in Latin America amounts to 1 or 2 million dollars a year.

This is, on the whole, money well spent. Individual projects by and large seem to be technically sound and well administered. Many of them have been highly successful, not only in the technical sense of improving standards of living and promoting economic development but also in the broader sense of encouraging United States trade, increasing opportunities for private investment, and improving United States political relations.

So far as appropriations are concerned, the subcommittee recommends that the program be continued at approximately its present level. A substantial curtailment would have unfavorable political and economic repercussions disproportionate to the amount of money involved and would reduce the possibilities of productive work in the future. A substantial increase likewise seems to be unwarranted. The program has already grown so rapidly as virtually to outrun the resources of personnel available to it. Some slight net increase may be necessary to meet the dollar costs of effectively utilizing foreign currencies which are accruing from surplus commodity sales and to carry out the subcommittee's recommendation for increasing the labor exchange program. Most, if not all, of these increases can be offset, however, by savings in other fields.

Within the general size of the program as it now exists, the subcommittee recommends a considerable but gradual change in emphasis. Although most of the individual technical assistance projects in Latin America are good and worthwhile in themselves, many of them fall short of full effectiveness because collectively they fail to meet the basic needs of the recipient countries. These basic needs lie in the field of general resources management—that is, the general formulation of the economic policies of a government.

For example, in one country technical assistance increased agricultural production, but government price ceilings provided an incentive for agricultural commodities to be smuggled out of the country. In another country, technical assistance improved dairy herds, but government-fixed price relationships were such that dairy cattle were slaughtered for beef. In other countries, technical assistance has been spectacularly successful in improving public health, but there has been little, if anything, done to take advantage of the resulting increase in productive manpower.

These are perhaps extreme cases. The technical assistance program has not ignored this field entirely, but in general its activities in these areas have been limited both as to time and scope. The problem is, of course, a sensitive one for the United States to try to deal with. It goes to the heart of a country's sovereign prerogatives and must be approached with the utmost discretion. It may be inadvisable, as a practical matter, to try to do more than has already been done. On the other hand, it may be possible, through tactful means, to do considerably more. Perhaps a multilateral approach through the United Nations or the Organization of American States would be the most fruitful. The point here is to emphasize the limitations under which other technical assistance projects must operate so long as this gap exists in the field of general resources management. Pending further advances in this field, some projects might well be curtailed or eliminated.

B. LOCAL RESPONSIBILITY

In this group are two categories of projects: (1) those which are matured and should be taken over by the host country, and (2) those which, in the absence of correlary action, may tend in the long run to exacerbate existing social and economic strains.

The first category involves a principle of technical assistance more important than money. The principle is simply that when a project passes from the demonstrational to the operational stage, it should be turned over completely to the host government. The money is small, because in most cases in projects of this category, the host government is already paying most—and in at least one instance all—of the cost. The problem is not only how to recognize the moment at which a project should be transferred but also how to bring about the transfer.

The typical organizational instrument for carrying on technical assistance programs in Latin America is the *servicio*, an agency which is jointly financed and administered by the United States and the recipient country. In theory, the *servicio* is a continuing body, which initiates projects, carries them through the demonstration stage, and then turns the operations over to the appropriate ministry—health, agriculture, education, and so on, as the case may be—of the local government. The *servicio* is then free to devote its resources to developing new projects.

In fact, however, this theory frequently breaks down at the point of transfer from the *servicio* to the local government. This breakdown is due only in part to the reluctance of American officials to withdraw from the projects in question. It is due primarily to the reluctance of the Latin Americans themselves, both those in the local governments and in the *servicios*.

This reluctance is not entirely without foundation in experience with those projects which have been turned over to local governments. Usually, in these cases, there has been some deterioration, in terms of equipment maintenance, administration, personnel policies, or financial support. Even though American participation may be only a small fraction of a servicio's total budget, this does provide a measure of protection from the variable local political winds.

On the other hand, however, the difficulties which have generally beset programs turned back to local governments have rarely been fatal. In most cases, the programs have survived and have continued under local guidance to make their contribution to the development of the country in question.

The question of timing is important—one can err in transferring a project prematurely as well as in postponing its transfer too long. On the basis of its observations, the subcommittee thinks it is the latter error which is much more common.

The subcommittee recommends that American administrators, both in Washington and in the field, take a considerably firmer attitude on this point and insist that local governments assume a larger degree of responsibility. This recommendation is directed to responsibility for administration and policymaking rather than to financial contributions. Indeed, in most of the projects which appear ready for transfer, the local government is already contributing the overwhelming proportion of the financial costs. In many of these cases, also, local nationals are entirely—or almost entirely—responsible for operations. The only thing that is lacking is the shift of the project from the umbrella of the servicio to the appropriate ministry of the recipient country.

Even though this shift may result in some temporary deterioration in the case of particular projects, it should nonetheless be pressed at the appropriate time in each case. Otherwise, there is no end to American involvement in the project. Further, if one waits until one has insurance against any deterioration in the project, one will wait forever. Governments, like individuals, learn by making mistakes; if a government is to grow in self-confidence and administrative skill, it must have the opportunity to make mistakes.

Finally, in this connection, it must also be said that the subcommittee has observed some instances of projects which, although formally requested by the other government, were primarily instigated by ICA and were received with a notable lack of enthusiasm. The subcommittee is disturbed that it is necessary to emphasize what should be obvious—namely, that other governments should not be high pressured to accept aid.

C. SOCIAL, ECONOMIC, AND POLITICAL IMPACT

The impact of technical assistance in Latin America takes three forms:

(1) The localized, relatively immediate impact upon living standards. This can usually be observed in a few years, and it is particularly dramatic in the case of some public health programs.

(2) The somewhat more indirect, but still clearly traceable, effect on trade and investment. Demonstration projects in the use of insecticides and fungicides in Peru, for example, increased demand so much that two United States companies installed mixing plants. A

technical assistance project in ground-water development was followed by the entrance of a United States-owned well-drilling company. And technical assistance projects in agriculture have resulted in increased sales of American farm equipment.

(3) The still more indirect, less discernible sociocultural changes which inevitably accompany economic development. It is this aspect of the technical assistance program which has been least well thought through. It is a long-term aspect which frequently conflicts with short-term objectives.

Some Latin American technical assistance projects raise questions as to whether (a) technical assistance is in fact going to the people who need help most, and (b) technical assistance is stimulating demands faster than they can be satisfied. In some countries, for example, farm extension projects tend to concentrate on big and medium-sized farmers to the relative neglect of small farmers and the almost total exclusion of landless peasants and farm laborers. Big farmers are easier to reach, and results can be achieved more quickly. From a strictly economic point of view, this may be a sound approach; but its long-term political implications are rather disturbing, particularly in a country where land reform is the subject of political agitation. To some extent the United States may be contributing to future unrest by perpetuating, or even intensifying, the stresses which have developed in the existing social structure.

There is likewise some evidence that technical assistance may be stimulating demands faster than they can be satisfied by a country's economy. A prominent American businessman in one booming South American capital said that "point 4 is doing almost too good a job." He went on to explain that, in part as a result of technical assistance, people want more than the country's economy can supply. In another country, there has also been some frustration among farmers who have seen better seeds demonstrated and who are unable to procure them.

One of the most important, and encouraging, changes noticeable in Latin America is the growth of the idea of self-help through either community or individual action. This notion is still far from universal, but it can be detected in a self-help housing project in Santiago, in the Rockefeller-sponsored supervised rural credit and extension program in Minas Gerais, Brazil, in the Chinchá irrigation project in Peru, and elsewhere.

Also, despite some initial cultural resistance, new ideas and techniques are taking hold. Many examples could be cited—universities which have instituted the short-course method; businessmen who have adopted the gospel of productivity; and Andean Indians who want their children, even their daughters, to go to school.

D. PRODUCTIVITY AND LABOR

It is typical of many Latin American countries that a large percentage of the population is concentrated in the capital city, and perhaps 1 or 2 other cities, with the remainder scattered throughout the country. There has traditionally been a considerable cultural and economic gap between these urban and rural groups.

The burgeoning industrialization which has come to many of these countries in recent years has brought with it many new problems of urbanization and of the movement of people from the country to the city. Many of these problems are susceptible to technical assistance,

and the technical assistance program has given them some attention. American advisers are working with the housing corporation in Colombia; an employment service has been started in Peru; there is an industrial productivity project in Chile; there is technical assistance in business administration and in on-the-job training in Brazil. In general, these projects appear to be successful.

Industrial efficiency, however, is a doctrine which must be embraced by labor as well as management. It seems to the subcommittee that such projects as it was able to observe in Latin America put disproportionate stress on management and too little on labor. This is not to say that the work with management should be curtailed, but rather that the work with labor should be increased.

To the extent that labor activities exist, they usually take the form primarily of sending labor leaders to the United States under the exchange of persons program. This activity should be substantially expanded. It is greatly in the interests of the United States that the developing labor movement in Latin America should be led by people who understand how a democratic union operates, what it can accomplish, and particularly that increased productivity benefits labor as well as management.

E. PUERTO RICAN TRAINING CENTER

The technical assistance training center in Puerto Rico deserves a brief comment. This center, which is financed jointly by ICA and the Commonwealth government of Puerto Rico, has been in operation since 1950. It provides technical training to increasing numbers of foreign students (in 1955, about 800), of whom about three-quarters are from Latin America and the balance from Africa, Asia, and the Middle East.

This operation has many advantages. Puerto Rico has many of the same economic problems as underdeveloped countries generally. With help from the United States, but very largely by its own efforts, it has made marked economic, social, and political progress, particularly in recent years. It offers a vivid demonstration of what can be done through local initiative. Further, the island's culture and economic problems are relevant to trainees from underdeveloped countries, particularly those of Latin America and the language is Spanish. In these respects, Puerto Rico offers many advantages over the continental United States as a training center for ICA exchanges.

A further advantage is that Puerto Rico is something of a showcase for American policy toward dependent areas. Since 1952, the island has been fully self-governing. Puerto Ricans themselves are largely responsible for the nature of their relationship with the United States.

Fullest possible utilization of the training facilities in Puerto Rico should continue to be made by ICA. The University of Puerto Rico and the vocational schools on the island could probably absorb an increased number of exchanges. Housing conditions for students in San Juan, however, are tight, and the administrative structure for the training program appears to be taxed to the utmost.

Consideration should be given to a wider utilization of Puerto Rican technicians in ICA missions abroad, particularly in Latin America. Although the supply of skilled personnel in the island is limited and the internal demand is great, it may be possible to recruit or even to train an increased number of specialists in Puerto Rico,

perhaps through special arrangements with the University or the Puerto Rican government for service in other countries.

Finally, consideration should be given to establishing a regular program of orientation of mainland technicians in Puerto Rico prior to their assignment to missions abroad, especially in Latin America. Such training, even if it is of relatively short duration, should prove of great value. The technicians would familiarize themselves in advance with technical problems similar to those which they are likely to encounter at the post of assignment. At the same time, for those with little or no experience in living abroad, a short residence in Puerto Rico would provide a halfway point in the adjustment to foreign cultures.

IV. AFRICA

This report deals with Africa exclusive of Egypt and the Union of South Africa. In every respect except geography, Egypt is Middle Eastern rather than African, and the subcommittee's findings with respect to technical assistance in Egypt are reflected in its earlier report. There is no technical assistance program in the Union of South Africa, nor does the subcommittee see any occasion for one.

Taken as a whole, Africa is probably the world's most underdeveloped continent, but it also has some of the world's greatest natural resources.

Politically, the continent is changing rapidly. Four new states—Libya, Sudan, Tunisia, and Morocco—have come into existence since World War II, the last three within the space of a year. The Gold Coast will become the new state of Ghana in March 1957. Somaliland, now a U. N. trust territory under Italian administration, is to become independent in 1960. Other dependent territories are making rapid political progress, and the process of new state formation may be expected to continue.

This process, which is to be welcomed most cordially, will accelerate the need as well as the opportunities for technical assistance. It is important, both to the United States and to the free world at large, that the emerging independent governments of Africa succeed in meeting the aspirations of their peoples. These aspirations have hitherto been largely political; but as the political goals are achieved through independence, the drive for economic and social advancement becomes more intensive.

By no means the least of the new needs for technical assistance is in the broad field of public administration, the day-to-day tasks of managing a government and making it work. This is a field in which nationalist sensitivity is acute and in which multilateral assistance tends to be more acceptable than bilateral aid. It is a field, in short, in which more is likely to be accomplished through the United Nations than by the United States acting alone.

Both the U. N. and the United States have hitherto devoted relatively small percentages of their total technical assistance programs to Africa. For the entire continent, outside Egypt, the U. N. program has amounted to \$1.4 million or \$1.5 million a year and the United States program has been in the range of \$8 million to \$10 million.

These figures do not, however, reflect the total amount of outside assistance which has been available to Africa. The overwhelming

preponderance of such assistance has been supplied by the European countries responsible for African dependent territories—chiefly the United Kingdom, France, and Belgium.

Considerable amounts of this assistance can be expected to continue, but, again for reasons of nationalist sensitivity, it will probably not be as acceptable as aid from multilateral or third country sources.

Of the independent states of Africa, other than Egypt, only Ethiopia, Liberia, and Libya have United States technical assistance programs of significant size. In Ethiopia and Liberia, the programs are well established. They should be continued and strengthened as the occasion warrants. In Libya, the situation is complicated by a paucity of resources, by an acute shortage of trained administrative and professional personnel, by the concurrent existence of military and economic assistance, by administrative difficulties arising from the constitutional division of the country between Tripoli and Cyrenaica, and by United States strategic interests in the airbase at Wheelus Field. The overall aid program in Libya needs a thorough-going review within the executive branch.

Elsewhere in Africa, again excepting Egypt, the United States should be prepared to increase substantially its technical assistance programs, within the limits of each country's absorptive capacity, provided appropriate arrangements can be worked out with the government concerned. This proviso is important. The United States should stand ready to consider sympathetically requests for technical assistance, but it should not put itself in the position of trying to peddle such assistance or of trying to force it upon countries which do not want it.

This problem is complicated in the case of dependent territories by the fact that the United States must of necessity deal through the metropolitan government. Since the beginning of the Marshall plan, relatively small amounts of technical and other assistance, measured usually in hundreds of thousands of dollars a year, have been channeled through European countries into dependent African territories.

These territories are the responsibility of the metropolitan governments, and it is to these governments that the people of the territories should primarily look for assistance. At the same time, it must be recognized that a developing Africa, in an atmosphere of tranquillity, is very nearly as much in the interests of the United States as of the European powers who are somewhat more directly concerned.

How this situation can be met is perhaps best left to ad hoc negotiations in each individual case.

V. MULTILATERAL PROGRAMS

A. ORGANIZATION OF AMERICAN STATES

The Organization of American States conducts a small multilateral technical assistance program which involves expenditures of approximately \$1.8 million a year. Of this amount the United States contributes approximately \$1.2 million, or 70 percent of the total.

The OAS program consists entirely of regional training centers, such as the Inter-American Housing Center in Bogotá, the Inter-American Rural Normal School at Rubio, Venezuela, and the Inter-American Training Center for Economic and Financial Statistics at

Santiago. The host government normally provides the land and buildings for the centers, as well as, in some cases, a part of the staff.

The OAS also cooperates with ICA in a number of projects. OAS has supplied a teacher to the Piedras Blancas Forestry Experiment Station in Medellin, Colombia, for example, and other Latin American countries are sending students there under OAS sponsorship.

The OAS program seems generally to be well thought of in Latin America, and the OAS projects which the subcommittee had an opportunity to inspect appear on the whole to be well conceived and well administered.

The subcommittee recommends that the United States continue to participate in and support the OAS program. The subcommittee hopes that it will be possible to reduce somewhat the percentage of the United States contribution without impairing the program's activities. In this connection, however, it should be borne in mind that host countries to OAS projects give these projects a very considerable measure of support which is not reflected in the program's central fund.

B. UNITED NATIONS

In its report of May 1956, the subcommittee said:

The subcommittee believes that the United States should continue to support the U. N. [technical assistance] program. An increase in the absolute amount of the United States contribution to that program might be justified, if the President and Congress so determined, provided that other countries also increased their contributions and that the United States contribution did not increase percentagewise from its present level of approximately 50 percent. *In time this percentage might be reduced still further, but precipitous action to this end should not be taken.* [Emphasis supplied.]

In the Mutual Security Appropriation Act, 1957, Congress provided that the United States contribution to the U. N. program for 1958 should not exceed 33.33 percent of the total. The subcommittee recommends that this proviso be reconsidered.

The United States contribution in 1956 was approximately 50 percent. In 1957, it will be approximately 47 percent. In 1958, it should be possible to reduce it still further, but a cut from 47 percent to 33.33 percent in 1 year would inevitably have deleterious effects on the program.

The subcommittee also suggests that Congress give consideration to the desirability of making a portion of the United States contribution in the form of foreign currencies owned by the United States. Many of these currencies which have been accumulating rapidly as a result of the sale abroad of United States agricultural surplus would be readily usable by the U. N. program; but, although they represent assets of the United States, they are not easily spendable by the United States and, in some cases, they are subject to erosion by inflation.

By using foreign currencies in this manner, it might be possible to save on our dollar contribution without seriously crippling the U. N. program.

FINANCIAL STATEMENT

Senate Resolution 214 of the 83d Congress, agreed to July 6, 1954, created the subcommittee and authorized expenses, through January 31, 1955, of \$40,000. Actual expenses in this period amounted to \$2,205.41.

Senate Resolution 36 of the 84th Congress, agreed to February 5, 1955, extended the subcommittee an additional year, to January 31, 1956, and authorized expenditures of \$24,000. On July 29, 1955, Senate Resolution 133 made an additional \$15,000 available. Under these resolutions, the subcommittee's expenses were \$15,537.29.

Senate Resolution 162 of the 84th Congress, agreed to February 8, 1956, authorized expenditures of \$27,000 by the subcommittee through January 31, 1957. The subcommittee's expenditures from these funds were \$9,483.57, with a few items still outstanding.

The subcommittee's total expenditures from the contingent fund of the Senate were \$27,226.27.

SUBCOMMITTEE REPORT

OF

MAY 7, 1956

Technical Assistance and
Related Programs

FOREWORD

The Committee on Foreign Relations on April 30, 1956, authorized the transmittal to the Senate of a report of its Subcommittee on Technical Assistance Programs created pursuant to the terms of Senate Resolution 214 (83d Cong.), as amended by Senate Resolutions 36, 133, and 162 (84th Cong.).

TECHNICAL ASSISTANCE AND RELATED PROGRAMS

MAY 7, 1956.—Ordered to be printed, with an illustration

Mr. MANSFIELD, from the Committee on Foreign Relations, submitted the following

R E P O R T

[Pursuant to S. Res. 214 83d Cong., and S. Res. 36, S. Res. 133, and S. Res. 162, 84th Cong.]

I. INTRODUCTION

A. BACKGROUND

Senate Resolution 214 of the 83d Congress, agreed to July 6, 1954, directed a subcommittee of the Committee on Foreign Relations "to make a full and complete study of technical assistance and related programs." The resolution provided that the subcommittee was to be composed of 6 members chosen equally from both parties by the chairman of the Foreign Relations Committee and 2 other Senators, not members of the Foreign Relations Committee and not of the same political party, chosen by the President of the Senate.

Without limiting the scope of its study, the subcommittee was directed to give particular attention to the following matters:

1. The general level of authorizations of funds for the future to enable the programs efficiently to achieve their purposes;
2. The relationships between the technical assistance programs of the United Nations and of the Organization of American States and those conducted by the United States;
3. The coordination of United States agencies in operations within and outside the United States;
4. The extent to which the programs have been able to utilize private agencies in achieving their purposes;
5. The degree of self-help and mutual assistance available in countries receiving technical assistance;
6. The relationship between technical assistance, economic aid, and military assistance; and
7. The effectiveness of the administration of the programs in advancing the foreign policy of the United States.

The resolution directed the Committee on Foreign Relations to transmit to the Senate not later than January 31, 1955, the results of

the study together with such recommendations as might be found desirable. Expenses of \$40,000 were authorized.

Under this authority, the subcommittee's expenses through January 31, 1955, amounted to \$2,205.41, and at that time the unexpended balance lapsed.

On February 4, 1955, the Senate agreed to Senate Resolution 36 of the 84th Congress authorizing subcommittee expenditures through January 31, 1956, of \$24,000. Additional funds to the extent of \$15,000 were made available by Senate Resolution 133, agreed to July 29, 1955.

Under this authority, the subcommittee's expenses were \$15,537.29.

Thus, through the end of January 1956, the subcommittee had spent a total of \$17,752.70 and had allowed an unexpended balance of \$61,247.30 to lapse.

On February 8, 1956, the Senate agreed to Senate Resolution 162 of the 84th Congress making \$27,000 available to the subcommittee through January 31, 1957. In the coming year, the subcommittee intends to give particular attention to Latin America, to Africa, and to the organization of the State Department and the International Cooperation Administration for the administration of technical assistance. Except for these three items, the subcommittee regards its work as substantially complete with the submission of this report.

On August 11, 1954, Senator Alexander Wiley as chairman of the Foreign Relations Committee appointed the following members of the committee to serve on the subcommittee:

Senator Hickenlooper, chairman, and Senators Aiken, Capehart, Green, Fulbright, and Mansfield.

Subsequently, the Vice President appointed Senators Kennedy and Goldwater from the Senate at large.

In January 1955, Senator Mansfield became chairman.

B. SUBCOMMITTEE ACTION

During the fall of 1954, various basic studies were undertaken by the staff of the subcommittee, and in addition the subcommittee solicited the confidential views of the chiefs of American diplomatic missions and of private American businessmen and journalists in countries receiving technical assistance. The replies of these American citizens residing abroad were most helpful to the subcommittee, and it expresses its deep appreciation for their splendid cooperation.

In the winter and spring of 1955, the subcommittee held a series of public hearings and executive sessions in Washington and received testimony not only from various officials of the executive branch concerned with technical assistance but also from many representatives of interested organizations and from individuals with special competence in the field.

During the late summer and fall of 1955, the subcommittee followed up its work in Washington with field studies in the Far East, South Asia, the Middle East, Europe, Central America, and the Caribbean. Senator Mansfield reported to the subcommittee on Vietnam, Laos, and Cambodia, on Central America, and on the industrial productivity program in Europe. Senator Green studied the program in the Far East, South Asia, and the Middle East; Senator Capehart in Turkey and southern Europe; and Senator Goldwater in Egypt and Israel. Staff members made special reports on the Caribbean.

In January 1956, the subcommittee held further hearings to discuss problems of organization and administration with officials of the State Department and the International Cooperation Administration.

The subcommittee's publications to date, all in the form of committee prints are:

Development of Technical Assistance Programs. Background information and documents. November 22, 1954.

Hearings. February 17-March 4, 1955.

Staff Study No. 1. Multilateral Technical Assistance Programs. March 11, 1955.

Staff Study No. 2. Organization and Administration of Technical Assistance Programs. April 8, 1955.

Staff Study No. 3. Soviet Technical Assistance in Non-Communist Asia. June 10, 1955.

Staff Study No. 4. Summary of Reports of American Citizens Abroad on Technical Assistance Programs. December 22, 1955.

Staff Study No. 5. Government Utilization of Private Agencies in Technical Assistance. January 9, 1955.

Technical Assistance in the Far East, South Asia, and Middle East. Report of Senator Theodore Francis Green on a study mission. January 13, 1955.

The subcommittee has necessarily been concerned with economic aid as well as with technical assistance because of the close relationship between these two parts of our foreign policy. But the subcommittee has construed its terms of reference rather strictly and has not made a thorough study of economic aid. Such a study may subsequently become desirable.

The subcommittee has likewise not directed its attention to the problems and potentialities of technical assistance in the field of atomic energy. This is a program which has very wide ramifications, but it is still in its infancy and is under the continuing jurisdiction of the Joint Committee on Atomic Energy.

II. SUMMARY OF FINDINGS AND RECOMMENDATIONS

1. The economic development of underdeveloped countries is in the interests of the United States if it proceeds within the framework of a reasonably free society. Technical assistance can make an important, but limited, contribution not only to economic development but also indirectly to social and political progress.

2. This report attempts to set forth some general criteria for the evaluation of technical assistance. Where those criteria are being met, the technical assistance program might well be expanded in step with the growth of the country's absorptive capacity. Where they are not being met, the program should be curtailed or be re-directed in emphasis.

3. The increasing Soviet efforts at economic penetration of Asia and Africa increase the urgency of the problems with which technical assistance seeks to deal, but these efforts do not change the character of those problems. They do not require the United States to do anything which would not be in our national interest in the absence of the Soviet threat. This is not to say that Soviet activities should not

be taken into account in planning our own programs, but our programs are more likely to be effective if they are carried out on their own merits to achieve American objectives than if they are pressed primarily as counteraction to Soviet moves.

4. A limiting factor on the size and scope of American technical assistance programs is the supply of technical personnel qualified to carry out such programs. The shortage of technicians is a national problem which affects other Government programs, private business, and educational institutions as well as technical assistance. Although ICA recruiting procedures might be improved or intensified, the ultimate solution to this problem involves questions beyond the scope of either ICA or this subcommittee. In the meantime, the subcommittee feels that, except in cases of the most extreme urgency, it may be better not to try to carry on a program at all than to attempt it with mediocre technicians. The selection of personnel involves not only technical qualifications but also adaptability, understanding of foreign people and customs (including, ideally, the local language), and recognition of local hopes and aspirations.

5. Projects should be more carefully planned with particular attention to: (a) the ability of the United States to carry out the project (this means especially the availability of qualified personnel), (b) the ability and willingness of the recipient country to utilize the results of the project, (c) the relationship of the project to the long-term economic growth of the recipient country, and (d) the relationship of the project to the long-term United States interests in the country.

6. A more Spartan use should be made of supplies and equipment for demonstration purposes, and such supplies and equipment should be more directly related to the needs of the country and its capacity to provide additional materials of the same type.

7. The United States should continue its support of the United Nations expanded technical assistance program. An increase in the dollar amount of United States contributions to this program might be justified if the President and the Congress so determined, provided there was no increase in the percentage of the United States contribution. United States representatives in the United Nations and the specialized agencies should press for a further centralization of administrative and policy control over the U. N. program.

8. The organizational structures of the State Department and the International Cooperation Administration should be further integrated.

9. The whole question of private contracting should be reviewed at a high level in the executive branch.

10. Finally, the technical assistance program should be continued at approximately the present level, and should be further reviewed by the Congress in 3 to 5 years.

III. CONCEPT, OBJECTIVES, AND EVALUATION OF TECHNICAL ASSISTANCE

A. THE UNITED STATES NATIONAL INTEREST

The subcommittee has conducted its study on the premise that the sole test of technical assistance is the national interest of the United States. Technical assistance is not something to be done, as a Government enterprise, for its own sake or for the sake of others. The

United States Government is not a charitable institution, nor is it an appropriate outlet for the charitable spirit of the American people. That spirit finds its proper instrumentality in the numerous private philanthropic and religious institutions which have done so much good work abroad.

Technical assistance is only one of a number of instruments available to the United States to carry out its foreign policy and to promote its national interests abroad. Besides technical assistance, these tools of foreign policy include economic aid, military assistance, security treaties, tax and commercial treaties, overseas information programs, participation in the United Nations and other international organizations, the exchange of persons program, tariff and trade policies, surplus agricultural commodity disposal policies, and the traditional processes of diplomatic representation.

None of these tools has any particular inherent merit; any of them may be useful in a given situation. None is sufficient in and of itself as a total policy for the United States; yet rarely, if ever, will it be necessary to use all of them in connection with a single country.

Although some of these programs are relatively less expensive than others, none is free; all cost something, not only in terms of dollar expenditures but also in terms of other United States interests which may be adversely affected. The proper measure of a program's cost, however, is the relationship of cost to benefits. International affairs are made up of too many intangibles for a mathematical cost-benefit ratio to be worked out as in the case of a multipurpose dam in the United States. But the same general concept is applicable: the cost of any foreign activity of the United States becomes significant only when it is related to the benefits which the United States receives from that activity. Viewed in this light, a relatively low cost—in dollar terms—activity may be unconscionably expensive, while a relatively costly activity may actually be inexpensive. Maintenance of a consular establishment where none is needed is an example of the former; the multibillion dollar Marshall plan is an example of the latter.

In dollar terms, technical assistance is not a particularly large program. It costs far less than military assistance or economic-type aid. It costs a little less, dollarwise, than the appropriation for the Department of State, and a little more than that for the United States Information Agency. The cost figures for these programs for fiscal 1956 are: military assistance, including direct forces support, \$1,056.1 million; defense support and development assistance, \$1,186.2 million; Department of State, \$144.0 million; United States Information Agency, \$85.3 million; technical assistance (bilateral only), \$127.5 million.

Except in isolated instances, one cannot put a dollar figure on the benefits accruing to the United States from technical assistance. There are not many examples such as the one in Peru in which increased business for American fertilizer and farm equipment companies can be traced directly to technical assistance in agriculture. The subcommittee believes, however, that such examples will accumulate as technical assistance is carried out over a longer period.

Indeed, the subcommittee has no doubt that from a strictly economic point of view the development of underdeveloped countries will pay off for the United States. The chart on page 20, reproduced

from the Senate Foreign Relations Committee report on the Mutual Security Act of 1955, shows how developed countries provide better markets for United States goods than do underdeveloped countries. Despite this sort of evidence, there has developed in recent years a tendency in some quarters to criticize technical assistance on the grounds that it will promote competition for United States products. This line of argument ignores the fact that the countries in question are too poor to buy American goods in significant quantities and that American markets are not, therefore, being destroyed. It further ignores the fact that a rise of even a few percentage points a year in the purchasing power of these countries would result in new markets for American business of all kinds far exceeding whatever minimal markets were displaced.

This same argument was heard in the debate on the European recovery program in 1948, but the dire results predicted have not

THE MORE DEVELOPED THE COUNTRY THE BETTER CUSTOMER IT IS

U.S. EXPORTS IN 1954 PER INHABITANT OF THE COUNTRY

Developed Countries

CANADA	\$181.97
NETHERLANDS	\$39.65
U.K.	\$13.46
GERMANY	\$9.91
JAPAN	\$7.67

Underdeveloped Countries

IRAN	\$2.21
EGYPT	\$1.77
INDONESIA	\$0.88
INDIA	\$0.43
PAKISTAN	\$0.42

come to pass, and economic conditions in both Western Europe and the United States have shown marked improvement.

There is a further specific advantage of technical assistance to the United States which is often overlooked. This is the technical knowledge which the United States itself acquires from the work of American technicians abroad. A native grass in Iran was found suitable for use in South Dakota. And in a number of health projects, doctors of the Public Health Service have gained experience with problems which are not now faced in the United States but which might arise at any time. This is the type of experience which could only be gained abroad.

Granted the economic interests of the United States in international economic development, the question can still be asked as to whether this is an appropriate field for governmental activity or whether the same results could be achieved by private enterprise through foreign investments and operations. Although the subcommittee believes that every appropriate measure should be taken to stimulate private

foreign investment, it is the opinion that, regardless of what is done along this line, the maximum private investment which can reasonably be expected in the foreseeable future will be grossly inadequate to achieve the desired results. This opinion is based on the facts that—

1. The private investment which has been forthcoming in the past has been far short of the necessary amount.
2. The returns which can reasonably be expected from technical assistance, although in some cases they are direct and specific, are too remote to attract private investment.
3. The expanding American economy provides greater opportunities for investment capital than do underdeveloped areas.

One of the most significant facts of the contemporary world is the great disparity in wealth between the United States and the underdeveloped countries. Even more significant is the fact that this disparity, great as it is, is increasing. The gross national product of the United States increased 7.4 percent between 1954 and 1955. The second Indian 5-year plan, which is an extremely ambitious undertaking, aims at an increase of no more than 5 percent a year. And the enormously expensive Aswan Dam, which will absorb most of Egypt's available resources for a period of at least 10 years, will do no more than halt the decline in Egyptian per capita gross national product.

The subcommittee has grave doubts as to how long economic growth can be sustained in the United States if the rest of the world continues to fall further and further behind. In connection with the advancement of our own prosperity, the prosperity of others is an important factor.

The subcommittee likewise feels that economic development abroad is in the national interest of the United States on political, as well as on economic, grounds. The two are not necessarily related, however, and the subcommittee questions the assumption, which is frequently and glibly made, that the political consequences of economic development are necessarily in the American interest.

History provides examples of economic growth which has been accompanied by political developments very nearly ruinous to the United States. In the late nineteenth and early twentieth centuries, Germany and Japan underwent very rapid economic development, but this did not lead to happy political results from the point of view of the United States and many other countries. The Soviet Union has likewise undergone rapid economic development since the Russian Revolution, but it could hardly be argued that the accompanying political developments have been in the interest of the United States specifically or of free nations as a whole.

On the other hand, history also provides examples of economic growth which has been in the national political interest of the United States. In this category are most of the countries of Western Europe and the more highly developed countries of the British Commonwealth and of Latin America.

The determining factor is not economic development itself, but the whole complex of political and social institutions in which economic development takes place and the social and political changes which occur as a consequence of economic development.

Technical assistance is in the national interests of the United States when and only when it not only promotes economic development but

also encourages the growth of free institutions within the framework of a free society.

Technical assistance in agriculture may result in sharp increases in crop yields, but it will fail of its purpose (indeed, it may be positively harmful) unless it is accompanied by measures designed to bring about a fair distribution of the increases between landlords and tenants. In many underdeveloped countries, this means land reform. Otherwise social stresses within the country may be increased, and Communist propaganda may find a greater receptivity as a result of technical assistance than it did before technical assistance was undertaken.

Similarly, technical assistance in education may result in sharp increases in literacy, but again it will be less than fully effective if the school system is not adapted to meeting the country's needs or if the country is flooded with cheap Communist literature and free world books are not generally available. Moreover, it serves the national interests of neither the United States nor the recipient country to increase the number of holders of law and liberal arts degrees in an economy which may be already surfeited with frustrated intellectuals and which needs plumbers and mechanics.

These are matters in which the influence of the United States is necessarily and severely limited. It would be highly improper, as well as self-defeating, for the United States to attempt to dictate a country's policies on such peculiarly domestic sociopolitical questions. But it is entirely appropriate for the United States to take into account a country's own attitude toward these questions when planning a technical assistance program, or when negotiating a technical assistance agreement. And in the subcommittee's judgment the United States should take such attitudes into account to a greater degree than has been evident in the past.

The fact that economic development may take political channels inimical to the United States is not an argument against economic development. It is only an argument to give more attention to the political and social consequences of economic development. When these consequences are good, from the American point of view, they make a country more impervious to Communist infiltration and result in an orientation which is pro-United States in the sense that it is profreedom even though it may not be specifically pro-American.

Further, it is necessary to consider the consequences not only of carrying out a program such as technical assistance but also of not carrying it out. The demand for economic development is one of the fundamental political facts of the midtwentieth century. There is some doubt as to how fully some of the people who voice this demand comprehend the prerequisites and implications of development. But there can be no doubt as to the existence of the demand itself and as to its political potency. There are few, if any, governments outside the police states which could long remain in power without making some effort to meet this demand.

It is obvious that this demand is more likely to find constructive outlets if the United States carries on technical assistance programs than if it does not. The recently stepped-up Soviet offers of such assistance lend added point to this statement. The subcommittee deprecates any effort on the part of the United States to match Soviet offers dollar-for-ruble. But the subcommittee believes that

discontinuance of United States technical assistance programs would have pernicious results abroad. Such withdrawal would almost certainly strengthen the economic, and consequently the political, influence of the Soviet Union in underdeveloped countries.

At the same time, however, the subcommittee desires to make it perfectly clear that it does not view technical assistance as primarily an anti-Communist program. As a matter of fact, the subcommittee feels that, under both the present administration and the preceding one, the negative, anti-Communist aspects of American foreign policy have been much too heavily emphasized, while the positive aspects of that policy have been too much neglected. The American national interest has too often been viewed as the reciprocal of the Communist interest, and from this it has been reasoned that anything which was anti-Communist was ipso facto pro-American. The question is one of emphasis, and the subcommittee prefers to proceed from the converse of this assumption, namely, that anything which is pro-American is ipso facto anti-Communist. If the United States carries out programs which will positively advance the American national interest, without regard to their anti-Communist content, the anti-Communist results, although secondary, are likely to be even stronger than if the programs were specifically anti-Communist in the first place.

The subcommittee likes the way John Sherman Cooper, American Ambassador to India, put it in a recent press conference:

The problem is not simply to counter the Russians. We were there first. We should develop our own program and stick with it and give assurance of some continuity.

The subcommittee concludes that technical assistance, properly planned and adequately administered, produces results which promote the national interest of the United States. The program, however, has not been properly planned or adequately administered in all of the countries with which the subcommittee is familiar. These deficiencies will be elaborated upon later in this report. But the fact that a program is deficient in certain respects while promoting the national interest in other respects is no argument for dispensing with the program; it is an argument for correcting the deficiencies.

B. DEFINITION OF TECHNICAL ASSISTANCE

Technical assistance is defined by law (the Mutual Security Act of 1954—Public Law 665, 83d Cong.) as—

the international interchange of technical knowledge and skills designed to contribute primarily to the balanced and integrated development of the economic resources and productive capacities of economically underdeveloped areas.

There are two points which deserve emphasis:

1. Technical assistance is the interchange of technical knowledge and skills. To the subcommittee this means teaching or demonstrating better methods of doing things; it does not mean doing the things themselves. Indeed, the Mutual Security Act specifically limits the equipment or commodities which may be furnished with technical assistance funds to instances where the equipment or commodities are necessary for instruction or demonstration purposes. The subcommittee feels that this provision of the act should be strictly construed.

2. As a further limitation, technical assistance is—

to contribute primarily to the balanced and integrated development of the economic resources and productive capacities of economically underdeveloped areas.

In other words, technical assistance is not to be rendered for its own sake, but as part of a balanced and integrated program of economic development.

In assessing the role of technical assistance in United States foreign policy and in evaluating the results of technical assistance programs up to this point, therefore, it becomes necessary to examine the process of economic development—the conditions prerequisite to it and the results which may be anticipated from it.

This process is extremely complex and is as yet imperfectly understood, but it involves a good deal more than the knowledge and skills which can be supplied by technical assistance. For one thing, it involves capital investment. For another, it involves an intangible but no less indispensable element which can perhaps best be described as a state of mind. This takes the form of a readiness, on the one hand, to make the social and cultural changes necessary to stimulate economic development, and a capacity, on the other hand, to adapt to the changes which inevitably accompany economic development.

If any one of these elements is missing, then either economic development will not occur or it will take political channels which may be inimical to the interests of the United States.

Although technical assistance by itself is not sufficient to induce a self-sustaining rate of economic development within the framework of a free society, it can make a contribution to the creation of an atmosphere favorable to the other necessary factors. Technical assistance can help to encourage private investment through advice on revision of the tax structure, for example, or on legislation relating to foreign investment. Or it can make a lumbering industry feasible through a public health program which removes obstacles to the development of jungle-timber resources.

In regard to social attitudes, the role of technical assistance is more indirect, but still forceful over a period of years. A technical assistance program in community development, for example, can gradually result in healthier, more democratic relationships between government officials and people. A technical assistance program in agricultural education or in training craftsmen can implant ideas about the dignity of labor and of working with one's hands.

Indeed, if technical assistance does not have effects of this kind, then it is only partially successful. But although technical assistance can help to encourage capital investment and although it can help to guide social changes, it cannot take the place of investment nor can it substitute for the indigenous urge to develop.

The subcommittee lays great stress on this urge to develop and on the social and political changes accompanying economic development. Neither of these factors is within the control of the United States; yet both are crucial in determining the ultimate success of technical assistance from the point of view of American policy.

The urge to develop is compounded of many things. It is a great deal more than the desire for more economic goods. It is a recognition that traditional ways of life are incompatible with the fulfillment of

such a desire and a willingness to modify traditional habits in order to achieve the goal. People who work only in order to live as their grandfathers did are not susceptible to economic development. If technical assistance shows them how to produce one-fifth more food, they will instead produce the same food and increase their leisure proportionately. This is not economic development, though it may satisfy the social values of the people. In this connection it is worth recalling the remark of George Bernard Shaw: "Do not do unto others as you would they should do unto you. Their tastes may not be the same."

Because economic development—both the process itself and its political consequences—is so complex, the establishment of criteria by which to evaluate technical assistance is extremely difficult. Statistical measures may be indicative, but they are by no means conclusive. On a national basis, even the biggest technical assistance programs are so small a part of a country's total economic accounts that it is not particularly helpful to attempt to relate changes in gross national product to technical assistance. Results of individual technical assistance projects can be more readily measured over a long period of years, provided adequate statistical controls are available (which is frequently not the case). These results may reveal something of the technical effectiveness of the projects, but they have little meaning so far as the long-range goals of American foreign policy are concerned. It may be possible to determine, for example, that agricultural production, or literacy, or industrial productivity has increased X percent or that malaria or trachoma has decreased Y percent. This information is helpful, but it may be misleading unless it is considered in connection with other factors. Has the increase in literacy been accompanied by reforms in the school system so that it is better adapted to the needs of the society it serves or does that system simply turn out more frustrated intellectuals who use their literacy to steep themselves in Marxist propaganda? Has the increase in industrial productivity been equitably shared?

These are questions which can be reliably answered only after an assessment of the total economic, social, and political situation in a country. The answers will indicate whether or not economic development is proceeding in a manner which is in the interests of the United States. If the answers indicate that economic development is proceeding in such a manner, then more cannot be expected. The United States should not put a political price tag on its assistance in the form of votes in the United Nations or of willingness to sign a military assistance agreement.

It is in this context that the subcommittee has approached the seven specific points of Senate Resolution 214 discussed below.

IV. GENERAL LEVEL OF AUTHORIZATIONS

The subcommittee recommends that authorizations of appropriations for technical assistance be stabilized at approximately the current level. It emphasizes that this recommendation is directed to technical assistance, strictly defined, and is not to be construed as applying to economic assistance or defense support.

The following table shows the trend of authorizations and appropriations for bilateral technical assistance programs:

Fiscal year	Authorization	Appropriation
	<i>Millions</i>	<i>Millions</i>
1953.....	\$189.8	\$138.9
1954.....	140.2	105.1
1955.....	117.1	105.0
1956.....	146.5	127.5

On the basis of its field observations, the subcommittee is doubtful that substantial additional funds could be administered effectively by the United States or absorbed efficiently by recipient countries.

The availability of American technicians to operate the program is a limiting factor which is too frequently ignored in proposals to expand technical assistance. Further, even if technicians and administrators were available, it would to some extent be counterproductive to increase substantially the numbers of Americans in certain countries.

The subcommittee has seen numerous examples of waste which arise primarily, it believes, from (1) poor planning, (2) inadequate administrative followup, (3) the furnishing of more assistance than the local economy can absorb, and (4) an effort to produce impressive results in a hurry.

In Vietnam, equipment was supplied to a radio school and to a marine navigation school, but most of the graduates remained unemployed because of a lack of opportunities in the Vietnamese economy.

In Pakistan, equipment was supplied to a tuberculosis hospital, but the hospital staff did not know how to use it.

Also in Pakistan, insecticides which were supplied under a plant-protection program were allowed to remain on the docks until they deteriorated because the Pakistanis did not know how to use them.

In Thailand, some of the equipment supplied for a mechanics school was more elaborate and complicated than graduates of the school would ever be called upon to use.

In Egypt, a demonstration health center was more lavish than Egypt could expect to afford for itself. In a case like this one, there is a danger that technical assistance may inspire unfulfillable desires, which may take the form of frustration and resentment of the United States.

It is because of considerations of this kind that the subcommittee is constrained not to recommend an increase in technical assistance. On the other hand, there are also many examples of successful, well-planned, prudently administered technical assistance projects.

The Joint Commission on Rural Reconstruction in Formosa has been markedly successful in helping to raise the standard of living of Taiwanese farmers. A particularly noteworthy feature of its activities has been the introduction of improved breeds of hogs and of inoculations against hog cholera.

The agricultural and community development programs in India deserve a share of the credit for fulfillment of the agricultural goals of the Indian first 5-year-plan. The community development program in particular is resulting in changing, more democratic attitudes between villagers and Government officials.

The village aids projects in Pakistan and the village development work of the Near East Foundation in Iran (financed in part by ICA funds) are also making significant contributions to the development of these two countries and to the achievement of United States goals.

In Vietnam, the tilapia fish project promises, at small cost to the United States, to result in a considerable improvement in the Vietnamese diet and in a stronger economic base for Vietnamese farmers.

And the American people can be proud of the contribution their Government has made to malaria control in India and to bilharzia control in Egypt.

The subcommittee feels that with better planning, examples of this kind can be multiplied and examples of waste can be eliminated. It cannot be too strongly emphasized nor too often reiterated that technical assistance is a long-range program in which continuity of effort is at least as important as magnitude of effort. A basic project can hardly be well started in a year, much less completed in that time. The subcommittee has seen projects operated by private agencies which turned out to be highly successful, but which had to be carried on for as long as 6 or 7 years before they began to take hold.

It requires a rather high order of faith to persevere in projects of this nature when tangible results are not forthcoming immediately. This increases the importance of careful advance planning, rigorous screening of projects, and careful selection of supplies and equipment for demonstration purposes.

Results of the kind which the United States is seeking depend in large measure upon the readiness and willingness of the recipient country to make the most effective use of technical assistance. Where this situation exists in the recipient country, technical assistance is well worth the cost to the United States and the subcommittee would be disposed to look with favor upon sound proposals for increases in the program. But where this situation does not exist, it cannot be induced by unilateral efforts on the part of the United States. The proper course in such circumstances is simply to wait until the country is ready. In the meantime, modest programs with limited objectives may be justified.

V. RELATION TO U. N. AND OAS PROGRAMS

The subcommittee finds that on the whole there is a satisfactory relationship between the bilateral technical assistance program of the United States and the multilateral program of the United Nations. The subcommittee recommends that administrators of the United States program continue their efforts to improve coordination of the two programs and bring about an even closer relationship. Pending a more thorough study of technical assistance in Latin America, the subcommittee makes no findings or recommendations in regard to the technical assistance program of the Organization of American States.

The following table shows the growth of the United Nations expanded technical assistance program since its beginning in 1950 and the record of United States contributions to it:

Calendar years	Total	United States	United States percentage of total
	<i>Millions</i>	<i>Millions</i>	<i>Millions</i>
1950-51.....	\$19.9	\$12.0	\$60.3
1952.....	18.7	11.4	61.0
1953.....	22.1	12.8	57.9
1954.....	24.4	13.9	56.8
1955.....	28.0	15.0	53.6

NOTE.—Figures for 1950-54 are actual payments. Figures for 1955 are pledges. All figures relate to the U. N. program's central account. They do not include contributions which recipient governments make toward the cost of U. N. technical assistance projects within their own countries.

For 1956, the United States has offered a contribution of \$15.5 million provided this does not exceed 50 percent of the total. So far, other pledges total \$12.8 million, a figure which it is estimated will increase to \$14 million. On the basis of a 50 percent United States contribution, this would provide a total U. N. program of \$28 million in 1956, about the same size as in 1955 but with a smaller contribution from the United States.

Compared to the United States bilateral activities, the U. N. program is small, but, in the subcommittee's judgment, highly effective. The subcommittee found few instances of duplication between the two programs and many instances of cooperation. Each program has its place in United States foreign policy.

Although the United Nations and the various specialized agencies had been carrying out small technical assistance activities as a part of their regular work since 1946 (or before in the case of some of the specialized agencies), the U. N. expanded program had its genesis in President Truman's inaugural address in 1949. At that time, in his discussion of point 4, the President said:

We invite other countries to pool their technological resources in this undertaking. Their contributions will be warmly welcomed. This should be a cooperative enterprise in which all nations work together through the United Nations and its specialized agencies wherever practicable.

Subsequently, the American representative in the U. N. Economic and Social Council took the initiative in a series of studies and actions which culminated in inauguration of the U. N. expanded program in 1950.

As the prime mover in establishment of the U. N. program, therefore, the United States has a special responsibility toward it. In the judgment of the subcommittee, the experience of the U. N. program over 5½ years has confirmed the validity of the reasons which led the United States to participate in it in the first place.

The broad objectives of the U. N. program are the same as those of the United States bilateral program and are in the national interest of the United States for the same reasons. Each program has certain unique features and advantages of its own. So far as the U. N. program is concerned, these advantages are:

1. The multilateral character of the U. N. program affords a means of utilizing the resources of other nations. Although the United States has, until 1956, provided more than half of the money for the U. N. program, still contributions accounting for 40 percent or more of the total have come from other nations. The total number of contributors to the U. N. program increased

from 54 in 1950-51 to 74 in 1954. The U. N. program provides a means of giving other countries an opportunity to participate.

2. A multilateral approach through the U. N. program is particularly appropriate in fields where bilateral efforts are likely to encounter national sensitivities and resistance on the grounds of outside interference. Public administration is one such field. Another, in some countries, is in areas where there is substantial private American investment. These are only examples and do not, of course, apply universally.

3. Although not without its personnel problems, the U. N. program seems to have fewer recruiting difficulties than does the United States program. The principal reason, perhaps, is that the U. N. program can draw upon the entire world—or at least the non-Soviet sectors of it—for technicians. Further, in some fields, such as tropical medicine, other countries have more expertise available than does the United States. In addition, technicians from areas in an intermediate stage of development frequently are able to establish closer rapport with the people of underdeveloped areas. Finally, foreign technicians sometimes have more language skills, particularly in Asian languages, than do Americans.

Administration of the United Nations technical assistance program is tending toward centralization in the Technical Assistance Board, a group composed of representatives of the U. N. itself and of all the specialized agencies which participate in technical assistance. This trend has had a salutary effect in administration of the U. N. program, and the subcommittee recommends that United States representatives in the various U. N. agencies concerned support further moves in this direction. In particular, the subcommittee believes that the authority of the U. N. resident representatives in countries receiving technical assistance should be strengthened. This would improve coordination among the specialized agencies and also between the U. N. and the United States programs. It could also be expected to make for a more well-rounded and a better balanced technical assistance effort.

It is reasonable to anticipate that the Soviet bloc may become increasingly active in the U. N. technical assistance program. This would be in keeping with the clear trend of Soviet policy, though of course no one outside the Kremlin can predict when the zig of Soviet policy will become a zag. When the U. N. technical assistance program was begun, the Soviets refused to have anything to do with it. Since 1953, however, they have been contributing at the rate of 4 million rubles (\$1 million at the official exchange rate) a year. Following the master's lead, the Ukraine, Byelorussia, Czechoslovakia, and Poland have also made contributions. In the same period since 1953, the Soviets have increased their participation in the specialized agencies, and they have also embarked on their own bilateral program of cultural and economic relations in Asia and the Middle East.

If Soviet influence in the U. N. technical assistance program were to increase to the point where it would be determinative in shaping the character of that program, the program would no doubt become one which worked against, instead of for, the national interest of the United States. This would also be true, however, of the national interests of all the other non-Soviet states now participating in the program.

As a practical matter, any such development seems extremely unlikely. One certain way to give it impetus, however, would be for the United States to weaken its support of the U. N. program now in anticipation of growing Soviet influence later. Such action on our part would tend to bring on what we want to prevent.

The subcommittee believes that the United States should continue to support the U. N. program. An increase in the absolute amount of the United States contribution to that program might be justified, if the President and Congress so determined, provided that other countries also increased their contributions and that the United States contribution did not increase percentagewise from its present level of approximately 50 percent. In time this percentage might be reduced still further, but precipitous action to this end should not be taken. The subcommittee notes with approval that in recent years while the percentage of the United States contribution has gradually decreased, the total size of the U. N. program has gradually increased.

VI. COORDINATION OF UNITED STATES AGENCIES

The subcommittee is not entirely satisfied with the extent to which the International Cooperation Administration has been integrated with the Department of State. On the basis of its field observations, the subcommittee feels that this integration has proceeded further in the missions abroad than it has in Washington. It urges the Secretary of State, who is the official primarily responsible, to pursue the matter more vigorously.

The Act for International Development of 1950 placed administration of the technical assistance program in the Technical Cooperation Administration in the Department of State. At the same time, the Economic Cooperation Administration was also carrying on various types of technical assistance activities in countries which were receiving substantial economic-type aid.

In Reorganization Plan No. 7 of 1953, technical assistance and other types of economic aid were made the responsibility of the Foreign Operations Administration. In the Mutual Security Act of 1954, Congress directed that after June 30, 1955, technical assistance should be administered through the Secretary of State.

In response to this and other congressional enactments, the President issued Executive Order 10610, effective June 30, 1955, abolishing FOA and transferring its economic functions to the International Cooperation Administration, a semiautonomous agency in the Department of State.

It appears to the subcommittee—and, indeed, has been confirmed by the Secretary of State in testimony before the subcommittee—that this was largely a paper transfer. The relationships between ICA and the State Department do not differ materially from those which existed between FOA and the State Department. ICA in most respects seems to be FOA with a new set of initials.

The subcommittee believes that some reduction in personnel and administrative expense could be achieved through a further absorption of ICA by the State Department, but the heart of the subcommittee's concern lies in the policy aspects of the matter. So long as technical assistance is a part of our foreign policy, it should be administered by the agency responsible for that foreign policy—namely, the Department of State.

It appears that the Secretary and the Under Secretary of State presently exercise a reasonable degree of policy control over ICA, but the subcommittee would welcome steps by the State Department to assert this control to a greater degree throughout other levels of the administrative hierarchy. The subcommittee does not want to turn the State Department's country desk officers into ICA administrators, but it does feel that closer integration is called for between the two agencies at the country desk level.

The subcommittee also believes that greater steps should be taken to consolidate certain administrative functions common to both agencies—personnel and security systems, for example.

Finally, the subcommittee believes that there have been entirely too many reorganizations of the technical assistance program, and that in part as a consequence of these successive reorganizations, technical assistance has been submerged in, and confused with, much larger programs of economic aid. A tendency has developed in certain quarters to conceive of economic aid as the basic program with technical assistance as an adjunct. The proper conception, in the subcommittee's view, is that which holds technical assistance to be the basic program, with temporary economic aid as an adjunct in certain specifically selected countries. For reasons which will be developed subsequently (see sec. IX), the subcommittee believes that, where technical and economic assistance are both extended to the same country, they should be administered together as an integrated program; but both the administrators and the policymakers should always keep in mind that economic assistance is short-term and technical assistance long-term in character.

VII. UTILIZATION OF PRIVATE AGENCIES

The subcommittee recommends that the whole question of the role of private agencies in the technical assistance program, and particularly private contracting procedures, be reviewed by the International Cooperation Administration and the Department of State. This review should take account, among other things, of the experience which our embassies and United States operations missions abroad have had with private contractors.

The subcommittee is impressed with the potentialities of educational institutions, private philanthropic organizations, and private business firms for extending technical assistance to underdeveloped countries.

It is disturbed, however, over the extent and manner of the use of private business contracts by the International Cooperation Administration. There is evidence that these contracts have been resorted to in many instances as a personnel recruitment device and as a means of avoiding Government salary ceilings. The net result, of course, is an increase in cost to the Government, not only in the form of higher salaries and allowances but also in the form of the overhead fee charged by the contractor. A further result is impaired morale on the part of government employees who for lower salaries do the same work as contract employees. Finally, there is a question as to the extent to which contracting impairs Government administrative and policy control.

Private business contracting has its place in a technical assistance program, particularly in highly specialized projects of only a few

months duration. But the subcommittee has received a number of complaints about the extent to which private contracts are used and the manner of letting contracts. The subcommittee has not been equipped to investigate these complaints thoroughly so as to determine which, if any, are meritorious. The subcommittee has, however, forwarded the information it has accumulated to the Committee on Government Operations for such further examination and action as that committee deems appropriate.

The Congress has repeatedly emphasized the policy that in carrying on the technical assistance program private agencies should be utilized to the maximum extent practicable. The use of business or other organizations as contractual agents of the United States Government is one way to give effect to this legislative intent, but it is by no means the only way and it seems to have been disproportionately emphasized by the administrators of the program. It does not relieve the Government of any of the financial burden of the operation; indeed, through overhead fees and higher salaries it may increase that burden. Cooperation with, and stimulation of, private agencies does relieve the Government of the burden and results in a net increase in technical assistance to underdeveloped countries. This field has not been entirely neglected by the successive Government agencies charged with administering technical assistance, but it could perhaps receive more attention.

ICA's records of private contracts and of contractor performance are in a highly unsatisfactory state. It is evident, however, that private contracting has increased substantially and that, dollarwise, the bulk of the contracts are accounted for by economic aid projects rather than technical assistance activities. This does not, in the subcommittee's view, meet the objective of maximum utilization of private agencies.

American private business has an important role to play in economic development abroad, but only a minor part of this role is as a contractual agent of the United States Government. By far the major part is through acting independently in its own behalf. There are numerous and spectacular examples of technical assistance which has been extended in significant amounts by American business firms operating abroad. In most cases, private foreign investment carries with it a certain amount of technical assistance.

To the degree that private foreign investment increases, therefore, the objectives of the technical assistance program are met in part. It follows that one way for the Government to take advantage of the special qualifications of private business is to do what it appropriately can to stimulate private investment in underdeveloped countries. Such action by the Government is simply another of the tools of foreign policy. Its limitations must be recognized, however.

In administering technical assistance, the International Cooperation Administration and its predecessor, the Foreign Operations Administration, in recent years have made increasing and rather extensive use of contracts with American colleges and universities. These college contracts are usually between an American college and a foreign college and are underwritten by ICA. Their principal advantage is that they create an institutional relationship which, it is

hoped, will endure after the expiration of the contract. The college contract program has not been in operation long enough for conclusive evidence on this point to be accumulated.

In this connection, the subcommittee notes the concern of the colleges themselves over the uncertain future of their role in technical assistance. The Conference on University Contracts Abroad, meeting at Michigan State University November 17-18, 1955, declared that—a clear statement of public policy by the United States Government is required in order to provide for effective long-range planning and full integration of the program within contracting institutions.

In elaboration of this resolution, Arthur S. Adams, president of the American Council on Education, wrote to ICA Director John B. Hollister December 9 that—

The universities, facing increased enrollments and other formidable pressures, are deeply concerned about their ability to plan such an international program without a specific charter from the Government. They are aware that the program is permissive under existing legislation. They seek to determine whether, in fact, our Government proposes specifically to support this program over an extended period. If there is danger of an early termination of this support, they must, in fairness to their primary educational responsibilities in the United States, limit their obligations forthwith.

* * * it is my candid opinion that the continued cooperation of the universities with the ICA in this program is dependent upon that clear statement of public policy called for by the resolutions.

As university participation in technical assistance has increased, so have the demands of the program upon the resources of the universities. It seems to the subcommittee not unreasonable for the universities to want to know whether they should plan to meet these demands on a short-term or long-term basis. The subcommittee recommends that this situation be reviewed in the executive branch and that, if necessary, appropriate legislation be submitted to Congress for further consideration.

Besides private business firms and universities, the various agencies administering the technical assistance program have also used private philanthropic agencies, both through contracts and through the establishment of cooperative relationships. In the instances which the subcommittee has observed, both of these techniques have been highly effective. Perhaps the most spectacular example which has come to the subcommittee's attention is the Veramin Plains project in Iran, which is a noteworthy case of four-way cooperation involving the United States Government, the Iranian Government, the Near East Foundation, and the Ford Foundation.

Many private philanthropic organizations were carrying on technical assistance programs long before the United States Government program began. These groups have accumulated considerable reservoirs of experience and know-how which can be of very great benefit to the Government. In certain instances, also, private groups are not subject to some of the political inhibitions which limit the Government.

The subcommittee hopes that the International Cooperation Administration will continue to look for opportunities for mutually beneficial cooperation with private philanthropic agencies.

VIII. DEGREE OF SELF-HELP AND MUTUAL ASSISTANCE IN RECIPIENT COUNTRIES

The subcommittee found a wide variation in the degree of self-help and mutual assistance in countries receiving technical assistance. This did not in all cases correspond to the variation in their capacities for self-help and mutual assistance.

Statistical measurements of these points are more often misleading than revealing. In the case of specific projects, it is sometimes possible, with a fair degree of accuracy, to put a dollar figure on the value of host country contributions and to compare this figure with United States expenditures. But this is too limited a basis on which to evaluate a country program. It does not take account, on the one hand, of related projects which the country may be carrying out entirely with its own funds. Nor, on the other hand, does it take account of other policies of a country which may negate the technical assistance. In the first instance, the subcommittee has in mind a country which contributes to a local project in village improvement and then, with its own resources, applies the results elsewhere. In the second instance, the subcommittee has in mind a country which frustrated a technical assistance project in milk production by financial policies which made the price of beef so high relative to the price of milk that dairy cattle were sold for beef.

More significant than the relative United States—host country expenditures on a particular project in a given year is the trend of those expenditures over a period of years. Many underdeveloped countries may be unaware of their need for technical assistance in certain fields, and may cooperate in a new project in those fields with something less than wholehearted enthusiasm. If the project proves its worth over a period of years, the proportion of local contributions should increase, and finally, the local government should take it over entirely. In most countries outside Latin America, however, the technical assistance program has not been in operation long enough for definite conclusions to be drawn on this point.

The total development expenditures of a country, compared to United States technical assistance expenditures, may also be significant in measuring self-help. In many instances, these total expenditures dwarf the United States technical-assistance program by a ratio sometimes as high as 50 to 1.

Tests such as these, however, cannot be used to compare self-help in one country with self-help in another. In every case, self-help must be related to indigenous capacity and ability. In extremely underdeveloped countries, simply the ability to absorb the technical assistance which is granted is probably all that can be realistically expected.

In short, the subcommittee does not feel that self-help can be adequately measured in monetary terms. What is much more important is the attitude of the recipient country toward its own problems.

The existence of an overall development plan, or the effort to work one out, is one measure of this attitude. Another measure is the willingness of the country to take the steps which are necessary to make the most effective use of its own resources and of whatever outside assistance is available to it. This willingness can rarely be re-

duced to budgetary terms. It may mean, sometimes, the willingness to undertake a real reform program to undergird technical assistance in agriculture. It may mean, in other cases, willingness to revise the tax structure in a way to encourage development and particularly savings and investment. In still other cases, it may mean constructive labor legislation. These examples are only illustrative. The precise list will naturally be different in different countries. The important point is whether a country legitimately tries to solve its own problems or whether it relies on the United States to furnish the assistance necessary to maintain a precarious political and social status quo. The subcommittee feels that the scope of the United States technical assistance program should be related to this point.

The subcommittee interprets "mutual assistance" as used in Senate Resolution 214 to mean the contributions of recipient countries toward the total objectives of United States foreign policy. This requires some elaboration. It must be considered in the context of what those total—as distinguished from specific—objectives are, and the objectives themselves must be realistically related to what is feasibly attainable. In this context, it is a mistake to measure mutual assistance in terms of specific contributions to limited, specific foreign policy goals of the United States. It may sometimes be a mistake, for example, to measure a mutual assistance program solely in terms of a country's willingness to sign a military agreement.

In some instances this kind of mutual assistance has been used as an excuse to dispense with self-help. The general approach of such governments—fortunately not many—is "We are on your side; you have to take care of us." In other instances, a very large degree of self-help is present in the absence of mutual assistance. In still other instances, self-help and mutual assistance occur together. The United States can reasonably expect very little in the form of this kind of specific mutual assistance from most underdeveloped countries. Much emphasis has been put upon military security treaties, but the willingness of a country to sign such a treaty should not necessarily be related to the scope of the United States technical assistance program in that country. Other concrete forms of mutual assistance in most cases boil down to availability of raw materials, and this can be, and is, handled on a commercial basis.

The broader national interests of the United States require a growth in the area of human freedom. (It is perhaps significant that not since 1812 has the United States found it necessary to fight a war with a country which has standards of freedom comparable to our own.) Steps which countries receiving technical assistance take to promote such a growth, either politically or economically, are in the mutual interest of the United States and of the other country concerned. This seems to the subcommittee the most valuable mutual assistance which can reasonably be expected from most underdeveloped countries—namely, a devotion to their own independence and a determination to work out their own problems. If we expect them to refuse to prostitute themselves to the Soviet Union, we must also expect them to refuse to prostitute themselves to the United States. And we are false to our own traditions if we ask them to do otherwise.

A strong, free, and independent Asia is more important to the United States than a collection of weak dependents in the same area.

IX. RELATIONSHIP OF TECHNICAL ASSISTANCE, ECONOMIC AID, AND MILITARY ASSISTANCE

The relationship of technical assistance, economic aid, and military assistance is characterized by confusion in administration and artificial distinctions in policy making.

In regard to policy making, the difficulty stems in large part from the Mutual Security Act which authorizes five different kinds of assistance. These are—

1. Military assistance, which consists of weapons and military hardware.
2. Direct forces support, which consists of soft goods and civilian-type items delivered directly to the armed forces of a country.
3. Defense support, which consists of commodities and capital equipment furnished for the purpose of enabling a country to maintain larger military forces than it would otherwise be capable of doing.
4. Development assistance, which consists of commodities and capital equipment furnished for the purpose of promoting economic development in a country not receiving military assistance.
5. Technical cooperation, which consists of technical advice and demonstration supplies and equipment.

It will be seen at once that many of these categories are distinguished not by the type of aid but by the purpose for which it is rendered. Gasoline is direct forces support if it is delivered directly to the armed forces, but it is defense support if it is furnished to a country's civilian economy to replace gasoline used by the armed forces. And it is development assistance if it is furnished in quantity to a country not receiving military assistance. In each case, it obviously has an effect, either direct or indirect, upon the total economic and military situation of the country in question.

The purpose for which assistance is rendered obviously has a bearing upon congressional determination of whether or not assistance is justified and if so, in what amounts. But once Congress has passed upon the matter, cataloging the same basic type of assistance by different purposes becomes a largely academic exercise. Hence the confusion in administration.

In instances where the Congress has deliberately decided that both technical and economic assistance should be extended to a particular country, the subcommittee does not quarrel with this. But the subcommittee does quarrel with a tendency for technical assistance to become economic assistance in countries for which Congress has appropriated only money for technical assistance. This tendency most frequently manifests itself in an overly lavish use of supplies and equipment in the technical assistance program.

There is implicit in the distinctions in the Mutual Security Act a division of the non-Soviet countries of the world into two categories: Those where the primary objective of the United States is economic development and those where the primary objective is the generation of military strength. This is an unfortunate concept on which to base United States policy toward underdeveloped countries.

The implication is that a country such as Pakistan, which has alined itself on the side of the United States, is to be aided in its economic

development only to the extent necessary to support its military forces and that its purely civilian economy can expect no growth with American help. On the other hand, a country such as India, which avows its neutrality, does receive American help for the specific purpose of civilian economic development.

In practice, of course, defense-support funds in Pakistan and development assistance funds in India are used for the same types of projects, and there is no doubt that the civilian economy of Pakistan does benefit despite the ostensible military purpose for which the aid is extended. But neither is there any doubt that, insofar as the Indian civilian economy benefits from American aid, then the Indian capacity to maintain armed forces is increased. As a further complicating factor, the Pakistani armed forces, which we are aiding directly, and the Indian armed forces, which we are aiding indirectly, are in part facing each other across the ceasefire line in the disputed territory of Kashmir.

A somewhat similar situation prevails in regard to Egypt and Israel. Neither of these countries has military agreements with the United States, and thus neither is eligible for defense support aid. Both, however, are receiving development assistance, and because of that development assistance, both are unquestionably able to maintain larger military forces—principally to defend themselves against each other—than would otherwise be the case.

It is impossible to avoid this sort of collateral effect of assistance, but it seems to the subcommittee that the fine distinctions now drawn by the Mutual Security Act should be removed.

The subcommittee therefore recommends that, in its consideration of mutual security legislation for fiscal 1957, the Congress consider authorizing only three types of aid:

1. Military assistance—i. e., anything from jet planes to shoes which is delivered directly to the military forces.
2. Economic assistance—i. e., anything in the form of capital equipment or investment.
3. Technical assistance—i. e., anything in the form of knowledge, techniques, or know-how. (Military training is in one sense technical assistance, but that is excluded from the term as it is used here. Such training activities should come under military assistance.)

The subcommittee further recommends that economic assistance to underdeveloped countries, when desirable, be extended exclusively for purposes of economic development. The distinction of purpose between economic assistance and defense support was first drawn in connection with aid to Europe after the end of the Marshall plan proper and at the beginning of the NATO rearmament effort. In this situation, it had some validity. Europe at that time would have been able to handle its own economic problems in the absence of an augmented military effort, and it was this military effort which made further aid desirable. This is not true of most underdeveloped countries.

A further reason for the distinction between economic assistance and defense support may well be the feeling on the part of the administration that something smacking of military aid is easier to sell to Congress, and a feeling on the part of Congress that it is easier to sell to the public.

The subcommittee feels that both Congress and the public are wiser and more mature than this sort of semantics implies. If the economic development of country X is in the national interest of the United States, then economic assistance can be justified on those grounds without straining the case to cast it into a military mold.

It seems to the subcommittee that, so far as underdeveloped countries are concerned, the proper approach to a determination of the amount and type of assistance should begin with the question of what it is that the United States seeks to accomplish. It is questionable that this would ever be simply the support of military forces.

The emphasis of United States policy in Asia may have been rather too heavily military. The underlying economic and political strength is also important. In this connection, it is worth recalling that the military assistance program under NATO could not have made the progress it has if it had not been preceded by the economic assistance program under the Marshall plan.

Where assistance to underdeveloped countries is indicated at all, therefore, it will probably involve something more than military assistance. This "something more" should be plainly designated as economic assistance or technical assistance and extended as such, even though it might have an ultimate or correlative military purpose.

The point is that even if the United States were interested only in the armed forces of a particular underdeveloped country, this interest would necessarily encompass also an interest in the economy of that country. This is true because most underdeveloped countries are incapable of maintaining significant military forces, or of absorbing significant amounts of military assistance, unless they are also aided economically. Now if economic assistance is extended under the guise of "defense support" for the primary purpose of enabling those countries to maintain bigger military forces than would otherwise be possible, it becomes coterminous in time with military assistance. It will have to be continued as long as we deem it in our interest for forces of that size to be maintained by that country. Economic aid of this type does nothing to improve the country's position beyond support of the military forces and therefore does nothing to make its own discontinuance possible. Assistance aimed at economic development, however, generates a higher level of economic activity and a process of development which will be self-sustaining. It thus ultimately increases the country's capacity to support larger military forces and accomplishes an economic objective in addition.

In underdeveloped countries where the support of military forces is not an objective of the United States, the question arises as to whether either economic or technical assistance is justified on economic or political grounds. The subcommittee is inclined to the view that it is worthwhile for the United States to carry on a modest technical assistance program in virtually any non-Soviet country that asks for it. This is based on the belief that the peripheral benefits of technical assistance in terms of opportunities to extend mutual benefits—though small—probably justify small annual expenditures. Beyond this minimum level, the question to be considered is whether the economic development of a given country is in the interest of the United States and whether the ingredients are present to make a program of economic development successful.

If these questions are answered in the affirmative, then the United States should assist in a program of development in any manner which is required to insure its success. This might mean technical assistance; it might mean technical assistance combined with economic aid; it might conceivably mean economic aid alone; or it might mean certain actions in the field of trade and investment policy. The important thing is to decide first the policy to be carried out and then choose the tools to do it. It is idle to debate the tools as though they were the policies.

It is important to recognize, also, that the appropriate tools may very well change as the job progresses. In an extremely underdeveloped country, the absorptive capacity for technical assistance will be very low at the beginning. As the country develops, this capacity will increase. It may, therefore, be advantageous to the United States to increase the supply of technical assistance and perhaps even to furnish some economic assistance.

Technical assistance in amounts larger than would otherwise be indicated may also be necessary in countries where the United States conducts sizable military and economic operations because of pressing political considerations. Technical assistance is frequently required in such cases to enable the country to absorb the other types of aid which it is receiving.

To summarize: The object of technical assistance is economic development. The attainment of this object requires things besides technical assistance. One of these things is the indigenous urge to develop. The United States can have only marginal, if any, influence on this point. But if the local climate for democratic economic development is right, and if technical assistance is available, then it seems to the subcommittee shortsighted to gamble with the failure of the whole enterprise for lack of economic assistance. Technical assistance can be extremely expensive if it is less than fully effective for lack of accompanying capital investment. In the cases where both economic assistance and technical assistance are necessary, the United States should either supply both or neither. Half-way measures are frequently worse than none.

The subcommittee by no means implies that technical assistance should invariably be accompanied by economic assistance. In many cases, the necessary capital investment can be supplied by private business, by international lending agencies, or in some instances by capital within the country receiving technical aid. Further, there are varying degrees of urgency and also of absorptive capacity.

Nor does the subcommittee imply that economic assistance should invariably take the form of grant aid. It may take that form, but such cases are rare. Far more often, it will take the form of long-term, low-interest loans.

Finally, the subcommittee feels it appropriate to distinguish between economic aid as carried out in Europe under the Marshall plan and as it is needed in some few key underdeveloped countries. The two problems are entirely different and to attempt to solve them in the same way would be like a doctor prescribing the same treatment for pneumonia and appendicitis.

The problem in postwar Europe was not one of economic development; it was one of the economic recovery of a highly developed area. Europe had the absorptive capacity and the administrative and

technical skills to make good use of massive amounts of aid. These conditions do not exist in most underdeveloped countries. Economic development requires an entirely different approach than economic recovery. It therefore seems to the subcommittee unrealistic to talk of a "Marshall plan for Asia."

Asia has serious economic problems, and it is in the interest of the United States to help Asians solve those problems, but the solutions which must be applied are different from those which were used so successfully in Europe.

Another problem which deserves attention, though it is somewhat peripheral to the central point of the subcommittee's study, is the matter of local currency counterpart funds.

The Economic Cooperation Act of 1948 required countries receiving grant aid under the Marshall plan to deposit an equivalent amount of their local currency in a special account. A certain percentage of this account was for the use of the United States in defraying its local currency expenses; the balance was to be used for projects, jointly agreed to by the United States and the recipient country, for furthering economic recovery. Thus, the dollars which the United States appropriated for the aid program would do a kind of double duty—once as dollars and once as foreign currency.

A further advantage of the counterpart fund requirement arose out of the method in which aid was extended—that is, through the government of the recipient country for sale to its people for local currency and not directly from the United States as a gift to the ultimate consumers. A device such as counterpart funds enabled the United States to retain some degree of control over the ultimate use of the local currency which accrued to foreign governments as a result of grant dollar aid. Otherwise, foreign governments would have been presented with budgetary windfalls financed by the United States.

As the various programs of American foreign aid spread from Europe to the underdeveloped parts of the world, counterpart funds, with some modifications, spread with them. Additional local currency, in a slightly different category, has more recently been generated by sales of surplus agricultural commodities.

The subcommittee believes the concept of counterpart funds is sound, but it is disturbed by a tendency which it has observed to furnish dollar aid simply for the sake of generating counterpart. This is indeed a classic case of the tail wagging the dog. In some instances, the reasoning of ICA seems to start from the assumption that what a country needs is more money in its national treasury. This assumption, in turn, leads to a search for types of American aid which would generate the local currency to provide this money.

Obviously, this is precisely the reverse of the process which should take place—namely, that after a clear showing is made that certain types of American dollar aid are needed and would produce results in the national interest, then a search should be made for ways to use the ensuing counterpart. The practice of financing imports for the sake of generating counterpart is especially pernicious when these imports take the form of luxury goods.

The subcommittee realizes that many foreign nations have shortages of their own currency, both for private business investment and for balancing the government's budget. The subcommittee further re-

alizes that the impact of massive foreign aid is inflationary within the recipient country unless steps are taken either to reduce effective demand or to increase the supply of consumer goods. But when this inflationary impact is met by simply furnishing more aid to increase the supply of consumer goods, what it amounts to is that the United States is giving a recipient country so much aid that it has to give still more in order to enable the country to assimilate that which it got in the first place.

The subcommittee hopes it is not necessary to argue the point that obviously our foreign aid programs should not be on any such scale as this. Yet that is the scale which would be required if the attempt was made to transfer the techniques of the Marshall plan to Asia. Indeed, there is already evidence of it in a few countries.

There are extreme instances when such action may be justified by urgent military or political situations. An example would be Korea during and immediately after the period of hostilities. But such examples are very rare. American aid cannot take the place of sound fiscal policies within a recipient country.

It should be made clear that technical assistance, as such, does not generate counterpart. Technical assistance agreements, however, do provide for contributions to the program from the recipient country. These contributions usually take the form of local currency, office space and equipment, the salaries of local personnel, and some types of supplies and equipment. In at least one instance that the subcommittee knows of, counterpart generated by economic aid has been used as the local government's matching contribution to United States technical assistance.

It is conceivable that in some circumstances technical assistance would be the best use to which counterpart could be put. But the sort of arrangement described above raises grave doubts as to whether the economic aid in question was not in fact furnished primarily to generate the counterpart needed for technical assistance. The subcommittee strongly deprecates such action.

X. EFFECTIVENESS OF THE ADMINISTRATION OF TECHNICAL ASSISTANCE IN ADVANCING THE FOREIGN POLICY OF THE UNITED STATES

The subcommittee finds that although the administration of technical assistance has been helpful in advancing the foreign policy of the United States, it has not been as effective as it might be.

Some of the factors involved in this conclusion have been discussed earlier in this report—inadequate planning, a tendency to attempt to accomplish too much too soon, insufficient attention to the absorptive capacity of recipient countries and to the social and political implications of technical change.

On the whole, the program has been of greater technical than political effectiveness. Political results are, of course, more difficult to measure and also take longer to manifest themselves. The subcommittee does not intend to imply that the program has been totally ineffective in advancing the foreign policy of the United States. Such a conclusion would call for a recommendation that the program be abandoned. On the contrary, the subcommittee believes the program has been effective in advancing American foreign policy and that it should be continued and strengthened. The subcommittee's point is that the program could be even more effective.

One of the principal ways in which this could be done is through relating the program's activities more precisely to the foreign policy objectives of the United States. A perceptive American put it this way on the basis of his observation of the technical assistance program in a number of underdeveloped countries:

* * * I have no doubt at all that technical assistance, if administered with commonsense and if the programs are meshed into gear with our foreign policy objectives, can do much to further the foreign policy of the United States. However, speaking of my observation of technical assistance in general * * * I should say that it is a frequent and no doubt natural impulse on the part of our experts to advocate grandiose programs in a variety of fields simply because the experts are carried away by their enthusiasm for their own speciality. I recall in Egypt, for example, part of the TCA mission who were riding off hell for leather across the desert to plant grasses where no grass had grown since the great Pyramids of Cheops were erected, while in other parts of that interesting country other zealots were urging the bewildered fellaheen to dig pit privies. None of these projects had the slightest effect on the foreign policy of the United States. However, if * * * our technical assistance programs are carefully tailored to the requirements of a country, and if we follow the rule of doing first things first and not everything all at once, in return for that standard of competence by the recipient country which I insist is a necessary requisite to our granting aid, I believe that these various forms of technical assistance can be a new intelligent and vital adjunct to American diplomacy.

This is one reason the subcommittee is so insistent about a further integration of the International Cooperation Administration with the Department of State. The effectiveness of any single tool of foreign policy is limited. Although each, in the appropriate circumstances, can contribute to attainment of the total foreign policy objectives of the United States, none can achieve those objectives in and of itself.

It is as important to recognize the limitations of a program as to recognize its potentialities. Failure to do this in the period following enactment of the Act for International Development in 1950 led to many unrealistic expectations in regard to technical assistance, particularly in some underdeveloped countries. The process of bringing these extravagant hopes down to earth has been a rather painful one in some instances.

There are two limitations on technical assistance which deserve more attention than they have always received. One of these is the absorptive capacity in recipient countries which has already been discussed at some length. The other is the supply of American technicians and administrators to carry out the program.

This supply is extremely short, and ICA and its predecessors have encountered severe difficulties in recruiting personnel for the program at its past and present levels. This is one reason the subcommittee does not recommend an expansion of the program.

The American engaged in technical assistance abroad should be first of all, of course, competent in his own speciality. In addition, ideally, he should also be familiar with the language, customs, and problems of the country to which he is assigned. Finally, he should be of a temperament which allows easy adjustment to different, and frequently difficult, environments, and he should combine a sympathetic understanding of the people among whom he is working with enthusiasm for his job. These last characteristics should be shared by his family. The technician should, in short, be not only a technician but also something of a linguist, a diplomat, a teacher, a sociologist, a cultural anthropologist, and a missionary.

The number of Americans who meet all of these qualifications is not large, to put it mildly. It is particularly difficult to find people with a knowledge of Asian languages—so difficult, in fact, that if this requirement were insisted upon technical assistance could hardly be carried out at all in some countries. Thorough orientation and briefing procedures can supply an initial workable familiarity with the customs and problems of a country, and with a real effort the language can be picked up in the course of the technician's assignment. More attention should be given to this language problem. There are few better ways to establish rapport with a foreigner than to attempt to converse with him in his own language, even though it be spoken in a bad accent with worse grammar. Longer assignments than the present standard of 2 years would be helpful in this respect. On the other hand, there are even fewer Americans willing to live 4 years in some underdeveloped countries than there are those who are willing to live 2 years in such environments.

Although a knowledge of customs, and even of language, can be acquired by a technician, and can therefore be waived to some extent in the recruitment process, the equally important characteristics of temperament and adaptability cannot be acquired if they do not already exist to a high degree. These characteristics should be insisted upon by ICA. It is better not to attempt a technical assistance project at all than to attempt it with technicians who irritate and offend the people they are supposed to help.

The basic problem of recruiting for technical assistance is the nationwide shortage in the United States of qualified people. Many of the limited number who are qualified have other jobs which they are unwilling to leave and which in many cases are as much in the national interest as is the technical assistance program. The problem involves the whole question of national policy toward the development and utilization of technical personnel and as such far transcends the scope of this subcommittee's assignment.

XI. CONCLUSION

Technical assistance on a government-to-government basis is still a relatively new concept. Outside Latin America, the oldest country program has been underway scarcely 5 years. This is a brief period in which to launch and evaluate a long-range effort with as many implications as technical assistance. It has, in addition, been an extremely unsettled period with wars and threats of wars dominating the international scene and upsetting many otherwise well-laid plans for economic development.

In these circumstances, it is perhaps only natural that the technical assistance program has not produced all the results of which it is potentially capable. Some of the money which the United States has invested in technical assistance over the last 5 years has been wasted; but this should not obscure the fact that most of the money has produced results in the national interest of the United States.

This report ends, as it began, on this note of the American national interest which, the subcommittee repeats, is the only valid test of a foreign policy. There has occasionally been some reluctance to apply this test in direct and specific terms to technical assistance. This reluctance stems, in part, from a feeling that such application lends

credence to Communist propaganda that American aid programs of whatever kind are tools of imperialism designed to impose American dictates on newly independent countries. This reluctance is self-defeating in two respects.

First, it induces skepticism of our real motives on the part of underdeveloped countries. The people of these countries are not prepared to believe that we are wholly altruistic. When we are not perfectly frank about our real motives, they are more likely to give credence to the Communist version.

Second, this reluctance results in lack of understanding among the American people themselves. This accounts in part for the opposition to technical assistance and other forms of foreign aid as giveaway programs.

There is no reason for the United States to be at all hesitant about justifying the technical assistance program on the basis of its real motivation; namely the national interest. Far from imposing American imperialism on underdeveloped countries, as the Communists allege, the American national interest is in fact anti-imperialistic. Attempts to use the technical assistance program as an instrument of imperialism would produce the precise opposite of the results sought.

This report has attempted to show that in many respects the national interests of the United States and of the underdeveloped countries coincide. So long as these countries retain freedom, independence, and economic growth as their national goals, the achievement of those goals is in our interests as well as theirs. This is the sense in which technical assistance is a mutual, cooperative undertaking promoting the enlightened self-interest of all concerned.

Although some mistakes and some false starts have been made in the technical assistance program in the last 5 years, there has also been progress in learning from the mistakes and in identifying the problems involved in a program of this character. In a number of countries, the technical assistance program has taken root. It would be a grievous error if, because of past mistakes, these roots were now destroyed. If the program is given sensible administration and if it is properly related to the overall objectives of our foreign policy, it can be reasonably expected to produce more results in the future than it has in the past. This is so not only because we can learn from past mistakes but also because the results of technical assistance are cumulative.

The concept of technical assistance is sound. Despite some waste, the investment which the United States has made in the program is also sound. The results to date justify further investment; indeed, the dividends from the investment already made will not be fully realized unless the program is continued.

DEVELOPMENT OF TECHNICAL ASSISTANCE PROGRAMS:
BACKGROUND INFORMATION AND DOCUMENTS

November 22, 1954

PREFATORY NOTE

Senate Resolution 214, providing for a "full and complete study" of our technical assistance programs, was introduced by Senator Mansfield February 23, 1954. The resolution was reported by the Foreign Relations Committee April 9, and, after also being approved by the Rules Committee, was agreed to by the Senate July 6, 1954.

On August 11, as chairman of the Foreign Relations Committee, I appointed the following members of the committee to serve on the subcommittee created by the resolution:

Senator Hickenlooper, chairman, and Senators Aiken, Capehart, Green, Fulbright, and Mansfield.

On August 20, 1954, the Vice President appointed Senator Kennedy from the Senate at large to serve with the subcommittee. An additional Republican Senator is still to be appointed by the Vice President.

The preliminary staff work of the subcommittee proceeded during the adjournment of the Senate, and the present document is the first result. It should prove an invaluable aid to the subcommittee in its work.

ALEXANDER WILEY,
Chairman, Committee on Foreign Relations.

FOREWORD

In Senate Resolution 214, which was agreed to July 6, 1954, the Senate directed a subcommittee of the Foreign Relations Committee, in conjunction with two other Senators appointed at large by the Vice President, to make "a full and complete study of technical assistance and related programs."

The background information, documents, and data basic to such a study are published herewith for the use of the subcommittee, and in the hope that they will also be useful to the Senate at large.

The present document consists of three parts. First is a historical summary of the development of technical assistance, prepared by the staff of the subcommittee. Second, in appendix A, is a collection of documents relating to technical assistance, compiled by the staff. Third, in appendix B, is a series of statistical tables. Those tables dealing with United States bilateral programs were furnished the subcommittee by the Foreign Operations Administration. Those dealing with the multilateral programs of the United Nations and the Organization of American States were taken from official publications.

No inferences should be drawn as to the views of the subcommittee on the basis of any information which is included in, or omitted from, this document.

BOURKE B. HICKENLOOPER,

Chairman, Subcommittee on Technical Assistance Programs:

NOVEMBER 22, 1954.

DEVELOPMENT OF TECHNICAL ASSISTANCE PROGRAMS

I. BACKGROUND

Technical assistance began when the man who invented the wheel told somebody about it.

It has since played a large and significant role in human affairs, most of the time as a byproduct of military or business activity.

When Alexander the Great built the port of Alexandria to support his conquests, he furnished technical assistance to Egypt in the process, though that was no doubt the last motive which entered his head, if, indeed, it occurred to him at all. The Romans were likewise great spreaders of technical assistance, again as a byproduct of military conquest.

There are also early instances of technical assistance in the Far East. In the third or fourth century A. D., Chinese were brought to Japan to teach silk weaving. Somewhat later, Chinese were brought to Persia to teach pottery.

The Renaissance was marked by a great increase in the international interchange of technical information in Europe, but with the rise of mercantilism and economic nationalism, the export of technical knowledge came to be regarded as subversive. In 1679, for example, when the Spanish Ambassador to France engaged four master silk-makers and a number of workers to go to Spain, one of Louis XIV's ministers ordered an official in Rouen to jail the would-be emigrants, to "provide scantily for their nourishment," and especially to keep the masters in jail a long time, "so as to prevent other Frenchmen from taking the same road and transporting manufactures out of the kingdom."¹

The pull of commerce was too strong, however, and especially with the coming of the industrial revolution, the people of Western Europe poured all over the world, taking with them their skills and technical knowledge. Some of this know-how inevitably rubbed off on the indigenous peoples, but it did so through accident or coincidence. It was a byproduct of conquest, colonization, or commerce, but it was nonetheless valuable and significant even though unplanned.

By the second quarter of the 19th century, the United States, which was itself then receiving large amounts of technical assistance from Europe, began to extend technical assistance through the operations of private business and missionaries.

In 1834, Eli Smith, a missionary from Connecticut, set up the first Arabic printing press in Syria, and the Presbyterian Board of Missions sent teachers and medical missionaries to Iran. The American University of Beirut was founded by Presbyterian missionaries in 1868 and the American College in Teheran was started as a boys' school in 1872.

¹ Charles Woolsey Cole, *Colbert and a Century of French Mercantilism*, New York, 1939, vol. II, pp. 140-141. Quoted in Eugene Staley, *The Future of Underdeveloped Countries*, New York, 1954, p. 27.

From the middle of the 19th century onward, American missionaries of all denominations have built schools and hospitals all over the underdeveloped world. Beginning at about the same time, foreign governments themselves embarked on programs of buying technical assistance through contracts with private American citizens. In more recent years, private nonsectarian philanthropic organizations, such as the Rockefeller Foundation and the Ford Foundation, have also entered the field. And American business, which now has investments of approximately \$10 billion in underdeveloped countries, has trained thousands of foreign workers.

Other sorts of private organizations in the United States have also increasingly entered the field of international technical assistance. The major farm organizations, for example, participate in farm youth exchange programs, and American labor organizations provide assistance designed to strengthen free trade unions abroad.

The total of all of these types of nongovernmental technical assistance cannot be measured in dollar terms. Much of it, particularly that carried on by private firms, is indirect and is incidental to normal business operations.

But there are enough measurements or indicators to make it certain that nongovernmental assistance far exceeds that which is extended through governmental programs.

These governmental programs are usually dated from 1942, when operations were begun in Latin America,² primarily with a view to increasing the production of war materials. Actually, however, the United States Government has been in the technical assistance business since the turn of the century. The roots of the program go back to the Pan American Sanitary Bureau, organized in 1902, and to the development program which the United States carried out in the Philippines and Puerto Rico beginning about the same time.

The Philippine program was revived in the Philippine Rehabilitation Act of 1946 which emphasized, among other things, technical training of Filipinos in the United States.³ The United States Information and Educational Exchange Act of 1948,⁴ although concerned primarily with overseas information programs and cultural exchange activities, made provision for technical exchange programs. The International Aviation Facilities Act of 1948⁵ provided for technical assistance in the fields of meteorology and civil aviation. The Economic Cooperation Act of 1948⁶ and the China Aid Act of 1948⁷ likewise encompassed technical assistance among their broader purposes. The China Aid Act gave particular attention to the subject, and provided for the establishment of the Joint Commission on Rural Reconstruction to—

formulate and carry out a program for reconstruction in rural areas of China, which shall include such research and training activities as may be necessary or appropriate for such reconstruction.⁸

² See appendix A, document 2, p. 71.

³ See appendix A, document 1, p. 67.

⁴ See appendix A, document 3, p. 74.

⁵ See appendix A, document 6, p. 78.

⁶ See appendix A, document 4, p. 77.

⁷ See appendix A, document 5, p. 78.

⁸ See p. 78.

II. "POINT 4"

A. THE ORIGINAL CONCEPT

In January 1949 President Truman in his inaugural address,⁹ listed four points as the basis of American foreign policy. The first three of these points were support of the United Nations, world economic recovery, and collective defense against aggression. The fourth called for a "bold new program for making the benefits of our scientific advances and industrial progress available for the improvement and growth of underdeveloped areas."¹⁰

The "point 4" program has since come to be thought of as synonymous with technical assistance. Actually, however, as outlined in the President's inaugural address and elaborated upon in his message to Congress of June 24, 1949,¹¹ it was considerably broader. It was a program of international economic development, of which technical assistance was only one element. The other principal element was capital investment, which was envisaged as coming from the Export-Import Bank, the International Bank for Reconstruction and Development, and private sources. There was no recommendation for Government grants of capital. There was, instead, a recommendation for guaranties by the Export-Import Bank of private foreign investments against risk of loss—

through expropriation without compensation, unfair or discriminatory treatment, destruction through war or rebellion, or the inability to convert their earnings into dollars.¹²

Technical assistance and capital investment were seen as closely related in the developmental process.

Technical assistance—

said the President in his message in June—

is necessary to lay the groundwork for productive investment. Investment, in turn, brings with it technical assistance. In general, however, technical surveys of resources and of the possibilities of economic development must precede substantial capital investment. Furthermore, in many of the areas concerned, technical assistance in improving sanitation, communications, or education is required to create conditions in which capital investment can be fruitful.¹³

President Truman justified the program from the point of view of the United States on these grounds:

Unless the underdeveloped countries "create a firm economic base for the democratic aspirations of their citizens," they "will be unable to meet the expectations which the modern world has aroused in their peoples," and "if they are frustrated and disappointed, they may turn to false doctrines which hold that the way of progress lies through tyranny."¹⁴

An increase in the productivity and purchasing power of the underdeveloped countries would benefit United States industry and agriculture and increase American economic stability.

Economic development of underdeveloped areas would promote "the growing system of world trade which is necessary for European recovery."¹⁵

⁹ See appendix A, document 14, p. 101.

¹⁰ See p. 101.

¹¹ See appendix A, document 15, p. 102.

¹² See p. 105.

¹³ See p. 103.

¹⁴ See p. 103.

¹⁵ See p. 103.

“The development of these areas will strengthen the United Nations and the fabric of world peace.”¹⁶

Technical assistance was not defined in detail, but two points were emphasized: First, that—

the major effort * * * must be local in character; it must be made by the people of the underdeveloped areas themselves.¹⁷

Second, that technical assistance would include—

not only medical and educational knowledge, and assistance and advice in such basic fields, as sanitation, communications, roadbuilding, and governmental services, but also, and perhaps most important, assistance in the survey of resources and in planning for long-range economic development.¹⁸

The President pointed out that specific types of assistance and specific benefits which could be expected from it—

can only be revealed by studies and surveys undertaken as a part of the program itself.¹⁹

B. THE ACT FOR INTERNATIONAL DEVELOPMENT

The technical assistance program was authorized by the Act for International Development (title IV of Public Law 535, approved June 5, 1950).²⁰

This act was premised upon a finding by Congress that the—

peoples of the United States and other nations have a common interest in the freedom and in the economic and social progress of all peoples. Such progress can further secure the growth of democratic ways of life, the expansion of mutually beneficial commerce, the development of international understanding and good will, and the maintenance of world peace.²¹

It was declared to be—

the policy of the United States to aid the efforts of the peoples of economically underdeveloped areas to develop their resources and improve their working and living conditions by encouraging the exchange of technical knowledge and skills and the flow of investment capital to countries which provide conditions under which such technical assistance and capital can effectively and constructively contribute to raising standards of living, creating new sources of wealth, increasing productivity and expanding purchasing power.²²

The act laid down certain preconditions as necessary for technical assistance to be of maximum value. Principal among these were an “understanding of the mutual advantages” and “confidence of fair and reasonable treatment.”²³ In the case of investment, the act continued, this involved:

Confidence in the underdeveloped countries that investors—

will conserve as well as develop local resources, will bear a fair share of local taxes and observe local laws, and will provide adequate wages and working conditions for local labor.²⁴

Confidence on the part of investors that—

they will not be deprived of their property without prompt, adequate, and effective compensation; that they will be given reasonable opportunity to

¹⁶ See p. 103.

¹⁷ See p. 103.

¹⁸ See p. 103.

¹⁹ See p. 104.

²⁰ See appendix A, Document 7, p. 79.

²¹ See p. 79.

²² See p. 80.

²³ See p. 79.

²⁴ See p. 79.

remit their earnings and withdraw their capital; that they will have reasonable freedom to manage, operate, and control their enterprises; that they will enjoy security in the protection of their persons and property, including industrial and intellectual property, and nondiscriminatory treatment in taxation and in the conduct of their business affairs.²⁵

The act also laid down a number of guidelines for administering the technical assistance program. It emphasized the participation of private agencies and the efforts of the country receiving assistance. Not only was the recipient country to pay "a fair share of the cost of the program,"²⁶ but it was also to take other steps necessary to make effective use of the assistance it received. Among the factors to be taken into consideration in reviewing requests for assistance were: whether the assistance—

is an appropriate part of a program reasonably designed to contribute to the balanced and integrated development of the country or area concerned;²⁷

whether any works or facilities which may be projected are actually needed in view of similar facilities existing in the area and are otherwise economically sound;²⁸

with respect to projects for which capital is requested, whether private capital is available either in the country or elsewhere upon reasonable terms and in sufficient amounts to finance such projects.²⁹

Further, the administration was directed to give—

due regard * * * to the possibilities of achieving satisfactory results * * * as evidenced by the desire of the country requesting [assistance] (1) to take steps necessary to make effective use of the assistance made available, including the encouragement of the flow of productive local and foreign investment capital where needed for development; and (2) to endeavor to facilitate the development of the colonies, possessions, dependencies, and non-self-governing territories administered by such requesting country so that such areas may make adequate contribution to the effectiveness of the assistance requested.³⁰

Besides a general undertaking to pay "a fair share" of the cost and to endeavor to "make effective use" of the results of the program, countries receiving assistance were also expected to:

Provide "all necessary information" concerning the program and give the program "full publicity."³¹

Seek "to the maximum extent possible full coordination and integration of technical cooperation programs being carried on in that country."³²

Cooperate "with other countries participating in the program in the mutual exchange of technical knowledge and skills."³³

Finally, participating countries were to "be encouraged to establish fair labor standards of wages and working conditions and management-labor relations."³⁴

²⁵ See p. 79.

²⁶ See p. 81.

²⁷ See p. 80.

²⁸ See p. 80.

²⁹ See p. 80.

³⁰ See p. 81.

³¹ See p. 81.

³² See p. 81.

³³ See p. 81.

³⁴ See p. 81.

III. SCOPE OF THE TECHNICAL ASSISTANCE PROGRAM

A. DEFINITION

The Act for International Development defined "technical cooperation programs" as—

programs for the international interchange of technical knowledge and skills designed to contribute to the balanced and integrated development of the economic resources and productive capacities of economically underdeveloped areas.

These activities, it continued—

may include, but need not be limited to, economic, engineering, medical, educational, agricultural, fishery, mineral, and fiscal surveys, demonstration, training, and similar projects that serve the purpose of promoting the development of economic resources and productive capacities of underdeveloped areas.³⁵

Specifically excluded were:

Activities authorized by the United States Information and Educational Exchange Act unless primarily related to economic development.

Activities undertaken pursuant to the International Aviation Facilities Act.

Activities pursuant to the Philippine Rehabilitation Act.

Activities pursuant to the Foreign Assistance Act of 1948.

Activities in the administration of areas occupied by the United States Armed Forces.

Activities of the Economic Cooperation Administration in Korea.

This definition was changed in three respects in the Mutual Security Act of 1954.³⁶ First, the programs were to be—

designed to contribute *primarily* to the balanced and integrated development of the economic resources and productive capacities of economically underdeveloped areas.³⁷

Second, where the 1950 act had said the programs "may include, but need not be limited to" various specific fields of activity, the 1954 act declares they "shall be limited to" these fields.³⁸ The list of fields, however, is broadened to include labor, forestry, and training in public administration, as well as those named in the 1950 law, and the purposes which may be served by demonstration, training, and similar projects are broadened to include promotion of the trade of economically underdeveloped areas as well as the development of their economic resources and productive capacities.

Finally, activities pursuant to the Philippine Rehabilitation Act and to the Foreign Assistance Act of 1948 and those undertaken in Korea by the Economic Cooperation Administration are no longer listed among those excluded from the meaning of "technical cooperation programs." The two laws mentioned are no longer in effect and the ECA has ceased to exist.

"Underdeveloped" is a relative term. Every country in the world is underdeveloped to a certain extent. But Congress has never attempted a precise definition of where the technical-assistance program should be carried on. In its report on the Act for International Development, the Foreign Relations Committee said that—

³⁵ See p. 83.

³⁶ See appendix A, Doc. 11, p. 91.

³⁷ See p. 91.

³⁸ See p. 91.

the term "underdeveloped areas" as used here means those areas of the American Republics, the Far East, the Near East, and Africa, where low standards of living generally prevail.³⁹

This definition excludes Europe, but it does not define "low standards of living" in the other areas of the world. In practice, virtually every non-European, non-Soviet country in the world has been considered as potentially eligible for technical assistance, and most of them have received it.

Even in Europe, there have been substantial programs which amounted to technical assistance though they were carried on under authority other than that contained in the Act for International Development. ECA and MSA, for example, emphasized industrial productivity and gave substantial technical help to Western European industry in this connection. FOA has conducted exchange of persons programs in Europe with the same end in view. Total obligations for this sort of activity from the beginning of the European recovery program, April 3, 1948, to June 30, 1954, were slightly more than \$60 million.

B. RELATION TO ECONOMIC ASSISTANCE

The problem of drawing a line between economic assistance and technical assistance has been a recurrent topic of consideration by Congress in its annual reviews of the program. In fiscal 1952, the line was not drawn at all in either the authorization or appropriation acts, though the record of the hearings indicates that this was by no means from lack of congressional concern over the matter.

In reporting on the authorization for fiscal 1953, the Senate Foreign Relations Committee called attention to the Administration plans to spend four times as much for supplies and equipment as for technicians and trainees and declared:

The committee * * * believes that there may be a tendency on the part of some officers concerned with the TCA programs gradually to emphasize commodity and end-item types of assistance rather than technical assistance. The committee feels that changes of emphasis in that direction would be unwise * * *⁴⁰

The same year, the House Foreign Affairs Committee commented:

In examining the particular projects, country by country, the committee was impressed by the heavy outlays for supplies and equipment in some countries, notably India and Pakistan. This suggests a strong movement toward a commodity program at the expense of an exchange of technical skills. The committee expects that those administering TCA programs will show a firm determination that supplies and equipment, even though supporting technical assistance programs, will be reduced.⁴¹

The House committee also found—

little evidence * * * that TCA officers have weighed too carefully the absorptive capacity of a country.

In his message to Congress of June 23, 1954, President Eisenhower listed as one of the "fundamentals" essential to the success of technical cooperation programs that—

they should provide experts and know-how rather than large amounts of funds or goods, although they should not be allowed to fail due to lack of necessary teaching and demonstration equipment.⁴²

³⁹ See appendix A, document 19, p. 111.

⁴⁰ See appendix A, document 22, p. 118.

⁴¹ See appendix A, document 23, p. 118.

⁴² See H. Doc. 449, 83d Cong., p. 3.

In its report on the Mutual Security Act of 1954, the House Foreign Affairs Committee declared it was "determined that the program hew to the line originally laid down" and that technical cooperation should not be "a thin disguise for a commodity program."⁴³

The distinction between "technical assistance" on the one hand and "economic assistance" or "development assistance" on the other will become more important in view of the congressional decision in the Mutual Security Act of 1954 that "development assistance" is to end June 30, 1955, while "technical assistance" continues.

The distinction—and relationship—between "defense support" and "technical assistance" will likewise become more important, particularly in underdeveloped countries, such as Pakistan and the Philippines, with which the United States has military assistance agreements.

C. APPROPRIATIONS AND PERSONNEL

Since the Act for International Development was passed in 1950, Congress has authorized approximately \$600 million and has appropriated approximately \$500 million for technical assistance. The graph and the table on pages 57-59 show the wide annual fluctuations. In the last 2 years, however, appropriations have been stable at a level between \$116 million and \$117 million.

Authorizations and appropriations for technical assistance (including contributions to multilateral programs)

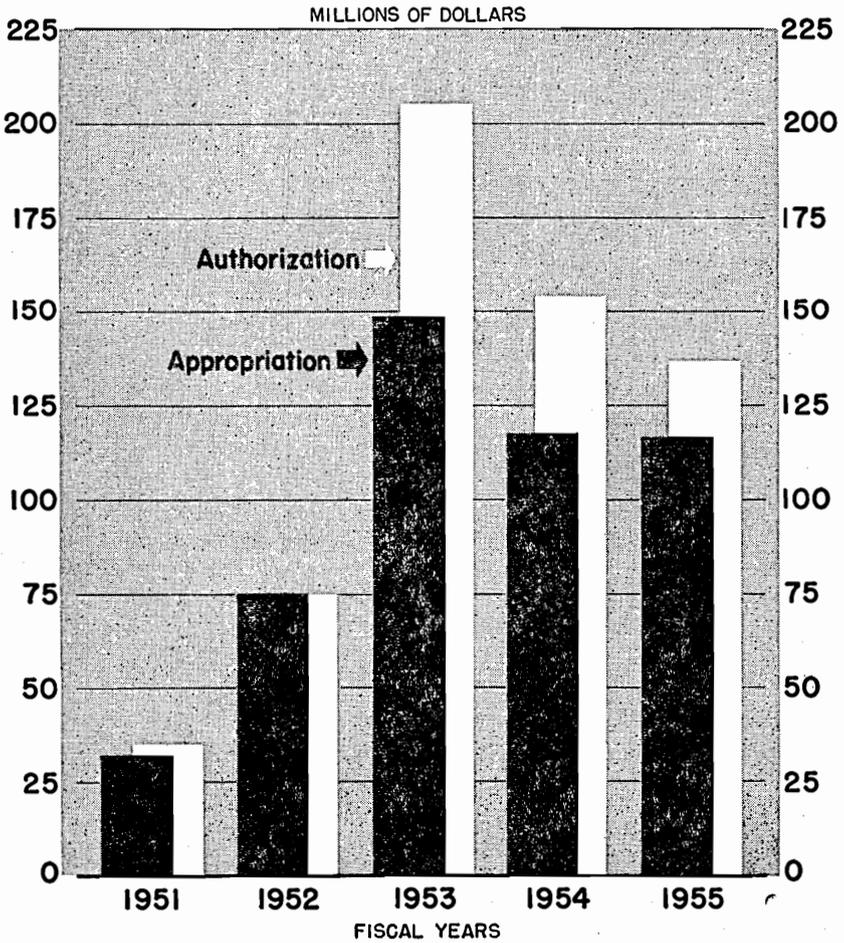
	Authorization	Appropriation
Fiscal year 1951.....	\$35,000,000	\$31,900,000
Fiscal year 1952.....	175,000,000	175,000,000
Fiscal year 1953.....	205,198,750	148,116,083
Fiscal year 1954.....	153,984,500	116,912,501
Fiscal year 1955.....	136,528,000	116,457,621
Total.....	605,711,250	488,386,205

¹ Funds were authorized and appropriated in a lump sum for economic and technical assistance in fiscal year 1952. The figure \$75 million was estimated as the technical assistance component by Administration witnesses before Senate Foreign Relations Committee.

The technical assistance program is in operation in 38 countries of the Far East, Latin America, and the Near East and Africa, plus dependent overseas territories of European powers in Latin America and Africa, plus 16 countries of Europe where a technical exchange program is carried on. The program in Burma has been liquidated at the request of the Burmese Government, and the program in Saudi Arabia is in process of liquidation for the same reason.

⁴³ See appendix A, document 27, pp. 126, 127

Technical Assistance



Technical cooperation and technical exchange programs, fiscal years 1953-55

[Obligations by area and country, United States and host country contribution¹]

Country, by area	Fiscal year 1953		Fiscal year 1954		Fiscal year 1955 ²	
	United States contribution	Host country contribution ³	United States contribution	Host country contribution ³	United States contribution	Host country contribution ³
Europe ⁴	\$14,660,500	-----	\$13,382,800	-----	-----	-----
Austria.....	446,600	-----	218,800	-----	-----	-----
Belgium-Luxembourg.....	357,500	-----	345,300	-----	-----	-----
Denmark.....	213,900	-----	336,900	-----	-----	-----
France.....	1,290,500	-----	935,000	-----	-----	-----
Germany (Fed. Rep.).....	193,500	-----	833,800	-----	-----	-----
Iceland.....	65,800	-----	108,900	-----	-----	-----
Ireland.....	-967,900	-----	-4,800	-----	-----	-----
Italy.....	715,300	-----	1,303,400	-----	-----	-----
Netherlands.....	282,300	-----	258,800	-----	-----	-----
Norway.....	402,200	-----	286,800	-----	-----	-----
Portugal.....	295,400	-----	220,600	-----	-----	-----
Spain.....	-----	-----	616,000	-----	-----	-----
Sweden.....	-27,900	-----	-----	-----	-----	-----
Trieste.....	-----	-----	-----	-----	-----	-----
United Kingdom.....	968,800	-----	66,200	-----	-----	-----
Yugoslavia.....	618,800	-----	1,719,300	-----	-----	-----
United States Regional Organizations.....	-----	-----	2,578,300	-----	-----	-----
Operating and miscellaneous costs.....	3,460,000	-----	1,479,400	-----	-----	-----
OEEC.....	2,770,900	-----	130,900	-----	-----	-----
Multicountry.....	1,776,600	-----	878,600	-----	-----	-----
U. S. Government agencies.....	1,024,700	-----	324,500	-----	-----	-----
Private contractors.....	763,100	-----	687,500	-----	-----	-----
Coal-Steel Community.....	-----	-----	41,600	-----	-----	-----
NATO.....	13,500	-----	17,000	-----	-----	-----
Near East, Africa, and South Asia.....	112,618,000	-----	77,705,000	-----	\$57,014,000	-----
Afghanistan.....	639,000	\$5,000,000	1,341,000	\$5,000,000	1,620,000	\$5,000,000
Dependent overseas territories.....	625,000	(⁵)	3,365,000	4,388,000	2,400,000	5,400,000
Egypt.....	12,617,000	19,952,000	3,256,000	19,321,000	3,500,000	12,752,000
Ethiopia.....	1,395,000	2,223,000	2,629,000	3,000,000	3,400,000	2,361,000
Greece.....	1,207,000	(⁶)	536,000	(⁷)	626,000	(⁸)
India.....	43,577,000	100,000,000	27,011,000	156,577,000	15,400,000	157,490,000
Iran.....	22,546,000	16,000,000	12,917,000	18,000,000	8,500,000	21,682,000
Iraq.....	1,828,000	16,621,000	2,194,000	16,640,000	2,200,000	4,678,000
Israel.....	2,361,000	2,100,000	1,483,000	1,500,000	1,400,000	-----
Jordan.....	2,626,000	635,000	2,341,000	2,160,000	2,200,000	810,000
Lebanon.....	926,000	1,190,000	2,793,000	903,000	2,000,000	1,516,000
Liberia.....	1,548,000	1,383,000	1,164,000	2,250,000	1,300,000	1,712,000
Libya.....	1,174,000	624,000	1,490,000	711,000	1,400,000	723,000
Nepal.....	458,000	(⁹)	869,000	500,000	780,000	800,000
Pakistan.....	11,593,000	15,120,000	8,156,000	28,400,000	5,300,000	32,972,000
Saudi Arabia.....	1,604,000	1,750,000	896,000	2,000,000	2,000,000	(⁹)
Turkey.....	2,131,000	(⁹)	3,048,000	(⁹)	1,000,000	-----
Regional projects.....	1,520,000	-----	974,000	-----	1,573,000	-----
Domestic program costs.....	2,206,000	-----	1,242,000	-----	2,215,000	-----
Far East.....	22,033,300	-----	25,532,800	-----	23,570,000	49,535,000
China (Formosa).....	2,247,500	-----	4,263,800	-----	3,425,000	2,501,000
Indochina (Associated States).....	502,600	-----	1,367,300	-----	3,515,000	2,000,000
Philippines.....	9,263,700	-----	9,449,900	-----	7,830,000	26,749,000
Thailand.....	6,463,500	-----	5,516,800	-----	5,000,000	13,100,000
Indonesia.....	3,556,000	-----	4,935,000	-----	4,000,000	5,185,000
Latin America.....	16,953,800	38,398,600	24,342,000	53,193,400	26,000,000	72,131,800
Bolivia.....	1,287,300	1,838,000	3,192,600	3,651,600	1,965,000	1,441,500
Brazil.....	2,967,100	13,620,000	2,719,500	27,906,400	3,070,000	34,120,000
Chile.....	1,180,200	2,815,300	1,432,400	2,230,000	1,657,000	1,841,600
Colombia.....	869,500	3,115,800	1,421,500	2,320,000	1,073,000	2,556,000
Costa Rica.....	734,200	1,062,000	857,200	967,100	880,000	1,265,400
Cuba.....	202,300	100,000	185,000	360,000	467,000	1,900,000
Dominican Republic.....	268,000	148,600	237,000	104,500	375,000	162,000
Ecuador.....	1,045,800	2,690,400	1,508,100	775,200	1,364,000	728,700
El Salvador.....	628,100	1,134,200	612,300	313,000	875,000	654,000
Guatemala.....	205,900	612,000	188,100	673,000	975,000	-----

See footnotes at end of table, p. 59.

Technical cooperation and technical exchange programs, fiscal years 1953-55—Con.

[Obligations by area and country, United States and host country contribution¹]

Country, by area	Fiscal year 1953		Fiscal year 1954		Fiscal year 1955 ²	
	United States contribution	Host country contribution ³	United States contribution	Host country contribution ³	United States contribution	Host country contribution ³
Latin America—Continued						
Haiti.....	\$545,200	\$895,400	\$1,035,000	\$919,200	\$1,267,000	\$3,792,000
Honduras.....	629,200	1,985,800	1,087,400	2,030,500	975,000	705,500
Mexico.....	625,400	702,000	1,375,400	1,618,900	1,400,000	1,145,900
Nicaragua.....	572,100	976,000	543,200	1,379,100	825,000	1,386,700
Panama.....	657,100	1,552,800	1,141,100	1,131,900	975,000	1,117,200
Paraguay.....	1,031,200	1,008,000	1,249,900	2,314,000	1,315,000	3,273,900
Peru.....	1,624,000	2,347,200	2,423,800	2,746,900	2,323,000	3,823,400
Uruguay.....	132,200	518,000	220,100	509,500	400,000	357,000
Venezuela.....	99,900	1,270,800	130,000	1,030,600	195,000	1,111,000
Dependent Overseas Territories.....	36,300	6,300	1,054,000	212,000	550,000	10,750,000
Regional projects.....	1,002,700	-----	1,351,400	-----	974,000	-----
Domestic program costs.....	610,100	-----	960,000	-----	1,512,000	-----
Voluntary agencies and interregional projects.....	-----	-----	-----	-----	588,000	-----
Less funds released from prior year's programs.....	-----	-----	-583,000	-----	-----	-----

¹ This table is a summary of the figures presented in appendix B. For further explanation of the figures, see footnotes to tables 2 (p. 147), 3 (p. 148), 5 (p. 149), 7 (p. 150), 9 (p. 151), 11 (p. 152), 13 (p. 154), 15 (p. 156), 17 (p. 158), 19 (p. 160), and 21 (p. 162).

² Estimated figures, based on congressional presentation of June 1954.

³ No information available on participating countries contributions in Europe and Greece and Turkey because of the different nature of the technical assistance program there. In the Far East for fiscal years 1953 and 1954, host country contributions were not estimated.

⁴ In Europe, the technical assistance program is termed a "technical exchange program."

⁵ Not available.

Personnel in the program numbered 3,227 June 30, 1954 (including 239 in Europe). This was an overall increase of 252 compared with June 30, 1953, when there were 2,975 personnel in the program (including 306 in Europe).⁴⁴

Personnel has been a source of continuing concern, not only to the congressional committees, but also to the administrators of the program.

Outstanding among the personnel problems have been those of recruitment. Many of the skills which are needed in the program are in none-too-abundant supply in the United States. Many of the persons possessing the necessary skills are reluctant to live under the conditions prevailing in many of the underdeveloped countries.

One of the means of overcoming personnel recruitment difficulties has been the university contract program, though personnel is by no means the only reason for this program.

This program was begun in May 1952 when a 4-year contract was signed with Oklahoma A. and M. College to establish an agricultural and mechanical college in Ethiopia. Since that time, 41 American colleges and universities have signed 51 contracts for various kinds of technical assistance work in 26 countries as of November 1, 1954. Most of these contracts are with a foreign university and are underwritten by FOA.

Under this type of arrangement, American faculty members can do technical assistance work abroad without resigning their jobs at home.

A further advantage which is cited for university contracts is that they make greater use of private agencies and resources.

⁴⁴ See appendix B, table 23, p. 164.

IV. ORGANIZATION

The Act for International Development conferred authority for carrying out the technical assistance program on the President and provided that the President could exercise that authority—

through the Secretary of State or through any other officer or employee of the United States Government.⁴⁵

The Senate Foreign Relations Committee report noted that the committee had been—

informed that the contemplated organization will be located in the State Department.⁴⁶

The provision of the act followed the recommendation of the President which was based on the fact that a number of Federal agencies would be involved in the program.

With such administrative flexibility—

the President said—

it will be possible to modify the management of the program as it expands and to meet practical problems that will arise in its administration in the future.⁴⁷

From the beginning, the technical assistance program was divided between the Technical Cooperation Administration, established in the Department of State, and the Economic Cooperation Administration (later the Mutual Security Agency) operating independently. ECA/MSA conducted the program in the Far East, the Institute of Inter-American Affairs (under TCA) conducted it in Latin America, and TCA conducted it elsewhere.

In their report on the Mutual Security Act of 1951, the Senate Foreign Relations and Armed Services Committees, which had considered the matter jointly, laid down elaborate ground rules delimiting the jurisdictional and operational spheres of ECA and TCA.⁴⁸ Each could continue in the countries where it was then operating, but in no case were the two to maintain separate missions in the same country. ECA could operate technical assistance projects in countries where it already had a mission, but except in India and Pakistan it was to establish no new missions without consultation with the Foreign Relations and Foreign Affairs Committees. TCA could establish missions in countries where it was not operating.

The joint committee commented that—

substantial grant-aid programs of the type administered by ECA in underdeveloped areas should be regarded as temporary, as contrasted with the longer-range technical assistance type of programs—

and that—

as soon as the need for such substantial grant-aid programs ceases to exist in any country, the TCA should take over the administration of United States aid of the continuing technical assistance type in such country.

The joint committee laid down the further principle that—

in the absence of compelling political considerations to the contrary—

ECA-type assistance should be in the form of loans rather than grants—

⁴⁵ See p. 82.

⁴⁶ See p. 115.

⁴⁷ See p. 104.

⁴⁸ See appendix A, document 20, p. 116.

in all cases where the financial condition and the borrowing capacity of the country to be assisted is such as to justify such loan aid.⁴⁹

The joint committee expressed the hope that technical assistance would—

stimulate the desires—

of underdeveloped countries—

for the development of programs financed by international loans and private investment, matched on the part of the recipient countries by a willingness to undertake the necessary actions.

The same year, the House Appropriations Committee expressed concern at—

the apparent dispersed efforts that are being made in the technical assistance and other development programs.

The committee reached the—

inescapable conclusion that lost motion and duplication of effort must result—

despite the fact that ECA and TCA operated in different areas of the world.⁵⁰

In 1953, by the terms of Reorganization Plan No. 7,⁵¹ which became effective August 1 of that year, the President transferred the technical assistance program, including the Institute of Inter-American Affairs, to the Foreign Operation Administration, which was created to assume the functions of the Mutual Security Agency.

This was in line with the often-expressed desire of Secretary of State Dulles to rid the State Department of operating functions and leave it primarily a policy organization.

In the Mutual Security Act of 1954, Congress provided that—

unless sooner abolished * * *, the Foreign Operations Administration shall cease to exist at the close of June 30, 1955—⁵²

and that after that date, the technical assistance program shall be carried on through the Secretary of State.

The conference report on this act expressed the view that—

the technical cooperation program is a long-range program representing an important feature of United States foreign policy, and hence should be placed in the Department of State following the termination of the Foreign Operations Administration.⁵³

The Senate Foreign Relations Committee report⁵⁴ on the bill reflected the same point of view. Commenting on existing administrative arrangements, the House Foreign Affairs Committee said:

* * * There is no one individual responsible solely for guiding and focusing attention upon technical cooperation. It is now part of an agency that has other responsibilities involving more costly operations. Technical cooperation tends to be a stepchild. Of all the parts of the program encompassed in this bill, this is the one that has the longest range possibilities. Nowhere in the present administrative organization is the technical cooperation program brought into focus as a program. It is handled only on an area basis. The committee believes that what is needed is a single individual to concern himself with the total program and who will give it the stature and emphasis it merits as part of our foreign policy.⁵⁵

⁴⁹ See p. 117.

⁵⁰ See appendix A, document 21, p. 117.

⁵¹ See appendix A, document 10, p. 89.

⁵² See p. 94.

⁵³ See H. Rept. 2637, 83d Cong., p. 95.

⁵⁴ See appendix A, document 28, p. 127.

⁵⁵ See appendix A, document 27, p. 126.

V. MULTILATERAL TECHNICAL ASSISTANCE PROGRAMS

A. THE UNITED NATIONS

In his discussion of point 4 in his inaugural address of 1949, President Truman said:

We invite other countries to pool their technological resources in this undertaking. Their contributions will be warmly welcomed. This should be a cooperative enterprise in which all nations work together through the United Nations and its specialized agencies wherever practicable * * *.⁵⁶

The U. N. and the Organization of American States had carried on limited technical assistance programs previously, but these were relatively uncoordinated and on a small scale. Shortly after the President's speech, at the suggestion of the American representative in the Economic and Social Council of the U. N., a program of technical assistance through the U. N. and its specialized agencies was drawn up on a scale estimated to cost \$35 million for the first year.

On August 15, 1949, the Economic and Social Council set up the expanded program of technical assistance,⁵⁷ to be carried out in part by the United Nations Technical Assistance Administration and in part by the various U. N. specialized agencies. A Technical Assistance Committee (TAC) of the Economic and Social Council, consisting of members of the Council, was established to make policy, and a Technical Assistance Board (TAB), consisting of the executive heads, or their representatives, of the U. N. and the participating specialized agencies, was established to exercise general operating control over the program.

A list of 35 guiding principles was also adopted. These covered such things as qualifications of personnel, coordination of the work between the various specialized agencies, participation of recipient countries, and selection of projects.

A "primary objective" was described as assistance to underdeveloped countries—

to strengthen their national economies through the development of their industries and agriculture, with a view to promoting their economic and political independence in the spirit of the Charter of the United Nations, and to insure the attainment of higher levels of economic and social welfare for their entire populations.⁵⁸

Technical assistance was to be rendered only to or through governments requesting it and in a form agreed to by those governments. Requesting governments were expected to perform as much of the work as possible in advance, to help the participating organizations obtain information about the problems on which assistance had been requested, and to give "full and prompt consideration to the technical advice they receive." They were also expected—

Normally to assume responsibility for a substantial part of the cost of technical services with which they are provided, at least that part which can be paid in their own currencies.

To take steps to insure that their own resources—

are mobilized, canalized, and utilized.

To undertake the sustained efforts required for economic development, including continuing support and progressive assumption of financial responsibility for the administration of projects initiated at their request under international auspices.⁵⁹

⁵⁶ See p. 102.

⁵⁷ See appendix A, document 31, p. 131.

⁵⁸ See p. 134.

⁵⁹ See p. 135.

On the subject of the selection of projects, the ECOSOC statement of principles gave particular attention to the social consequences of technical change.

The services envisaged—
it said—

should aim at increased productivity of material and human resources and a wide and equitable distribution of the benefits of such increased productivity, so as to contribute to the realization of higher standards of living for the entire populations. Due attention and respect should be paid to the national sovereignty and national legislation of the underdeveloped countries and to the social conditions which directly affect their economic development. Requests for technical assistance may therefore be approved which will help governments to take account of the probable consequences of proposed projects for economic development in terms of the welfare of the population as a whole, including the promotion of full employment, and also to take account of those social conditions, customs, and values in a given area which would directly influence the kinds of economic development that may be feasible and desirable. Similarly requests may also be approved for technical assistance to governments desiring to undertake the specific social improvements that are necessary to permit effective economic development and to mitigate the social problems—particularly problems of dislocation of family and community life—that may arise as a concomitant of economic change. As in any national program for economic development any increased services undertaken by the Government can be maintained, in the long run, only out of national production, special attention should be given in timing and emphasis to activities tending to bring an early increase in national productivity of material and human resources.⁶⁰

Since its start of operations in 1950, the U. N. technical-assistance program has amounted to something more than \$80 million, of which the United States has contributed approximately \$50 million.⁶¹ More than 1,000 U. N. technicians have worked on more than 900 projects in 76 countries and territories. The U. N. has, in addition, provided a number of fellowships a year—the figure for 1953 was 1,750.

For the first 3 years of the program, the United States supplied 60 percent of the contributions. In 1954, this was reduced to 57.7 percent. The International Development Advisory Board (IDAB) has recommended a reduction to 50 percent, a goal endorsed by the Administration and strongly approved by the Foreign Relations Committee in its report on the Mutual Security Act of 1954.⁶² The IDAB has also recommended, it should be noted, that the total size of the U. N. program be doubled over a period of 5 years. This would require a substantial increase in the absolute amount of the United States contribution, even though the relative size of that contribution declined.

In all, 71 countries pledged contributions to the U. N. program in 1954.

The Economic and Social Council and the General Assembly have repeatedly raised the problem of financing the program on a long-range basis and have pointed to the difficulties involved in the present situation in which the program is subject to annual contributions and—in the case of many countries, including the United States—to annual actions by legislative bodies.

When the U. N. program was established, the first \$10 million of contributions, and 70 percent of the second \$10 million, were dis-

⁶⁰ See p. 136.

⁶¹ See appendix B, table 31, p. 172.

⁶² See S. Rept. 1799, 83d Cong., p. 111.

tributed to participating organizations according to the following scale:

	<i>Percent</i>
United Nations.....	23
International Labor Organization.....	11
Food and Agriculture Organization.....	29
U. N. Educational, Scientific, and Cultural Organization.....	14
International Civil Aviation Organization.....	1
World Health Organization.....	22
Total.....	100

The remainder of the contributions were to be distributed by the Technical Assistance Board.

On July 29, 1954, the Economic and Social Council adopted a resolution⁶³ scrapping this system of allocating funds and substituting allocations by TAB as authorized by TAC and based on country programs. No specialized agency, however, was to suffer a reduction of more than 15 percent in its allocation from the preceding year, unless the total financial resources of the program were reduced by more than 15 percent, in which case the greater reduction would be applied on a proportionate basis.

In its report on the Mutual Security Appropriations Act for fiscal 1955, the Senate Appropriations Committee raised for future consideration the possibility of appropriating United States contributions directly to the specialized agencies—

rather than in the form of a blank check to a central fund which is under the control of the United Nations, including nations controlled or dominated by the U. S. S. R.⁶⁴

B. THE ORGANIZATION OF AMERICAN STATES

On April 10, 1950, the Inter-American Economic and Social Council of the Organization of American States adopted a resolution⁶⁵ establishing a multilateral program of technical assistance in the American Republics. It was to be administered, subordinate to the Council, by a Coordinating Committee on Technical Assistance, under the chairmanship of the Secretary General of OAS and composed of a representative of the Pan American Union and the highest ranking official, or his representative, of each of the cooperating agencies.

The resolution emphasized as of "fundamental importance" projects—

designed to improve the standard of living of the population, especially nutrition, and those tending to assist the Governments of Member States to improve the health, housing, education, and social conditions of their populations.⁶⁶

It continued:

In initiating a project, account should be taken of the social effects of the impact of the anticipated economic or technical development on the peoples concerned, and the most advisable methods of meeting the consequent social problems should be studied.⁶⁷

⁶³ See appendix A, Doc. 33, p. 138.

⁶⁴ See appendix A, Doc. 29, p. 130.

⁶⁵ See appendix A, Doc. 34, p. 140.

⁶⁶ See p. 141.

⁶⁷ See p. 141.

As in the United States and United Nations programs, the OAS resolution emphasized contributions of recipient countries, and said further:

To obtain full benefit of the technical assistance received, Governments of Member States should act quickly, using all the resources available for the purpose, to develop national programs deemed necessary to spur their economic development.⁶⁸

The OAS technical assistance program has totaled about \$5 million in the last 4 years, with United States contributions amounting to a little more than \$3.5 million, or about 70 percent of the total.⁶⁹

The program is limited to regional training centers in such fields as agricultural extension, hoof-and-mouth disease, home economics, housing, economic and financial statistics, evaluation of natural resources, and rural education.

⁶⁸ See p. 143.

⁶⁹ See appendix B, table 36, p. 177.

APPENDIX A

DOCUMENTS RELATING TO TECHNICAL ASSISTANCE

I. Legislation and Executive Order

1. PHILIPPINE REHABILITATION ACT OF 1946

Public Law 370, April 30, 1946; Expired

[Excerpt]

* * * * *

TITLE III—RESTORATION AND IMPROVEMENT OF PUBLIC PROPERTY AND ESSENTIAL PUBLIC SERVICES

SEC. 301. As a manifestation of good will to the Filipino people, there are hereby authorized to be appropriated, out of any money in the Treasury not otherwise appropriated, (1) the sum of \$120,000,000, to be allocated from time to time, but not later than the fiscal year 1950, by the President of the United States among the various programs set forth in sections 302, 303, 304, and 305, and (2) such additional sums as may be necessary to carry out the purposes of sections 306 to 311, inclusive.

PUBLIC ROADS

SEC. 302. (a) As recommended in a report based upon an investigation made in the Philippines by the Public Roads Administration of the Federal Works Agency and to the extent that the findings in such report are approved by the President, the Public Roads Administration is authorized, after consultation with the Philippine Government, to plan, design, restore, and build, in accordance with its usual contract procedures, such roads, essential streets, and bridges as may be necessary from the standpoint of the national defense and economic rehabilitation and development of the Philippines.

(b) The Commissioner of Public Roads is authorized, under such regulations as he may adopt, to provide training for not to exceed ten Filipino engineers, to be designated by the President of the Philippines from the regularly employed staff of the Philippine Public Works Department subject to the provisions of section 311 (c), in the construction, maintenance, and highway traffic engineering and control necessary for the continued maintenance and for the efficient and safe operation of highway transport facilities.

PORT AND HARBOR FACILITIES

SEC. 303. (a) As recommended in a report based upon an investigation made in the Philippines by the Corps of Engineers of the United States Army and to the extent that the findings in such report are approved by the President, the Corps of Engineers is authorized, after consultation with the Philippine Government, to carry out a program for the rehabilitation, improvement, and construction of port and harbor facilities in the Philippines, such work to be done by contract, insofar as practicable, under the direction of the Secretary of War and the supervision of the Chief of Engineers, and in accordance with established procedures applicable to river and harbor projects.

(b) The Chief of Engineers of the Army is authorized, under such regulations as he may adopt, to provide training for not to exceed ten Filipino engineers, to be designated by the President of the Philippines from among the engineer officers of the Philippine Army and the regularly employed staff of the Philippine Public Works Department subject to the provisions of section 311 (c), in the construction, improvement, and maintenance of port facilities and other works of improvements on rivers and harbors.

PUBLIC PROPERTY

Sec. 304. The Philippine War Damage Commission, within the limits of the appropriations allocated to it for carrying out the provisions of this section, is authorized to compensate the Commonwealth of the Philippines (or the Republic of the Philippines), the provincial governments, chartered cities, municipalities, and corporations wholly owned by the Commonwealth of the Philippines (or the Republic of the Philippines), in the Philippines, for physical loss of or damage to public property in the Philippines occurring after December 7, 1941 (Philippine time), and before October 1, 1945, as a result of the perils listed in section 102 (a) hereof, in any case in which compensation for such losses or the rebuilding, repair, or replacement of the lost or damaged property is not provided for by the transfer of surplus property under section 201 hereof, or provided for under the provisions of this title other than this section or otherwise provided for by the United States Government or any department or agency thereof. To the fullest extent practicable, the Commission shall require that any lost or damaged property for which it decides to award compensation under this section shall be rebuilt, replaced, or repaired before payments of money are actually made to claimants under this section. The Commission in its discretion may request the Federal Works Agency or the Corps of Engineers of the United States Army to undertake, after consultation with the Philippine Government, the rebuilding, repair, or replacement of property for which the Commission awards compensation under this section, and, from the funds available for carrying out the provisions of this section, may transfer to such Agency or Corps of Engineers the funds necessary to pay for the work requested. The Federal Works Agency and the Corps of Engineers are authorized to rebuild, repair, or replace property in accordance with any such request of the Commission and to expend the funds so transferred to them for such purpose. The Commission shall have full power to select, and fix the priority of, cases in which compensation will be awarded or property rebuilt, repaired, or replaced under this section, and to determine the amount of such compensation and the extent to which such property will be rebuilt, repaired, or replaced, taking into account the relative importance of various projects to the reconstruction and rehabilitation of the economy of the Philippines and such other factors as the Commission deems relevant.

PUBLIC HEALTH

Sec. 305. (a) The Public Health Service of the Federal Security Agency is authorized to cooperate with the Government of the Philippines (Republic of the Philippines), and with other appropriate agencies or organizations, in the rehabilitation and development of public health services and facilities throughout the Philippines.

(b) To accomplish such purposes the Public Health Service shall at the earliest practicable time survey the health situation in the Philippines, and is authorized to replace, expand, or install such health services and facilities in the Philippines as are deemed essential to preservation of health, and may assist in the rehabilitation and development of a Philippine quarantine service for prevention of introduction of disease from abroad or from one island to another. The Public Health Service may set up demonstrations and establish training centers in the Philippines; may establish and maintain in the Philippines a school or schools for the purpose of providing practical instruction in public health; and may, at any time prior to January 1, 1948, provide one year of training in appropriate schools or colleges in the United States to not more than one hundred Filipinos, to be designated by the President of the Philippines subject to the provisions of section 311 (c), in public health methods and administration. It may replace equipment and supply reasonably necessary additional equipment, utilizing for this purpose, so far as possible, surplus property, and may recommend to the Commission the repair or construction under the provisions of section 304, at any time prior to July 1, 1950, of buildings deemed essential to the rehabilitation of public health and quarantine functions.

INTER-ISLAND COMMERCE

Sec. 306. (a) In order to restore and improve inter-island commerce in the Philippines, notwithstanding the provisions of any existing law, the United States Maritime Commission is authorized to charter under such terms and conditions (including nominal rates of charter hire) vessels suitable for operation in the inter-island commerce of the Philippines to individuals, corporations, or cooperatives or other forms of business organizations in the Philippines if the Commission

determines that they possess the ability, experience, financial resources, and other qualifications, necessary to enable them to operate and maintain the vessel in the inter-island commerce in the Philippines: *Provided*, That any charter entered into under the authority of this section shall contain a provision requiring that the vessel shall be operated only in the inter-island commerce in the Philippines.

(b) The Chairman, United States Maritime Commission, is hereby authorized to permit not exceeding fifty Filipinos each year prior to July 1, 1950, to be designated by the President of the Philippines subject to the provisions of section 311 (c), to receive instruction in the United States Merchant Marine Cadet Corps and at a United States Merchant Marine Academy. The persons receiving instruction under authority of this section shall receive the same pay, allowances, and emoluments, to be paid from the same appropriations, and, subject to such exceptions as may be determined by the Chairman, United States Maritime Commission, shall be subject to the same rules and regulations governing admission, attendance, discipline, resignation, discharge, dismissal, and graduation, as cadet midshipmen at the Merchant Marine Academy appointed from the United States; but such persons shall not be entitled to appointment to any office or position in the United States merchant marine by reason of their graduation from the Merchant Marine Academy.

INTER-ISLAND AIR NAVIGATION

SEC. 307. (a) The Administrator of Civil Aeronautics of the Department of Commerce is authorized to acquire, establish, operate, and to maintain a system of air-navigation facilities and associated airways communications services in the Philippines for inter-island airways operation and to connect the Philippine airways with international and interoceanic routes.

(b) The Administrator of Civil Aeronautics is authorized, under such regulations as he may adopt, to train not exceeding fifty Filipinos each year prior to July 1, 1950, to be designated by the President of the Philippines subject to the provisions of section 311 (c), in air-traffic control, aircraft communications, maintenance of air-navigation facilities, and such other airman functions as are deemed necessary for the maintenance and operation of aids to air navigation and other services essential to the orderly and safe operation of air traffic.

WEATHER INFORMATION

SEC. 308. (a) The Chief of the Weather Bureau of the Department of Commerce is authorized to establish meteorological facilities in the Philippines as may be required to provide weather information, warnings, and forecasts for general agricultural and commercial activities, including meteorological service for the air routes on which air-navigation facilities are operated by the Civil Aeronautics Administration, and to maintain such meteorological offices until the Philippine Weather Bureau is reestablished and in position to assume responsibility for the service.

(b) The Chief of the Weather Bureau of the Department of Commerce is authorized, under such regulations as he may adopt, to train not to exceed fifty Filipinos in the first year and not to exceed twenty-five Filipinos in each succeeding year prior to July 1, 1950, the trainees to be designated by the President of the Philippines subject to the provisions of section 311 (c), and the training to include meteorological observations, analyses, forecasting, briefing of pilots, and such other meteorological duties as are deemed necessary in maintenance of general weather service, including weather information required for air navigation and the safe operation of air traffic. The training of these employees shall be in addition to and not in lieu of Weather Bureau employees to be trained under current Weather Bureau appropriations.

PHILIPPINE FISHERIES

SEC. 309. (a) The Fish and Wildlife Service of the Department of the Interior is authorized to cooperate with the Government of the Philippines, and with other appropriate agencies or organizations, in the rehabilitation and development of the fishing industry, and in the investigation and conservation of the fishery resources of the Philippines and adjacent waters.

(b) To accomplish such purposes the Fish and Wildlife Service shall conduct oceanographic, biological, fish cultural, technological, engineering, statistical, economic, and market development studies and demonstrations and fishery explorations, and in conjunction therewith may establish and maintain a voca-

tional school or schools of fisheries in the Philippines for the purpose of providing practical instruction and training in the fisheries; and may, at any time prior to July 1, 1950, provide one year of training to not more than one hundred and twenty-five Filipinos, to be designated by the President of the Philippines subject to the provisions of section 311 (c), in methods of deep-sea fishing and in other techniques necessary to the development of fisheries.

(c) The Fish and Wildlife Service is authorized to acquire, construct, maintain, equip, and operate such research and experimental stations, schools, research and exploratory fishing vessels, or any other facilities in the Philippines that may be necessary to carry out the purposes of this section.

(d) The United States Maritime Commission is authorized, upon recommendation of the Fish and Wildlife Service of the Department of the Interior, to make arrangements for the transfer by sale or charter of small vessels, considered by the United States Maritime Commission to be satisfactory for the purpose, to be used in the establishment and continuance of a fishing industry to be operated in or near the Philippines. Such transfers may be made on such terms and conditions, including transfer for a nominal consideration, as the United States Maritime Commission may approve, but only if, in the opinion of the Fish and Wildlife Service, such small vessels so to be used for Philippine Island fishing are not needed by the fishing industry of the United States, its Territories, and possessions.

COAST AND GEODETIC SURVEYS

SEC. 310. The Coast and Geodetic Survey of the Department of Commerce is authorized to continue, until June 30, 1950, the survey work which was being conducted by it in the Philippines prior to December 7, 1941. The Director of the Coast and Geodetic Survey is authorized to train not exceeding twenty Filipinos each year prior to July 1, 1950, to be designated by the President of the Philippines subject to the provisions of section 311 (c), in order that they may become qualified to take over and continue such survey work on and after July 1, 1950, and to pay all expenses incident to their temporary employment and training.

GENERAL PROVISIONS

SEC. 311. (a) The Government of the Philippines shall provide all lands, easements, and rights-of-way necessary for the execution of the projects herein authorized.

(b) The several bureaus and agencies of the Government authorized by this title to undertake projects in the Philippines are hereby authorized, in the prosecution of such projects, to cooperate with the Government of the Philippines, and to accept contributions of labor, materials, and money from such government and its political subdivisions and to utilize such labor, materials, and money in the prosecution of such projects.

(c) Wherever in this title the training of Filipinos at the expense of the United States Government is authorized, the head of the bureau or agency under whose supervision or control the training is given may establish minimum requirements as to education and experience, provide for competitive examinations, or establish such other standards for qualification for such training as in his judgment may seem necessary and advisable, and under such regulations as may be adopted from time to time may provide for the payment of all expenses incidental to such training, including, but not limited to, actual transportation expenses to and from and in the United States, allowances for tuition, educational fees, and subsistence.

(d) Any Filipino who is designated for training or instruction as provided in this Act may be admitted to the United States for such training or instruction upon certification to the Immigration and Naturalization Service by the head of the bureau or agency under whose supervision the training or instruction is to be given that such entry is necessary in connection with the training or instruction, notwithstanding the provisions of section 8 of the Act of March 24, 1934 (48 Stat. 462; 48 U. S. C. 1238), and notwithstanding any provision of the laws of the United States relating to the immigration, exclusion, or expulsion, except registration and fingerprinting as provided in the Alien Registration Act of 1940 (8 U. S. C. 451, and the following): *Provided*, That such admissions shall be deemed pursuant to section 3 (2) of the Immigration Act of 1924 (43 Stat. 154; 47 Stat. 607; 54 Stat. 711; 8 U. S. C. 203): *Provided further*, That the privilege of entering or remaining in the United States for such purposes shall end within a reasonable time, to be fixed by regulation of the Commissioner of Immigration and Naturalization with the approval of the Attorney General, after termination of the training or instruction: *Provided further*, That the head of the bureau or agency concerned may at any time terminate the training or instruction of any person under this Act if in

his judgment the best interests of either the United States or the Philippines makes such action advisable, and his decision shall be final and conclusive: *Provided further*, That any such Filipino who shall fail to depart from the United States within the reasonable time fixed by regulation, as herein prescribed, shall be subject to being taken into custody and deported, as provided by section 14 of the Immigration Act of 1924 (43 Stat. 162; 8 U. S. C. 214).

(e) Unless otherwise provided by law this title, except the last proviso to subsection (d) of this section, shall expire on June 30, 1950.

TITLE IV—THE UNITED STATES HIGH COMMISSIONER

SEC. 401. Until the Philippines attain their independence, the functions, powers, and duties exercised in the Philippines by any officer, employee, department, or agency of the United States in carrying out the provisions of this Act shall be exercised under the general supervision of the United States High Commissioner to the Philippines, and the officers, employees, offices, missions, and other agencies exercising such functions, powers, and duties shall be deemed to be attached to the office of the High Commissioner.

SEC. 402. On and after the date upon which the Philippines attain their independence the power, authority, duties, and functions authorized under this Act to be exercised by the High Commissioner to the Philippines shall vest in and be exercised by such representative or representatives of the United States as shall be appointed for that purpose by the President of the United States.

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2. INSTITUTE OF INTER-AMERICAN AFFAIRS ACT

Public Law 369, Eightieth Congress, Approved August 5, 1947, as Amended by Public Law 283, Eighty-first Congress, Approved September 3, 1949

AN ACT To provide for the reincorporation of The Institute of Inter-American Affairs, and for other purposes

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That there be, as of the date of enactment of this Act, created as an agency of the United States of America a body corporate with the name of "The Institute of Inter-American Affairs" (in this Act called the "Institute").

SEC. 2. The purposes of this corporation are to further the general welfare of, and to strengthen friendship and understanding among, the peoples of the American Republics through collaboration with other governments and governmental agencies of the American Republics in planning, initiating, assisting, financing, administering, and executing technical programs and projects, especially in the fields of public health, sanitation, agriculture, and education.

SEC. 3. The Institute, as a corporation—

(a) Shall have succession for a period of three years unless sooner dissolved by an Act of Congress.¹

(b) May adopt, alter, and use a corporate seal, which shall be judicially noticed.

(c) May make and perform contracts with any individual, corporation, or other body of persons however designated, whether within or without the United States of America, and with any government or governmental agency, domestic or foreign.

(d) Shall determine and prescribe the manner in which its obligations shall be incurred and its expenses allowed and paid.

(e) May, as necessary for the transaction of the business of the Institute, employ officers, employees, agents, and attorneys in accordance with the provisions of the civil service and classification laws, except that the Institute may, without regard to the civil service and classification laws, employ, and fix the compensation of, officers, employees, agents, and attorneys of the Institute employed for service outside the continental limits of the United States: *Provided*, That the salary of any person thus employed shall not exceed the maximum salary established by the classification laws, and that the Institute may require bonds of any employee and pay the premiums of such bonds: *Provided further*, That no person who is a citizen of the United States not presently employed by the Institute of Inter-American Affairs or the Inter-

¹ By sec. 514 (b) of the Mutual Security Act of 1954, the Institute has succession until June 30, 1960.

American Educational Foundation, Inc., shall be employed under authority of this paragraph (e) until such person has been investigated by the Civil Service Commission: *Provided further*, That no person not a citizen of the United States shall be employed under authority of this paragraph (e) for service in any American Republic of which such person is not a citizen except with the specific approval of the Government of the American Republic concerned.

(f) May acquire by purchase, devise, bequest, or gift, or otherwise, lease, hold, and improve such real and personal property as it finds to be necessary to its purposes, whether within or without the United States, and in any manner dispose of all such real and personal property held by it and use as general funds all receipts arising from the disposition of such property.

(g) Shall be entitled to the use of the United States mails in the same manner and on the same conditions as the executive departments of the Government.

(h) May, with the consent of any board, corporation, commission, independent establishment, or executive department of the Government, including any field service thereof, avail itself of the use of information, services, facilities, officers, and employees thereof in carrying out the provisions of this Act.

(i) May accept money, funds, property, and services of every kind by gift, devise or bequest, or grant, or otherwise, and make advances and grants to any individual, corporation, or other body of persons, whether within or without the United States of America, or to any government or governmental agency, domestic or foreign, when deemed advisable by the Institute in furtherance of its purposes.

(j) May sue and be sued, complain, and defend, in its corporate name in any court of competent jurisdiction.

(k) Shall have such other powers as may be necessary and incident to carrying out its powers and duties under this Act.

SEC. 4. Upon termination of the corporate life of the Institute all of its functions shall be liquidated and, thereafter, unless otherwise provided by Congress, the assets shall be transferred to the United States Treasury as the property of the United States.

SEC. 5. (a) The management of the Institute shall be vested in a board of directors (hereinafter referred to as the "Board") of not less than five in number, each of whom shall be appointed by the Secretary of State from among the officials and employees of the Department of State and, in the discretion of the Secretary of State and with the consent of the Chiefs of other departments or agencies respectively concerned from among the officials and employees of other United States Government departments and agencies: *Provided*, That no person shall be appointed as a director under authority of this paragraph (a) until such person has been investigated by the Federal Bureau of Investigation.

(b) The Secretary of State shall designate one director as Chairman of the Board.

(c) The directors shall hold office at the pleasure of the Secretary of State.

(d) The directors shall receive no additional compensation for their services as directors but may be allowed actual necessary traveling and subsistence expenses incurred by them in the performance of their duties as directors.

(e) The Board shall direct the exercise of all the powers of the Institute.

(f) The Board may prescribe, amend, and repeal bylaws, rules, and regulations governing the manner in which the business of the Institute may be conducted and in which the powers granted to it by law may be exercised and enjoyed: *Provided*, That a majority of the Board shall be required as a quorum.

(g) In furtherance and not in limitation of the powers conferred upon it, the Board may appoint such committees for the carrying out of the work of the Institute as the Board finds to be for the best interests of the Institute, each committee to consist of two or more of the directors, which committees, together with officers and agents duly authorized by the Board and to the extent provided by the Board, shall have and may exercise the powers of the Board in the management of the business and affairs of the Institute.

SEC. 6. The Institute shall be a nonprofit corporation and shall have no capital stock. No part of its revenue, earnings, or other income or property shall inure to the benefit of its directors, officers, and employees and such revenue, earnings, or other income, or property shall be used for the carrying out of the corporate

purposes herein set forth. No director, officer, or employee of the corporation shall in any manner directly or indirectly participate in the deliberation upon or the determination of any question affecting his personal interests or the interests of any corporation, partnership, or organization in which he is directly or indirectly interested.

SEC. 7. When approved by the Institute, in furtherance of its purposes, the officers and employees of the Institute may accept and hold offices or positions to which no compensation is attached with governments or governmental agencies of the other American Republics.

SEC. 8. The Secretary of State shall have authority to detail employees of the Department of State to the Institute under such circumstances and upon such conditions as he may determine: *Provided*, That any such employee so detailed shall not lose any privileges, rights, or seniority as an employee of the Government by virtue of such detail.

SEC. 9. The principal office of the Institute shall be located in the District of Columbia, but there may be established agencies, branch offices, or other offices in any place or places within the United States or the other American Republics in any of which locations the Institute may carry on all or any of its operations and business under bylaws or rules and regulations.

SEC. 10. The Institute, including its franchise and income, shall be exempt from taxation now or hereafter imposed by the United States, or any Territory, dependency, or possession thereof, or by any State, county, municipality, or local taxing authority.

SEC. 11. The right to alter, amend, or repeal this Act is hereby expressly reserved. If any clause, sentence, paragraph, or part of this Act shall for any reason be adjudged by any court of competent jurisdiction to be invalid, such judgment shall not affect, impair, or invalidate the remainder of this Act, but shall be confined in its operations to the clause, sentence, paragraph, or part thereof directly involved in the controversy in which such judgment shall have been rendered.

SEC. 12. The Institute of Inter-American Affairs and the Inter-American Educational Foundation, Inc., two Government corporations caused to be created under the laws of the State of Delaware on March 31, 1942, and September 25, 1943, respectively, by the Coordinator of Inter-American Affairs, shall, within ten days following the enactment of this Act, transfer to the corporation created by this Act all necessary personnel, the assets, funds, and property—real, personal, and mixed—and all debts, liabilities, obligations, and duties, and all rights, privileges, and powers subject to all restrictions, disabilities, and duties of the two said corporations, and the corporation created by this Act, shall accept full title to and ownership of all the assets, funds, and property—real, personal, and mixed—and all debts, liabilities, obligations, and duties, and all rights, privileges, and powers subject to the said restrictions, disabilities, and duties of the two said corporations and all such debts, liabilities, obligations, and duties of the two said corporations shall henceforth attach to the corporation created by this Act and may be enforced against it to the same extent as if said debts, liabilities, obligations, and duties had been incurred or contracted by the corporation created by this Act: *Provided*, That all citizens of the United States presently employed by the Institute of Inter-American Affairs or the Inter-American Educational Foundation, Inc., and transferred under authority of this section 12 to the corporation created by this Act shall be investigated by the Federal Bureau of Investigation within six months following the date of enactment of this Act: *Provided further*, That no person not a citizen of the United States presently employed by the Institute of Inter-American Affairs or the Inter-American Educational Foundation, Inc., for service in an American Republic of which such person is not a citizen, and transferred under authority of this section 12, shall be retained in such service for a period exceeding three months from the date of enactment of this Act except with the specific approval of the government of the American Republic concerned.

SEC. 13. The Institute shall be subject to the provisions of the Government Corporation Control Act (Public Law 248, Seventy-ninth Congress).

SEC. 14. There are authorized to be appropriated, at a rate not to exceed \$5,000,000 annually, out of any money in the Treasury not otherwise appropriated, such sums as may be necessary to carry out this Act.

This Act may be cited as the "Institute of Inter-American Affairs Act."

3. UNITED STATES INFORMATION AND EDUCATIONAL EXCHANGE ACT OF 1948

Public Law 402, Eightieth Congress, January 27, 1948

[Excerpt, pp. 1-5, and p. 10]

AN ACT To promote the better understanding of the United States among the peoples of the world and to strengthen cooperative international relations

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

TITLE I—SHORT TITLE, OBJECTIVES, AND DEFINITIONS

SHORT TITLE

SECTION 1. This Act may be cited as the "United States Information and Educational Exchange Act of 1948".

OBJECTIVES

SEC. 2. The Congress hereby declares that the objectives of this Act are to enable the Government of the United States to promote a better understanding of the United States in other countries, and to increase mutual understanding between the people of the United States and the people of other countries. Among the means to be used in achieving these objectives are—

- (1) an information service to disseminate abroad information about the United States, its people, and policies promulgated by the Congress, the President, the Secretary of State and other responsible officials of Government having to do with matters affecting foreign affairs;
- (2) an educational exchange service to cooperate with other nations in—
 - (a) the interchange of persons, knowledge, and skills;
 - (b) the rendering of technical and other services;
 - (c) the interchange of developments in the field of education, the arts, and sciences.

UNITED NATIONS

SEC. 3. In carrying out the objectives of this Act, information concerning the participation of the United States in the United Nations, its organizations and functions, shall be emphasized.

DEFINITIONS

SEC. 4. When used in this Act, the term—

- (1) "Secretary" means the Secretary of State.
- (2) "Department" means the Department of State.
- (3) "Government agency" means any executive department, board, bureau, commission, or other agency of the Federal Government, or independent establishment, or any corporation wholly owned (either directly or through one or more corporations) by the United States.

TITLE II—INTERCHANGE OF PERSONS, KNOWLEDGE AND SKILLS

PERSONS

SEC. 201. The Secretary is authorized to provide for interchanges on a reciprocal basis between the United States and other countries of students, trainees, teachers, guest instructors, professors, and leaders in fields of specialized knowledge or skills and shall wherever possible provide these interchanges by using the services of existing reputable agencies which are successfully engaged in such activity. The Secretary may provide for orientation courses and other appropriate services for such persons from other countries upon their arrival in the United States, and for such persons going to other countries from the United States. When any country fails or refuses to cooperate in such program on a basis of reciprocity the Secretary shall terminate or limit such program, with respect to such country, to the extent he deems to be advisable in the interests of the United States. The persons specified in this section shall be admitted as nonimmigrant visitors for business under clause 2 of section 3 of the Immigration Act of 1924, as amended (43 Stat. 154; 8 U. S. C. 203), for such time and under such conditions as may be prescribed by regulations promulgated by the Secretary of State and the Attorney General. A person admitted under this section who

fails to maintain the status under which he was admitted or who fails to depart from the United States at the expiration of the time for which he was admitted, or who engages in activities of a political nature detrimental to the interests of the United States, or in activities not consistent with the security of the United States, shall, upon the warrant of the Attorney General, be taken into custody and promptly deported pursuant to section 14 of the Immigration Act of 1924 (43 Stat. 162; 8 U. S. C. 214). Deportation proceedings under this section shall be summary and the findings of the Attorney General as to matters of fact shall be conclusive. Such persons shall not be eligible for suspension of deportation under clause 2 of subdivision (c) of section 19 of the Immigration Act of February 5, 1917 (54 Stat. 671, 56 Stat. 1044; 8 U. S. C. 155).

BOOKS AND MATERIALS

SEC. 202. The Secretary is authorized to provide for interchanges between the United States and other countries of books and periodicals, including government publications, for the translation of such writings, and for the preparation, distribution, and interchange of other educational materials.

INSTITUTIONS

SEC. 203. The Secretary is authorized to provide for assistance to schools, libraries, and community centers abroad, founded or sponsored by citizens of the United States, and serving as demonstration centers for methods and practices employed in the United States. In assisting any such schools, however, the Secretary shall exercise no control over their educational policies and shall in no case furnish assistance of any character which is not in keeping with the free democratic principles and the established foreign policy of the United States.

TITLE III—ASSIGNMENT OF SPECIALISTS

PERSONS TO BE ASSIGNED

SEC. 301. The Secretary is authorized, when the government of another country is desirous of obtaining the services of a person having special scientific or other technical or professional qualifications, from time to time to assign or authorize the assignment for service, to or in cooperation with such government, any citizen of the United States in the employ or service of the Government of the United States who has such qualifications, with the approval of the Government agency in which such person is employed or serving. No person shall be assigned for service to or in cooperation with the government of any country unless (1) the Secretary finds that such assignment is necessary in the national interest of the United States, or (2) such government agrees to reimburse the United States in an amount equal to the compensation, travel expenses, and allowances payable to such person during the period of such assignment in accordance with the provisions of section 302, or (3) such government shall have made an advance of funds, property, or services as provided in section 902. Nothing in this Act, however, shall authorize the assignment of such personnel for service relating to the organization, training, operation, development, or combat equipment of the armed forces of a foreign government.

STATUS AND ALLOWANCES

SEC. 302. Any citizen of the United States, while assigned for service to or in cooperation with another government under the authority of this Act, shall be considered, for the purpose of preserving his rights, allowances, and privileges as such, an officer or employee of the Government of the United States and of the Government agency from which assigned and he shall continue to receive compensation from that agency. He may also receive, under such regulations as the President may prescribe, representation allowances similar to those allowed under section 901 (3) of the Foreign Service Act of 1946 (60 Stat. 999). The authorization of such allowances and other benefits and the payment thereof out of any appropriations available therefor shall be considered as meeting all the requirements of section 1765 of the Revised Statutes.

ACCEPTANCE OF OFFICE UNDER ANOTHER GOVERNMENT

SEC. 303. Any citizen of the United States while assigned for service to or in cooperation with another government under authority of this Act may, at the

discretion of his Government agency, with the concurrence of the Secretary, and without additional compensation therefor, accept an office under the government to which he is assigned, if the acceptance of such an office in the opinion of such agency is necessary to permit the effective performance of duties for which he is assigned, including the making or approving on behalf of such foreign government the disbursement of funds provided by such government or of receiving from such foreign government funds for deposit and disbursement on behalf of such government, in carrying out programs undertaken pursuant to this Act: *Provided, however*, That such acceptance of office shall in no case involve the taking of an oath of allegiance to another government.

TITLE IV—PARTICIPATION BY GOVERNMENT AGENCIES

GENERAL AUTHORITY

SEC. 401. The Secretary is authorized, in carrying on any activity under the authority of this Act, to utilize, with the approval of the President, the services, facilities, and personnel of the other Government agencies. Whenever the Secretary shall use the services, facilities, or personnel of any Government agency for activities under authority of this Act, the Secretary shall pay for such performance out of funds available to the Secretary under this Act, either in advance, by reimbursement, or direct transfer. The Secretary shall include in each report submitted to the Congress under section 1008 a statement of the services, facilities, and personnel of other Government agencies utilized in carrying on activities under the authority of this Act, showing the names and salaries of the personnel utilized or performing services utilized, during the period covered by such report, and the amounts paid to such other agencies under this section as payment for such performance.

TECHNICAL AND OTHER SERVICES

SEC. 402. A Government agency, at the request of the Secretary, may perform such technical or other services as such agency may be competent to render for the government of another country desirous of obtaining such services, upon terms and conditions which are satisfactory to the Secretary and to the head of the Government agency, when it is determined by the Secretary that such services will contribute to the purposes of this Act. However, nothing in this Act shall authorize the performance of services relating to the organization, training, operation, development, or combat equipment of the armed forces of a foreign government.

POLICY GOVERNING SERVICES

SEC. 403. In authorizing the performance of technical and other services under this title, it is the sense of the Congress (1) that the Secretary shall encourage through any appropriate Government agency the performance of such services to foreign governments by qualified private American individuals and agencies, and shall not enter into the performance of such services to any foreign government where such services may be performed adequately by qualified private American individuals and agencies and such qualified individuals and agencies are available for the performance of such services; (2) that if such services are rendered by a Government agency, they shall demonstrate the technical accomplishments of the United States, such services being of an advisory, investigative, or instructional nature, or a demonstration of a technical process; (3) that such services shall not include the construction of public works or the supervision of the construction of public works, and that, under authority of this Act, a Government agency shall render engineering services related to public works only when the Secretary shall determine that the national interest demands the rendering of such services by a Government agency, but this policy shall not be interpreted to preclude the assignment of individual specialists as advisers to other governments as provided under title III of this Act, together with such incidental assistance as may be necessary for the accomplishment of their individual assignments.

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UTILIZATION OF PRIVATE AGENCIES

SEC. 1005. In carrying out the provisions of this Act it shall be the duty of the Secretary to utilize, to the maximum extent practicable, the services and facilities of private agencies, including existing American press, publishing, radio, motion picture, and other agencies, through contractual arrangements or other

wise. It is the intent of Congress that the Secretary shall encourage participation in carrying out the purposes of this Act by the maximum number of different private agencies in each field consistent with the present or potential market for their services in each country.

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4. ECONOMIC COOPERATION ACT OF 1948

Public Law 472, Eightieth Congress, April 3, 1948; Repealed August 26, 1954

[Excerpt, pp. 8-10]

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NATURE AND METHOD OF ASSISTANCE

SEC. 111. (a) The Administrator may, from time to time, furnish assistance to any participating country by providing for the performance of any of the functions set forth in paragraphs (1) through (5) of this subsection when he deems it to be in furtherance of the purposes of this title, and upon the terms and conditions set forth in this title and such additional terms and conditions consistent with the provisions of this title as he may determine to be necessary and proper.

(1) Procurement from any source, including Government stocks on the same basis as procurement by Government agencies under Public Law 375 (Seventy-ninth Congress) for their own use, of any commodity which he determines to be required for the furtherance of the purposes of this title. As used in this title, the term "commodity" means any commodity, material, article, supply, or goods necessary for the purposes of this title.

(2) Processing, storing, transporting, and repairing any commodities, or performing any other services with respect to a participating country which he determines to be required for accomplishing the purposes of this title. The Administrator shall, in providing for the procurement of commodities under authority of this title, take such steps as may be necessary to assure, so far as is practicable, that at least 50 per centum of the gross tonnage of commodities, procured within the United States out of funds made available under this title and transported abroad on ocean vessels, is so transported on United States flag vessels to the extent such vessels are available at market rates.

(3) Procurement of and furnishing technical information and assistance.

(4) Transfer of any commodity or service, which transfer shall be signified by delivery of the custody and right of possession and use of such commodity, or otherwise making available any such commodity, or by rendering a service to a participating country or to any agency or organization representing a participating country.

(5) The allocation of commodities or services to specific projects designed to carry out the purposes of this title, which have been submitted to the Administrator by participating countries and have been approved by him.

(b) In order to facilitate and maximize the use of private channels of trade, subject to adequate safeguards to assure that all expenditures in connection with such procurement are within approved programs in accordance with terms and conditions established by the Administrator, he may provide for the performance of any of the functions described in subsection (a) of this section—

(1) by establishing accounts against which, under regulations prescribed by the Administrator—

(i) letters of commitment may be issued in connection with supply programs approved by the Administrator (and such letters of commitment, when issued, shall constitute obligations of the United States and monies due or to become due thereunder shall be assignable under the Assignment of Claims Act of 1940 and shall constitute obligations of applicable appropriations); and

(ii) withdrawals may be made by participating countries, or agencies or organizations representing participating countries or by other persons or organizations, upon presentation of contracts, invoices, or other documentation specified by the Administrator under arrangements prescribed by the Administrator to assure the use of such withdrawals for purposes approved by the Administrator.

Such accounts may be established on the books of the Administration, or any other department, agency, or establishment of the Government specified by

the Administrator, or, on terms and conditions approved by the Secretary of the Treasury, in banking institutions in the United States. Expenditures of funds which have been made available through accounts so established shall be accounted for on standard documentation required for expenditures of Government funds: *Provided*, That such expenditures for commodities or services procured outside the continental limits of the United States under authority of this section may be accounted for exclusively on such certification as the Administrator may prescribe in regulations promulgated by him with the approval of the Comptroller General of the United States to assure expenditure in furtherance of the purposes of this title.

(2) by utilizing the services and facilities of any department, agency, or establishment of the Government as the President shall direct, or with the consent of the head of such department, agency, or establishment, or, in the President's discretion, by acting in cooperation with the United Nations or with other international organizations or with agencies of the participating countries, and funds allocated pursuant to this section to any department, agency, or establishment of the Government shall be established in separate appropriation accounts on the books of the Treasury.

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5. CHINA AID ACT OF 1948

Title IV of Public Law 472, Eightieth Congress, April 3, 1948; Repealed August 26, 1954

[Excerpt]

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SEC. 407. (a) The Secretary of State, after consultation with the Administrator, is hereby authorized to conclude an agreement with China establishing a Joint Commission on Rural Reconstruction in China, to be composed of two citizens of the United States appointed by the President of the United States and three citizens of China appointed by the President of China. Such Commission shall, subject to the direction and control of the Administrator, formulate and carry out a program for reconstruction in rural areas of China, which shall include such research and training activities as may be necessary or appropriate for such reconstruction: *Provided*, That assistance furnished under this section shall not be construed as an express or implied assumption by the United States of any responsibility for making any further contributions to carry out the purposes of this section.

(b) Insofar as practicable, an amount equal to not more than 10 per centum of the funds made available under subsection (a) of section 404 shall be used to carry out the purposes of subsection (a) of this section. Such amount may be in United States dollars, proceeds in Chinese currency from the sale of commodities made available to China with funds authorized under subsection (a) of section 404, or both.

6. INTERNATIONAL AVIATION FACILITIES ACT, 1948

Public Law 647, Eightieth Congress, June 16, 1948

[Excerpt, p. 2]

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ESTABLISHMENT AND OPERATION, IN FOREIGN TERRITORY, OF FACILITIES RELATED TO AVIATION

SEC. 3. After consultation with the Air Coordinating Committee and subject to concurrence of the Secretary of State, and with due regard for the objectives of the International Civil Aviation Organization, the Administrator of Civil Aeronautics (hereinafter referred to as the "Administrator") and the Chief of the Weather Bureau of the Department of Commerce, within their respective fields, are authorized, by contract or otherwise, to acquire, establish, and construct airport property and airway property in foreign territory: *Provided, however*, That, except in the case of airport property transferred under section 8, no airport (as defined in section 1 of the Civil Aeronautics Act of 1938, as amended) may be acquired, established, or constructed under authority of this section unless funds for such purpose have been specifically appropriated by the Congress.

TRAINING OF FOREIGN NATIONALS IN AERONAUTICAL AND RELATED SUBJECTS

SEC. 4. Subject to the concurrence of the Secretary of State, the Administrator and the Chief of the Weather Bureau, within their respective fields, are authorized within or outside the United States to train foreign nationals directly, or in conjunction with any other United States Government agency, or through any United States public or private agency (including any State or municipal educational institution), or through any international organization, in aeronautical and related subjects essential to the orderly and safe operation of civil aircraft.

ACCEPTANCE OF FUNDS FOR FACILITIES SUPPLIED OR SERVICES PERFORMED FOR A FOREIGN GOVERNMENT OR AN INTERNATIONAL ORGANIZATION

SEC. 5. The Administrator and the Chief of the Weather Bureau, respectively, are authorized to accept, on behalf of the United States, funds from any foreign government or from any international organization as payment for any facilities supplied or services performed for such government or international organization by the Administrator or the Chief of the Weather Bureau, either directly or indirectly, under authority of this Act or the Civil Aeronautics Act of 1938, as amended, including the operation of airport property and airway property in such countries, the training of foreign nationals, the rendering of technical assistance and advice to such countries, and the performance of other similar services. Funds so received may be credited (A) to appropriations current at the time the expenditures are to be or have been paid, (B) to appropriations current at the time such amounts are received, or (C) in part as provided under clause (A) and in part as provided under clause (B).

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7. ACT FOR INTERNATIONAL DEVELOPMENT, 1950

Title IV of the Foreign Economic Assistance Act of 1950, Public Law 535, Eighty-first Congress, June 5, 1950, as Amended by the Mutual Security Act of 1951, Public Law 165, Eighty-second Congress, October 10, 1951, by the Mutual Security Act of 1952, Public Law 400, Eighty-second Congress, June 20, 1952, and by the Mutual Security Act of 1953, Public Law 118, Eighty-third Congress, First Session, July 16, 1953; Repealed August 26, 1954

TITLE IV

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

SEC. 402. The Congress hereby finds as follows: (a) The peoples of the United States and other nations have a common interest in the freedom and in the economic and social progress of all peoples. Such progress can further the secure growth of democratic ways of life, the expansion of mutually beneficial commerce, the development of international understanding and good will, and the maintenance of world peace.

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

(c) Technical assistance and capital investment can make maximum contribution to economic development only where there is understanding of the mutual advantages of such assistance and investment and where there is confidence of fair and reasonable treatment and due respect for the legitimate interests of the peoples of the countries to which the assistance is given and in which the investment is made and of the countries from which the assistance and investments are derived. In the case of investment this involves confidence on the part of the people of the underdeveloped areas that investors will conserve as well as develop local resources, will bear a fair share of local taxes and observe local laws, and will provide adequate wages and working conditions for local labor. It involves confidence on the part of investors, through intergovernmental agreements or otherwise, that they will not be deprived of their property without prompt, adequate, and effective compensation; that they will be given reasonable opportunity to remit their earnings and withdraw their capital; that they will have reasonable freedom to manage, operate, and control their enterprises; that they

will enjoy security in the protection of their persons and property, including industrial and intellectual property, and nondiscriminatory treatment in taxation and in the conduct of their business affairs.

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

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

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

(b) Within the limits of appropriations made available to carry out the purposes of this title, the President is authorized to make contributions to the United Nations for technical cooperation programs carried on by it and its related organizations which will contribute to accomplishing the purposes of this title as effectively as would participation in comparable programs on a bilateral basis. The President is further authorized to make contributions for technical cooperation programs carried on by the Organization of American States, its related organizations, and by other international organizations: *Provided*, That for the fiscal year ending June 30, 1952, such contributions from funds made available under authority of sections 101 (a) (2), 203, 302, and 402 of the Mutual Security Act of 1951 shall not exceed in the aggregate \$13,000,000, and the use of such contributions shall not be limited to the area covered by the section of the Act from which the funds are drawn: *Provided further*, That for the calendar year 1953 not to exceed \$15,708,750 is authorized to be appropriated to the President for use in making contributions under this subsection.

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

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

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

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

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

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

(e) To make and perform contracts or agreements in respect of technical cooperation programs on behalf of the United States Government with any person, corporation, or other body of persons however designated, whether

within or without the United States, or with any foreign government or foreign government agency: *Provided*, That with respect to contracts or agreements which entail commitments for the expenditure of funds appropriated pursuant to the authority of this title, such contracts or agreements, within the limits of appropriations or contract authorizations hereafter made available may, subject to any future action of the Congress, run for not to exceed three years in any one case.

(f) To provide for printing and binding outside the continental limits of the United States, without regard to section 11 of the Act of March 1, 1919 (44 U. S. C. 111).

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

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

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

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

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

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

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

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

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

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

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

(d) Participating countries shall be encouraged to establish fair labor standards of wages and working conditions and management-labor relations.

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

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

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

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

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

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

(3) Policies which will remove deterrents to and otherwise encourage the introduction, local development, and application of technical skills and the creation and effective utilization of capital, both domestic and foreign; and the implementation of such policies by appropriate measures on the part of the requesting country and the United States, and of other countries, when appropriate, and after consultation with them.

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

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

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

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

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

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

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

(a) The President shall appoint, by and with the advice and consent of the Senate, an Administrator for Technical Cooperation, who, under the direction of the President or such other officer as he may designate pursuant to section 412 hereof to exercise the powers conferred upon him by this title, shall be responsible for planning, implementing, and managing the programs authorized in this title. He shall be compensated at a rate fixed by the President without regard to the Classification Act of 1949 but not in excess of \$16,000 per annum. The President may also appoint, by and with the advice and consent of the Senate, a Deputy Administrator for Technical Cooperation who shall perform such functions as the Administrator shall designate, and shall be Acting Administrator for Technical Cooperation during the absence or disability of the Administrator or in the event of a vacancy in the office of the Administrator. The Deputy Administrator shall receive compensation at a rate fixed by the President without regard to the Classification Act of 1949 but not in excess of \$15,000 per annum.

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

(c) Persons employed for duty outside the continental limits of the United States and officers and employees of the United States Government assigned for such duty, may receive compensation at any of the rates provided for the Foreign Service Reserve and Staff by the Foreign Service Act of 1946 (60 Stat. 999), as amended, may receive allowances and benefits not in excess of those established thereunder, and may be appointed to any class in the Foreign Service Reserve or Staff in accordance with the provisions of such Act.

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

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

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

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

SEC. 414 * * *

[Replaced by sec. 510 of the Mutual Security Act of 1951, as amended. See p. 38.]

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

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

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

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

SEC. 418. As used in this title—

(a) The term "technical cooperation programs" means programs for the international interchange of technical knowledge and skills designed to contribute to the balanced and integrated development of the economic resources and productive capacities of economically underdeveloped areas. Such activities may include, but need not be limited to, economic, engineering, medical, educational, agricultural, fishery, mineral, and fiscal surveys, demonstration, training, and similar projects that serve the purpose of promoting the development of economic resources and productive capacities of underdeveloped areas. The term "technical cooperation programs" does not include such activities authorized by the United States Information and Educational Exchange Act of 1948 (62 Stat. 6) as are not primarily related to economic development nor activities undertaken now or hereafter pursuant to the International Aviation Facilities Act (62 Stat. 450), nor pursuant to the Philippine Rehabilitation Act of 1946 (60 Stat. 128), as amended, nor pursuant to the Foreign Assistance Act of 1948 (62 Stat. 137), as amended, nor activities undertaken now or hereafter in the administration of areas occupied by the United States armed forces or in Korea by the Economic Cooperation Administration.

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

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

8. FOREIGN AID APPROPRIATIONS ACT, 1951

Public Law 759, Eighty-first Congress, Approved September 6, 1950; Expired

[Excerpt, pp. 181-182]

INTERNATIONAL DEVELOPMENT

For expenses necessary to enable the President to carry out the provisions of the Act for International Development (title IV of Public Law 535, approved June 5, 1950), including personal services in the District of Columbia; expenses of attendance at meetings concerned with the purposes of this appropriation; purchase (not to exceed twelve), and hire of passenger motor vehicles for use outside the continental limits of the United States; printing and binding; payment of tort claims pursuant to law (28 U. S. C. 2672); health service programs as authorized by law (5 U. S. C. 150); insurance of official motor vehicles in foreign countries when required by law of such countries; acquisition of temporary quarters outside the continental limits of the United States to house employees of the United States Government by rental (without regard to section 322 of the Act of June 30, 1932, as amended (40 U. S. C. 278a)), lease, or construction, and necessary repairs and alterations to such temporary quarters; exchange of funds without regard to section 3651 of the Revised Statutes (31 U. S. C. 543); entertainment (not to exceed \$2,000); health and accident insurance for foreign trainees and technicians while absent from their own countries participating in activities authorized under this appropriation, and actual expenses of preparing and transporting to their former homes the remains of such persons who may die away from their homes while participating in such activities; services of commissioned officers of the Public Health Service and of the Coast and Geodetic Survey, and for purposes of providing such services the Public Health Service may appoint not to exceed twenty officers in the Regular Corps to grades above that of senior assistant, but not above that of director, as otherwise authorized in accordance with section 711 of the Act of July 1, 1944, as amended (42 U. S. C. 211a), and the Coast and Geodetic Survey may appoint for such purposes not to exceed twenty commissioned officers in addition to those otherwise authorized; \$26,900,000; and, in addition, there may be transferred to this appropriation for the purposes hereof not to exceed \$2,600,000 from the appropriation to the Department of State for "International information and educational activities," fiscal year 1951: *Provided*, That this appropriation shall be available for contracts or agreements entered into during the fiscal year 1951 pursuant to section 405 (e) of the Act for International Development which entail commitments for the expenditure of funds for not to exceed three years: *Provided, however*, That no part of this appropriation may be expended for the duplication of any program being carried on by any other agency of the United States Government or any international agency to which the United States is a major contributor, nor for the construction of any project except for demonstration or instructional purposes, nor for any purpose except administrative expenses, and preliminary surveys and technical cooperation programs upon which reports shall be made to the Congress of the United States quarterly: *Provided further*, That the making of any survey or the advancement of any technical cooperation program or the preparation of plans for projects does not constitute any obligation whatsoever on the part of the Government of the United States to make any loan or grant for the execution or construction of any project or for the completion of any program devised under title IV of Public Law 535, approved June 5, 1950: *Provided further*, That it shall be the duty of the Secretary of State to give written notice to each recipient of funds or beneficiary under said title that such assistance shall not be construed as an obligation on the part of the United States to make funds available for the construction or execution of any project and to report such action to Congress.

9. MUTUAL SECURITY ACT OF 1951, AS AMENDED

Public Law 165, Eighty-second Congress, October 10, 1951, as Amended by the Mutual Security Act of 1952, Public Law 400, Eighty-second Congress, June 20, 1952, and by the Mutual Security Act of 1953, Public Law 118, Eighty-third Congress, July 16, 1953; Repealed August 26, 1954

[Excerpts¹]

AN ACT To maintain the security and promote the foreign policy and provide for the general welfare of the United States by furnishing assistance to friendly nations in the interest of international peace and security.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the "Mutual Security Act of 1951".

SEC. 2. (a) The Congress declares it to be the purpose of this Act to maintain the security and to promote the foreign policy of the United States by authorizing military, economic, and technical assistance to friendly countries, to strengthen the mutual security and individual and collective defenses of the free world, to develop their resources in the interest of their security and independence and the national interest of the United States and to facilitate the effective participation of those countries in the United Nations system for collective security. The purposes of the Mutual Defense Assistance Act of 1949, as amended (22 U. S. C. 1571-1604), the Economic Cooperation Act of 1948, as amended (22 U. S. C. 1501-1522), and the Act for International Development (22 U. S. C. 1557) shall hereafter be deemed to include this purpose.

* * * * *

TITLE V—ORGANIZATION AND GENERAL PROVISIONS

UNIFIED DIRECTION OF PROGRAM

SEC. 501. (a) In order that the programs of military, economic, and technical assistance authorized by this Act may be administered as parts of a unified program in accordance with the intent of Congress and to fix responsibility for the coordination and supervision of these programs in a single person, the President is authorized to appoint in the Executive Office of the President a Director for Mutual Security. The Director, on behalf of the President and subject to his direction, shall have primary responsibility for—

(1) continuous supervision and general direction of the assistance programs under this Act to the end that such programs shall be (A) effectively integrated both at home and abroad, and (B) administered so as to assure that the defensive strength of the free nations of the world shall be built as quickly as possible on the basis of continuous and effective self-help and mutual aid;

(2) preparation and presentation to the Congress of such programs of foreign military, economic, and technical assistance as may be required in the interest of the security of the United States;

(3) preparation for the President of the report to the Congress required by section 518 of this Act and the supervision, coordination, and evaluation of all reports prepared by agencies of the United States Government in the course of their operations under this Act, in order to prevent duplication of effort and to insure a reduction of reporting requirements to the minimum essential for effective operation.

* * * * *

RELATIONSHIP TO TECHNICAL COOPERATION ADMINISTRATION AND INSTITUTE OF INTER-AMERICAN AFFAIRS

SEC. 508. Nothing in this Act shall be construed to modify the provisions of section 412 of the Act for International Development or the provisions of the Institute of Inter-American Affairs Act.

¹ Authorizations of amounts to be appropriated for technical assistance are not included in these excerpts. A summary table of authorizations and appropriations will be found on p. 156.

DETAIL OF PERSONNEL TO FOREIGN GOVERNMENTS AND INTERNATIONAL ORGANIZATIONS

SEC. 509. Whenever the President determines it to be consistent with and in furtherance of the purpose of this Act, the head of any Government agency is authorized to—

(a) detail or assign any officer or employee of his agency to any office or position to which no compensation is attached with any foreign government or foreign government agency: *Provided*, That such acceptance of office shall in no case involve the taking of an oath of allegiance to another government; and

(b) detail, assign, or otherwise make available to any international organization in which the United States participates, any officer or employee of his agency to serve with or as a member of the international staff of such organizations.

Any such officer or employee, while so assigned or detailed, shall be considered, for the purpose of preserving his privileges, rights, seniority, or other benefits as such, an officer or employee of the Government of the United States and of the Government agency from which assigned or detailed, and he shall continue to receive compensation, allowances, and benefits from funds made available to that agency out of funds authorized under this Act.

SECURITY CLEARANCE

SEC. 510. No citizen or resident of the United States may be employed, or if already employed, may be assigned to duties by the Director or the Secretary of State under this Act or the Act for International Development for a period to exceed three months unless (a) such individual has been investigated as to loyalty and security by the Civil Service Commission and a report thereon has been made to the Director or the Secretary of State, as the case may be, and until the Director or the Secretary of State has certified in writing (and filed copies thereof with the Senate Committee on Foreign Relations and the House Committee on Foreign Affairs) that, after full consideration of such report, he believes such individual is loyal to the United States, its Constitution, and form of government, and is not now and has never been a member of any organization advocating contrary views; or (b) such individual has been investigated by a military intelligence agency and the Secretary of Defense has certified in writing that he believes such individual is loyal to the United States and filed copies thereof with the Senate Committee on Foreign Relations and the House Committee on Foreign Affairs. This section shall not apply in the case of any officer appointed by the President by and with the advice and consent of the Senate, nor shall it apply in the case of any person already employed under programs covered by this Act who has been previously investigated in connection with such employment.

ELIGIBILITY FOR ASSISTANCE

SEC. 511. (a) No military, economic, or technical assistance authorized pursuant to this Act (other than assistance provided under section 408 (e) of the Mutual Defense Assistance Act of 1949, as amended) shall be supplied to any nation in order to further military effort unless the President finds that the supplying of such assistance will strengthen the security of the United States and unless the recipient country has agreed to—

(1) join in promoting international understanding and good will, and maintaining world peace;

(2) take such action as may be mutually agreed upon to eliminate causes of international tension;

(3) fulfill the military obligations which it has assumed under multilateral or bilateral agreements or treaties to which the United States is a party;

(4) make, consistent with its political and economic stability, the full contribution permitted by its manpower, resources, facilities, and general economic condition to the development and maintenance of its own defensive strength and the defensive strength of the free world;

(5) take all reasonable measures which may be needed to develop its defense capacities; and

(6) take appropriate steps to insure the effective utilization of the economic and military assistance provided by the United States.

(b) No economic or technical assistance shall be supplied to any other nation unless the President finds that the supplying of such assistance will strengthen

the security of the United States and promote world peace, and unless the recipient country has agreed to join in promoting international understanding and good will, and in maintaining world peace, and to take such action as may be mutually agreed upon to eliminate causes of international tension.

(c) (1) The Congress of the United States finds that mutual security can be realized only to the extent that the countries who receive our aid do their utmost to help themselves and cooperate among themselves and with the United States to the fullest extent in achieving the objectives of the free world. In providing assistance under this Act, the Congress of the United States affirms the desire of the United States to continue to use its leadership and resources for the purpose of uniting the efforts of recipient countries to the end that positive accomplishments toward mutual security may be realized with a maximum of efficiency and a minimum of delay and cost.

(2) In addition to the provisions of subsections (a) and (b) of this section, the Director, in administering this Act, shall insure that, where necessary to the mutual security effort, no country shall receive any assistance hereunder unless it take decisive action to marshal its resources collectively, or individually where more suitable, with integration and unification plans in the appropriate area, and participate in programs which promote collective security in that area. The Director shall insure that, where suitable or necessary to the success of the mutual security effort, countries take adequate steps to mobilize their industries for mutual defense and gear their fiscal, budgetary, capital, political, and military resources to the objectives of this Act and take appropriate other steps toward self-help and mutual cooperation.

(3) Assistance shall be given on a country-by-country basis to a degree and at a rate commensurate with the rate of progress made in the attainment of the objectives of this Act.

* * * * *

PROTECTION AGAINST ATTACHMENT

SEC. 515. All countries participating in any United States aid program or in any international organization receiving United States aid shall be required to so deposit, segregate, or assure title to all funds allocated to or derived from any program so that the same shall not be subject to garnishment, attachment, seizure, or other legal process by any person, firm, agency, corporation, organization, or government when in the opinion of the Director any such action would interfere with the attainment of the objectives of this Act.

ENCOURAGEMENT OF FREE ENTERPRISE

SEC. 516. (a) The Congress recognizes the vital role of free enterprise in achieving rising levels of production and standards of living essential to the economic progress and defensive strength of the free world. Accordingly, it is declared to be the policy of the United States, in furtherance of the objectives of this Act, to encourage the efforts of other free countries in fostering private initiative and competition, in discouraging monopolistic practices, in improving the technical efficiency of their industry, agriculture, and commerce, and in the strengthening of free labor unions; and to encourage American enterprise in contributing to the economic strength of other free countries through private investment abroad and the exchange of ideas and technical information on the matters covered by this subsection.

(b) Under the coordination of the Director for Mutual Security, the Mutual Security Agency, cooperating with private business groups and governmental agencies to the fullest extent possible, shall encourage a greater participation by private capital in the guaranty program and shall develop broad criteria to facilitate such participation, including programs consistent with the purposes of the Act for International Development.

(c) The Department of Commerce shall, in cooperation with such groups and agencies (including the International Bank for Reconstruction and Development), conduct a thorough study of the legal and other impediments, foreign and local, to private investment abroad, and the methods and means whereby those impediments can be removed or decreased and shall make recommendations thereon to the Director for Mutual Security.

(d) The Department of State, in cooperation with other agencies of the Government concerned with private investment abroad, and taking into account the study and recommendations described in subsection (c) of this section, shall accelerate a program of negotiating treaties of commerce and trade, or other

temporary arrangements where more suitable or expeditious, which shall include provisions to encourage and facilitate the flow of private investment to countries participating in programs under this Act.

(e) The Technical Cooperation Administration, taking into account the study and recommendations described in subsection (c) of this section, shall encourage and facilitate a greater participation by private industrial groups or agencies in private contracts awarded by the Administration, and shall, in cooperation with the Department of Commerce and the Mutual Security Agency, find and draw the attention of private enterprise to opportunities for investment and development in underdeveloped areas.

(f) The reports required by section 518 of this Act shall include detailed information on the implementation of this section.

* * * * *

REPORTS

SEC. 518. The President, from time to time while funds appropriated for the purpose of this Act continue to be available for obligation, shall transmit to the Congress in lieu of any reports otherwise required by laws continued in effect by this Act, reports covering each six months of operations in furtherance of the purpose of this Act, except information the disclosure of which he deems incompatible with the security of the United States. The first such report shall cover the six-month period commencing on the date this Act becomes effective. Reports provided for under this section shall be transmitted to the Secretary of the Senate or the Clerk of the House of Representatives, as the case may be, if the Senate or the House of Representatives, as the case may be, is not in session.

* * * * *

TERMINATION OF ASSISTANCE BY PRESIDENT

SEC. 529. If the President determines that the furnishing of assistance to any nation—

(a) is no longer consistent with the national interest or security of the United States or the policies and purpose of this Act; or

(b) would contravene a decision of the Security Council of the United Nations; or

(c) would be inconsistent with the principle that members of the United Nations should refrain from giving assistance to any nation against which the Security Council or the General Assembly has recommended measures in case of a threat to, or breach of, the peace, or act of aggression, he shall terminate all or part of any assistance furnished pursuant to this Act. The function conferred herein shall be in addition to all other functions heretofore conferred with respect to the termination of military, economic, or technical assistance.

* * * * *

SMALL BUSINESS

SEC. 538. (a) Insofar as practicable and to the maximum extent consistent with the accomplishment of the purposes of this Act, the Director for Mutual Security shall assist American small business to participate equitably in the furnishing of commodities and services financed with funds authorized under this Act (other than funds authorized to carry out the provisions of the Mutual Defense Assistance Act of 1949, as amended) by making available or causing to be made available to suppliers in the United States and particularly to small independent enterprises, information, as far in advance as possible, with respect to purchases proposed to be financed with funds authorized under this Act (other than funds authorized to carry out the provisions of the Mutual Defense Assistance Act of 1949, as amended), by making available or causing to be made available to prospective purchasers in the countries receiving assistance under this Act information as to commodities and services produced by small independent enterprises in the United States, and by offering additional services to give small business better opportunities to participate in the furnishing of commodities and services financed with such funds.

(b) There shall be continued in the Mutual Security Agency the Office of Small Business headed by the Special Assistant for Small Business to carry out the provisions of subsections (a) and (b) of this section. Each report transmitted to the Congress under section 518 shall include a report of all activities under this section. The Technical Cooperation Administration shall adopt the procedure of notifying

American business, particularly small independent enterprises, of procurement and other information as far in advance as possible through the facilities of the Office of Small Business of the Mutual Security Agency. The Secretary of Defense shall assure that there is made available to suppliers in the United States, and particularly to small independent enterprises, information with respect to purchases made by the Department of Defense pursuant to the provisions of the Mutual Defense Assistance Act of 1949, as amended, such information to be furnished as far in advance as possible.

* * * * *

UNDERDEVELOPED AREAS

SEC. 547. Whenever funds are made available under this Act for assistance, other than military assistance, to any economically underdeveloped area, such funds may be used under the applicable provisions of section 503 (b) (3) or the applicable provisions of the Act for International Development. Where administrative arrangements, including provisions relating to compensation and allowances of personnel, authorized under section 503 (b) (3), differ from those authorized by the Act for International Development, the Director may make use of arrangements authorized under either statute, in carrying out such programs, except that before extending the provisions of section 109 (a) of the Economic Cooperation Act of 1948, as amended, to countries in which programs authorized under the Act for International Development are being carried out, the Director will secure the approval of the Secretary of State.

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10. REORGANIZATION PLAN NO. 7 OF 1953

Effective August 1, 1953

FOREIGN OPERATIONS ADMINISTRATION

SECTION 1. *Establishment of Foreign Operations Administration.* (a) There is hereby established a new agency which shall be known as the Foreign Operations Administration, hereinafter referred to as the "Administration".

(b) There shall be at the head of the Administration a Director of the Foreign Operations Administration, hereinafter referred to as the "Director." The Director shall be appointed by the President by and with the advice and consent of the Senate and shall receive compensation at the rate of \$22,500 a year. The Secretary of State shall advise with the President concerning the appointment and tenure of the Director.

(c) There shall be in the Administration a Deputy Director of the Foreign Operations Administration, who shall be appointed by the President by and with the advice and consent of the Senate, and who shall receive compensation at the rate of \$17,500 a year. The Deputy Director shall perform such functions as the Director shall from time to time designate, and shall act as Director during the absence or disability of the Director or in the event of a vacancy in the office of Director.

(d) There are hereby established in the Administration six new offices with such title or titles as the Director shall from time to time determine. Appointment thereto shall be by the President, by and with the advice and consent of the Senate. The compensation for each of two of the said offices shall be at the rate of \$16,000 a year and the compensation for each of the other four offices shall be at the rate of \$15,000 a year. The persons appointed to the said new offices shall perform such functions as the Director shall from time to time designate, and are authorized to act as Director, as the Director may designate, during the absence or disability of the Director and the Deputy Director or in the event of vacancies in the offices of Director and Deputy Director.

SEC. 2. *Transfer of functions to the Director.* There are hereby transferred to the Director:

(a) All functions vested by the Mutual Security Act of 1951, as amended, or by any other statute in the Director for Mutual Security provided for in section 501 of that Act, or in the Mutual Security Agency created by that Act, or in any official or office of that Agency, including the functions of the Director for Mutual Security as a member of the National Security Council.

(b) All functions vested by the Mutual Defense Assistance Control Act of 1951 in the Administrator created by that Act.

(c) The function vested by section 6 of the Yugoslav Emergency Relief Assistance Act of 1950 in the Secretary of State.

SEC. 3. *Institute of Inter-American Affairs.* The Institute of Inter-American Affairs, together with its functions, is hereby transferred to the Administration. All functions vested by the Institute of Inter-American Affairs Act in the Secretary of State are hereby transferred to the Director. Functions with respect to serving as employees of the said Institute or as members of the board of directors thereof, including eligibility, as the case may be, to be detailed as such employees or to serve as such members, are hereby transferred from the officials and employees of the Department of State to the officials and employees of the Administration. The Institute shall be administered subject to the direction and control of the Director.

SEC. 4. *National Advisory Council.* The Director shall be a member of the National Advisory Council on International Monetary and Financial Problems (22 U. S. C. 286b).

SEC. 5. *Performance of functions transferred to the Director.* The Director may from time to time make such provisions as he shall deem appropriate authorizing the performance by any other officer, or by any employee or organizational entity, of the Administration, of any function of the Director, except the function of being a member of the National Security Council and the function of being a member of the National Advisory Council on International Monetary and Financial Problems.

SEC. 6. *Transfer of functions to the President.* All functions vested in the Secretary of State by the United Nations Palestine Refugee Aid Act of 1950 are hereby transferred to the President.

SEC. 7. *Incidental transfers.* (a) Personnel, property, records, and unexpended balances of appropriations, allocations, and other funds, employed, used, held, available, or to be made available in connection with functions transferred or vested by this reorganization plan shall be transferred, at such time or times as the Director of the Bureau of the Budget shall direct, as follows:

(1) So much of those relating to functions transferred to or vested in the Director or the Administration as the Director of the Bureau of the Budget shall determine shall be transferred to the Administration.

(2) Those of the Institute of Inter-American Affairs shall be transferred along with the Institute.

(3) So much of those relating to the functions transferred by section 6 hereof as the Director of the Bureau of the Budget shall determine shall be transferred to the agency or agencies of the Government to which the President delegates the said functions.

(b) Such further measures and dispositions as the Director of the Bureau of the Budget shall deem to be necessary in order to effectuate the transfers provided for in subsection (a) of this section shall be carried out in such manner as he shall direct and by such agencies as he shall designate.

SEC. 8. *Abolitions.* (a) There are hereby abolished:

(1) The offices of Director for Mutual Security and Deputy Director for Mutual Security, provided for in sections 501 and 504, respectively, of the Mutual Security Act of 1951, as amended (including the organization in the Executive Office of the President known as the Office of the Director for Mutual Security).

(2) The Mutual Security Agency.

(3) The title of Administrator provided for in the Mutual Defense Assistance Control Act.

(4) The four positions provided for in section 406 (e) of the Mutual Defense Assistance Act of 1949, as amended.

(5) The offices of Administrator and Deputy Administrator for Technical Cooperation, provided for in section 413 (a) of the Act for International Development, as amended, together with the functions vested in the Administrator by the said section 413 (a), as amended.

(6) The offices of the Special Representative in Europe and Deputy Special Representative in Europe, provided for in section 504 (a) of the Mutual Security Act of 1951, as amended. The abolition of the said offices of Representative, and Deputy Representative shall become effective on September 1, 1953 (unless a later date is required by the provisions of section 6 (a) of the Reorganization Act of 1949, as amended).

(b) The Director shall wind up any outstanding affairs of the aforesaid abolished agencies and offices not otherwise provided for in this reorganization plan.

SEC. 9. *Interim provisions.* The President may authorize the persons who, immediately prior to the effective date of this reorganization plan, hold offices or

occupy positions abolished by section 8 hereof to hold offices and occupy positions under section 1 hereof until the latter offices and positions are filled pursuant to the provisions of the said section 1 or by recess appointment, as the case may be, but in no event for any period extending more than 60 days after the said effective date, as follows:

(a) The Director and Deputy Director for Mutual Security as the Director and Deputy Director of the Foreign Operations Administration, respectively.

(b) The Administrator for Technical Cooperation and the person occupying the senior position provided for in section 406 (e) of the Mutual Defense Assistance Act of 1949, as amended, to serve in the two senior positions created by section 1 (d) hereof.

(c) The Deputy Administrator for Technical Cooperation and the persons occupying the three positions provided for in section 406 (e) of the Mutual Defense Assistance Act of 1949, as amended, to serve in the four positions created by section 1 (d) hereof which have compensation at the rate of \$15,000 a year.

11. MUTUAL SECURITY ACT OF 1954

Public Law 665, Eighty-third Congress, August 26, 1954

[Excerpts]

* * * * *

TITLE III—TECHNICAL COOPERATION

SEC. 301. DECLARATION OF PURPOSE.—It is the policy of the United States and the purpose of this title to aid the efforts of the peoples of economically underdeveloped areas to develop their resources and improve their working and living conditions by encouraging the exchange of technical knowledge and skills and the flow of investment capital to countries which provide conditions under which such technical assistance and capital can effectively and constructively contribute to raising standards of living, creating new sources of wealth, increasing productivity and expanding purchasing power.

SEC. 302. GENERAL AUTHORITY AND DEFINITION.—The President is authorized to furnish assistance in accordance with the provisions of this title through bilateral technical cooperation programs. As used in this title, the term "technical cooperation programs" means programs for the international interchange of technical knowledge and skills designed to contribute primarily to the balanced and integrated development of the economic resources and productive capacities of economically underdeveloped areas. Such activities shall be limited to economics, engineering, medical, educational, labor, agricultural, forestry, fishery, mineral, and fiscal surveys, demonstration, training, and similar projects that serve the purpose of promoting the development of economic resources, productive capacities, and trade of economically underdeveloped areas, and training in public administration. The term "technical cooperation programs" does not include such activities authorized by the United States Information and Educational Exchange Act of 1948 (62 Stat. 6) as are not primarily related to economic development, nor activities undertaken now or hereafter pursuant to the International Aviation Facilities Act (62 Stat. 450), nor activities undertaken now or hereafter in the administration of areas occupied by the United States Armed Forces.

SEC. 303. PREREQUISITES TO ASSISTANCE.—Assistance shall be made available under section 302 of this Act only where the President determines that the nation being assisted—

- (a) pays a fair share of the cost of the program;
- (b) provides all necessary information concerning such program and gives the program full publicity;
- (c) seeks to the maximum extent possible full coordination and integration of technical cooperation programs being carried on in that nation;
- (d) endeavors to make effective use of the results of the program; and
- (e) cooperates with other nations participating in the program in the mutual exchange of technical knowledge and skills.

SEC. 304. AUTHORIZATION.—There is hereby authorized to be appropriated to the President for the fiscal year 1955 \$88,570,000 for technical cooperation programs in the Near East, Africa, South Asia, and Far East and Pacific, and \$28,500,000 for such programs in Latin America. In addition, unexpended balances of appropriations heretofore made pursuant to section 543 of the Mutual

Security Act of 1951, as amended, are authorized to be continued available for the purposes of this section through June 30, 1955, and to be consolidated with the appropriation authorized by this section.

SEC. 305. LIMITATION ON USE OF FUNDS.—Funds made available under section 304 may be expended to furnish assistance in the form of equipment or commodities only where necessary for instruction or demonstration purposes.

SEC. 306. MULTILATERAL TECHNICAL COOPERATION.—As one means of accomplishing the purposes of this title, the United States is authorized to participate in multilateral technical cooperation programs carried on by the United Nations, the Organization of American States, their related organizations, and other international organizations, wherever practicable. There is hereby authorized to be appropriated to carry out the purpose of this section, in addition to the amounts authorized by section 304, not to exceed—

(a) \$17,958,000 for making contributions to the United Nations Expanded Program of Technical Assistance;

(b) \$1,500,000 for making contributions to the technical cooperation program of the Organization of American States.

SEC. 307. ADVANCES AND GRANTS; CONTRACTS.—The President may make advances and grants-in-aid of technical cooperation programs to any person, corporation, or other body of persons or to any foreign government agency. The President may make and perform contracts and agreements in respect of technical cooperation programs on behalf of the United States Government with any person, corporation, or other body of persons however designated, whether within or without the United States, or with any foreign government of foreign government agency. A contract or agreement which entails commitments for the expenditure of funds appropriated pursuant to this title may, subject to any future action of the Congress, run for not to exceed three years.

SEC. 308. INTERNATIONAL DEVELOPMENT ADVISORY BOARD.—There shall be an advisory board, referred to in this section as the "Board", which shall advise and consult with the President, or such other officer as he may designate to administer this title, with respect to general or basic policy matters arising in connection with the operation of programs authorized by this title, title II, and section 413 (b). The Board shall consist of not more than thirteen members appointed by the President, one of whom, by and with the advice and consent of the Senate, shall be appointed by him as chairman. The members of the Board shall be broadly representative of voluntary agencies and other groups interested in the programs including business, labor, agriculture, public health, and education. All members of the Board shall be citizens of the United States; none except the chairman shall be an officer or an employee of the United States (including any United States Government agency) who as such regularly receives compensation for current services. Members of the Board, other than the chairman if he is an officer of the United States Government, shall receive out of funds made available for the purpose of this title a per diem allowance of \$50 for each day spent away from their homes or regular places of business for the purpose of attendance at meetings of the Board or at conferences held upon the call of the chairman, and in necessary travel, and while so engaged they may be paid actual travel expenses and not to exceed \$10 per diem in lieu of subsistence and other expenses.

TITLE IV—OTHER PROGRAMS

* * * * *

SEC. 413. ENCOURAGEMENT OF FREE ENTERPRISE AND PRIVATE PARTICIPATION.—(a) The Congress recognizes the vital role of free enterprise in achieving rising levels of production and standards of living essential to the economic progress and defensive strength of the free world. Accordingly, it is declared to be the policy of the United States to encourage the efforts of other free nations to increase the flow of international trade, to foster private initiative and competition, to discourage monopolistic practices, to improve the technical efficiency of their industry, agriculture and commerce, and to strengthen free labor unions; and to encourage the contribution of United States enterprise toward the economic strength of other free nations, through private trade and investment abroad, private participation in the programs carried out under this Act (including the use of private trade channels to the maximum extent practicable in carrying out such programs), and exchange of ideas and technical information on the matters covered by this section.

(b) In order to encourage and facilitate participation by private enterprise to the maximum extent practicable in achieving any of the purposes of this Act, the President—

- (1) shall make arrangements to find and draw the attention of private enterprise to opportunities for investment and development in other free nations;
- (2) shall accelerate a program of negotiating treaties for commerce and trade, including tax treaties, which shall include provisions to encourage and facilitate the flow of private investment to nations participating in programs under this Act;
- (3) shall, consistent with the security and best interests of the United States, seek compliance by other countries or a dependent area of any country with all treaties for commerce and trade and taxes and shall take all reasonable measures under this Act or other authority to secure compliance therewith and to assist United States citizens in obtaining just compensation for losses sustained by them or payments exacted from them as a result of measures taken or imposed by any country or dependent area thereof in violation of any such treaty; and
- (4) may make, until June 30, 1957, under rules and regulations prescribed by him, guaranties to any person of investments in connection with projects, including expansion, modernization, or development of existing enterprises, in any nation with which the United States has agreed to institute the guaranty program: *Provided, That—*

(A) such projects shall be approved by the President as furthering any of the purposes of this Act, and by the nation concerned;

(B) the guaranty to any person shall be limited to assuring any or all of the following:

(i) the transfer into United States dollars of other currencies, or credits in such currencies, received by such person as earnings or profits from the approved project, as repayment or return of the investment therein, in whole or in part, or as compensation for the sale or disposition of all or any part thereof;

(ii) the compensation in United States dollars for loss of all or any part of the investment in the approved project which shall be found by the President to have been lost to such person by reason of expropriation or confiscation by action of the government of a foreign nation;

(C) when any payment is made to any person pursuant to a guaranty as hereinbefore described, the currency, credits, assets, or investment on account of which such payment is made shall become the property of the United States Government, and the United States Government shall be subrogated to any right, title, claim or cause of action existing in connection therewith;

(D) the guaranty to any person shall not exceed the amount of dollars invested in the project by such person with the approval of the President plus actual earnings or profits on said project to the extent provided by such guaranty, and shall be limited to a term not exceeding twenty years from the date of issuance;

(E) a fee shall be charged in an amount not exceeding 1 per centum per annum of the amount of each guaranty under clause (i) of subparagraph (B), and not exceeding 4 per centum per annum of the amount of each guaranty under clause (ii) of such subparagraph, and all fees collected hereunder shall be available for expenditure in discharge of liabilities under guaranties made under this section until such time as all such liabilities have been discharged or have expired, or until all such fees have been expended in accordance with the provisions of this section;

(F) the President is authorized to issue guaranties up to a total of \$200,000,000: *Provided, That* any funds allocated to a guaranty and remaining after all liability of the United States assumed in connection therewith has been released, discharged, or otherwise terminated, shall be available for allocation to other guaranties, the foregoing limitation notwithstanding. Any payments made to discharge liabilities under guaranties issued under this subsection shall be paid out of fees collected under subparagraph (E) as long as such fees are available, and thereafter shall be paid out of funds realized from the sale of notes which have been issued under authority of paragraph 111 (c) (2), of the Economic Cooperation Act of 1948, as amended, when necessary to discharge liabilities under any such guaranty;

(G) the guaranty program authorized by this paragraph shall be used to the maximum practicable extent and shall be administered under broad criteria so as to facilitate and increase the participation of private enterprise in achieving any of the purposes of this Act;

(H) as used in this paragraph—

(i) the term "person" means a citizen of the United States or any corporation, partnership, or other association created under the law of

the United States or of any State or Territory and substantially beneficially owned by citizens of the United States, and

(ii) the term "investment" includes any contribution of capital goods, materials, equipment, services, patents, processes, or techniques by any person in the form of (1) a loan or loans to an approved project, (2) the purchase of a share of ownership in any such project, (3) participation in royalties, earnings, or profits of any such project, and (4) the furnishing of capital goods items and related services pursuant to a contract providing for payment in whole or in part after the end of the fiscal year in which the guaranty of such investment is made.

* * * * *

SEC. 417. IRISH COUNTERPART.—Pursuant to section 115 (b) (6) of the Economic Cooperation Act of 1948, as amended, the disposition within Ireland of the unencumbered balance, in the amount of approximately 6,000,000 Irish pounds, of the special account of Irish funds established under article IV of the Economic Cooperation Agreement between the United States of America and Ireland, dated June 28, 1948, for the purposes of—

(1) scholarship exchange between the United States and Ireland;

(2) other programs and projects (including the establishment of an Agricultural Institute) to improve and develop the agricultural production and marketing potential of Ireland and to increase the production and efficiency of Irish industry; and

(3) development programs and projects in aid of the foregoing objectives.

is hereby approved, as provided in the agreement between the Government of the United States of America and the Government of Ireland, dated June 17, 1954.

* * * * *

TITLE V—MISCELLANEOUS PROVISIONS

CHAPTER I. GENERAL PROVISIONS

* * * * *

SEC. 503. TERMINATION OF ASSISTANCE.—(a) If the President determines that the furnishing of assistance to any nation under any provision of this Act—

(1) is no longer consistent with the national interest or security or the foreign policy of the United States; or

(2) would no longer contribute effectively to the purposes for which such assistance is furnished; or

(3) is no longer consistent with the obligations and responsibilities of the United States under the Charter of the United Nations,

he shall terminate all or part of any assistance furnished pursuant to this Act. If the President determines that any nation which is receiving assistance under chapter 1 of title I of this Act is not making its full contribution to its own defense or to the defense of the area of which it is a part, he shall terminate all or part of such assistance. Assistance to any nation under any provision of this Act may, unless sooner terminated by the President, be terminated by concurrent resolution. Funds made available under this Act shall remain available for twelve months from the date of termination under this subsection for the necessary expenses of liquidating assistance programs.

(b) (1) After June 30, 1955, none of the authority conferred by this Act may be exercised for the purpose of carrying out any function authorized by title II; except that during the twelve months following such date (i) funds which have been obligated on or before that date shall remain available for expenditure, (ii) equipment, materials, commodities, and services with respect to which funds have been obligated on or before such date for procurement for, shipment to, or delivery in a recipient country may be transferred to such country, and (iii) funds appropriated under authority of this Act may be obligated (A) for the necessary expenses of procurement, shipment, delivery, and other activities essential to such transfer and (B) for the necessary expenses of liquidating operations incident to such functions.

(2) At such time as the President shall find appropriate, the powers, duties and authority conferred by this Act with respect to such functions may be transferred for the purpose of liquidation to such other United States Government agencies as the President shall specify, and the relevant funds, records, property, and personnel may be transferred to the agencies to which the related functions are transferred.

(c) Unless sooner abolished under section 525, the Foreign Operations Administration shall cease to exist at the close of June 30, 1955.

SEC. 504. SMALL BUSINESS.—(a) Insofar as practicable and to the maximum extent consistent with the accomplishment of the purposes of this Act, the President shall assist American small business to participate equitably in the furnishing of commodities and services financed with funds authorized under titles II, III, and IV, and chapters 2 and 3 of title I, of this Act—

(1) by causing to be made available to suppliers in the United States and particularly to small independent enterprises, information, as far in advance as possible, with respect to purchases proposed to be financed with such funds,

(2) by causing to be made available to prospective purchasers in the nations receiving assistance under this Act information as to commodities and services produced by small independent enterprises in the United States, and

(3) by providing for additional services to give small business better opportunities to participate in the furnishing of commodities and services financed with such funds.

(b) There shall be an Office of Small Business, headed by a Special Assistant for Small Business, in such United States Government agency as the President may direct, to assist in carrying out the provisions of subsection (a) of this section.

(c) The Secretary of Defense shall assure that there is made available to suppliers in the United States, and particularly to small independent enterprises, information with respect to purchases made by the Department of Defense pursuant to chapter 1 of title I, such information to be furnished as far in advance as possible.

* * * * *

SEC. 508. LIMITATION ON FUNDS FOR PROPAGANDA.—None of the funds herein authorized to be appropriated nor any counterpart funds shall be used to pay for personal services or printing, or for other expenses of the dissemination within the United States of general propaganda in support of the mutual security program, or to pay the travel or other expenses outside the United States of any citizen or group of citizens of the United States for the purpose of publicizing such program within the United States.

* * * * *

CHAPTER 2. ORGANIZATION AND ADMINISTRATION

SEC. 521. DELEGATION OF AUTHORITY BY THE PRESIDENT.—(a) Except as provided in subsection (b), the President may exercise any power or authority conferred on him by this Act through such agency or officer of the United States as he shall direct, and the head of such agency or such officer may from time to time promulgate such rules and regulations as may be necessary and proper to carry out functions under this Act and may delegate authority to perform any of such functions to his subordinates acting under his direction.

(b) After June 30, 1955, the President shall exercise the powers conferred upon him under title III of this Act through the Secretary of State.

SEC. 522. ALLOCATION AND REIMBURSEMENT AMONG AGENCIES.—(a) The President may allocate or transfer to any United States Government agency any part of any funds available for carrying out the purposes of this Act, including any advance to the United States by any nation or international organization for the procurement of equipment or materials or services. Such funds shall be available for obligation and expenditure for the purposes for which authorized, in accordance with authority granted in this Act or under authority governing the activities of the Government agencies to which such funds are allocated or transferred. Funds allocated to the Department of Defense shall be governed as to reimbursement by the procedures of subsection (c) of this section.

(b) Any officer of the United States performing functions under this Act may utilize the services and facilities of, or procure commodities from, any United States Government agency as the President shall direct, or with the consent of the head of such agency, and funds allocated pursuant to this subsection to any such agency may be established in separate appropriation accounts on the books of the Treasury.

(c) Reimbursement shall be made to any United States Government agency, from funds available to carry out chapter 1 of title I of this Act, for any assistance furnished under that chapter from, by, or through such agency. Such reimbursement shall be in an amount equal to the value (as defined in section 545) of the equipment and materials, services (other than salaries of members of the Armed

Forces of the United States), or other assistance furnished, plus expenses arising from or incident to operations under that chapter. The amount of any such reimbursement shall be credited as reimbursable receipts to current applicable appropriations, funds, or accounts of such agency and shall be available for, and under the authority applicable to, the purposes for which such appropriations, funds, or accounts are authorized to be used, including the procurement of equipment and materials or services, required by such agency, in the same general category as those furnished by it or authorized to be procured by it and expenses arising from and incident to such procurement.

(d) In the case of any commodity, service, or facility procured from any United States Government agency under any provision of this Act other than chapter 1 of title I, reimbursement or payment shall be made to such agency from funds available to carry out such provision. Such reimbursement or payment shall be at replacement cost, or, if required by law, at actual cost, or at any other price authorized by law and agreed to by the owning or disposal agency. The amount of any such reimbursement or payment shall be credited to current applicable appropriations, funds, or accounts from which there may be procured replacements of similar commodities, services, or facilities, except that where such appropriations, funds, or accounts are not reimbursable except by reason of this subsection, and when the owning agency determines that such replacement is not necessary, any funds received in payment therefor shall be covered into the Treasury as miscellaneous receipts.

(e) In furnishing assistance under this Act and in making surplus agricultural commodities available under section 402 accounts may be established on the books of any United States Government agency or, on terms and conditions approved by the Secretary of the Treasury, in banking institutions in the United States, against which (i) letters of commitment may be issued which shall constitute obligations of the United States, and moneys due or to become due under such letters of commitment shall be assignable under the Assignment of Claims Act of 1940, as amended, and (ii) withdrawals may be made by recipient nations or agencies, organizations or persons upon presentation of contracts, invoices, or other appropriate documentation. Expenditure of funds which have been made available through accounts so established shall be accounted for on standard documentation required for expenditure of Government funds: *Provided*, That such expenditures for commodities or services procured outside the continental limits of the United States may be accounted for exclusively on such certification as may be prescribed in regulations approved by the Comptroller General of the United States.

SEC. 523. COORDINATION WITH FOREIGN POLICY.—(a) Nothing contained in this Act shall be construed to infringe upon the powers or functions of the Secretary of State.

(b) The President shall prescribe appropriate procedures to assure coordination among representatives of the United States Government in each country, under the leadership of the Chief of the United States Diplomatic Mission.

SEC. 524. THE SECRETARY OF DEFENSE.—(a) In the case of aid under chapter 1 of title I of this Act, the Secretary of Defense shall have primary responsibility for—

- (1) the determination of military end-item requirements;
- (2) the procurement of military equipment in a manner which permits its integration with service programs;
- (3) the supervision of end-items used by the recipient countries;
- (4) the supervision of the training of foreign military personnel;
- (5) the movement and delivery of military end-items; and
- (6) within the Department of Defense, the performance of any other functions with respect to the furnishing of military assistance.

(b) The establishment of priorities in the procurement, delivery, and allocation of military equipment shall be determined by the Secretary of Defense. The determination of the value of the program for any country under chapter 1 of title I shall be made by the President.

SEC. 525. FOREIGN OPERATIONS ADMINISTRATION.—Except as modified pursuant to this section or section 521, the Director of the Foreign Operations Administration (referred to in this chapter as the "Director") shall continue to perform the functions vested in him on the effective date of this Act, except insofar as such functions relate to continuous supervision and general direction of programs of military assistance. The President may transfer to any agency or officer of the United States, and may modify or abolish, any function, office, or entity of the Foreign Operations Administration or any officer or employee thereof, and may

transfer such personnel, property, records, and funds as may be necessary incident thereto.

SEC. 526. MISSIONS AND STAFFS ABROAD.—The President may maintain special missions or staffs abroad in such nations and for such periods of time as may be necessary to carry out this Act. Each such special mission or staff shall be under the direction of a chief. The chief and his deputy shall be appointed by the President and may, notwithstanding any other law, be removed by the President at his discretion. The chief shall be entitled to receive (1) in cases approved by the President, the same compensation and allowances as a chief of mission, class 3, or a chief of mission, class 4, within the meaning of the Foreign Service Act of 1946 (22 U. S. C. 801), or (2) compensation and allowances in accordance with section 527 (c) of this Act, as the President shall determine to be appropriate.

SEC. 527. EMPLOYMENT OF PERSONNEL.—(a) Any United States Government agency performing functions under this Act is authorized to employ such personnel as the President deems necessary to carry out the provisions and purposes of this Act.

(b) Of the personnel employed in the United States on programs authorized by this Act, not to exceed sixty may be compensated without regard to the provisions of the Classification Act of 1949, as amended, of whom not to exceed thirty-five may be compensated at rates higher than those provided for grade 15 of the general schedule established by the Classification Act of 1949, as amended, and of these, not to exceed fifteen may be compensated at a rate in excess of the highest rate provided for grades of such general schedule but not in excess of \$15,000 per annum. Such positions shall be in addition to those authorized by law to be filled by Presidential appointment, and in addition to the number authorized by section 505 of the Classification Act of 1949, as amended.

(c) For the purpose of performing functions under this Act outside the continental limits of the United States, the Director may—

(1) employ or assign persons, or authorize the employment or assignment of officers or employees of other United States Government agencies, who shall receive compensation at any of the rates provided for the Foreign Service Reserve and Staff by the Foreign Service Act of 1946, as amended (22 U. S. C. 801), together with allowances and benefits established thereunder including, in all cases, post differentials prescribed under section 443 of the Foreign Service Act; and persons so employed or assigned shall be entitled to the same benefits as are provided by section 528 of the Foreign Service Act for persons appointed to the Foreign Service Reserve and, except for policy-making officials, the provisions of section 1005 of the Foreign Service Act shall apply in the case of such persons; and

(2) utilize such authority, including authority to appoint and assign personnel for the duration of operations under this Act, contained in the Foreign Service Act of 1946, as amended (22 U. S. C. 801), as the President deems necessary to carry out functions under this Act. Such provisions of the Foreign Service Act as the President deems appropriate shall apply to personnel appointed or assigned under this paragraph, including, in all cases, the provisions of sections 443 and 528 of that Act.

(d) For the purpose of performing functions under this Act outside the continental limits of the United States, the Secretary of State may, at the request of the Director, appoint for the duration of operations under this Act alien clerks and employees in accordance with applicable provisions of the Foreign Service Act of 1946, as amended (22 U. S. C. 801).

SEC. 528. DETAIL OF PERSONNEL TO FOREIGN GOVERNMENTS.—(a) Whenever the President determines it to be consistent with and in furtherance of the purposes of this Act, the head of any United States Government agency is authorized to detail or assign any officer or employee of his agency to any office or position to which no compensation is attached with any foreign government or foreign government agency: *Provided*, That such acceptance of office shall in no case involve the taking of an oath of allegiance to another government.

(b) Any such officer or employee, which so assigned or detailed, shall be considered, for the purpose of preserving his privileges, rights, seniority, or other benefits as such, an officer or employee of the Government of the United States and of the Government agency from which assigned or detailed, and he shall continue to receive compensation, allowances, and benefits from funds available to that agency or made available to that agency out of funds authorized under this Act.

SEC. 529. DETAIL OF PERSONNEL TO INTERNATIONAL ORGANIZATIONS.—(a) Whenever the President determines it to be consistent with and in furtherance of

the purposes of this Act, the head of any United States Government agency is authorized to detail, assign, or otherwise make available to any international organization any officer or employee of his agency to serve with or as a member of the international staff of such organization, or to render any technical, scientific or professional advice or service to or in cooperation with such organization.

(b) Any such officer or employee, while so assigned or detailed, shall be considered, for the purpose of preserving his allowances, privileges, rights, seniority and other benefits as such, an officer or employee of the Government of the United States and of the Government agency from which detailed or assigned, and he shall continue to receive compensation, allowances, and benefits from funds available to that agency or made available to that agency out of funds authorized under this Act. He may also receive, under such regulations as the President may prescribe, representation allowances similar to those allowed under section 901 of the Foreign Service Act of 1946, as amended (22 U. S. C. 801). The authorization of such allowances and other benefits and the payment thereof out of any appropriations available therefor shall be considered as meeting all the requirements of section 1765 of the Revised Statutes.

(c) Details or assignments may be made under this section—

(1) without reimbursement to the United States by the international organization;

(2) upon agreement by the international organization to reimburse the United States for compensation, travel expenses, and allowances, or any part thereof, payable to such officer or employee during the period of assignment or detail in accordance with subsection (b) of this section; and such reimbursement shall be credited to the appropriation, fund, or account utilized for paying such compensation, travel expenses, or allowances, or to the appropriation, fund, or account currently available for such purposes;

(3) upon an advance of funds, property, or services to the United States accepted with the approval of the President for specified uses in furtherance of the purposes of this Act; and funds so advanced may be established as a separate fund in the Treasury of the United States, to be available for the specified uses, and to be used for reimbursement of appropriations or direct expenditure subject to the provisions of this Act, any unexpended balance of such account to be returned to the international organization; or

(4) subject to the receipt by the United States of a credit to be applied against the payment by the United States of its share of the expenses of the international organization to which the officer or employee is detailed, such credit to be based upon the compensation, travel expenses and allowances, or any part thereof, payable to such officer or employee during the period of assignment or detail in accordance with subsection (b) of this section.

SEC. 530. EXPERTS AND CONSULTANTS OR ORGANIZATIONS THEREOF.—(a) Experts and consultants or organizations thereof, as authorized by section 15 of the Act of August 2, 1946 (5 U. S. C. 55a), may be employed by any United States Government agency for the performance of functions under this Act, and individuals so employed may be compensated at rates not in excess of \$75 per diem, and while away from their homes or regular places of business, they may be paid actual travel expenses and per diem in lieu of subsistence and other expenses at a rate not to exceed \$10 while so employed within the continental limits of the United States and at the applicable rate prescribed in the Standardized Government Travel Regulations (Foreign Areas) while so employed outside the continental limits of the United States.

(b) Persons of outstanding experience and ability may be employed without compensation by any United States Government agency for the performance of functions under this Act in accordance with the provisions of section 710 (b) of the Defense Production Act of 1950, as amended (50 U. S. C. App. 2160), and regulations issued thereunder.

SEC. 531. SECURITY CLEARANCE.—No citizen or resident of the United States may be employed, or if already employed, may be assigned to duties by the Director under this Act for a period to exceed three months unless—

(a) such individual has been investigated as to loyalty and security by the Civil Service Commission, or by the Federal Bureau of Investigation in the case of specific positions which have been certified by the Director as being of a high degree of importance or sensitivity or in case the Civil Service Commission investigation develops data reflecting that the individual is of questionable loyalty, and a report thereon has been made to the Director, and until the Director has certified in writing (and filed copies thereof with the Senate Committee on Foreign Relations and the House Committee on

Foreign Affairs) that, after full consideration of such report, he believes such individual is loyal to the United States, its Constitution, and form of government, and is not now and has never knowingly been a member of any organization advocating contrary views; or

(b) such individual has been investigated by a military intelligence agency and the Secretary of Defense has certified in writing that he believes such individual is loyal to the United States and filed copies thereof with the Senate Committee on Foreign Relations and the House Committee on Foreign Affairs.

This section shall not apply in the case of any officer appointed by the President by and with the advice and consent of the Senate, nor shall it apply in the case of any person already employed under programs covered by this Act who has been previously investigated in connection with such employment.

SEC. 532. EXEMPTION OF PERSONNEL FROM CERTAIN FEDERAL LAWS.—

(a) Service of an individual as a member of the Board established pursuant to section 308 of this Act or as an expert or consultant under section 530 (a) shall not be considered as service or employment bringing such individual within the provisions of title 18, U. S. C., section 281, 283 or 284, or of section 190 of the Revised Statutes (5 U. S. C. 99), or of any other Federal law imposing restrictions, requirements, or penalties in relation to the employment of persons, the performance of services, or the payment or receipt of compensation in connection with any claim, proceeding, or matter involving the United States, except insofar as such provisions of law may prohibit any such individual from receiving compensation in respect of any particular matter in which such individual was directly involved in the performance of such service; nor shall such service be considered as employment or holding of office or position bringing such individual within the provisions of section 6 of the Act of May 22, 1920, as amended (5 U. S. C. 715), section 212 of the Act of June 30, 1932, as amended (5 U. S. C. 59a), or any other Federal law limiting the reemployment of retired officers or employees or governing the simultaneous receipt of compensation and retired pay or annuities.

(b) Notwithstanding section 2 of the Act of July 31, 1894 (5 U. S. C. 62), which prohibits certain retired officers from holding certain office, any retired officer of any of the services mentioned in the Career Compensation Act of 1949 may hold any office or appointment under this Act or the Mutual Defense Assistance Control Act of 1951, but the compensation of any such retired officer shall be subject to the provisions of the Act of June 30, 1932 (5 U. S. C. 59a), which does not permit retired pay to be added to the compensation received as a civilian officer.

SEC. 533. WAIVERS OF CERTAIN FEDERAL LAWS.—Whenever the President determines it to be in furtherance of purposes declared in this Act, the functions authorized under this Act may be performed without regard to such provisions of law (other than the Renegotiation Act of 1951, as amended) regulating the making, performance, amendment, or modification of contracts and the expenditure of Government funds as the President may specify.

SEC. 534. REPORTS.—The President, from time to time while funds appropriated for the purpose of this Act continue to be available for obligation, shall transmit to the Congress reports covering each six months of operations, in furtherance of the purposes of this Act, except information the disclosure of which he deems incompatible with the security of the United States. Reports provided for under this section shall be transmitted to the Secretary of the Senate or the Clerk of the House of Representatives, as the case may be, if the Senate or the House of Representatives, as the case may be, is not in session. Such reports shall include detailed information on the implementation of sections 504 and 413 (b) of this Act.

SEC. 535. COOPERATION WITH INTERNATIONAL ORGANIZATIONS.—(a) The President is authorized to request the cooperation of or the use of the services and facilities of the United Nations, its organs and specialized agencies, or other international organizations, in carrying out the purposes of this Act, and may make payments by advancements or reimbursements, for such purposes, out of funds made available for the purposes of this Act, as may be necessary therefor, to the extent that special compensation is usually required for such services and facilities: *Provided*, That nothing in this section shall be construed to authorize the delegation to any international or foreign organization or agency of authority to decide the method of furnishing assistance under this Act to any country or the amount thereof.

(b) Whenever the President determines it to be in furtherance of the purposes of this Act, United States Government agencies, on request of international organizations, are authorized to furnish supplies, materials, and services, on an ad-

vance of funds or reimbursement basis, to such organizations. Such advances or reimbursements may be credited to the current applicable appropriation or fund of the agency concerned and shall be available for the purposes for which such appropriations and funds are authorized to be used.

SEC. 536. JOINT COMMISSION ON RURAL RECONSTRUCTION IN CHINA.—The President is authorized to continue to participate in the Joint Commission on Rural Reconstruction in China and to appoint citizens of the United States to the Commission.

* * * * *

12. MUTUAL SECURITY APPROPRIATIONS ACT, 1954

Public Law 778, Eighty-third Congress, Approved September 3, 1954

[Excerpt, p. 2]

For expenses necessary to enable the President to carry out the provisions of the Mutual Security Act of 1954, Public Law [665], approved [August 26,] 1954 (H. R. 9678), as follows:

* * * * *

Contributions to the United Nations expanded program of technical assistance: For contributions to cover the amount pledged by the United States for conducting the program during the calendar year 1954, \$9,957,621: *Provided*, That no commitment for the calendar year 1955 or thereafter shall be pledged on behalf of the United States until the Congress appropriates for said purpose:

* * * * *

13. SENATE RESOLUTION 214, EIGHTY-THIRD CONGRESS, SECOND SESSION, JULY 6, 1954

Resolution

Whereas the Act for International Development (the technical assistance program, Public Law 535, Eighty-first Congress) has been in operation for four years; and

Whereas that Act declares it to be the "policy of the United States to aid the efforts of the people of economically underdeveloped areas to develop their resources and improve their working and living conditions by encouraging the exchange of technical knowledge and skills and the flow of investment capital * * *"; and

Whereas the administration of the program has recently been transferred from the Department of State to the Foreign Operations Administration; and

Whereas reports have been received indicating in some areas of the world a tendency for purposes of the program to become distorted; and

Whereas if technical assistance programs are to contribute to the foreign policy purposes of the American people and to hold full promise of helping underdeveloped areas to realize the full potential of democratic life: Now, therefore, be it

Resolved, That a subcommittee of the Committee on Foreign Relations (hereinafter referred to as the Committee), to consist of six members chosen equally from both parties by the chairman of the Foreign Relations Committee (in conjunction with two other Senators, not members of the Committee on Foreign Relations and not of the same political party, designated by the President of the Senate) is hereby authorized and directed to make a full and complete study of technical assistance and related programs.

SEC. 2. The said Committee shall, without limiting the scope of the study hereby authorized, direct its attention to the following matters:

1. The general level of authorizations of funds for the future to enable the programs efficiently to achieve their purposes;
2. The relationships between the technical assistance programs of the United Nations and of the Organization of American States and those conducted by the United States;
3. The coordination of United States agencies in operations within and outside the United States;

4. The extent to which the programs have been able to utilize private agencies in achieving their purposes;

5. The degree of self-help and mutual assistance available in countries receiving technical assistance;

6. The relationship between technical assistance, economic aid, and military assistance; and

7. The effectiveness of the administration of the programs in advancing the foreign policy of the United States.

Sec. 3. The Committee on Foreign Relations shall transmit to the Senate not later than January 31, 1955, the results of the study herein authorized together with such recommendations as may be found desirable.

Sec. 4. In the conduct of this study, full use shall be made of the reports submitted by the International Development Advisory Board. The executive agencies concerned with this program are requested to give the Committee such assistance as it may require.

Sec. 5. For the purpose of this resolution, the Committee is authorized to employ on a temporary basis through January 31, 1955, such technical, clerical, or other assistants, experts, and consultants as it deems desirable. The expenses of the Committee under this resolution, which shall not exceed \$40,000, shall be paid from the contingent fund of the Senate upon vouchers approved by the chairman of the Committee on Foreign Relations.

II. Policy Statements

14. INAUGURAL ADDRESS OF PRESIDENT TRUMAN, JANUARY 20, 1949

[Excerpt]

* * * * *

In the coming years, our program for peace and freedom will emphasize four major courses of action.

First. We will continue to give unfaltering support to the United Nations and related agencies, and we will continue to search for ways to strengthen their authority and increase their effectiveness. We believe that the United Nations will be strengthened by the new nations which are being formed in lands now advancing toward self-government under democratic principles.

Second. We will continue our programs for world economic recovery.

This means, first of all, that we must keep our full weight behind the European recovery program. We are confident of the success of this major venture in world recovery. We believe that our partners in this effort will achieve the status of self-supporting nations once again.

In addition, we must carry out our plans for reducing the barriers to world trade and increasing its volume. Economic recovery and peace itself depend on increased world trade.

Third. We will strengthen freedom-loving nations against the dangers of aggression.

We are now working out with a number of countries a joint agreement designed to strengthen the security of the North Atlantic area. Such an agreement would take the form of a collective defense arrangement within the terms of the United Nations Charter.

We have already established such a defense pact for the Western Hemisphere by the treaty of Rio de Janeiro.

The primary purpose of these agreements is to provide unmistakable proof of the joint determination of the free countries to resist armed attack from any quarter. Each country participating in these arrangements must contribute all it can to the common defense.

If we can make it sufficiently clear, in advance, that any armed attack affecting our national security would be met with overwhelming force, the armed attack might never occur.

I hope soon to send to the Senate a treaty respecting the North Atlantic security plan.

In addition, we will provide military advice and equipment to free nations which will cooperate with us in the maintenance of peace and security.

Fourth. We must embark on a bold new program for making the benefits of our scientific advances and industrial progress available for the improvement and growth of underdeveloped areas.

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

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

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

I believe that we should make available to peace-loving peoples the benefits of our store of technical knowledge in order to help them realize their aspirations for a better life. And, in cooperation with other nations, we should foster capital investment in areas needing development.

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

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

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

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

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

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

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

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

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

* * * * *

15. PRESIDENT TRUMAN'S MESSAGE TO THE CONGRESS ON TECHNICAL ASSISTANCE FOR THE UNDERDEVELOPED AREAS OF THE WORLD, JUNE 24, 1949

In order to enable the United States, in cooperation with other countries, to assist the peoples of economically underdeveloped areas to raise their standards of living, I recommend the enactment of legislation to authorize an expanded program of technical assistance for such areas, and an experimental program for encouraging the outflow of private investment beneficial to their economic development. These measures are the essential first steps in an undertaking which will call upon private enterprise and voluntary organizations in the United States, as well as the Government, to take part in a constantly growing effort to improve economic conditions in the less-developed regions of the world.

The grinding poverty and the lack of economic opportunity for many millions of people in the economically underdeveloped parts of Africa, the Near and Far East, and certain regions of Central and South America, constitute one of the greatest challenges of the world today. In spite of their age-old economic and social handicaps, the peoples in these areas have in recent decades been stirred and awakened. The spread of industrial civilization, the growing understanding

of modern concepts of government, and the impact of two World Wars have changed their lives and their outlook. They are eager to play a greater part in the community of nations.

All these areas have a common problem. They must create a firm economic base for the democratic aspirations of their citizens. Without such an economic base, they will be unable to meet the expectations which the modern world has aroused in their peoples. If they are frustrated and disappointed, they may turn to false doctrines which hold that the way of progress lies through tyranny.

For the United States the great awakening of these peoples holds tremendous promise. It is not only a promise that new and stronger nations will be associated with us in the cause of human freedom, it is also a promise of new economic strength and growth for ourselves.

With many of the economically underdeveloped areas of the world, we have long had ties of trade and commerce. In many instances today we greatly need the products of their labor and their resources. If the productivity and the purchasing power of these countries are expanded, our own industry and agriculture will benefit. Our experience shows that the volume of our foreign trade is far greater with highly developed countries than it is with countries having a low standard of living and inadequate industry. To increase the output and the national income of the less-developed regions is to increase our own economic stability.

In addition, the development of these areas is of utmost importance to our efforts to restore the economies of the free European nations. As the economies of the underdeveloped areas expand, they will provide needed products for Europe and will offer a better market for European goods. Such expansion is an essential part of the growing system of world trade, which is necessary for European recovery.

Furthermore, the development of these areas will strengthen the United Nations and the fabric of world peace. The preamble to the Charter of the United Nations states that the economic and social advancement of all people is an essential bulwark of peace. Under article 56 of the Charter, we have promised to take separate action and to act jointly with other nations "to promote higher standards of living, full employment, and conditions of economic and social progress and development."

For these various reasons, assistance in the development of the economically underdeveloped areas has become one of the major elements of our foreign policy. In my inaugural address I outlined a program to help the peoples of these areas to attain greater production as a way to prosperity and peace.

The major effort in such a program must be local in character; it must be made by the people of the underdeveloped areas themselves. It is essential, however, to the success of their effort that there be help from abroad. In some cases the peoples of these areas will be unable to begin their part of this great enterprise without initial aid from other countries.

The aid that is needed falls roughly into two categories: The first is the technical, scientific, and managerial knowledge necessary to economic development. This category includes not only medical and educational knowledge, and assistance and advice in such basic fields as sanitation, communications, road building and governmental services, but also, and perhaps most important, assistance in the survey of resources and in planning for long-range economic development.

The second category is production goods—machinery and equipment—and financial assistance in the creation of productive enterprises. The underdeveloped areas need capital for port and harbor development, roads and communications, irrigation and drainage projects, as well as for public utilities and the whole range of extractive, processing, and manufacturing industries. Much of the capital required can be provided by these areas themselves, in spite of their low standards of living. But much must come from abroad.

The two categories of aid are closely related. Technical assistance is necessary to lay the groundwork for productive investment. Investment, in turn, brings with it technical assistance. In general, however, technical surveys of resources and of the possibilities of economic development must precede substantial capital investment. Furthermore, in many of the areas concerned, technical assistance in improving sanitation, communications, or education is required to create conditions in which capital investment can be fruitful.

This country, in recent years, has conducted relatively modest programs of technical cooperation with other countries. In the field of education, channels of exchange and communication have been opened between our citizens and those of other countries. To some extent, the expert assistance of a number of Federal agencies, such as the Public Health Service and the Department of Agri-

culture, has been made available to other countries. We have also participated in the activities of the United Nations, its specialized agencies, and other international organizations to disseminate useful techniques among nations.

Through these various activities we have gained considerable experience in rendering technical assistance to other countries. What is needed now is to expand and integrate these activities and to concentrate them particularly on the economic development of underdeveloped areas.

Much of the aid that is needed can be provided most effectively through the United Nations. Shortly after my inaugural address this Government asked the Economic and Social Council of the United Nations to consider what the United Nations and the specialized international agencies could do in this program.

The Secretary General of the United Nations thereupon asked the United Nations Secretariat and the secretariats of the specialized international agencies to draw up cooperative plans for technical assistance to underdeveloped areas. As a result, a survey was made of technical projects suitable for these agencies in such fields as industry, labor, agriculture, scientific research with respect to natural resources, and fiscal management. The total cost of the program submitted as a result of this survey was estimated to be about \$35,000,000 for the first year. It is expected that the United Nations and the specialized international agencies will shortly adopt programs for carrying out projects of the type included in this survey.

In addition to our participation in this work of the United Nations, much of the technical assistance required can be provided directly by the United States to countries needing it. A careful examination of the existing information concerning the underdeveloped countries shows particular need for technicians and experts with United States training in plant and animal diseases, malaria and typhus control, water supply and sewer systems, metallurgy and mining, and nearly all phases of industry.

It has already been shown that experts in these fields can bring about tremendous improvements. For example, the health of the people of many foreign communities has been greatly improved by the work of United States sanitary engineers in setting up modern water-supply systems. The food supply of many areas has been increased as the result of the advice of United States agricultural experts in the control of animal diseases and the improvement of crops. These are only examples of the wide range of benefits resulting from the careful application of modern techniques to local problems. The benefits which a comprehensive program of expert assistance will make possible can only be revealed by studies and surveys under taken as a part of the program itself.

To inaugurate the program, I recommend a first-year appropriation of not to exceed \$45,000,000. This includes \$10,000,000 already requested in the 1950 budget for activities of this character. The sum recommended will cover both our participation in the programs of the international agencies and the assistance to be provided directly by the United States.

In every case, whether the operation is conducted through the United Nations, the other international agencies, or directly by the United States, the country receiving the benefit of the aid will be required to bear a substantial portion of the expense.

The activities necessary to carry out our program of technical aid will be diverse in character and will have to be performed by a number of different Government agencies and private instrumentalities. It will be necessary to utilize not only the resources of international agencies and the United States Government, but also the facilities and the experience of the private business and nonprofit organizations that have long been active in this work.

Since a number of Federal agencies will be involved in the program, I recommend that the administration of the program be vested in the President, with authority to delegate to the Secretary of State and to other Government officers, as may be appropriate. With such administrative flexibility, it will be possible to modify the management of the program as it expands and to meet the practical problems that will arise in its administration in the future.

The second category of outside aid need by the underdeveloped areas is the provision of capital for the creation of productive enterprises. The International Bank for Reconstruction and Development and the Export-Import Bank have provided some capital for underdeveloped areas, and, as the economic growth of these areas progresses, should be expected to provide a great deal more. In addition, private sources of funds must be encouraged to provide a major part of the capital required.

In view of the present troubled condition of the world—the distortion of world trade, the shortage of dollars, and other after effects of the war—the problem of

substantially increasing the flow of American capital abroad presents serious difficulties. In all probability novel devices will have to be employed if the investment from this country is to reach proportions sufficient to carry out the objectives of our program.

All countries concerned with the program should work together to bring about conditions favorable to the flow of private capital. To this end we are negotiating agreements with other countries to protect the American investor from unwarranted or discriminatory treatment under the laws of the country in which he makes his investment.

In negotiating such treaties we do not, of course, ask privileges for American capital greater than those granted to other investors in underdeveloped countries or greater than we ourselves grant in this country. We believe that American enterprise should not waste local resources, should provide adequate wages and working conditions for local labor, and should bear an equitable share of the burden of local taxes. At the same time we believe that investors will send their capital abroad on an increasing scale only if they are given assurance against risk of loss through expropriation without compensation, unfair or discriminatory treatment, destruction through war or rebellion, or the inability to convert their earnings into dollars.

Although our investment treaties will be directed at mitigating such risks, they cannot eliminate them entirely. With the best will in the world a foreign country, particularly an underdeveloped country, may not be able to obtain the dollar exchange necessary for the prompt remittance of earnings on dollar capital. Damage or loss resulting from internal and international violence may be beyond the power of our treaty signatories to control.

Many of these conditions of instability in underdeveloped areas which deter foreign investment are themselves a consequence of the lack of economic development which only foreign investment can cure. Therefore, to wait until stable conditions are assured before encouraging the outflow of capital to underdeveloped areas would defer the attainment of our objectives indefinitely. It is necessary to take vigorous action now to break out of this vicious circle.

Since the development of underdeveloped economic areas is of major importance in our foreign policy, it is appropriate to use the resources of the Government to accelerate private efforts toward that end. I recommend, therefore, that the Export-Import Bank be authorized to guarantee United States private capital, invested in productive enterprises abroad which contribute to economic development in underdeveloped areas, against the risks peculiar to those investments.

This guaranty activity will at the outset be largely experimental. Some investments may require only a guaranty against the danger of inconvertibility, others may need protection against the danger of expropriation and other dangers as well. It is impossible at this time to write a standard guaranty. The bank will, of course, be able to require the payment of premiums for such protection, but there is no way now to determine what premium rates will be most appropriate in the long run. Only experience can provide answers to these questions.

The bank has sufficient resources at the present time to begin the guaranty program and to carry on its lending activities as well without any increase in its authorized funds. If the demand for guaranties should prove large, and lending activities continue on the scale expected, it will be necessary to request the Congress at a later date to increase the authorized funds of the bank.

The enactment of these two legislative proposals, the first pertaining to technical assistance and the second to the encouragement of foreign investment, will constitute a national endorsement of a program of major importance in our efforts for world peace and economic stability. Nevertheless, these measures are only the first steps. We are here embarking on a venture that extends far into the future. We are at the beginning of a rising curve of activity, private, governmental, and international, that will continue for many years to come. It is all the more important, therefore, that we start promptly.

In the economically underdeveloped areas of the world today there are new creative energies. We look forward to the time when these countries will be stronger and more independent than they are now, and yet more closely bound to us and to other nations by ties of friendship and commerce, and by kindred ideals. On the other hand, unless we aid the newly awakened spirit in these peoples to find the course of fruitful development, they may fall under the control of those whose philosophy is hostile to human freedom, thereby prolonging the unsettled state of the world and postponing the achievement of permanent peace.

Before the peoples of these areas we hold out the promise of a better future through the democratic way of life. It is vital that we move quickly to bring the meaning of that promise home to them in their daily lives.

16. MESSAGE OF PRESIDENT EISENHOWER ON EXTENSION OF THE
MUTUAL SECURITY PROGRAM, 1953

House Document 140, Eighty-third Congress, May 5, 1953

[Excerpt]

To the Congress of the United States:

I recommend to the Congress the passage of legislation extending the Mutual Security Program in order to enable the United States to carry out its responsibilities of leadership in building up the security of the free world and the prospects for peace both for ourselves and our allies.

The basic purpose of this program is simply the long-term security of the United States living in the shadow of the Soviet threat.

The program being submitted to you includes approximately \$5,250 million for military weapons and support directly to the defense efforts of our friends and allies. It also includes approximately \$550 million for technical, economic, and developmental purposes designed to promote more effective use of the resources of the free nations and thus to further the freedom and security of all of us. This total represents a reduction of about \$1.8 billion from the previous administration's 1954 budget.

* * * * *

While the amounts requested for technical, economic, and developmental purposes are small as compared with the military support, these programs are nonetheless of the most vital importance. They will be applied chiefly in South and Southeast Asia, the Middle East, Latin America, and Africa. Through these programs, the United States is proving its interest in helping the peoples of these areas to work toward better and more hopeful conditions of life, to strengthen the foundations of opportunity and freedom. To guard against the external military threat is not enough: We must also move against those conditions exploited by subversive forces from within.

I present this whole program to you with confidence and conviction. It has been carefully developed by the responsible members of this administration in order to achieve, at least possible cost, the maximum results in terms of our security and the security of our friends and allies. In my judgment it represents a careful determination of our essential needs in pursuing the policy of collective security in a world not yet freed of the threat of totalitarian conquest.

Unequivocally I can state that this amount of money judiciously spent abroad will add much more to our Nation's ultimate security in the world than would an even greater amount spent merely to increase the size of our own military forces in being.

Were the United States to fail to carry out these purposes, the free world could become disunited at a moment of great peril when peace and war hang precariously in balance.

This is the way best to defend successfully ourselves and the cause of freedom.

DWIGHT D. EISENHOWER.

THE WHITE HOUSE, *May 5, 1953.*

17. REPORT OF COMMISSION ON FOREIGN ECONOMIC POLICY
(RANDALL COMMISSION), JANUARY 23, 1954

[Excerpts, pp. 11-13; 78]

TECHNICAL ASSISTANCE

The Commission does not include within economic aid what is often called technical assistance.

The United States is now engaged in bilateral programs of technical cooperation in 38 countries for which about \$120 million has been made available this year. These programs are undertaken only at the request of the host government. They are operated on a share-the-cost basis and they are intended eventually to be taken over completely by the host governments. The United States also participates in the United Nations Expanded Program of Technical Assistance, operating on a budget of about \$21 million to which it contributes about 60 percent, and in the smaller program of the Organization of American States.

All these are essentially programs of education and training in the knowledge and techniques required for economic development, including the administrative skills needed to create and manage institutions which are indispensable for such development.

The principal limitation on the effectiveness of the bilateral programs has been the availability of trained technicians, but there have also been legitimate criticisms of the way in which they have been administered. Among these are excessive overhead of personnel in administrative activities, development of redtape procedures, defects in procurement which have at times nullified or postponed the success of programs in the field, the employment in the field of personnel without technical training, and attempts to carry out programs that are too diversified to be effective. Many technical assistance operations cannot be successful unless supplies are available for demonstration purposes, but this "commodity component" has in some cases been unnecessarily large, and has become economic aid rather than technical assistance.

These defects are capable of being remedied, and to some extent are being remedied, by administrative action. They do not touch the broad objectives of the program as a whole to which the Commission attaches great importance.

The Commission recommends that within the limits imposed by congressional appropriations, the need for selecting only sound projects, the availability of trained technicians, and good administration, the technical cooperation program be pressed forward vigorously. It need not and should not become a "big money" program and should not involve capital investments.

The Commission also recommends that the United States continue its support of the United Nations Expanded Technical Assistance Program and the small program of the Organization of American States, through which the technical skills of many countries can be better mobilized and some dependent area and regional problems can be more effectively approached than through bilateral programs.

The Commission attaches special importance to the strengthening of the technical assistance work of the United Nations. It believes, however, that no country should contribute as much as 60 percent of the financing of this worldwide cooperative effort. It believes that some expansion of this program would be desirable, but that the United States percentage share in the cost should be reduced.

The Commission wishes to stress the great potential importance of the technical assistance programs in contributing to improved standards of living in countries with half the world population, in counteracting communist influence, and in helping to solve the problems of trade and investment dealt with elsewhere in this report.

All American military, economic, and technical aid to other countries is rooted in the national interest of the United States. Such aid is acceptable to other countries only if it also serves their national interests. The fundamental basis on which all foreign aid operations should rest, therefore, is mutual interest. Mutual interest cannot be created by pressure and can be destroyed by coercion. Foreign aid, therefore, should not become an instrument of coercion, and the fixing of conditions on which it is extended should be limited by this principle.

[Mr. Millikin comments on this section in his letter to Mr. Randall which appears in part as follows:]

* * * *

Point IV assistance has not realized some of its great constructive possibilities. This, because in some instances, the projects depart widely from the intended objectives of the program. In others, there has been bad choice of projects, unacceptable to the native populations because they would impose over-hasty conformity running counter to age-old customs and beliefs. There have been instances of excessive and incompetent staffing and spending.

These programs should be kept simple, realizable within a reasonable period of time. They should be of a nature acceptable to the intended beneficiaries. They should be modest in cost.

When properly pursued there is more to the program than strictly economic aspects. There are broader purposes than to provide a foreign market for American wickets.

There is opportunity for measurable and sensible objectives to help our friends abroad without getting off into misty and extravagant do-goodism on a global scale. There can be mutual exchange of students, and useful knowledge, and of agricultural, industrial and health improving techniques.

As is pointed out in the report the program should not be an excuse for vast capital expenditures under the guise of technical assistance.

In its execution we should provide no excuse for charges of meddlesomeness or imperialism.

[Mr. McDonald dissents from that section of the report relating to TECHNICAL ASSISTANCE:]

DISSENT OF MR. McDONALD ON TECHNICAL ASSISTANCE

The recommendations on technical assistance to underdeveloped countries are too weak and negative. I believe that the United States should be proud of what it has done by way of assistance to underdeveloped areas. The "Point Four" program electrified the imagination of the world as did the Marshall plan before it. The accomplishments under it have been so promising that we should do all that we can to strengthen it, including making available more adequate appropriations to extend its usefulness.

[End of Mr. McDonald's dissent]

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18. MESSAGE OF PRESIDENT EISENHOWER ON RECOMMENDATIONS CONCERNING UNITED STATES FOREIGN ECONOMIC POLICY, MARCH 30, 1954

[Excerpts]

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ECONOMIC AID AND TECHNICAL ASSISTANCE

Assistance extended in the past by the United States to other free nations has played an effective part in strengthening the national security, developing important resources, and opening up significant opportunities, for ourselves and for others. It has also carried with it, in many instances, particularly in technical cooperation and famine relief, a deep humanitarian response by our people. However, economic aid cannot be continued indefinitely. We must distinguish between an emergency and a chronic malady, between a special case and a general rule.

I subscribe, therefore, to the principle that economic aid on a grant basis should be terminated as soon as possible consistent with our national interest. In cases where support is needed to establish and equip military forces of other governments in the interest of our mutual defense, and where this is beyond the economic capacity of another country, our aid should be in the form of grants. As recognized by the Commission, there may be some cases in which modest amounts of grant aid to underdeveloped countries will importantly serve the interest of security. I further agree that in other situations where the interest of the United States requires that dollars not otherwise available to a country should be provided, such support to the maximum extent appropriate should be in the form of loans rather than grants.

In extending such loans, we must be careful not to interfere with the normal lending activities and standards of the Export-Import Bank. The International Bank is the primary institution for the public financing of economic development. The Export-Import Bank will consider on their merits applications for the financing of development projects, which are not being made by the International Bank, and which are in the special interest of the United States, are economically sound, are within the capacity of the prospective borrower to repay and within the prudent loaning capacity of the bank.

I approve the recommendations of the Commission on Foreign Economic Policy that the United States participation in technical cooperation programs should be pressed forward vigorously. Such programs should concentrate on providing experts and know-how rather than large funds or shipments of goods except for necessary demonstration equipment. They should not provide capital for investment but should be so administered as to fit into the programs of development of the assisted countries and they should be related to any private or public investment likely to be forthcoming.

Review of the requirements for the Mutual Security Program has been conducted with these principles in mind and substantial reductions in grant aid have been made by this administration. The legislation which I shall later propose for the Mutual Security Program will reflect these principles.

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19. REPORT OF THE SENATE COMMITTEE ON FOREIGN RELATIONS ON THE ACT FOR INTERNATIONAL DEVELOPMENT, 1950

Senate Report 1371, Part 2, Eighty-first Congress, March 24, 1950

TITLE V. ACT FOR INTERNATIONAL DEVELOPMENT

The Committee on Foreign Relations, having had under consideration a draft bill providing for technical assistance to the underdeveloped areas of the world, reports favorably an amendment in the form of a new title V to S. 3304, a bill to amend the Economic Cooperation Act of 1948, and recommends to the Senate that the latter bill as amended do pass.

1. PURPOSE OF TITLE V

This title provides for the continuation and expansion of the technical assistance now being extended by the United States to the underdeveloped areas of the world. The President is authorized to coordinate all the work of the United States Government in this field and to allocate responsibilities to such governmental agencies as he may determine. He is also permitted to provide funds and personnel to the United Nations and to other international agencies for technical assistance programs.

A sum not to exceed \$45,000,000 is authorized for these purposes for the period ending June 30, 1951. Ten million dollars of this will be requested for the continuation of the activities of the Institute of Inter-American Affairs and for the programs of the United States Information and Exchange Act of 1948. Thirty-five million dollars are for new activities.

The declared purpose of title V is to aid the efforts of the peoples of the underdeveloped areas to "develop their resources and improve their working and living conditions by encouraging the exchange of technical knowledge and skills." This language is to be given a broad meaning. The technical assistance programs authorized under title V are to be provided in agreement with the country requesting aid, and they may be expected to provide information, advice, and assistance among other things on such subjects as agricultural and industrial productivity, medicine, mining, markets, transportation, irrigation, and education. The programs may also be expected to provide information and advice on problems of management and of labor. In the field of labor, for example, assistance would be given in improving labor standards, developing safety and health programs, promoting fair working conditions, and encouraging collective bargaining. This work will give due recognition to the promotion of similar objectives by the United Nations and its specialized agencies, particularly the International Labor Organization, the Food and Agricultural Organization, the United Nations Educational, Scientific, and Cultural Organization, and the World Health Organization.

2. COMMITTEE ACTION

A public hearing was held on March 30 at which time the committee heard the following witnesses for the Administration: Dean Acheson, Secretary of State; Willard L. Thorp, Assistant Secretary of State; and Philip C. Jessup, Ambassador at Large. Another public hearing was held on April 3 at which the following witnesses representing religious, missionary, social work, veterans, and other groups appeared: Dr. Walter Van Kirk, Clarence Pickett, Wallace J. Campbell, Michael Straight, Theodore Waller, Rev. Herman Reissig, Prof. Leo Hansberry, H. E. Ewing, Benjamin C. Marsh, Rowland M. Cross, Norman Littel, Philip Schiff, and Dr. A. Langston Taylor. On April 4 the committee met in executive session, perfected the title, and voted unanimously to report it to the Senate for favorable action in the form of an amendment to S. 3304, which the committee had previously reported on March 24, and which was then awaiting Senate action.

3. NEED FOR THE PROGRAM

In the struggle to maintain and promote free institutions, and to resist the attacks of communism and totalitarianism in general, it is an ever-present truth that freedom is difficult to maintain where hunger and misery prevail. It is therefore significant that two-thirds of the world's people live in the underdeveloped areas, most of them in the shadow of hunger, poverty, and disease. Living conditions are difficult for a majority of the people, death rates are high, life is short, and the productive capacity of human beings is limited. In these areas

people are becoming increasingly aware of the gap which separates their standards of life from that of the more highly developed countries, and they are becoming increasingly unwilling to accept their conditions as inevitable. Many of them are less interested in abstract political conceptions than they are in obtaining those material things with which to meet the ordinary needs of life. In particular they need food, clothing, shelter, and medicine. They are logical prey for communism, with its nostrums and sweeping and cynical promises of quick and easy solutions for their problems.

Many of their problems can be solved by the proper technical assistance and advice. The technical cooperation program proposes to provide that information and advice. Technical and scientific knowledge can contribute materially to improving the standards of living in the underdeveloped areas.

4. NATURE OF THE PROGRAM

The terms "technical assistance" and "technical cooperation" as used in this legislation mean the furnishing of aid through experts, trainees, and technicians in such a way as to promote the balanced and integrated development of the productive capacities of the underdeveloped areas. It will consist, for example, of such aid as surveys of the need for specific projects, the exchange of expert counsel and advice, the demonstration of techniques and procedures, and on-the-job training. It contemplates, but is not confined to, projects in the fields of economics, engineering, medicine, education, agriculture, fisheries, and mining, as well as demonstration and training projects. Also trainees will be brought to the United States. Experts will be sent to underdeveloped areas to advise on how soils can be improved, diseases eradicated, mines used in more productive ways, census figures taken, vital statistics kept, production methods improved, and many similar problems.

Because of some misunderstanding that has arisen about the nature of this program, it should be made clear at the outset that it is neither an ECA for the world nor in any sense a capital investment program. Because of the limited nature of the program it will not require the expenditure of large sums of money. Its chief cost will be for the salaries and expenses of technicians and other personnel and not for example to purchase machinery, food, and raw materials.

Under one phase of the program the United States Government proposes to coordinate and correlate and expand its own technical assistance for countries abroad.

Under the other phase, the United States will play an increasingly important role in international work of this kind. The measure before the Senate fits into a world program in which not only the United States, but the United Nations, other international agencies, participating countries, private groups, and individuals will share. The scope and nature of this broader program can best be set forth in tabular form. As to category of activity and the amounts involved the figures for the fiscal period contemplated are as follows:

Proposed 1951 technical cooperation program by functional activity—Estimated total costs and costs to United States and international agency

[Thousands of dollars]

Activity	Total cost (including costs borne by recipient countries)	Estimate of costs borne by United States and international agency	United States cost
1. General economic surveys.....	\$5, 221	\$3, 481	\$1, 927
2. Agriculture, forestry, fisheries.....	19, 391	12, 927	10, 692
3. Education and labor.....	16, 622	11, 081	8, 115
4. Health.....	16, 666	11, 111	9, 677
5. Transportation and communications.....	5, 936	3, 957	2, 544
6. Service to industry.....	5, 147	3, 431	1, 899
7. Mineral and water resources.....	9, 125	6, 083	3, 652
8. Government administration and technical services.....	7, 512	5, 009	3, 094
Total.....	85, 620	57, 080	41, 600
Net administrative cost.....			2, 900
Department of Commerce service to business for foreign economic development.....			500
Total appropriation requirement.....			45, 000

Since most countries are underdeveloped in some respect, it should be noted that the term "underdeveloped areas" as used here means those areas of the American Republics, the Far East, the Near East, and Africa, where low standards of living generally prevail. As noted in the previous section, these areas include two-thirds of the world's population. The following table showing the proposed geographical distribution of technical assistance for the fiscal period under consideration also shows the portions of the earth which fall into the classification of underdeveloped areas.

Proposed 1951 technical cooperation program by area—Estimated cost to United States and international agency

[Thousands of dollars]

Area	Total cost (including costs borne by recipient countries)	Estimate of costs borne by United States and International agency	United States cost
American Republics.....	\$31,692	\$21,128	\$19,802
Near East, Africa.....	28,388	18,926	11,470
Far East (other than south Asia).....	13,082	8,721	5,294
South Asia.....	12,458	8,305	5,034
Total.....	85,620	57,080	41,600
Net administrative cost.....			2,900
Department of Commerce.....			500
Total appropriation requirements.....			45,000

While the committee is aware that precedent and experience are to be found for these activities, it nevertheless prefers to regard the program as experimental in character. The committee notes with approval the plans to make extensive use of the many private organizations which have engaged in supplying technical assistance to countries abroad for a long time. Scores of business organizations, 98 colleges and universities throughout the country, and various private foundations have much to contribute both in personnel and experience. Outstanding among the nonprofit organizations are the Rockefeller Foundation, the Near East Foundation, farm organizations, foreign missionary groups, and the Institute of International Education. Private business enterprises too are engaged in providing United States know-how.

5. BENEFITS

Many groups and individuals representing a substantial part of American public opinion support the technical-assistance program. A large number maintain that it is our responsibility to take care of those less fortunate than ourselves. It is not hard to visualize the benefits the underdeveloped areas will reap from the program, but the committee believes that technical cooperation is a two-way street and the United States will also benefit.

The people of the underdeveloped areas will achieve a firmer economic base on which to build free governments. They will experience improved living conditions, live longer, eat better, produce more, be physically active for a longer period of their lives, and in general move toward a better life.

What perhaps is not so clear is that this program is one of enlightened self-interest for the United States. In a very real sense, as is explained in the section on the relation to foreign policy in this report, it is a security measure necessary to winning of the "cold war." Moreover, the program looks beyond the cold war to an era when millions of people, who are now compelled to devote all their meager energies to the sheer struggle for existence, will be able to live decent lives and make their own contributions to world production, peace, and prosperity.

Nor is the program without its economic advantages. We are on friendly terms with most of the countries in the underdeveloped areas. As their economic powers increase we shall be able to purchase more of their products and resources, and they in their turn will be able to buy more from us. Experience teaches us that our volume of trade is greater with the more highly developed countries. To increase the output and the production of the underdeveloped areas is to increase our own economic stability.

6. KINDS OF ASSISTANCE PROGRAMS CONTEMPLATED

Two kinds of technical assistance programs are contemplated under this title: (1) multilateral and (2) bilateral.

(1) *Multilateral programs*

Under these programs the United States will provide funds and personnel to the United Nations and other international organizations, which the President may decide will provide technical assistance as well as or better than the United States.

(a) *The United Nations and specialized agencies.*—The Charter charges the United Nations with the promotion of higher standards of living and economic progress. This is now being done in the form of technical assistance through the specialized agencies; and through the United Nations directly where no specialized agency exists to cover a field such as industrial and mineral development. In 1949 the General Assembly adopted an expanded program of technical assistance that calls for the setting up of two coordinating agencies: (1) The Technical Assistance Board (TAB) composed of the Secretary-General and the executive heads of the participating international agencies; and (2) the Technical Assistance Committee, composed of the 18 governments that are members of the Economic and Social Council (ECOSOC). The first agency will plan and coordinate, while the second will exercise broad supervisory functions. Funds will be provided by (1) a central fund drawn from voluntary contributions of member nations, both those providing and those receiving aid, and by (2) a special fund contributed to by "requesting" nations to cover local costs of the United Nations program carried on in their territory. The financing of these programs is provided for outside of the regular budget of the United Nations.

At its meeting last summer the ECOSOC determined that funds received by the United Nations for technical assistance would be distributed in accordance with the percentages listed below:

	<i>Percent</i>
United Nations Secretariat.....	23
International Labor Organization.....	11
Food and Agricultural Organization.....	29
United Nations Educational, Scientific, and Cultural Organization.....	14
International Civil Aviation Organization.....	1
World Health Organization.....	22
Total.....	100

There are many reasons why the United States should share in this expanded program. First of all it is a member of all of these specialized agencies and will play a considerable role in their decisions. Our support will lend strength to the United Nations, and presumably what is good for the United Nations is good for us. But, most significant of all, we do not have a corner in the technical information of the world, and there are many areas of activity where the other nations can make substantial contributions. Work through the United Nations will supply technical assistance which we cannot supply, and will actually save money and make the assistance dollars go much further than were the United States to carry on the program alone.

(b) *Other international agencies.*—In addition to the United Nations, this country participates in other international organizations which support technical assistance programs. It is contemplated that this country will continue its participation and assistance in these in the future. Three in particular deserve mention—namely, the Organization of the American States, the Caribbean Commission, and South Pacific Commission.

(2) *Bilateral programs*

Bilateral programs are those which are to be carried on by the United States in cooperation with another country. These are the programs in which the United States has been engaged for the last 10 years and which are now being carried on with individual countries. They are to be broadened in scope and extent, and, as set forth in the section in this report dealing with administration, they are to be coordinated so as to achieve more effective results. They rest on bilateral agreements which set forth the conditions under which technical assistance is extended.

At the present the United States carries on several bilateral programs, the most noteworthy of which are those of the Interdepartmental Committee on Scientific

and Cultural Cooperation (SCC), the Institute of Inter-American Affairs (IAAA), and the Economic Cooperation Administration (ECA).

(a) *The Interdepartmental Committee on Scientific and Cultural Cooperation.*—The SCC coordinates the United States activities for technical assistance, some of which—as with the Latin American Republics—have been carried on since 1938. In 1948, the Smith-Mundt Act (Public Law 402, 80th Cong.) expanded these programs to other areas of the world. The activities under the Fulbright Act (Public Law 584, 79th Cong.) are also coordinated by this committee. The principal Federal agencies and the programs which have been carried on under the SCC are as follows:

Department of Agriculture...	Soil conservation, plant entomology and development, extension service, forestry, statistics, etc.
Office of Education, Federal Security Agency.	Exchange of students and teachers, fundamental and vocational education.
Public Health Service.....	Development of public-health services, research and control measures, training; improvement of vital statistics and public-health statistics, consultation and training.
Social Security Administration and Office of Vocational Rehabilitation.	Social-welfare services, social insurance (old-age, unemployment), employment service, maternal and child welfare, vocational rehabilitation.
Department of the Interior..	Geological surveying for mineral and water resources, mining and metallurgy, multiple-purpose water development including reclamation and irrigation, fish development, public-land management, etc.; also mobilizing technical resources of our Territories and island possessions (Puerto Rico, Hawaii, Alaska).
Department of Commerce...	Census and statistical procedures, national income and balance-of-payments research, information on foreign economic development opportunities for American business, foreign investment research, coast and geodetic surveying, weather, standardization and laboratory testing, tidal and magnetic observations.
Civil Aeronautics Administration.	Aviation.
Public Roads Administration.	Highways.
U. S. Army Corps of Engineers.	Multiple-purpose water development, port and harbor development.
Interstate Commerce Commission.	Railroads.
Department of Labor.....	Industrial training, apprenticeship and employment service; industrial safety and health; employment standards, labor legislation and labor inspection; employment of women and children; employment in agriculture; productivity and other labor statistics; and labor, business, and government interrelations.
Housing and Home Finance Agency.	Shelter and urban development.
Federal Communications Commission.	Telecommunications.
Treasury Department.....	Taxation, fiscal policy, customs administration.

(b) *Institute of Inter-American Affairs.*—The IAAA, first authorized by Congress in 1947 (Public Law 369, 80th Cong.), and limited to Latin America, carries on the activities of the former wartime Office of Inter-American Affairs in such fields as public health, sanitation, agriculture, and education. The United States and the participating countries share jointly the responsibility of planning and setting up the necessary staff for the various projects.

(c) *Bilateral programs outside the scope of this program.*—Certain existing technical assistance programs with specialized objectives will not be brought under the central authority to be established pursuant to this title. As a part of the recovery program ECA carries on technical assistance activities in most European countries in industrial productivity, manpower utilization, market surveys and analysis, public administration, and colonial development surveys. The present title does

not affect this program. The other programs which will not come under the title are those provided for under the International Aviation Facilities Act and the Philippine Rehabilitation Act. Under the Philippine Rehabilitation Act some eight United States agencies have been carrying out reconstruction programs, extending technical and scientific advice, and training Filipinos both in the United States and the Philippine Islands. This act is due to expire on June 30, 1950.

7. COST OF THE PROGRAM

The recommended authorization is based upon a careful study of the most urgent problems of the underdeveloped areas after consultation with representatives of those countries and after an appraisal of the number and kinds of experts who will be needed. Forty-three agencies of the Federal Government have shared in that study which has covered more than a year in time.

The grand total of all the technical assistance programs, both our own and those of international agencies in which we expect to share, and including the contributions of the recipient countries, is in an estimated amount of \$85,500,000 for the period ending June 30, 1951. Title V authorizes not to exceed \$45,000,000 for that period to meet the United States expenses. Ten million of the \$45,000,000 has already been requested in the President's budget to cover current programs and \$35,000,000 is for new money. The amount of new funds required is arrived at by deducting from the total cost of all technical assistance programs (1) the share to be borne by the participating countries, (2) the share to be borne by the UN and other international agencies, and (3) the amount requested by the President in his budget message for existing technical assistance by the United States. The breakdown on which the committee recommendations are based is as follows:

Costs of the program

Total estimated cost of all technical assistance activities.....	\$85, 500, 000
Less—	
A. Local costs to requesting countries.....	\$28, 500, 000
B. Tentative estimates of contributions from United Nations contributing members (excluding the United States).....	12, 000, 000
Total estimated contributions other than United States.....	40, 500, 000
Total estimated costs for United States activi- ties (including bilateral programs, contribu- tion to United Nations programs, and IIAA and Public Law 402 activities already author- ized).....	45, 000, 000

Estimated allocation of appropriations for technical assistance, fiscal year 1951

Activity	New pro-gram cost	Programs already authorized		Total
		Public Law 402	IIAA	
1. General economic surveys.....	\$1, 927, 000			\$1, 927, 000
2. Agriculture, forestry, fisheries.....	7, 156, 500	\$1, 449, 200	\$2, 086, 000	10, 691, 700
3. Education and labor productivity.....	6, 134, 500	321, 500	1, 659, 000	8, 115, 000
4. Health.....	6, 151, 300	270, 700	3, 255, 000	9, 677, 000
5. Transport and communications.....	2, 190, 700	353, 000		2, 543, 700
6. Service to industry.....	1, 899, 200			1, 899, 200
7. Mineral water and resources.....	3, 367, 600	284, 500		3, 652, 100
8. Government administration and technical services.....	2, 773, 200	321, 100		3, 094, 300
Total.....	31, 600, 000	3, 000, 000	7, 000, 000	41, 600, 000
Net administrative cost.....				2, 900, 000
Department of Commerce service to business for foreign economic development.....				500, 000
Total appropriation requirement.....				45, 000, 000

8. CONDITIONS FOR EXTENSION OF ASSISTANCE

Experience with technical assistance both of the bilateral and the multilateral kinds has shown that it is important to make clear at the outset conditions upon which assistance will be supplied. By its very nature this program is a cooperative one which means that the recipient countries should carry their fair share of the burden. This involves salaries and expenses of personnel for the most part. It is of course clear that the contributions of the recipient countries probably will never be large; but the committee believes that, if they have no other value, they are important because they emphasize the mutual and cooperative nature of the program. Therefore the committee has attached several conditions to United States technical assistance, and has incorporated them into title V. Assistance shall only be available when the President determines that the country assisted (1) pays a fair share of the cost of the program, (2) provides all necessary information concerning such program and gives it full publicity, (3) seeks to the maximum extent possible full coordination and integration of technical cooperation programs being carried on in that country, (4) endeavors to make effective use of the results of the program, and (5) cooperates with other participating countries in the mutual exchange of technical knowledge and skills.

9. ADMINISTRATION OF PROGRAM

As has already been noted in this report, all United States technical assistance programs will be reviewed and coordinated through a single agency with the following exceptions: Programs, which are not designed to promote the economic development of the underdeveloped areas under the United States Information and Exchange Act of 1948, and programs under the International Aviation Facilities Act, the Philippine Rehabilitation Act of 1946, and the Foreign Assistance Act of 1948.

The committee has been informed that the contemplated organization will be located in the State Department. The committee understands that the President will delegate his powers under the law to the Secretary of State, although the President has full power to locate the program anywhere he may wish in the executive branch. A director will be appointed by the President with the advice and consent of the Senate to head the program, at a salary not to exceed \$15,000 per annum. The recommended title authorizes the employment of personnel both at home and abroad. Presumably some time will be necessary to create the organization and to find the professional and expert competence needed. Time will also be required to reach arrangements with private groups and individuals whose excellent work in the field of technical assistance makes their help highly desirable if not actually necessary for the success of this program.

It should again be noted that the bill leaves the President free to set up the kind of organization he deems will accomplish the program's objectives. He is permitted to employ the highest type of technicians and experts on either a part-time or on a full-time basis. He is authorized to detail personnel from governmental agencies to serve abroad, but the number is limited by the size of the funds appropriated, since the salaries of employees so assigned must be refunded from the technical assistance funds to the agency providing the employee. Thus, the President may send an expert in soils from the Department of Agriculture to help an underdeveloped area improve its soils; or he may send a member of the United States Public Health Service to a tropical country to help eradicate malaria. He may also detail United States governmental employees to positions in other governments or to international organizations. When so detailed, United States employees may not taken an oath of allegiance to a foreign government nor receive a salary from a foreign government or an international organization, although they would be permitted to receive necessary travel or other expenses.

10. DURATION OF PROGRAM

Although it may prove desirable to continue the program for a period of years, the committee is unwilling at this time to place it on a permanent basis unless and until it has proved itself. Because the program is new and because it will take some time to set up the necessary administrative machinery as well as to secure the required technical competence, the committee recommends that the Senate limit its present authorization to a period of 5 years. Moreover the title authorizes an appropriation only for the period ending June 30, 1951, so that progress to date may be reviewed and passed upon by the Senate before further

appropriations are authorized. In this connection it should also be noted that the President is required to make annual reports of progress to the Congress. Forward contracting authority is limited to 2 years.

11. RELATION TO UNITED STATES POLICY

It is the aim of the technical cooperation program to enable the free peoples of the world through their own efforts to produce the things they need for a decent life. To be fully understood, it should be regarded as one part of a broad four-fold interrelated program of the United States designed to attain peace and to assure personal freedom in the world. The other three are (1) unfaltering support of the United Nations, (2) continuing efforts at world economic recovery, and (3) strengthening of the freedom-loving nations to enable them to resist aggression.

The postwar demands of security, recovery, and development in the more highly industrialized countries of Europe have served to intensify the need for more comprehensive work in the development of the underdeveloped areas. We are spending billions on military defense and on the economic recovery of Europe; we are also encouraging the reduction of trade barriers and the removal of the causes of international friction. All of these things are being done in the interest of our national security—the broadest kind of security for our free and democratic way of life.

In that same sense the Act for International Development is essential to our national policy and is a security measure. Our security is directly and vitally dependent upon the security of other peoples. The act is a measure which will improve the welfare of other people, to which our own well-being is closely related. As the people of the underdeveloped areas see new opportunities for a better life they will associate them with American assistance and a democratic way of life. The program will also preserve and enlarge the freedom of the individual, which lies at the heart of free governments and free institutions, which we are struggling to preserve against totalitarian aggression. Technical assistance is thus a vital arm of our foreign policy, which if successful should help millions of people in the underdeveloped areas to choose the democratic way of life and thus remain our friends in the years ahead.

CONCLUSION

After having given the measure full consideration, the committee on April 4 voted 11 to 0 to report title V to the Senate for favorable action. The committee is of the opinion that it is positive, constructive, and in the best American tradition, and therefore recommends to the Senate that it do pass.

20. REPORT OF THE SENATE COMMITTEES ON FOREIGN RELATIONS AND ARMED SERVICES ON THE MUTUAL SECURITY ACT OF 1951

Senate Report 703, Eighty-second Congress, August 27, 1951

[Excerpt, pp. 39-40]

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29. TECHNICAL ASSISTANCE

In title II and title III the joint committee has made combined authorizations to cover economic and technical aid under both the ECA and point 4 programs. In so doing the joint committee has been governed by six main considerations which it strongly feels should govern the administration of the funds provided. These principles are as follows:

(1) In countries in which the Economic Cooperation Administration is at present operating a mission, such operations may continue within the limit of funds authorized in the accompanying bill.

(2) In countries in which the Technical Cooperation Administration is at present operating a mission, such operations may continue within the limit of the funds authorized in the accompanying bill.

(3) Notwithstanding the conditions expressed in paragraphs (1) and (2), in no case shall both the Economic Cooperation Administration and the Technical Cooperation Administration maintain separate missions in the same country.

(4) The Economic Cooperation Administration may operate technical assistance projects in the countries in which they are at present operating a mission.

(5) The Technical Cooperation Administration, in order to carry out technical cooperation projects, may commence operations in countries in which they are not now operating.

(6) The Economic Cooperation Administration shall not establish a mission in any country in which it does not now maintain a mission, except in India and Pakistan, unless and until consultation shall have been held between appropriate officials of the Economic Cooperation Administration and the Foreign Relations Committee of the Senate and the Foreign Affairs Committee of the House of Representatives.

It is also the sense of the joint committee that substantial grant-aid programs of the type administered by ECA in underdeveloped areas should be regarded as temporary, as contrasted with the longer range technical assistance type of programs. The joint committee feels that, as soon as the need for such substantial grant-aid programs ceases to exist in any country, the TCA should take over the administration of United States aid of the continuing technical assistance type in such country.

In countries in which ECA missions are operating and where programs are projected calling for sizable commodity import programs, it should be the policy, in the absence of compelling political considerations to the contrary, for the ECA to provide loans rather than grant aid in all cases where the financial condition and the borrowing capacity of the country to be assisted is such as to justify such loan aid.

In expressing these views the joint committee is fully aware that a major problem of the underdeveloped areas is the great lack of capital for the development of their resources. These areas will require water supplies, power plants, swamp-drainage facilities, and many other kinds of capital projects, if they are to realize their potentialities. But they cannot undertake capital projects on their own. The average savings of a worker in the underdeveloped areas is only \$5 a year. Obviously this will not create the needed capital which must be sought abroad. On the other hand, only a small percentage of the national income of the United States is now going into foreign private investment. It is hoped that the technical assistance programs will stimulate the desires of these areas for the development of programs financed by international loans and private investment, matched on the part of the recipient countries by a willingness to undertake the necessary actions.

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21. REPORT OF THE HOUSE COMMITTEE ON APPROPRIATIONS ON THE MUTUAL SECURITY APPROPRIATIONS BILL, 1952

House Report 1124, Eighty-second Congress, October 10, 1951

[Excerpt, pp. 6-7]

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ADMINISTRATION

The committee is somewhat concerned with the apparent dispersed efforts that are being made in the technical assistance and other development programs outside of the direct country aid programs under Title I. While it is admitted that ECA and the Department of State operate in different areas of the world the committee, nonetheless reaches the inescapable conclusion that lost motion and duplication of effort must result. Similarly in many of the countries whom we are trying to assist are two programs, one through the United Nations, to whom we contribute, and one through direct application in the individual countries of a purely bilateral program with the United States. If this important program is to survive it must be restudied with the view of placing it under one agency, be that agency the United Nations, the Department of State, the Mutual Security Administration, or some other entity. It would seem to the committee that all of these and related programs are one of purpose rather than area or degree of effort.

The bill includes a limitation of \$75,000,000 for all administrative expenses connected with the program. The committee fully appreciates the magnitude and diversity of the job to be done but is not impressed with the need for \$38,000,000 administrative expenses for the Department of Defense in addition

to nearly \$11,000,000 of local currency expenditures. Likewise, it is difficult to conceive of a total administrative need of the Department of State of some \$15,500,000. The reduction effected by the committee should be applied to these two departments. It is hoped that additional administrative savings can be effected by the Mutual Security Administrator.

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**22. REPORT OF THE SENATE COMMITTEE ON FOREIGN RELATIONS
ON THE MUTUAL SECURITY ACT OF 1952**

Senate Report 1490, Eighty-second Congress, April 30, 1952

[Excerpt, pp. 37-38]

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According to information presented to the committee the Administration plans during 1953 to spend about \$44,252,000 for technicians and trainees and \$182,748,000 for supplies and equipment. Thus for every dollar spent for training, more than \$4 will be spent for supplies and equipment. The committee calls attention to this fact because it believes that there may be a tendency on the part of some officers concerned with the TCA programs gradually to emphasize commodity and end-item types of assistance rather than technical assistance. The committee feels that changes of emphasis in that direction would be unwise for a number of reasons.

When Congress approved the Act for International Development it did not fix a terminal date for the program largely because it was thought of as a long-range, comparatively low-cost program. Emphasis was to be on assistance in the form of men, not materials. While the need for material assistance is very great in most of these countries, it would be vastly beyond the capacity of the United States to contribute materials and commodities in quantities that would be sufficient to more than scratch the surface. The success of the technical cooperation program depends to a large extent upon the willingness of the host countries to help themselves. In the words of Mr. Bingham, the programs "will not succeed if they are financed and run by the United States. To the maximum possible degree, the host governments should contribute personnel and money, and should participate actively in the operation of the program."

The committee made inquiry into whether the countries being assisted are contributing a fair share of the cost of the program as required by the Act for International Development. It learned that in some countries the recipient governments are contributing nothing to the programs. One of the administration witnesses testified that "under certain circumstances * * * nothing is a fair share." The committee is most anxious that there be no justification for ever referring to the technical cooperation programs as give-away programs. It feels it is very important that the word "cooperation" be emphasized and that the United States not be put in the position of offering assistance to any country that is not willing to take action to help itself.

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**23. REPORT OF THE HOUSE COMMITTEE ON FOREIGN AFFAIRS ON
THE MUTUAL SECURITY ACT OF 1952**

House Report 1922, Eighty-second Congress, May 12, 1952

[Excerpts, pp. 52, 62-66]

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On the basis of these figures about \$44,250,000 is earmarked for personnel and \$182,748,000 for supplies and equipment. To put it another way, \$1 spent for men is matched by \$4 for material. In examining the particular projects, country by country, the committee was impressed by the heavy outlays for supplies and equipment in some countries, notably India and Pakistan. This suggests a strong movement toward a commodity program at the expense of an exchange of technical skills. The committee expects that those administering TCA programs will show a firm determination that supplies and equipment, even though supporting technical assistance programs, will be reduced.

Little evidence was offered that TCA officers have weighed too carefully the absorptive capacity of a country. The basis for technical assistance should not be what a country wants or needs; both of those are limitless. The criterion must be what a country can absorb. A country may enthusiastically embark upon an array of programs it needs and wants but that it cannot maintain without continued assistance from external—principally United States—sources. A half a loaf is better than no bread. The same satisfaction is not derived from half an irrigation system.

The committee shares the concern of Secretary Acheson who recently gave emphasis to this point. Speaking of the desires of other peoples, he observed that “* * * they must take it in through their mind and through the training of their hands. And this cannot be done overnight. This is a long process.

“Then there is the confusion in their minds as to what they want. Some want one thing and some another. Very often they haven’t the real knowledge to understand what it is that they really need at the moment. There is a great desire in every part of the world for industrialization and there is very little understanding of how dangerous that is until there is in sight a strong agricultural base.

“I think in all the times that I have talked with visitors from foreign countries since the war and, indeed, during the war, everyone who has come into my office starts out with, “We would like a steel mill.” Well, they want a steel mill in every single country in the world. It makes not difference whether they have ore or coal or anything else. The steel mill is the mark of civilization, and that is what they want.

“Now, it’s not a question of pouring vast sums of money and vast numbers of technicians into these areas. It couldn’t be done if we wanted to do it. Sometimes I have been in meetings where people talk about billions of dollars or hundreds of thousands of technicians being poured all over the world. Those people never stop to think of where the technicians are going to sleep and what they are going to do. The mere question of housing of the missions which are already being sent out is a serious one in parts of the world where there aren’t many houses. This thing has got to be done sensibly.”

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A. PRIVATE ENTERPRISE

One of the basic principles which the Congress has emphasized in the statutes governing the Mutual Security Program is the importance of private-capital investment as a potent force in raising the economic and social standards of underdeveloped areas. Not only does private investment bring capital, but it also brings with it technical knowledge and management experience, so sorely needed. Further, it relieves the American taxpayer, in the long run, of the burden of governmental foreign aid where cooperative aid can be appropriately handled by private sources. Moreover, private capital offers a natural vehicle for close cooperation between private citizen and private citizen rather than between government and government, and hence is of special importance. There are several provisions in the law which deal with this principle, notably sections 516 and 520 of the Mutual Security Act of 1951, sections 403, 405 (e), 407, 409, and 410 of the Act for International Development, and sections 111 (b) (3) and 111 (c) (2) of the Economic Cooperation Act of 1948, as amended. They were seriously and carefully written by the legislative branch. It was, and is, intended that they be implemented. The committee is not satisfied that the Director for Mutual Security has exerted all the reasonable effort possible to implement those provisions. In amending section 516 of the Mutual Security Act, the committee makes more explicit in this bill its intent with respect to the role of private enterprise in building mutual security. It is not, of course, the objective of this program to benefit private capital. The point is that private capital has a definite place in the program which should be recognized by the executive branch and our partners in mutual security.

1. Increasing flow of private capital (sec. 7 (j))

Section 7 (j) of this bill amends section 516 of the Mutual Security Act by requiring the Mutual Security Agency, the Department of State, and the Technical Cooperation Administration to take certain steps essential to an increase in private capital flow. These agencies are to act under the coordination of the Director for Mutual Security, which accords with the basic administrative pattern of the Mutual Security Program. The Mutual Security Agency will have the job

of conducting a thorough study of the legal and other impediments, foreign and local, to private investment abroad, and how those impediments can be removed or decreased. The committee is aware of the fact that the Director established on January 25, 1952, an interagency advisory committee to recommend ways and means of implementing section 516 (1) of the act. To date, however, no recommendations have been brought to the attention of the committee. The language of section 516, as amended, should produce a more fruitful study than that now being undertaken, especially where it is required that the study be made in cooperation with private business groups.

It is the idea of the committee that the required study should prove valuable to the jobs which the Department of State and the Technical Cooperation Administration are required to perform under the amended section 516. The Department of State is to take the study into account in accelerating a program of negotiating commercial and tax treaties, or other arrangements where more suitable or expeditious, which shall include provisions to encourage and facilitate the flow of private investment to recipient countries. Treaties of friendship, commerce, and navigation or economic development were signed in 1948 with Italy and in 1950 with Ireland, containing extensive provisions to assure the security of United States economic enterprises in those countries. One was signed with Uruguay in 1949 and is now awaiting ratification by Uruguay. The Uruguay treaty is a most desirable model to be followed. Treaties were concluded during 1951 with Colombia, Denmark, Greece, Israel, and Ethiopia, and are awaiting the advice and consent by the Senate to United States ratification. It is the desire of the committee that, where the usual commercial treaty may encounter undue delay in negotiation, the executive branch should resort to more expeditious or "short form" arrangements to speed up the negotiating process insofar as private capital is concerned.

In carrying out its programs, the TCA should intensify its implementation of the legislative mandate: "The participation of private agencies and persons shall be sought to the greatest extent practicable" (sec. 407, Act for International Development). Thus far the TCA appears to have given this provision a most gentle nod, where a push is required. The private contract record to date of the TCA (\$6,000,000) is small and includes only a slight amount for industrial firms (\$1,425,000). As a policy for the future TCA must increase its efforts to attract a greater private industrial participation in the Point IV program. To bring this point home to the TCA, the amendment requires the Administration "to encourage and facilitate a greater participation by private industrial groups or agencies" (which would include individual business firms) in private contracts awarded by the TCA. The Administration is further required to find and draw the attention of private enterprise to opportunities for investment and development in underdeveloped areas. The TCA has a positive responsibility toward private capital in helping private capital do the job it wants, and can do, together with government—toward mutual security.

2. *The guaranty program (secs. 7 (j) and 7 (l))*

Section 520 of the Mutual Security Act reads:

"Funds realized from the sales of notes pursuant to section 111 (c) (2) of the Economic Cooperation Act of 1948, as amended, shall be available for making guaranties of investments in accordance with the applicable provisions of sections 111 (b) (3) and 111 (c) (2) of the Economic Cooperation Act, as amended, in any area in which assistance is authorized by this Act."

The Mutual Security Agency states that out of the \$200,000,000 basic statutory authorization for guaranties a total of 37 industrial guaranties in the amount of \$33,686,104 had been issued under section 111 (b) (3) of the Economic Cooperation Act of 1948, as amended, all for investment in European countries. Of these, 35 guaranties in the amount of \$32,408,704 covered the risk of inconvertibility of foreign currency receipts (including one forward contracting guaranty in the amount of \$550,000) and two guaranties in the amount of \$1,277,400 covered the risk of loss through expropriation or confiscation. As of March 15, 1952, there were pending 45 completed applications for convertibility guaranties in the approximate amount of \$50,000,000 and 18 applications for expropriation guaranties in the approximate amount of \$19,000,000. The Mutual Security Agency points out that no formal applications have been made other than for European countries. Guaranties have been issued to protect new investment in a variety of manufacturing industries in England, France, the Netherlands, Germany, and Italy; in two construction engineering firms in France; and in an agricultural project in Italy. Individual guaranties range in size from \$17,500 to \$14,500,000.

The section quoted above has raised in the executive branch questions concerning the scope of the investment-guaranty program authorized by this section. For example: Should it apply to any type of program authorized by the Mutual Security Act or should it extend only to the types of programs for which investment guaranties have hitherto been granted, except that now all areas of the world may be covered? The purpose of the provision is to broaden not only the area of coverage of the investment, but also the type of program. Thus, for example, a private investment in a Point IV country which is in line with the purposes of the Act for International Development may be given a guaranty. The Mutual Security Agency has stated that, under present criteria, in Latin America its guaranties would be used only to encourage investment which contributes directly to mutual defense programs. Such a criterion is narrow and overlooks the nondefense long-range security aspect of the Point IV program, as well as congressional intent. Section 7 (j) of the bill amends section 516 of the Mutual Security Act to make congressional intent unmistakable. The Mutual Security Agency is required, in cooperation with private business and Government agencies, to encourage a greater participation by private capital in the guaranty program, including programs consistent with the Act for International Development, and to this end to develop broad criteria in place of the Agency's narrow ones. Such broad criteria should stimulate a greater and wider use of guaranties under any type of mutual security program, in keeping with congressional intent.

In this connection, to make certain that the investment and informational media guaranties continue after June 30, 1952, the committee in section 7 (l) of the bill added a new section (537) to the Mutual Security Act which will permit any department or agency of the Government designated by the President to exercise the guaranty-making authority beyond June 30, 1952.

3. *International Finance Corporation (sec. 7 (l))*

In its report on the Mutual Security Act of 1951, the committee pointed to one important potential means of stimulating the flow of private investment to the underdeveloped areas of the world—the establishment of an International Finance Corporation as an affiliate of the International Bank for Reconstruction and Development (IBRD). The committee had studied carefully and been impressed with the recommendations contained in the March 1951 report of the International Development Advisory Board (Rockefeller report) with respect to such a corporation. During its consideration of the present bill the committee had available the statement of the Honorable Nelson Rockefeller in amplification of the desirability of such a mechanism. According to Mr. Rockefeller, the Corporation would forward the following objectives:

"1. It would encourage the growth of enterprise under the private control and management that has proved its strength and dynamic thrust in the United States, instead of encouraging the further encroachment of Government operations upon fields to which that form of control is ill-adapted.

"2. It would give further evidence of the willingness of the United States to act through international agencies instead of proceeding exclusively upon a bilateral approach. This has the advantages of strengthening the international structure to which we are committed, and of encouraging other nations to share a burden that, far too frequently, has been accepted as the exclusive responsibility of the United States.

"3. The program follows the sound principle of extending the existing resources of an established institution for functions of the type that it has demonstrated its competence to perform effectively instead of building up expensively wasteful, duplicative machinery. It assures that the United States funds committed will be managed by an agency that has an established record of operating upon sound business principles rather than upon political motivations. The IBRD record is excellent with respect to the selection of genuinely productive projects that have prospects both of economic solvency and of making constructive contributions to the economies of which they are a part.

"4. The project will be effective in providing equity capital for sound enterprises in capital-short areas, under restrictions to assure that the control and the management functions will be kept in private hands. There is further assurance of the intent to avoid government control in the principle of encouraging private local capital to buy out the International Finance Corporation's equity interests as soon as a project is well launched. This pattern of operations will stimulate the establishment of local private capital markets for productive enterprises, which is one of the prime needs in most underdeveloped areas.

"5. The power to make both equity investments and loans will enable the International Finance Corporation to achieve maximum flexibility in financing, or

supplementing the financing, of worthy development projects. It will make it possible to work out the most satisfactory combination of junior and senior obligations, the proper ratio of debt and equity capital, and the desired balance between local and foreign participation. It is particularly important to avoid overburdening the capital structures of new ventures with fixed obligations, a condition that is highly prejudicial to the successful initiation of business enterprises.

"6. Well-selected equity investments may be expected to return to the International Finance Corporation income yields substantially higher than the IBRD can realize under its existing form of operations. Such returns, together with additional capital gains from the sale of equity holdings in successful ventures, will allow the International Finance Corporation to assume certain exchange risks in soft currency areas and to operate without the Government guaranties that have been a necessary requirement of IBRD loan operations. Thus, the new agency will have a degree of freedom in supporting privately owned and managed business ventures without subjecting them to Government sanctions and controls inevitable when Government guaranties are required."

The committee amended section 7 of the bill by adding a new section (535) to the Mutual Security Act, which provides the opportunity for and encourages the creation of an International Finance Corporation. The new provision permits up to \$100,000,000 of defense support, economic and technical assistance funds to be used for subscription to the capital of the corporation. The purpose of the amendment is to increase the participation of private enterprise and investment in developing the resources of the areas covered by the act and to mobilize local capital for such development and investment.

This provision, linked together with the other private enterprise provisions written into the bill by the committee, should provide better machinery for utilizing the facilities and experience of private enterprise as an arm of the mutual-security effort, and to further the economic and technical assistance phase of the Mutual Security Act.

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**24. REPORT OF THE SENATE COMMITTEE ON FOREIGN RELATIONS
ON THE MUTUAL SECURITY ACT OF 1953**

Senate Report 403, Eighty-third Congress, June 13, 1953

[Excerpt, p. 65]

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59. RURAL DEVELOPMENT PROJECTS

The committee considered earmarking specified funds for comprehensive rural development projects of a pilot nature in Pakistan, India, and other selected areas, such funds to be made available either through the United States bilateral technical-assistance program or the United Nations, as the President might direct. The committee had in mind in this connection the effective work of the Joint Commission on Rural Reconstruction in Formosa which has received American support. The committee did not believe it was appropriate at this time to designate specified funds for these rural development projects. It urges the Administrator of the act, however, to give them careful consideration and to explore the possibility of making funds available through the United Nations under the terms of section 121 (a) of the Act for International Development or, in the alternative, to encourage these projects by the use of funds authorized to be appropriated under the proper provisions of the Mutual Security Act of 1951, as amended.

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**25. REPORT OF THE HOUSE COMMITTEE ON FOREIGN AFFAIRS ON
THE MUTUAL SECURITY ACT OF 1953**

House Report No. 569, Eighty-third Congress, June 16, 1953

[Excerpts, pp. 39-40, 58]

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Like many other great American ideas, technical assistance has had its growing pains. It still has some of them. Overenthusiastic zealots, both in and out of Government, have on occasion encouraged other countries to expect too much.

Many of the programs have had too many administrators and insufficient technicians. Planning and programing, at home and abroad, has preempted too much time and talent. Developments in the field have not always been up to expectations. We believe, however, that many of the mistakes and extravagances are being corrected. The difficulties of securing and rapidly training expert personnel are being realized. The basic concept behind the Technical Assistance Program, is not to give other peoples the products of American technical skills but to teach them the skills so that they can produce for themselves. We believe this concept is sound and should be continued.

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I. GUARANTIES (SEC. 706 (D))

1. Need for broadened coverage

In considering the need for broadening the coverage of investment guaranties under the Mutual Security Program, the committee had before it the report of its Subcommittee on Foreign Economic Policy (Hon. Jacob K. Javits, New York, chairman, Hon. Donald L. Jackson, California, Hon. Karl M. LeCompte, Iowa, Hon. Laurie C. Battle, Alabama, and Hon. Burr P. Harrison, Virginia), The Mutual Security Act and Overseas Private Investment. During the course of its hearings, the subcommittee was told that in order to render the guaranty program more effective it would be necessary to broaden the types of risks guaranteed, to widen the geographic scope of the program, and to increase the time limit. Officials of the executive branch and of numerous private business organizations appeared before the subcommittee and urged the adoption of amendments to effect these changes. The bill contains three provisions broadening the coverage, substantially as recommended. These are all found in chapter VII of the bill and will be discussed in their proper sectional order.

The progress of the guaranty program in the underdeveloped areas, particularly in Latin America, has, in general, been disappointing. It is to be expected that the broader coverage required by this bill coupled with an imaginative and realistic approach to the guaranty program by the executive branch will strengthen the role of guaranties in the Mutual Security Program not only in the underdeveloped areas but elsewhere as well.

2. Effect of section 706 (d)

Under the Mutual Security Act, all of the countries for which aid is authorized are eligible to participate in the guaranty program. Much investor interest has been shown in countries not receiving aid under the Mutual Security Program and hence ineligible to participate in the guaranty program, particularly such British Commonwealth countries as Australia and New Zealand. Section 706 (d) now permits countries to participate in guaranty programs with which the United States has agreed to institute such programs. As explained by Robert B. Eichholz, General Counsel to the Director for Mutual Security, when questioned on this matter by the committee:

"An example of the kind of thing that we might have in mind is that it might be possible to interest American enterprise in developing in Australia coal resources which would give the Japanese a source of coal other than from their traditional dependence on Manchurian coal (hearings, p. 1273)."

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**26. REPORT OF THE HOUSE COMMITTEE ON APPROPRIATIONS ON
THE MUTUAL SECURITY APPROPRIATIONS BILL, 1954**

House Report 880, Eighty-third Congress, July 18, 1953

[Excerpt, pp. 6-7]

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TECHNICAL ASSISTANCE

The Committee recommends a total of \$72,000,000 for 1954, \$24,000,000 for the Near East and Africa, \$33,000,000 for Asia and the Pacific, and \$15,000,000 for the American Republics. The amount recommended is a decrease of \$64,000,000 in the original 1954 budget estimates and is \$56,363,500 below the revised estimates for 1954.

The reductions proposed are not intended to indicate that the Committee is in disagreement with the objectives and purposes of this program. Committee action

is based on conclusive evidence that actual performance under this program has fallen considerably short of projected plans and programs. While there are many understandable reasons for this situation, such as difficult personnel recruitment problems, the appropriation of more funds for 1954 than can be effectively used is not justified.

Personnel statistics furnished the Committee show that only about 1,700 of the 2,630 field positions authorized for 1953 were actually filled as of May 31, leaving nearly 1,000 vacant positions under projected plans for 1953. Despite this situation, the request for 1954 provided for approximately 2,900 persons in 1954, an expansion of over 70 percent as compared with May 31 employment. It is understood that recruitment for this activity is extremely difficult, due to the nature of the field assignments and the extremely long period required for security clearance and appointment. It is also understood that it would be extremely difficult to attract sufficient new personnel to this program to much more than offset resignations in 1954.

Further indication of the over-planning and lack of accomplishment in this program is the large amount of unexpended balances as of June 30, 1953. Of the \$307,000,000 provided for fiscal years 1952 and 1953, approximately \$175,000,000 (57 percent) is still unexpended. The unexpended balances in many of the countries in the program run in excess of 50 percent of available funds for the two years, as follows: Egypt, 90 percent; Iran, 51 percent; Jordan, 59 percent; Saudi Arabia, 55 percent; Afghanistan, 66 percent; Burma, 78 percent; India, 71 percent; Indonesia, 75 percent; Pakistan, 77 percent.

The Committee feels that no effort should be made by the Technical Cooperation Administration to force this program on any country which is not interested in taking an active part therein and in contributing funds at least equal to those being spent by the United States. From information presented, it appears that there are certain countries in the Near East and Latin America for which funds are requested for 1954 where the local contribution is lower than that of the United States or where the country has shown little interest in the program. The Committee feels that funds recommended herein should be used in those areas which are enthusiastically behind the program and where the most opportunity for beneficial results exists.

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27. REPORT OF THE HOUSE COMMITTEE ON FOREIGN AFFAIRS ON THE MUTUAL SECURITY ACT OF 1954

House Report 1925, Part I, Eighty-third Congress, June 25, 1954

[Excerpts, pp. 47-52]

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III. TITLE III—TECHNICAL COOPERATION

In his message to the Congress of March 30, 1954, transmitting the recommendations of the Commission on Foreign Economic Policy (the Randall Commission), President Eisenhower made this statement:

"I approve the recommendations of the Commission on Foreign Economic Policy that the United States participation in technical cooperation programs should be pressed forward vigorously. Such programs should concentrate on providing experts and know-how rather than large funds or shipments of goods except for necessary demonstration equipment. They should not provide capital for investment but should be so administered as to fit into the programs of development of the assisted countries and they should be related to any private or public investment likely to be forthcoming.

"Review of the requirements for the Mutual Security Program has been conducted with these principles in mind and substantial reductions in grant aid have been made by this administration * * *"

The President reaffirmed this view of technical cooperation in his message to Congress of June 23, 1954, when he declared:

"Our country's participation in technical cooperation programs must be vigorously advanced. Certain fundamentals are essential to their success. First, they should provide experts and know-how rather than large amounts of funds or goods, although they should not be allowed to fail due to lack of necessary teaching and demonstration equipment. Second, they should be tightly adjusted to the needs

of the host countries. Third, they should be so administered as to reach as many people as possible, helping them raise their own standards of living and solve their own problems. Technical cooperation programs now before the Congress are based on these fundamentals. These programs are our most effective counter-measure to Soviet propaganda and the best method by which to create the political and social stability essential to lasting peace."

This bill reflects that philosophy.

The Act for International Development was approved in June 1950. When that measure was presented to the Congress, the experience of our Government in such programs was limited both as to content and as to geographical scope. Understandably the many problems attendant upon their worldwide extension were not fully comprehended nor could many of them be foreseen.

The technical cooperation program has undergone a "shakedown cruise" during the 4 years of its life. There have been some false starts, misdirected emphasis, and wasted motion. Yet each of these has, in a measure, contributed to a clearer understanding of what the program involved.

Since the beginning of the program two tendencies have developed—a shift toward a commodity program and a multiplicity of activities in many fields. Both have been the subject of increased congressional attention.

The first Administrator of the Technical Cooperation Administration, the late Dr. Henry G. Bennett, viewed the program this way:

"The idea is to send in a minimum number of people, with tools and limited amounts of supplies, so they may show the people by doing, and guide and instruct their doing * * *. It is believed that the benefits of the pilot projects, and projects which the governments themselves have been stimulated to undertake in the next year or two, will result in improved earnings of the governments so that, to a maximum extent, the large-scale projects may be financed from loans, either public or private * * *"

"The truth is that the whole program is in the main a training program. The big need in every underdeveloped area is for a reliable, trained, local leadership, and consequently we are seeking as best we can to encourage this type of training."

As early as 1952 the committee and the Congress noted that the ratio of expenditures between "people"—United States technicians and local trainees—and supplies was widening. More money was going into the latter component. In some countries, notably India, Pakistan, and Iran, it was increasingly difficult to distinguish between technical cooperation and technical development or outright economic assistance.

The broad language of the law and the elastic interpretation given it encouraged the multiplication of demonstration projects. Advice for a water-purification system, for example, could be supplied by mobile technicians and the training of local personnel. But the equipment to improve the water system had to be imported. A single unit in a single country would not serve the whole country. Thus, in 1952, \$1,200,000 was spent to improve the water sources in Iran.

At the same time basic categories, such as agriculture and health and sanitation, encompassed an array of activities not contemplated by the Congress. Technical cooperation in agriculture became a generic term that included investment in herds in the name of livestock breeding, budgetary assistance to agriculture colleges, irrigation systems, tractor and fertilizer imports tube-well construction, and fertilizer imports. Under health and sanitation large quantities of DDT, spraying equipment, drugs, medicines, laboratory equipment, mobile health units, and equipment for medical schools were sent abroad as part of the technical cooperation program. These programs which started on a modest scale of demonstration and teaching tended to expand to embrace large scale commodity imports.

In the last 2 years the administrators of the program have attempted to distinguish between technical cooperation and special economic assistance or, as it is currently termed, development assistance. Even this venture into semantics has not resolved the problem of what is involved in technical cooperation. The fiscal year 1955 India program presented to the committee for technical cooperation, as distinguished from development assistance, devotes 74 percent to supplies and equipment. For Lebanon 64 percent and for Pakistan 62 percent are earmarked for the same purpose. On the other hand, the committee is pleased to note that for Israel and Liberia less than 20 percent of the funds are planned for supplies.

By the very nature of the program personnel has always been, and should always be, the heart of technical cooperation. Any marked departure from this principle undermines the basic philosophy upon which the program was founded.

Personnel goals have been marked by undue optimism. There are factors beyond the control of the Administrator that explain part of the short fall. In other cases, however, it has been due to administrative deficiencies. Regardless of the cause, the committee is determined that the program hew to the line originally laid down. Translated into operational terms, it means that funds made available for technical cooperation should be devoted to sending our technicians abroad and to training local peoples to carry forward the programs which we and they work out within the framework of the various programs. It is recognized, however, that these technicians cannot be effective unless they have available materials, such as spraying equipment, laboratory supplies, seeds, agricultural implements, and the like, for instruction and demonstration of new techniques. In the last analysis, it is only through the training of local citizens that an economically underdeveloped country can move forward. The United States cannot assume in perpetuity the burden of carrying out extensive technical programs over the world.

Under the present administrative arrangements there is no one individual responsible solely for guiding and focusing attention upon technical cooperation. It is now part of an agency that has other responsibilities involving more costly operations. Technical cooperation tends to be a stepchild. Of all the parts of the program encompassed in this bill, this is the one that has the longest range possibilities. Nowhere in the present administrative organization is the technical cooperation program brought into focus as a program. It is handled only on an area basis. The committee believes that what is needed is a single individual to concern himself with the total program and who will give it the stature and emphasis it merits as part of our foreign policy. Such an individual should be directly under the officer to whom the President entrusts the administration of the nonmilitary functions authorized in this bill.

The adoption of the language in this title is not intended to eliminate agreements with foreign governments under which technical cooperation programs are presently operating nor to require their renegotiation. It is expected that appropriate agreements will be entered into when the technical cooperation program is extended to any additional country.

A. GENERAL AUTHORITY AND DEFINITION (SEC. 301)

The first sentence of this section states more clearly and simply than existing law the purpose of United States technical cooperation programs. It is the expectation of the committee that this clarification and simplification of objectives will focus the attention of the program's Administrator upon the essentials and the result in the elimination of marginal activities that dissipate the limited resources available for this purpose.

The definition of technical cooperation programs has been changed slightly but significantly. In the original law a range of activities that were illustrative of the purpose of the law were included, but it was stated that such activities "need not be limited to" those enumerated. The committee regarded this as the proverbial camel's head under the tent. It deleted this language and inserted language that will confine the program only to those set out in this section. This alteration in language will discourage ventures into peripheral fields of endeavor that, however useful they may be to the recipient country, do not offer as convincing a demonstration of the benefits to be derived from technical cooperation as do those devoted to basic projects in agriculture, health, and education.

B. PREREQUISITES TO ASSISTANCE (SEC. 302)

This section confers upon the President the duty of determining that a nation receiving assistance under this title of the bill pay a fair share of the program's cost and cooperate in other ways to achieve the objectives of the program.

When this section of the bill was under discussion, the committee made inquiry as to the degree to which recipient nations have been contributing to the program. The following chart indicates the increased contributions made by the Latin American countries to the bilateral technical cooperation programs.

[Chart omitted.]

Other countries are increasing their contributions in proportion to their capacity. Pakistan is matching United States dollars with the equivalent in its currency. India has exceeded the amount of United States aid, while other countries have been able to contribute little or nothing. The committee regards these prerequisites as essential to the idea of cooperation and expects that those administering the program will apply this provision to the maximum extent possible.

This title is based upon the substantive provisions of the Act for International Development. The administrative provisions of that act have been transferred to title V of this bill. Substantive provisions of that act providing authorities to the President for carrying out bilateral technical cooperation programs and for providing for joint commissions on economic development have been deleted for the reason that the authorities they provide are implicit without the necessity of including these specific provisions.

C. AUTHORIZATION (SEC. 303)

The appropriation for technical cooperation for fiscal year 1954 was \$107,412,501. The sum the committee recommends for next year is \$112,070,000. This figure is the sum of the three area figures submitted by the executive branch. Unlike previous authorizations for this activity, the authorization request this year is carried as a single item rather than on a geographic basis. Experience has shown that area authorizations deny the most effective use of the funds. The committee believes that a lump-sum authorization will give the administrator the necessary flexibility to move forward wherever the requisite conditions permit rather than immobilize funds in one area and be short of funds in another.

In the light of all the evidence made available to the committee as well as independent studies made by the committee members in various study missions abroad this authorization represents about the maximum that can be expected to be recommended in the foreseeable future. It recommends that those administering this program accept this forecast and make their plans accordingly.

The Special Study Mission to Southeast Asia and the Pacific, after visits to more than a dozen countries last fall, made this recommendation:

"Technical assistance programs and projects should be curtailed in number and in scope. A smaller number of better projects do more good than a larger number of poorer projects."

D. LIMITATION ON USE OF FUNDS (SEC. 304)

This section was inserted by the committee only after exhaustive hearings and studies of the technical cooperation program. It has a single and clear purpose—to assure that funds spent under this title will be devoted to the "interchange of technical knowledge and skills" and not be a thin disguise for a commodity program. Instructional equipment may include such items as posters and other visual aid materials. Demonstration equipment is not construed to mean equipment that in effect represents capital investment. Should the program call for tubewell construction, for example, the committee's position is that a few in each province or district needing irrigation constitutes an adequate number. Any additional units that may be desired should not be provided as part of the technical cooperation program.

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23. REPORT OF THE SENATE COMMITTEE ON FOREIGN RELATIONS ON THE MUTUAL SECURITY ACT OF 1954

Senate Report 1799, Eighty-third Congress, July 13, 1954

[Excerpts, pp. 80-83]

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59. TECHNICAL EXCHANGE PROGRAMS

The committee feels that more vigorous efforts should be made to eliminate overlapping between the technical cooperation programs of FOA involving the exchange of persons and the exchange activities authorized by the United States Information and Educational Exchange Act of 1948 carried out by the State Department. Section 302 of the bill specifies that "The term 'technical cooperation programs' does not include such activities authorized by the United States Information and Educational Exchange Act of 1948 (62 Stat. 6) as are not primarily related to economic development."

The committee believes that FOA has sometimes interpreted its mandate for technical cooperation programs so broadly as to encompass practically all activities which may be ultimately related to the development of the economic resources

and productive capacities of other countries. In authorizing legislation for development assistance and technical cooperation, the intent of Congress was that such activities be oriented toward specific economic and technical objectives, leaving the noneconomically oriented activities authorized by the Smith-Mundt Act to the more permanent program carried out by the State Department. In short, the FOA program should provide the technical and economic framework for a mutual-security program, and the State Department's exchange program should continue to concern itself with the building up of a climate of public opinion in which our total foreign-relations program can operate successfully and effectively. These objectives are quite clear in the respective legislative authorizations and overlapping should be kept to a minimum.

At the same time the committee recognizes that some specific activities involving exchanges of persons may serve both objectives, thus making it difficult to draw hard and fast lines between the two programs. For example, the committee notes that FOA is bringing foreign labor leaders to this country "to observe the practical operations of collective bargaining in an industrial economy." The State Department is also bringing in labor leaders from abroad.

The committee believes that FOA should limit its activities in this respect to bringing in foreign labor personnel for training or observation of skills, techniques, and industrial and trade-union organizational matters directly related to economic development programs in their countries.

In cases in which FOA may have funds available for purposes that border on those covered by the Smith-Mundt Act, it might be appropriate for the FOA to arrange for the Department of State to handle such projects.

The committee stresses its belief that close coordination between these two programs is essential so that their combined activities will best serve United States foreign policy interests.

FOA should also limit its activity of bringing foreign journalists to the United States to publicize and otherwise support developing productivity programs in their home countries, or such activity carried on by the State Department. The committee understands that FOA is discontinuing these activities. It is expected that FOA will also discontinue other exchange activities which encroach upon the exchange programs of the State Department.

It is expected, of course, that these distinctions will be reflected in the preparation and submission of annual appropriation requests.

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62. TERMINATION DATES FOR MILITARY AND ECONOMIC ASSISTANCE (SEC. 503)

Since 1948 there has been an independent Government agency charged with administering foreign-aid programs. First was the Economic Cooperation Administration. That agency was replaced by the Mutual Security Agency when the aid programs began to switch in emphasis from economic aid to military assistance. MSA was succeeded by the Foreign Operations Administration which served to coordinate military assistance programs, administer economic programs, and under Reorganization Plan 7 of last year, took over the technical assistance program.

Last year the Congress approved language in the Mutual Security Act of 1951, which provided:

"After June 30, 1954, * * * none of the authority conferred by this Act or by the Mutual Defense Assistance Act of 1949, as amended, may be exercised. * * *"

Provision was made for a 24-month period during which the economic programs were to be liquidated and 36 months for the liquidation of the military programs. Provision was also made for the President, prior to the expiration period, to transfer to "other departments, agencies, or establishments such duties and authority as might be necessary for the purpose of liquidation. * * *"

The committee felt this year that a further extension of certain military and economic assistance programs was necessary. It desired, however, to make it clear that the time has come when such programs as may be necessary in the future should be presented to the Congress by the regular agencies of the Government and should not serve as the basis for the continuation of an independent agency of Government—currently the Foreign Operations Administration.

The committee is not critical of the Foreign Operations Administration as such. It was aware, however, that most of the sums authorized for military assistance have been the operating responsibility of the Department of Defense for several years. It believed also that as a general rule it is unwise for foreign economic programs and the coordination of foreign military assistance programs to be undertaken outside the immediate purview of the Department of State.

In order to meet this situation, the committee adopted an amendment (sec. 503). This amendment states that authority conferred by titles I and II of this act may not be exercised after June 30, 1955, except so far as may be necessary to liquidate the programs authorized by those titles. The amendment thus provides that there be no additional military or economic development assistance authorized after June 30, 1955, at which time the liquidation provisions will come into effect.

The committee wishes to make it clear that it should not be inferred from this action that the Congress is stating that there are to be no more military or economic assistance programs in the future. It does assert, however, that if affirmative action is needed, it must be taken by the President to establish that such programs are essential in the future. Thus, if the President finds it necessary next year, upon the advice of the Departments of State and Defense, to continue military and/or economic assistance, he can so recommend to the Congress.

With respect to the liquidation provisions, insofar as military-type assistance covered in chapter 1 of title 1 is concerned, expenditures, transfers, and obligations of funds appropriated this year may continue to be made for 24 months beyond June 30, 1955. Insofar as other funds authorized by titles I and II are concerned, the period for which expenditures, transfers, and obligations may occur is 12 months. By fixing the final liquidation dates at 24 months for military assistance and 12 months for economic assistance, the committee is giving effect to the action of Congress last year when it fixed the termination date of June 30, 1954, and provided for 36- and 24-month periods for termination of the respective programs.

The committee felt that if no termination date were included in the legislation, the tendency would persist to think of military and economic assistance programs of the type authorized in titles I and II of the bill as continuing indefinitely into the future. It also had in mind that foreign-aid programs, if they are to be continued, must be put on a basis requiring presentation by permanent agencies of this Government, the Departments of State and Defense, and not an independent agency.

It will be noted that the committee did not set a termination date for the technical cooperation program and for miscellaneous other programs covered in title IV of the bill. Each of these programs must be justified on a yearly basis. Their location in the executive hierarchy, except for the technical cooperation program (point 4), is left to the discretion of the President. It is to be expected that most of these programs will be administered within the framework of the Department of State since there will be no independent agency operating in the field of foreign economic or military assistance.

The committee gave particular attention to the technical cooperation program. It felt that this program should be administered by the Department of State. Provision is made, therefore, for the programs authorized by title III of the bill to be administered after next June 30 through the Secretary of State (sec. 521 (b)).

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**29. REPORT OF SENATE COMMITTEE ON APPROPRIATIONS ON THE
MUTUAL SECURITY APPROPRIATIONS BILL, 1955**

Senate Report 2268, Eighty-third Congress, August 6, 1954

[Excerpt, p. 9]

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MULTILATERAL TECHNICAL COOPERATION

The committee recommends an appropriation of \$9,957,621 for this item, a reduction of \$8,000,000 in the budget estimate. The House denied the request entirely for this appropriation.

The sum of \$9,957,621 is to cover the amount pledged by representatives of the United States to the United Nations expanded technical assistance program as the United States share of the cost of conducting the multilateral program during the calendar year 1954.

This appropriation is made with the understanding that no further pledge shall be made to the United Nations for the expanded technical assistance program by any representative of the United States Government without prior authorization by the Congress of the United States. This does not preclude the United States representatives from making recommendations to the committees.

This appropriation is made with the further understanding that a study will be instituted by the Senate Committee on Appropriations of the relationship of the United States Government to the whole multilateral technical assistance program, including consideration of the technical assistance work of all the international organizations in which the United States has membership, both under their regular programs and under the United Nations expanded technical assistance program. It is expected that the study will inquire into the effect that the United Nations expanded technical assistance program is having upon the functioning of the specialized agencies as they were established under terms of their separate constitutions and charters. It is further expected that the study will explore all reasonable alternatives to the present system of handling United States participation in the multilateral technical assistance program, including particularly that of making direct appropriations to the international organizations which do the technical assistance work, rather than in the form of a blank check to a central fund which is under the control of the United Nations, including nations controlled or dominated by the U. S. S. R. Such a study will include consultations with representatives of all of the departments of the executive branch of the United States Government which are concerned with the technical assistance work of the international organizations; with representatives of public organizations, such as farm, business, and labor groups; and with representatives of the international organizations, if that seems desirable, to determine whether duplication exists and to determine methods for giving Congress more adequate and immediate control over such appropriations and programs.

* * * * *

III. United Nations Resolutions

30. RESOLUTION OF THE GENERAL ASSEMBLY, DECEMBER 4, 1948

The General Assembly,

1. *Taking into account* the action in relation to technical assistance previously taken by the General Assembly (resolutions 52 (I) and 58 (I) of 14 December 1946) and by the Economic and Social Council (resolutions 27 (IV) and 51 (IV) of 28 March 1947, 96 (V) of 12 August 1947, 139 (VII), A, of 26 August 1948 and 149 (VII), C, of 27 August 1948),

2. *Considering that*

(a) The promotion of conditions of economic and social progress and development is one of the principal objectives of the Charter of the United Nations,

(b) The lack of expert personnel and lack of technical organization are among the factors which impede the economic development of the under-developed areas,

(c) The United Nations can extend efficacious and timely help in this connexion for the achievement of the objectives set forth in Chapters IX and X of the Charter,

3. *Decides* to appropriate the funds necessary to enable the Secretary-General to perform the following functions, where appropriate in cooperation with the specialized agencies, when requested to do so by Member Governments:

(a) Arrange for the organization of international teams consisting of experts provided by or through the United Nations and the specialized agencies for the purpose of advising those Governments in connexion with their economic development programmes, the organization of such teams, of course, not to preclude the invitation of individual, or groups of, experts from the United Nations or from specialized agencies in connexion with problems in the field of those specialized agencies;

(b) Arrange for facilities for the training abroad of experts of under-developed countries through the provision of fellowships for study in those countries or institutions which, in the particular fields of study, have achieved an advanced level of technical competence;

(c) Arrange for the training of local technicians within the under-developed countries themselves by promoting visits of experts in various aspects of economic development for the purpose of instructing local personnel and for assisting in the organization of technical institutions;

(d) Provide facilities designed to assist Governments to obtain technical personnel, equipment and supplies, and to arrange for the organization of such other services as may be appropriate in the promotion of economic development, includ-

ing the organization of seminars on special problems of economic development, and the exchange of current information concerning technical problems of economic development;

4. *Instructs* the Secretary-General to undertake the performance of the functions listed in paragraph 3 above, in agreement with the Governments concerned, on the basis of requests received from Governments with due regard to geographical considerations and in accordance with the following policies:

(a) The amount of services and the financial conditions under which they shall be furnished to the various Governments shall be decided by the Secretary-General, and shall be reviewed by the Economic and Social Council at each of its sessions;

(b) The kind of service mentioned under paragraph 3 to be rendered to each country shall be decided by the Government concerned;

(c) The countries desiring assistance should perform in advance as much of the work as possible in order to define the nature and the scope of the problem involved;

(d) The technical assistance furnished shall (i) not be a means of foreign economic and political interference in the internal affairs of the country concerned and shall not be accompanied by any considerations of a political nature; (ii) be given only to or through Governments; (iii) be designed to meet the needs of the country concerned; (iv) be provided, as far as possible, in the form which that country desires; (v) be of high quality and technical competence;

(e) The sums appropriated for the performance of the functions set forth in paragraph 3 shall not be expended on functions or services which are a special responsibility of a specialized agency except in agreement with the executive head of that agency;

5. *Requests* the Secretary-General to report to each session of the Economic and Social Council on the measures which he has taken in compliance with the terms of the present resolution;

6. *Recommends* to the Economic and Social Council that it review at each session the actions taken under the present resolution and, when necessary, formulate recommendations concerning policy and budgetary action required by the General Assembly to carry on the functions instituted by the present resolution.

31. RESOLUTION OF THE ECONOMIC AND SOCIAL COUNCIL, AUGUST 15, 1949

[United Nations Document E 1553, pp. 4-18. Annex II omitted]

The Economic and Social Council,

Having considered, the report prepared by the Secretary-General, in consultation with the specialized agencies, on an expanded programme of technical assistance for economic development, pursuant to resolution 180 (VIII),

Being impressed with the significant contribution to economic development that can be made by an expansion of the international interchange of technical knowledge through international co-operation among countries,

Believing that a sound international programme of this character must combine and make use of the experience of many nations, with different social patterns and cultural traditions and at different stages of development, so as to facilitate progress in the less-advanced countries and to help solve their technical and economic problems,

1. *Transmits* to the General Assembly the above-mentioned report together with the observations and guiding principles set out in Annex I of this resolution;

2. *Recommends* that the General Assembly approve the draft resolution in Annex II, which provides for an expanded programme of technical assistance for economic development of under-developed countries;

3. *Requests* the Secretary-General, subject to such decision as may be taken by the General Assembly on the draft resolution in Annex II, to invite the Administrative Committee on Co-ordination to set up a Technical Assistance Board (TAB) which shall consist of the executive heads, or their representatives, of the United Nations and of the specialized agencies which participate in accordance with this paragraph in the expanded programme of technical assistance. The Secretary-General, or his representative, shall be Chairman of the Board. Within the TAB:

(a) Each participating organization shall inform the other organizations of requests to it for technical assistance for economic development;

(b) Important requests for such assistance shall be promptly discussed;

(c) The participating organizations shall discuss their co-ordination efforts under this programme, shall consult before comprehensive missions and programmes of assistance involving several organizations are arranged, and each shall be prepared to co-operate fully with the others in activities involving their common interests;

(d) The participating organizations shall exchange information which becomes available to them on current developments in the field of technical assistance, including the progress of technical assistance rendered or projected by them, by Governments and by private organizations;

(e) The TAB shall inform the Technical Assistance Committee of the Council (TAC), mentioned below, of any requests for technical assistance for economic development as soon as they have reached the TAB, so that the TAC shall always be in possession of a list of projects being discussed or reviewed by the TAB or participating organizations;

(f) Periodic reports shall be made by the TAB to the TAC; these reports shall include an examination of activities undertaken and results achieved, and a statement on funds received and committed under this expanded programme;

(g) Each participating organization shall present annually to the TAB its proposed programme for the next fiscal year in the light of its experience with the expanded programme. The programmes of the several participating organizations shall be examined in relation to each other, and the TAB shall make recommendations concerning them and the total programme to the Council through the TAC;

(h) All decisions other than on procedural matters shall be taken by general agreement and, when agreement cannot be reached, the issue in dispute shall be referred for decision to the TAC;

4. Authorizes the Secretary-General, after consultation with the other participating organizations, to designate the Executive Secretary of the TAB, who shall:

(a) Convene and service the TAB and prepare the needed documents;

(b) Collect and circulate to members of the TAB;

(c) Information regarding enquiries for technical assistance received by the participating organizations;

(ii) Programmes of the participating organizations for technical assistance in the fields for which they are responsible;

(iii) Information on technical assistance rendered and projected by the participating organizations and any other information which becomes available to them concerning such assistance rendered by Governments or by other public or private bodies;

(c) Prepare or arrange for such studies in regard to requests and plans for technical assistance as may be needed by the TAB, and furnish, when required by the TAB, information and analyses relating to the needs and conditions of the various countries requesting assistance;

(d) Prepare for the TAB, with the assistance of the organizations concerned and on the basis of information supplied by the Governments concerned, such reports on the operations carried out under the expanded co-operative programme of technical assistance as may be necessary;

(e) Perform such other functions as the efficient operation of the TAB may require;

5. Requests the Secretary-General to make appropriate arrangements whereby the executive heads of the participating organizations may assign members of their staff to the staff of the TAB as necessary;

6. Decides to establish, subject to such decisions as may be taken by the General Assembly on the draft resolution in Annex II and after the conclusion of the Technical Assistance Conference proposed in paragraph 12, a standing Technical Assistance Committee of the Council (TAC), consisting of the members of the Council, which is authorized to sit while the Council is not in session and which shall have the following terms of reference:

(a) To make for the Council critical examinations of activities undertaken and results achieved under the expanded programme of technical assistance;

(b) To examine each year's programme presented to it by the TAB and report to the Council concerning it, making such recommendations as it may deem necessary;

(c) To interpret this resolution in cases of conflicts or questions submitted to it by the TAB, through its Chairman, and decide any such conflicts or questions;

DEVELOPMENT OF TECHNICAL ASSISTANCE PROGRAMS 133

(d) To receive reports from the TAB on progress and implementation of, and disbursements of funds under the expanded programme;

(e) To review the working relationships between the participating organizations and the effectiveness of the methods of co-ordination in connexion with their technical assistance programmes, making recommendations when appropriate;

(f) To perform such other relevant functions as the Council may assign to it from time to time;

7. *Requests* that the TAB and the TAC, in carrying out their terms of reference, be guided by the "Observations on and guiding principles of an expanded programme of technical assistance for economic development" (Annex I) and take into account the records of the debate on the expanded programme which occurred during the ninth session of the Council;

8. *Recommends* to the General Assembly that it authorize the Secretary-General to set up a special account for technical assistance for economic development, to which contributions of countries shall be credited and from which transfers shall be made to the participating organizations exclusively for the expanded technical assistance programme to be carried out in the light of the observations and guiding principles contained in Annex I and for administrative expenses connected therewith. The special account may include an evaluation of services or materials on the basis of credits in domestic currencies which Governments are prepared to make available;

9. *Recommends* to the Governments attending the Technical Assistance Conference, provided for in paragraph 12 below, that they approve the following financial arrangements:

(a) Contribution shall be made by Governments in such forms and subject to such conditions as may be agreed between the Secretary-General, after consultation with the TAB, and the contributing Governments, provided that contributions shall be made without limitation as to use by a specific agency or in a specific country or for a specific project;

(b) The Secretary-General shall allot contributions received during the first fiscal year as follows:

(i) The first \$10,000,000 in contributions shall be automatically available for distribution to the participating organizations for the expanded technical assistance programme;

(ii) Of the second \$10,000,000 of contributions received, 70% shall be automatically available for distribution to the participating organizations and 30% shall be retained for subsequent allocations, bearing in mind the desirability of retaining an appropriate proportion of convertible currencies;

(iii) All contributions above \$20,000,000 shall be similarly retained;

(c) Contributions automatically available for distribution to the participating organizations, in accordance with sub-paragraph (b) (i) and (ii) above, shall be transferred by the Secretary-General to the organizations in accordance with the following percentages:

	<i>Percent</i>
United Nations.....	23
International Labour Organization.....	11
Food and Agriculture Organization.....	29
United Nations Educational, Scientific and Cultural Organization.....	14
International Civil Aviation Organization.....	1
World Health Organization.....	22
Total.....	100

(d) Contributions retained under sub-paragraph (b) (ii) and (iii) above shall be allotted by the TAB in such a manner as it may decide and at such time as it may decide, taking into consideration all relevant factors, in particular the amounts and kinds of resources on hand and receivable, the technical assistance requests received which fall within the field of the several participating organizations, the uncommitted balances held by them, and the need for the retention of any reserves to meet unforeseen requests from Governments;

(e) The TAB shall determine the manner in which different currencies and services or materials can be most effectively utilized;

(f) The amounts received by the participating organizations shall be available to them for the purpose of assuming obligations or commitments during the fiscal year in which these amounts are received, but actual expenditures shall be allowed to extend over a period of not more than the two ensuing fiscal years;

(g) The Secretary-General and the executive heads of the other participating organizations shall, after consultation, make appropriate arrangements for the audit of contributions and expenditures under this programme;

10. *Recommends* that the specialized agencies concerned take such steps as may be necessary to enable them:

(a) To participate fully under this programme, to adhere to the principles set out in Annex I and to receive monies and other resources from the special account established by paragraph 8;

(b) To use these monies and resources for the purposes set out in paragraph 8, to exercise the required controls over the technical assistance activities and the monies and resources received, and to account for their expenditure; and

(c) To report to the TAC through the TAB on their technical assistance activities, including those financed from the special account;

11. *Decides* that the financial and allocation arrangements shall be reviewed by the Council not later than its twelfth session in the light of experience during the first year, taking into account the recommendations of the TAB to the TAC;

12. *Decides*, subject to such decision as may be taken by the General Assembly on the draft resolution in Annex II, to call, in accordance with the supplementary rule of procedure of the General Assembly on the calling of international conferences by the Economic and Social Council, a Technical Assistance Conference for the purpose of:

(a) Ascertaining the total amount of contributions available from participating Governments for the execution of the technical assistance programme of the United Nations and the specialized agencies during the first year of its operation; and

(b) Giving final consent to the proportionate shares of the total amount of contributions to be allotted to the various participating organizations and to the other financial arrangements as set out in paragraph 9;

13. *Requests* the Secretary-General:

(a) To convene the Technical Assistance Conference at the headquarters of the United Nations at such times as the Secretary-General finds appropriate, but, if possible, during or immediately following the fourth session of the General Assembly;

(b) To invite to the said Conference, with the right to vote, all Members of the United Nations and all other Governments members of any specialized agency participating in the programme; and

(c) Likewise to invite, without the right to vote, representatives of the specialized agencies.

ANNEX I

OBSERVATIONS ON AND GUIDING PRINCIPLES OF AN EXPANDED PROGRAMME OF TECHNICAL ASSISTANCE FOR ECONOMIC DEVELOPMENT

The Council recommends the following principles to serve as guides to the United Nations and specialized agencies participating in the expanded programme of technical assistance, hereinafter called the "participating organizations":

GENERAL PRINCIPLES

The participating organizations should, in extending technical assistance to economic development of under-developed countries:

1. Regard it as a primary objective to help those countries to strengthen their national economies through the development of their industries and agriculture, with a view to promoting their economic and political independence in the spirit of the Charter of the United Nations, and to ensure the attainment of higher levels of economic and social welfare for their entire populations;

2. Observe the following general principles laid down in General Assembly resolution 200 (III):

(a) Technical assistance for economic development of under-developed countries shall be rendered by the participating organizations only in agreement with the Governments concerned and on the basis of requests received from them;

(b) The kinds of services to be rendered to each country shall be decided by the Government concerned;

(c) The countries desiring assistance should perform, in advance, as much of the work as possible in order to define the nature and scope of the problem involved;

(d) The technical assistance furnished shall:

(i) Not be a means of foreign economic and political interference in the internal affairs of the country concerned and not be accompanied by any considerations of a political nature;

(ii) Be given only to or through Governments;

(iii) Be designed to meet the needs of the country concerned; and

(iv) Be provided as far as possible in the form which that country desires;

3. Avoid distinctions arising from the political structure of the country requesting assistance, or from the race or religion of its population.

STANDARDS OF WORK AND PERSONNEL

1. The highest professional competence should be maintained in all services undertaken by the participating organizations in rendering technical assistance to requesting countries.

2. Experts should be chosen not only for their technical competence, but also for their sympathetic understanding of the cultural backgrounds and specific needs of the countries to be assisted and for their capacity to adapt methods of work to local conditions, social and material.

3. Adequate preparation of experts should be provided before assignments are undertaken; such preparation should be designed to give understanding of the broad objectives of the common effort and to encourage open-mindedness and adaptability.

4. Experts and groups of experts visiting a country should not engage in political, commercial or any activities other than those for which they are sent. The scope of their duties should be strictly defined in each case by agreement between the country requesting assistance and the organizations providing assistance.

5. Even when allocations are committed projects should not be commenced unless properly qualified experts and assistants have been secured and trained.

6. All Governments should be invited to cooperate in the securing and selecting of qualified staff and to facilitate, when necessary, arrangements for their temporary release and for their continued employment on return.

7. Universities, technical schools, foundations, research institutions and other non-governmental sources from which experts may be drawn should be encouraged to release experts for field assignments under the programme, to arrange for their continued employment on return and to undertake special research projects on problems related to economic development.

PARTICIPATION OF REQUESTING GOVERNMENTS

The requesting Governments should be expected to agree:

1. To facilitate the activities requested from the participating organizations by assisting them to obtain the necessary information about the problems on which they have been asked to help, such information to be limited strictly to questions directly related to the concrete requests for technical assistance; and, whenever appropriate to facilitate their contacts with individuals and groups, in addition to Government agencies, concerned with the same or related problems;

2. To give full and prompt consideration to the technical advice they receive as a result of their co-operation with the participating organizations in response to the requests they have initiated;

3. To undertake to maintain or set up as soon as practicable such governmental co-ordination machinery as may be needed to ensure that their own technical, natural and financial resources are mobilized, canalized and utilized in the interest of economic development designed to improve the standard of living of their peoples and through which the effective use of any major international technical assistance resources could be assured;

4. Normally to assume responsibility for a substantial part of the costs of technical services with which they are provided, at least that part which can be paid in their own currencies;

5. To undertake the sustained efforts required for economic development, including continuing support and progressive assumption of financial responsibility for the administration of projects initiated at their request under international auspices;

6. To publish information or provide for study and analysis material suitable for publication regarding the results of the technical assistance rendered and the experience derived therefrom, so that it may be of value to other countries and to the international organizations rendering technical assistance;

7. To inform the participating organizations, whenever technical assistance is requested, of all assistance which they are already receiving or requesting from other sources in the same field of development;

8. To give publicity to the programme within their countries.

CO-ORDINATION OF EFFORT

1. The projects falling within the competence of participating organizations should be carried out by them, and the co-ordination of their work should be effected, with due regard to their constitutions and the relations established between them.

2. The work undertaken by the participating organizations under the expanded technical assistance programme should be such as to be suitable for integration with their normal work.

3. Arrangements should be made for requests for assistance within the sphere of two or more organizations to be handled jointly by the organizations concerned, and there should be co-ordination among the participating organizations at the planning level before commitments by them are entered into with Governments.

4. Technical assistance activities which are not at the present time the special responsibility of any specialized agency, such as certain aspects of industrial development, manufacturing, mining, power, and land and water transport, should be undertaken by the Secretary-General of the United Nations.

5. All requests for technical assistance which involve comprehensive or regional development projects falling within the purview of more than one organization should first be submitted to joint examination by the organizations concerned; such requests should be directed to the Secretary-General of the United Nations.

6. Programmes of training should be the subject of co-operative action among participating organizations.

CONCENTRATION AND ECONOMY

Within the wide range of activities envisaged, the participating organizations should practise, especially in the initial stages of their programmes, concentration of effort and economy. The participating organizations should also ensure the fullest use of any existing facilities.

SELECTION OF PROJECTS

1. The participating organizations, in deciding on a request for assistance, should be guided solely by the Charter of the United Nations, by the principles of the United Nations programme for technical assistance and by appropriate resolutions of the General Assembly and of the Economic and Social Council. The services envisaged should aim at increased productivity of material and human resources and a wide and equitable distribution of the benefits of such increased productivity, so as to contribute to the realization of higher standards of living for the entire populations. Due attention and respect should be paid to the national sovereignty and national legislation of the underdeveloped countries and to the social conditions which directly affect their economic development. Requests for technical assistance may therefore be approved which will help Governments to take account of the probable consequences of proposed projects for economic development in terms of the welfare of the population as a whole, including the promotion of full employment, and also to take account of those social conditions, customs and values in a given area which would directly influence the kinds of economic development that may be feasible and desirable. Similarly, requests may also be approved for technical assistance to Governments desiring to undertake the specific social improvements that are necessary to permit effective economic development and to mitigate the social problems—particularly problems of dislocation of family and community life—that may arise as a concomitant of economic change. As in any national programme for economic development any increased services undertaken by the Government can be maintained, in the long run, only out of national production, special attention should be given in timing and emphasis to activities tending to bring an early increase in national productivity of material and human resources.

2. The participating organizations, when reviewing and placing in order of priority the requests which they receive, should so far as possible ensure that due regard is paid to the urgency of the needs of the various applicants and to their geographical distribution.

3. In response to requests from Governments, especially in connexion with plants for economic development, special consideration should be given to resources and methods of financing the development. It is recommended therefore that participating organizations, before undertaking work of an extensive character involving substantial cost, should assure themselves that Governments requesting such assistance are giving full consideration to major capital investment or large continued governmental expenditure which may be needed as a result of this technical assistance. Governments may also require advice concerning conditions and methods of financing appropriate to such projects. Close co-operation among the participating organizations in responding to requests for technical assistance can facilitate the attainment of this objective.

4. Requests for the furnishing of equipment and supplies may be considered in so far as they form an integral part of a project of technical assistance.

32. RESOLUTION OF THE GENERAL ASSEMBLY, DECEMBER 1, 1950

[United Nations Document A/1775, pp. 36-37]

The General Assembly,

Recalling its responsibilities under Article 17, paragraph 3, and Article 58 of the Charter,

Recalling its resolution 310 (IV) declaring that the resources devoted to the economic and social work of the United Nations and the specialized agencies should be concentrated on tasks of primary importance,

Taking note of the work of the Economic and Social Council at its eleventh session in determining criteria for establishing priorities within the fields allotted to the various bodies composing and associated with the United Nations,

Recognizing that the successful carrying out of the economic and social work of the United Nations and the specialized agencies may be jeopardized by undertaking so many projects as to exceed the available technical, administrative and financial resources,

Recognizing that the extent of activity is determined by the programme decisions and by the budgetary appropriations of the United Nations and the specialized agencies,

Declaring that the resources placed at the disposal of the United Nations and the specialized agencies should be applied where they are most needed,

1. *Requests* each specialized agency to review its 1952 programme during 1951, using the criteria set forth in the report of the Co-ordination Committee as approved by the Economic and Social Council;

2. *Requests* the Economic and Social Council and the specialized agencies to indicate, when new projects are adopted, which current projects may be deferred, modified or eliminated to ensure that the economic and social work of the United Nations and the specialized agencies will be carried on most effectively;

3. *Requests* the Economic and Social Council:

(a) To review, during 1951, the 1952 programmes of the United Nations and the specialized agencies, using the criteria set forth in the report of the Co-ordination Committee as approved by the Economic and Social Council;

(b) To seek, in reviewing the programmes, the assistance of the Advisory Committee on Administrative and Budgetary Questions on the administrative and financial aspects of this matter;

(c) To report to the sixth session of the General Assembly on the results of these reviews;

4. *Requests* the Secretary-General, in co-operation with the administrative heads of the specialized agencies, to include in annex IV to the Secretary-General's budget estimates a summary schedule of the estimated costs of the projects provided for in the budgets of the United Nations and of the specialized agencies; and, further,

Having noted the steps taken and progress made by the Economic and Social Council, the Secretary General, the Administrative Committee on Co-ordination and the specialized agencies,

5. *Urges* that the efforts which are being made to ensure the fullest co-ordination of the programmes and activities of the United Nations and the specialized agencies be vigorously pursued.

33. RESOLUTIONS OF THE ECONOMIC AND SOCIAL COUNCIL,
JULY 29, 1954

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II

SYSTEM OF ALLOCATION OF FUNDS UNDER THE EXPANDED PROGRAMME

*The Economic and Social Council,**Having considered* the report of the Technical Assistance Committee,

Reaffirming the principle that United Nations technical assistance programmes should be drawn up by governments at the country level in accordance with their needs and in relation to their economic development plans, and that the technical resources of the various participating organizations should be used to the maximum in the preparation of those programmes,

Considering that governments should be more closely associated with the preparation, review and approval of the programmes,

1. *Approves* the following recommendations of the Technical Assistance Committee:

(a) As from 1 January 1955 and in relation to the programme for 1956 and subsequent years, the funds of the Expanded Programme of Technical Assistance shall no longer be allocated to the organizations participating in the Programme on the basis of percentages fixed in advance. The funds shall be distributed on the basis of the requests submitted by governments and the priorities established by them, subject to the provisions of paragraph (b) below;

(b) The planning and approval of the programmes, and the allocation of funds for their implementation, shall be subject to the following procedure and principles:

(i) TAB shall formulate early in the year, as a guide in planning country and regional programmes, target figures showing the amount of expenditure on technical assistance which it may be possible to undertake during the ensuing year on the basis of an assumed financial availability. In order to ensure stable programming, sharp reductions in country target figures in any single year should normally be avoided, subject to the availability of financial resources. Country target figures, including agency sub-totals for each of the participating organizations, derived from their activities during the preceding year, shall be communicated to the respective governments. Governments shall, however, be at liberty to present their requests without being bound by these sub-totals;

(ii) Programmes shall be drawn up at the country level by the requesting governments, in consultation with the resident representatives or such representatives of TAB as may be specially assigned for the purpose, due regard being paid to continuing commitments. Participating organizations shall continue to be responsible for advising and assisting the appropriate government authorities in the technical planning of individual projects. The responsibility for co-ordinating consultations between governments and participating organizations shall rest with the resident representatives or such representatives of TAB as may be specially assigned for the purpose;

(iii) The country programmes shall be forwarded by requesting Governments, with an indication of the priorities established by them, to TAB through the resident representatives. TAB shall consider the programmes, draw up the over-all Programme for the following year, including estimates of administrative and indirect operational costs, and submit it, with its recommendations, to TAC. In drawing up the Programme, TAB shall ensure that the ratio between the programmes to be implemented by the different participating organizations will make possible the authorization of allocations in accordance with sub-paragraph (vi) below;

(iv) TAC shall review the over-all Programme in the light of its importance for economic development; this review should not deal with country allocations or with the technical aspects of the Programme or the national development plans of the respective governments, but should be concerned with over-all priorities, evaluation of the projects and the programme interrelationships. On the basis of this review, TAC shall approve the Programme, and its approval shall be a prerequisite for any commitment in regard to the implementation of the Programme. The preparation and review of the Programme and all other necessary steps shall be carried out in such a way that TAC will be in a position to approve the over-all Programme and authorize allocations to the participating organizations by 30 November, at the latest;

(v) Subject to the confirmation of the General Assembly, TAC shall authorize the allocation of funds to each of the participating organizations in proportion to

their share in the approved over-all Programme, subject to paragraph (vi) below. These funds shall be drawn from the net financial resources, after setting aside the expenses of the TAB secretariat, the Reserve and Working Capital Fund, and a sum amounting to 5 per cent of the estimated resources for the financial year, which shall be allocated by the Executive Chairman of TAB to meet any urgent needs which may arise during the implementation of the annual Programme;

(vi) In order to avoid substantial fluctuations in the total amounts entrusted to each participating organization from year to year, the amount allocated to each of them for the coming year shall not be less than 85 per cent of the amount allocated to them under the current year's Programme, except that, if the estimated net financial resources for the ensuing year fall below the total allocations made during the current year, the amount allocated to each participating organization shall not be less than 85 per cent of its proportion of the allocations for the current year;

(vii) Any extraordinary requests submitted by a government for modification of the programme, received subsequent to TAC approval of the annual Programme, may be approved by TAB and reported to TAC at its next meeting. Should it not be possible to effect necessary increases and decreases within the programme of the country concerned, the funds available for allocation by the Executive Chairman under paragraph (v) may be used for this purpose;

(c) TAC shall continue to be under the authority of the Economic and Social Council, and its decisions subject to general policy review by the Council;

(d) The appropriate organs of the participating organizations are requested to continue to review the technical aspects of the programmes for which they assume responsibility, in the same way, in so far as possible, as they examine their regular programmes;

2. *Decides* that Council resolution 222 (IX), as revised by Council resolution 433 (XIV), is hereby amended to the extent necessary to give effect to the recommendations approved in the present resolution;

3. *Invites* the General Assembly to give its approval at an early date during its ninth session to the financial arrangements adopted by the present resolution.

III

FINANCIAL ARRANGEMENTS FOR 1955

The Economic and Social Council:

Having considered the report of the Technical Assistance Committee on the Expanded Programme of Technical Assistance, together with the sixth report of the Technical Assistance Board and the sixteenth report of the Administrative Committee on Co-ordination,

Considering that the Expanded Programme of Technical Assistance is one of the great constructive endeavours in international economic co-operation,

Reaffirming its faith in the Expanded Programme as a vital force in promoting the economic development of the less-developed countries and strengthening the foundations of a peaceful world,

1. *Urges* States participating in the Expanded Programme to continue to give their support to the Programme, financially and otherwise, on an expanding basis;

2. *Requests* that, in order to facilitate the advance-planning, on an assured basis, of the Programme for 1955, the United Nations Negotiating Committee for Extra-Budgetary Funds, appointed under General Assembly resolution 759 (VIII), undertake negotiations with governments regarding their pledges to the Special Account for 1955 as soon as possible after the close of the eighteenth session of the Council, and that the fifth Technical Assistance Conference be held as early as possible during the ninth session of the General Assembly;

3. *Decides* that funds should be made available for projects in the field of interest of the World Meteorological Organization and the International Telecommunication Union by the United Nations Technical Assistance Administration out of its share of the Special Account, in accordance with arrangements to be made between WMO, ITU and the United Nations Technical Assistance Administration in this respect; should the funds required be in excess of those so assigned in 1954, the necessary additional funds should be provided from the funds available for the Expanded Programme as a whole;

4. *Recommends* to the General Assembly that the financial arrangements for the year 1954, as laid down in Council resolution 492 C II (XVI), be continued for the year 1955, without prejudice to the decision of the Council on the revised financial arrangements to be implemented as from 1 January 1955 in relation to the Programme in 1956 and subsequent years.

IV. Organization of American States Resolution

34. RESOLUTION ON PROGRAM OF TECHNICAL COOPERATION OF THE ORGANIZATION OF AMERICAN STATES (AS AMENDED)

Approved by First Extraordinary Meeting of the Inter-American Economic and Social Council, Washington, D. C., April 10, 1950; Amended by Resolutions 29 and 30 of the Second Extraordinary Meeting of I-A ECOSOC, Panama, August 28, 1951

THE INTER-AMERICAN ECONOMIC AND SOCIAL COUNCIL

Considering:

That cooperation for the application of technical knowledge and skills is being practiced in the community of American States, both through their international system and through direct relations among members of their community;

That the Pan American Union and the inter-American specialized agencies have provided such technical services to Governments for some time;

That the timely suggestion of His Excellency the President of the United States of America, relative to an expanded program of technical assistance, expresses a desire that is shared by all American countries;

That in accordance with the Charter of the Organization of American States, the Council has the responsibility for promoting and carrying on such a program in the American Republics;

That it is desirable that such a program be developed, carried out, and coordinated by the said Council through the Pan American Union and the inter-American specialized agencies;

That a program of this character should be carried out through a cooperative effort to which all Member Countries should contribute with technical and economic resources;

That in order to implement this program, principles must be formulated to serve as a guide for the Member States and the cooperating agencies in its execution:

Resolves:

1. To sponsor a program of technical cooperation for the economic development of Member Countries, through the Pan American Union and those inter-American specialized agencies and American organizations of recognized international standing which may be able to contribute effectively to the execution of a program of this nature;

2. The activities of this program should be conducted in accordance with the following Statement of Principles:

GENERAL PRINCIPLES

Purpose of the Program

I. The purpose of the Program of Technical Cooperation is that through it, Member States may cooperate in the development of their economies, in order to improve the standard of living and to promote the social welfare of their peoples, in the broadest spirit of common benefit.

Nature of the Program

II. The aforementioned purpose should be accomplished by examination and implementation of that Program through the Council, within the principles of the Charter of the Organization of American States and in accordance with the regulations of the cooperating agencies, and by improving and expanding the technical possibilities of those agencies on the basis of the spirit of cooperation and solidarity which characterizes the inter-American system.

III. The activities carried out by cooperating agencies should be in accordance with the nature and purposes of such agencies and should constitute essentially an expansion or development of the cooperating agencies' regular activities. Such activities should be coordinated among themselves and with similar activities carried on by the Governments of Member States on the one hand and by the United Nations and its specialized agencies on the other hand.

IV. The technical assistance rendered by inter-American agencies cooperating in this program should:

- (a) Contribute to the economic development of the interested Member Country or Countries or promote activities that will make this development possible;

(b) Have as its purpose to provide training, instruction, and technical advice in such way as to permit the earliest and broadest application of the acquired knowledge and techniques to the economic development of the Member States;

(c) Contribute, in all cases deemed possible by the interested parties, to the earliest and most extensive preparation, improvement, or increase of technical groups and research institutions in each country.

TECHNICAL COOPERATION PROJECTS

Selection of Projects

V. In developing projects for inclusion in the Program, cooperating agencies should take into consideration the views expressed in this respect by the Governments of Member States; study whether the proposed assistance is authorized under their respective statutes; and determine whether the agency has, or can provide, the technical resources needed, and whether such assistance can be provided in accordance with the principles adopted.

VI. Projects selected for inclusion in the Program should contribute directly or indirectly to the solution of problems of general interest, to increased productivity, and to the conservation of natural and human resources, and their implementation should ensure a broad and equitable distribution of the benefits obtained therefrom. Projects designed to improve the standard of living of the population, especially nutrition, and those tending to assist the Governments of Member States to improve the health, housing, education, and social conditions of their populations, should be considered of fundamental importance. In initiating a project, account should be taken of the social effects of the impact of the anticipated economic or technical development on the peoples concerned, and the most advisable methods of meeting the consequent social problems should be studied.

Priority of Projects

VII. In selecting projects, an order of priority should be established, based upon proposals received and taking into account principally the following factors:

- (a) Whether the project in its general aspects is of common benefit to the American States;
- (b) The number of Governments expressing interest in it;
- (c) Whether it is a necessary factor in other stages of economic development;
- (d) The effect which it will have on the level of productivity;
- (e) Whether the Governments have the means and resources, including financing, that will permit them to undertake or further the anticipated technical or economic development, so as to ensure that the service will be of real benefit;
- (f) The ease with which a project can be integrated with the normal program of the agency providing the technical assistance;
- (g) The experience of the agency providing the technical assistance in the respective field.

VIII. In establishing an order of priority for projects, full account should be taken of the need of certain States for specific services of basic urgency to their economic development.

ECONOMY OF EFFORT

IX. Cooperating agencies should take such steps as are necessary to make the fullest use of existing facilities and resources.

X. Each cooperating agency should so develop its projects as to confine them to those fields in which it has clear competence and satisfactory experience.

COORDINATION FOR PREPARATION AND EXECUTION OF THE PROGRAM

Preparation of the Program

XI. Cooperating agencies should work together for the purpose of preparing and developing the Program, which should so result from the cooperation among them as to make it possible later to entrust execution of the projects, in whole or in part, to the agency or agencies that are best equipped by virtue of their experience and technical resources.

XII. In preparing the Program cooperating agencies should request the cooperation of the Governments of Member States and of the United Nations and its specialized agencies, taking into account the programs of technical assistance which those organizations have planned or are carrying out.

XIII. The Secretary General of the Organization of American States may be authorized to undertake such technical assistance activities as are not the responsibility of any of the cooperating agencies.

XIV. In order to achieve uniformity and to facilitate their coordination, projects should be classified first according to their purposes and second, according to the means that are to be used in achieving those purposes.

Execution of the Program

XV. To facilitate the provision of technical assistance to Member Countries, the agencies cooperating in the Program should assist each other and cooperate with other organizations engaged in similar activities. Among other things, such cooperation might include the following points:

- (a) Supplying technical personnel, materials, services, and funds;
- (b) Participation in joint training programs;
- (c) Extending to Member States the facilities for technical assistance which cooperating agencies already have available;
- (d) Exchanging or supplying data and information to facilitate development of the Program.

XVI. Direction of the execution of each project should devolve upon the agency whose field of activity covers the major part of the work contemplated.

STANDARDS FOR EXECUTION OF THE PROJECTS AND FOR PERSONNEL

XVII. Cooperating agencies should carry out technical assistance activities in a Member Country only after reaching full agreement with the Government concerned with the duties of each of the parties being clearly defined.

XVIII. The technical assistance provided to Member Countries should take into consideration their economic, social, and cultural characteristics.

XIX. No project should be started, even though funds are available for it, until the agency charged with carrying it out has determined the necessary preliminary arrangements, in agreement with the Governments of the Member States concerned, with respect to the training of the necessary technical personnel and the acquisition of the equipment or supplies required for the project.

XX. Technical assistance activities should be conducted at all times on the highest professional level and with complete objectivity.

XXI. Technical experts used by the agencies that cooperate with the Governments of Member States should be the most able that can be obtained in each field and within the resources of the respective agency. In addition to their technical ability, they should have an understanding of the traditions and culture of the countries to which they are assigned and they should be capable of adopting their techniques to situations as they actually exist in such countries.

XXII. The personnel on duty in Member Countries should limit their activities under the Program specifically to the project in question and should not avail themselves of their mission to engage in political or commercial activities or others incompatible with their task.

XXIII. Governments should cooperate in the selection of the qualified technical personnel needed by cooperating agencies and should make available to them the services of national technical experts who can contribute to the success of the Program.

XXIV. Whenever possible, cooperating agencies should provide mixed membership in the technical groups carrying out a project in a given region or country, and should give predominance to the experts of the nation or nations in which the project is being carried out.

XXV. Whenever possible, cooperating agencies should pool their efforts in the selection and orientation of the technical experts needed in the Program. They should likewise request technical schools, foundations, research institutions and other agencies for the temporary services of their technicians.

XXVI. Whenever desirable, arrangements should be made with the United Nations and its specialized agencies to exchange and make technical personnel available and to combine personnel training and recruitment activities.

PARTICIPATION OF THE GOVERNMENTS

XXVII. Governments of Member States should take charge of preliminary work in order to determine and define the nature of the technical assistance needed.

XXVIII. In those cases where cooperating agencies undertake long range technical assistance projects in Member Countries, the agreements between such

agencies and the respective Governments should establish that the latter, without prejudice to their initial participation, will gradually assume complete direction, administration, execution, and financing of such projects. For this purpose, national technicians should participate in the direction and administration of the projects.

XXIX. Governments of Member States should make available to cooperating agencies providing them with technical assistance all information necessary for the success of their activities; they should likewise facilitate the necessary contacts with non-governmental sources of information.

XXX. Governments of Member States in which technical assistance is being carried out should coordinate their own activities related to the technical assistance provided by cooperating agencies, in such manner that the resources of such agencies may be utilized effectively and efficiently in the stimulation of processes that will result in the economic development of the respective countries.

XXXI. To obtain full benefit of the technical assistance received, Governments of Member States should act quickly, using all the resources available for the purpose, to develop national programs deemed necessary to spur their economic development. It is understood that where substantial, sustained effort is required for carrying out certain phases of economic development, Governments will give due attention to the necessary legislation, administrative arrangements, and financial requirements of such developments.

Contributions

XXXII. The Governments of all Member States should contribute to the special account required to finance the Program of Technical Cooperation, their contributions to be used for the common benefit of Member States without regard to the direct benefit that any one State might receive. Contributions to the special account should be made in harmony with the international nature of the Program and with its underlying concept that States, using their available economic and technical resources, should extend technical assistance to less developed nations.

XXXIII. In addition to their contributions to the special account, Governments of Member States receiving direct technical assistance should normally assume responsibility for as large a part of the cost as possible and should at least meet those expenditures that can be paid in their respective currencies.

Publicity and Reports

XXXIV. Governments of Member States should freely make available information on the results achieved by the technical assistance carried out in their respective countries by cooperating agencies.

XXXV. The Government of a Member State which requests or receives technical assistance from any source should report thereon to the Council in order that cooperating agencies may take this into account on studying proposals and preparing projects.

3. To constitute, subordinate to the Council itself, a Coordinating Committee on Technical Assistance, under the chairmanship of the Secretary General of the Organization of American States and composed of a representative of the Pan American Union and of the highest ranking official, or his representative, of each of the cooperating agencies.

4. The duties of the Coordinating Committee on Technical Assistance shall be as follows:

(a) To examine proposals for technical assistance and to prepare an annual program in accordance with the foregoing Statement of Principles. That program should consist of detailed projects, including itemized estimated costs. The Council will decide upon the date for submitting the program and upon the manner of processing of the proposals;

(b) To adopt the measures necessary to carry out the Program of Technical Cooperation approved by the Council, determining which of the projects of the said Program shall have preference within the general order of priorities established by the Council for execution of the Program;

(c) To allocate funds to cooperating agencies from the special account that may be established for that purpose in order that these agencies may carry out the projects included in the Program;

(d) To report to the Council at appropriate intervals on the technical assistance activities developed under the Program, in order that the Council may be currently informed;

(e) To submit to the decision of the Council any question which it (the Committee) is unable to resolve;

(f) To establish close liaison with the Governments of Member States and with the United Nations and its agencies providing technical assistance services, so that proposed projects may be considered and examined in the light of information received and so that the aforesaid Governments and organizations may be kept informed of the activities of cooperating agencies. In establishing liaison with the United Nations, the possibility should be considered of inviting the Technical Assistance Board of the United Nations to be represented at its meeting by an observer and of seeking reciprocal representation at the meetings of that Board;

(g) To act as a clearing house of information on all technical assistance services provided by the Governments of Member States, so that this information may be made available to cooperating agencies, to Governments, and to other authorized sources. For this purpose, cooperating agencies should regularly report to the Committee on their activities, including proposals for technical assistance received and action taken thereon;

(h) To facilitate the preparation and execution of technical assistance projects carried out jointly or cooperatively between cooperating agencies and between such agencies, the Governments of Member States, and agencies of the United Nations. For this purpose the Committee should facilitate the exchange of information required and assist in administrative, financial, and personnel arrangements.

(i) In those cases in which the proposal for technical assistance does not fall within the Statement of Principles or within the technical assistance activities of any of the cooperating agencies, the Committee, if possible, should recommend to the interested Governments the appropriate agency for providing the assistance;

(j) To take into account the suggestions of labor and management associations, as well as those of other unofficial agencies with which agreements may have been made under Article 14 of the Statutes of the Council.

5. To request the Secretary General to appoint, as a part of the staff of the Pan American Union, an Executive Secretary and the necessary technical personnel to serve as Secretariat of the Coordinating Committee on Technical Assistance.

6. The Council reserves to itself full authority over the Program of Technical Cooperation and will normally exercise the following functions:

(a) To consider and decide upon the program proposed by the Committee, taking into consideration the contributions which may be made by the Governments to the special account in accordance with the Statement of Principles;

(b) To decide upon the interpretation of this Resolution when requested to do so by Governments of Member States or by the Committee;

(c) To receive, study, and act on reports of technical assistance submitted by the Committee and to transmit them to the Governments;

(d) To consider and make recommendations concerning the methods of cooperation and collaboration between Governments of Member States and cooperating agencies, and between the latter and the agencies of the United Nations;

(e) To set annually a date on which the Council will meet at its permanent headquarters to receive the offers of contribution of the Member Governments to the Special Account for Technical Assistance.¹

7. To request the Secretary General of the Organization of American States to set up a special account for the purpose of financing the Program of Technical Cooperation. Contributions of the Governments of Member States will be credited to that account, and allocations will be made from it to cooperating agencies for carrying out the Program and for meeting the administrative expenses connected therewith.

The following financial arrangements should obtain with respect to the administration of this special account:

(a) Contributions to the Program of Technical Cooperation will be made on the basis of monetary credits, of which as large a part as possible should be in convertible currency and the rest in national currency of the participating country. Governments will make their contributions subject to the provisions in which the Chairman of the Committee, after consultation with the Committee, may agree with the participating Governments. It is understood that contributions shall not be subject to restrictions as to their

¹ Sub-paragraph (e) inserted by Amendment contained in Resolution of Second Extraordinary Meeting of I-A ECOSOC, Panama, August 28, 1951 (ES-RES 29/51).

use by any cooperating agency, or in any specific country, or for any specific project. On drawing against the credits in local currency which a Government may have in the special account, the Committee and the cooperating agencies will consult with the interested Government and take into account, in the country in question, the services and supplies which could be obtained in that country and which in the opinion of the Committee could be used under the Program. With respect to any local currency balances that cannot be usefully employed in the Program, the Committee will consult with the respective Governments regarding their conversion to other currencies that can be utilized. If, on the basis of an agreement between the Committee and the Government of a Member State, the Government pledges itself to supply, as part of its contribution, materials and services for the common benefit under the Program, such contribution will be evaluated in monetary terms by the Committee, in consultation with the Government concerned, and the Committee will credit the Government with such contribution in the special account;

(b) Subject to the approval of the Council of the Organization of American States, the Council, if asked to do so by the Committee, may request the Pan American Union to advance funds, from unobligated funds in its possession, to the special account for technical assistance, on account of the contributions offered to the special account by the Governments of Member States, such funds to be reimbursed to the Pan American Union by the Committee upon receipt of the said contributions;²

(c) The special account for technical assistance shall be subject to the fiscal regulations of the Pan American Union, in so far as possible, and under the control and jurisdiction of the Treasurer of the Pan American Union;

(d) The Committee will make allocations from the special account to cooperating agencies, on the basis of specific projects contained in the Program approved by the Council;

(e) Each cooperating agency shall use the allocations which it receives only for contracting obligations and meeting the expenses resulting from the respective project which is part of the program approved by the Council and authorized by the Committee;

(f) After consultation with any cooperating agency, the Committee may accept and credit to the special account unobligated allocations not utilized in the execution of a specific project;

(g) Only on direct authorization of the Committee may the Treasurer of the Pan American Union withdraw funds for use in carrying out projects approved by the Council;

(h) The Secretary General of the Organization of American States should make the necessary arrangements for an annual audit of the accounts of this Program.

8. To recommend that cooperating agencies take appropriate steps:

(a) To adhere to the Statement of Principles as contained in Point 2 of this Resolution;

(b) To cooperate fully in the Program of Technical Cooperation;

(c) To receive the sums allocated to them or other contributions from the special account mentioned in Point 7 of this Resolution, and to submit to the audit of accounts provided for in paragraph (h) of Point 7;

(d) To use such sums and contributions in conformity with the specifications of approved projects and the provisions of this Resolution, to exercise the necessary control, and to account for the use of the aforementioned funds;

(e) To cooperate with the Committee for the benefit of the Program and to keep the Committee informed on their technical assistance activities, including those financed from the special account.

² Amended by Resolution of Second Extraordinary Meeting of I-A ECOSOC, Panama, August 28, 1951 (ES-RES. 30/51, par. 2). Amendment deleted from beginning of par. 7 (b) the words "During the first year and", and capitalized word "Subject".

APPENDIX B

TABLES

I. UNITED STATES TECHNICAL EXCHANGE AND TECHNICAL COOPERATION PROGRAMS ¹

TABLE 1.—*Europe: Obligations by cost component, cumulative, Apr. 3, 1948–June 30, 1953*

[Thousands of dollars]

Recipient country	Type of exchange						
	Grand total	Foreign technicians	United States technicians	United States technical materials	United States Government technical services	Services of international organizations	Miscellaneous types of exchange and operating costs
Total.....	\$46,715.7	\$21,520.6	\$5,229.2	\$6,855.3	\$1,724.4	\$1,000.0	\$10,386.2
Austria.....	1,386.5	853.7	121.4	307.4	3.0	-----	100.9
Belgium-Luxembourg.....	972.8	402.1	279.3	156.5	12.0	-----	122.9
Denmark.....	1,356.4	646.3	40.4	595.4	-----	-----	74.3
France.....	4,687.8	3,577.9	376.3	210.6	145.1	-----	377.9
Germany (Federal Republic).....	1,563.7	882.6	492.0	95.7	-----	-----	93.4
Iceland.....	205.8	44.5	35.0	101.0	-----	-----	25.2
Ireland.....	346.5	168.9	135.7	.9	6	-----	40.4
Italy.....	2,736.2	767.3	1,374.7	398.2	20.0	-----	176.1
Netherlands.....	1,419.1	1,032.1	36.7	266.6	-----	-----	83.8
Norway.....	1,768.8	893.6	127.4	673.7	-----	-----	74.1
Portugal.....	1,102.5	134.6	938.0	-----	-----	-----	29.9
Sweden.....	106.4	101.1	5.3	-----	-----	-----	-----
Trieste.....	150.0	-----	150.0	-----	-----	-----	-----
United Kingdom.....	6,283.3	2,930.3	541.8	2,660.1	-----	-----	151.1
Yugoslavia.....	747.8	610.7	118.0	5.0	5.0	-----	9.0
OEEC.....	9,330.6	2,593.7	447.0	1,242.9	1,470.0	1,000.0	2,577.0
Operating costs.....	6,048.5	-----	-----	-----	-----	-----	6,048.5
Multicountry.....	2,964.0	2,864.0	-----	100.0	-----	-----	-----
U. S. Government agencies.....	2,491.6	2,377.4	10.3	35.2	68.7	-----	-----
Private contractors.....	1,034.1	626.5	-----	6.0	-----	-----	401.6
NATO.....	13.5	13.5	-----	-----	-----	-----	-----

¹ Tables furnished by the Foreign Operations Administration, October 1954.

TABLE 2.—*Europe: Obligations, by field of activity, for fiscal year 1953*

[Thousands of dollars]

Recipient country	Field of activity							
	Grand total	Industry and labor	Agriculture	Development of overseas territories	Public service	Transportation and communication	Distribution	Miscellaneous fields of activities and operating costs
Total.....	\$14,660.5	\$4,991.3	\$1,642.7	\$596.3	\$157.0	\$128.3	\$22.1	\$7,143.4
Austria.....	446.6	215.4	63.3	-----	39.5	11.6	19.6	97.2
Belgium-Luxembourg.....	357.5	54.5	42.9	145.2	- 6	-----	6.6	108.9
Denmark.....	213.9	32.2	107.5	.4	-1.2	1.6	25.5	47.9
France.....	1,290.5	809.0	79.2	40.4	65.3	5.6	66.5	224.6
Germany (Federal Republic).....	193.5	38.2	73.5	-----	-1.9	-7.7	12.8	78.6
Iceland.....	65.8	14.2	19.8	-----	- 1	9.8	-----	22.1
Ireland.....	-967.9	-552.7	-136.7	-----	- 8	-68.7	-224.4	19.9
Italy.....	715.3	455.2	114.1	66.0	-31.9	56.8	-2.1	56.5
Netherlands.....	282.3	140.4	86.5	- 4	-2.2	-----	24.3	33.6
Norway.....	402.2	259.5	23.3	-----	4.3	6.5	39.1	69.5
Portugal.....	295.4	65.5	12.8	199.1	-1.3	-3.1	- 2	22.5
Sweden.....	-27.9	-10.3	-2.4	-----	-----	- 1	-----	-15.1
Trieste.....	-----	-----	-----	-----	-----	-----	-----	-----
United Kingdom.....	968.8	711.6	14.6	147.6	- 5	5.3	-4.4	95.3
Yugoslavia.....	615.8	221.3	208.2	-----	80.0	97.4	-----	9.0
Operating and miscellaneous costs (FOA-W).....	3,460.0	-----	-----	-----	-----	-----	-----	3,460.0
OEEC.....	2,770.9	337.7	-69.5	-1.9	-23.8	-17.9	58.8	2,603.7
Multicountry.....	1,776.6	1,776.6	-----	-----	-----	-----	-----	-----
U. S. Government agencies.....	1,024.7	182.5	774.6	-----	32.4	31.2	-----	4.0
Private contractors.....	763.1	227.0	231.0	-----	-----	-----	-----	305.1
NATO.....	13.5	13.5	-----	-----	-----	-----	-----	-----

¹ Includes -\$20,500 for the tourism program transferred to Department of Commerce July 1952; excludes \$7.6 million equivalent of local currency counterpart funds not charged to appropriations.

NOTE.—The above data are based on net activity beginning with July 1, 1952, computed by subtraction of cumulative data as of June 30, 1952, from cumulative data as of June 30, 1953. The country totals include deobligations, mission operating expenses, and MDAP funds obligated for technical assistance. Local currency counterpart funds are not included.

TABLE 3.—*Europe: Obligations by cost component, fiscal year 1954*

[Thousands of dollars]

Recipient country	Type of exchange						
	Total	Foreign technicians	United States technicians	United States technical materials	United States Government technical services	Services of international organizations	Miscellaneous types of exchange and operating costs
Total.....	\$13,382.8	\$4,255.7	\$3,306.7	\$863.6	-\$1,595.5	-\$351.0	\$6,903.3
Austria.....	218.8	-42.6	26.8	-194.5			429.2
Belgium-Luxembourg.....	345.3	247.7	28.5	9.0	-12.0		72.1
Denmark.....	336.9	246.4	26.0	-8.8			73.3
France.....	935.0	433.2	154.2	33.2	-95.6		410.0
Germany (Federal Republic).....	833.8	428.1	90.1	-55.2			370.7
Iceland.....	108.9	55.4	2.8	-13.0			63.7
Ireland.....	-4.8	-4.7			-1		
Italy.....	1,303.4	554.8	427.9	-311.1	-10.0		641.7
Netherlands.....	258.8	169.9	15.4	-4.1			77.6
Norway.....	286.8	-47.0	306.1	-69.7			97.4
Portugal.....	220.6	7.5	-4.7				217.8
Spain.....	616.0	402.7	213.3				
Trieste.....							
United Kingdom.....	66.2	-128.1	-16.5	55.0			155.8
Yugoslavia.....	1,719.3	498.2	1,095.7	30.5	-5.0		99.9
United States regional organizations.....							
Operating costs (FOA=W).....	2,578.3						2,578.3
Multicountry.....	1,479.4						1,479.4
Private contractors.....	878.6	733.6	141.0	4.0			
U. S. Government agencies.....	687.5	590.5		.5			136.5
O.E.C.C.....	324.5	251.8		85.5	-12.9		
Coal-Steel Community.....	130.9	-160.5	799.9	1,302.4	-1,459.9	-351.0	
NATO.....	41.6	41.6					
	17.0	17.0					

NOTE.—The above data are based on net activity, beginning with July 1, 1953, computed by subtraction of cumulative data as of June 30, 1953, from cumulative data as of June 30, 1954. The figures include deobligations, mission operating expenses, and MDAP funds obligated for technical assistance. Excludes local currency counterpart funds. Negative figures occur when the value of all deobligations is greater than the value of all obligations.

TABLE 4.—Europe: Obligations by field of activity for fiscal year 1954

(Thousands of dollars)

Recipient country	Field of activity							Miscellaneous fields of activities and operating costs
	Grand total	Industry and labor	Public service	Agriculture	Distribution	Transportation and communication	Development of overseas territories	
Total.....	\$13,382.8	\$3,500.4	\$1,056.1	\$745.6	\$552.7	\$158.0	-\$46.1	\$7,414.4
Austria.....	218.8	-216.5	-19.3	3.0	22.7	-0.2	-----	429.2
Belgium-Luxembourg.....	345.3	243.1	-----	1.6	35.0	-----	-8.5	74.2
Denmark.....	336.9	172.7	10.0	-10.7	69.9	22.0	-0.3	73.3
France.....	935.0	355.9	73.9	22.5	60.8	28.0	-16.0	410.0
Germany (Federal Republic).....	833.8	389.7	12.4	-1.7	54.1	8.5	-----	370.7
Iceland.....	108.9	-1.5	4.5	-10.5	-----	52.8	-----	63.7
Ireland.....	-4.8	-4.3	-----	-0.5	-1.5	-----	-----	-----
Italy.....	1,303.4	432.1	82.8	34.9	26.3	85.5	-----	641.7
Netherlands.....	258.8	145.6	-1.7	26.4	12.6	-----	-1.6	77.6
Norway.....	286.8	93.7	23.9	-0.6	13.3	-1.0	-----	157.4
Portugal.....	220.6	-1.7	-----	6.2	-----	-----	-1.6	217.8
Spain.....	616.0	466.7	-----	149.3	-----	-----	-----	-----
Trieste.....	-----	-----	-----	-----	-----	-----	-----	-----
United Kingdom.....	66.2	-74.7	3.0	7.0	-0.5	-6.4	-18.0	155.8
Yugoslavia.....	1,719.3	507.3	810.9	361.3	-----	-60.1	-----	99.9
United States regional organizations.....	2,578.3	-----	-----	-----	-----	-----	-----	2,578.3
Operating and miscellaneous costs (FOA-W).....	1,479.4	-----	-----	-----	-----	-----	-----	1,479.4
Multicountry.....	878.6	842.6	-----	32.0	-----	-----	-----	4.0
Private contractors.....	687.5	97.0	-----	15.0	-----	-----	-----	575.5
U. S. Government agencies.....	324.5	160.8	34.2	38.5	85.0	6.0	-----	-----
OEEC.....	130.9	-166.6	21.5	72.1	175.0	22.8	-----	6.0
Coal-Steel Community.....	41.6	41.6	-----	-----	-----	-----	-----	-----
NATO.....	17.0	17.0	-----	-----	-----	-----	-----	-----

¹ Includes \$1,500 adjustments to the tourism program transferred to Department of Commerce July 1952; excludes \$2.6 million for purchase of local currency for demonstration projects.

NOTE.—The above data are based on net activity beginning with July 1, 1953, computed by subtraction of cumulative data as of June 30, 1953, from cumulative data as of June 30, 1954. The country totals include deobligations, mission-operating expenses, and MDAP funds obligated for technical assistance. Local currency counterpart funds are not included.

TABLE 5.—Far East: Obligations by cost component, fiscal year 1953 ¹

(Thousands of dollars)

Country	Total United States	Foreign technicians	Technicians ²	Supplies and equipment	Other costs ³	Host country contributions (estimated) ⁴
China (Formosa).....	\$2,247.5	\$589.0	\$1,658.5	(⁵)	-----	-----
Indochina (Associated States).....	502.6	53.4	449.2	(⁵)	-----	-----
Philippines.....	9,263.7	562.0	2,298.5	⁶ \$6,403.2	-----	-----
Thailand.....	6,463.5	747.0	858.2	⁶ 4,858.3	-----	-----
Indonesia.....	⁶ 3,556.0	1,057.0	1,407.0	⁶ 1,092.0	-----	-----
Total.....	22,033.3	3,008.4	6,671.4	⁶ 12,353.5	-----	-----

¹ All obligation figures represent net activity during fiscal year.

² "Other" or program operating costs in fiscal year 1953 were absorbed in technician obligation figure.

³ Host country contributions were not estimated for fiscal year 1953.

⁴ Amounts not available separately for China and Indochina. They are included in "Participant" and "Technician" columns.

⁵ Supplies used in relation to the technical cooperation program.

⁶ As programmed in accordance with Congressional Presentation of June 1954.

NOTE.—Technicians column includes all contract costs.

150 DEVELOPMENT OF TECHNICAL ASSISTANCE PROGRAMS

TABLE 6.—*Far East: Obligations by field of activity, fiscal year 1953*¹

[Thousands of dollars]

Country	Total United States	Agri-culture	Indus-try, mining, and labor	Health and sanitation	Educa-tion	Trans-portion and com-muni-cation	Public admin-istration	General and com-munity develop-ment	Other costs
China (Formosa).....	\$2,247.5	\$306.3	\$112.7	\$256.1	\$146.8	\$954.9	\$359.8	\$300.0	² \$189.1
Indochina (Associated States).....	502.6	46.8	³ 10.0	295.8	⁴ 19.4	40.5	107.2	41.7	-----
Philippines.....	9,263.7	4,899.1	503.3	2,457.5	3,331.1	¹ 1,923.9	774.7	² 402.2	³ 375.9
Thailand.....	6,463.5	1,810.5	816.7	1,721.1	850.8	1,375.6	116.9	-----	² 228.1
Indonesia.....	⁴ 3,556.0	1,039.0	327.0	483.0	486.0	90.0	281.0	850.0	-----
Total.....	22,033.3	8,101.7	1,749.7	5,213.5	4,795.3	537.1	1,639.6	789.5	² 793.1

¹ All obligations figures represent net activity during fiscal year.

² Represents credits applicable to prior years operations and unassigned portions of blanket TAA's.

³ Net deobligation during fiscal year 1953 applicable to prior years operations.

⁴ As programmed in accordance with congressional presentation of June 1954.

TABLE 7.—*Far East: Obligations of cost component, fiscal year 1954*¹

[Thousands of dollars]

Country	Total United States	Foreign technicians	Techni-cians	Supplies and equip-ment	Other costs ²	Host country contributions (estimated) ³
China (Formosa).....	\$4,263.8	\$753.7	\$2,901.8	⁴ \$32.0	\$576.3	-----
Indochina (Associated States).....	1,367.3	186.3	407.7	⁴ 13.0	760.3	-----
Philippines.....	9,449.9	1,333.3	2,808.6	⁴ 4,140.8	1,167.2	-----
Thailand.....	5,516.8	1,277.2	534.0	⁴ 2,884.5	821.1	-----
Indonesia.....	4,935.0	1,008.0	1,806.0	⁴ 1,541.0	580.0	-----
Total.....	25,532.8	4,558.5	8,458.1	8,611.3	3,904.9	-----

¹ All obligation figures represent net activity during fiscal year.

² Represents program supporting costs (including domestic).

³ Host country contributions were not estimated for fiscal year 1954.

⁴ For books, periodicals, publications, audiovisual aids, etc., in relation to the technical cooperation program.

⁵ Same as ⁴ including supplies and equipment for demonstration in relation to the technical cooperation program.

NOTE.—Technician column includes all contract costs.

TABLE 8.—*Far East: Obligations by field of activity, fiscal year 1954*¹

[Thousands of dollars]

Country	Total United States	Agri-culture	Indus-try, mining, and labor	Health and sanitation	Educa-tion	Trans-portion and com-munication	Public admin-istration	General and com-munity devel-opment	Other costs
China (Formosa).....	\$4,263.8	\$717.3	\$1,201.5	\$263.0	\$457.1	\$152.7	\$619.9	\$780.0	² \$72.3
Indochina (Associated States).....	1,367.3	8.2	.3	453.9	92.0	13.0	146.3	0	² 653.6
Philippines.....	9,449.9	3,657.9	196.8	1,473.1	2,491.3	2.0	1,702.2	39.3	³ 64.1
Thailand.....	5,516.8	1,491.4	³ 265.0	2,257.3	876.5	794.8	224.2	0	⁴ 137.6
Indonesia.....	4,935.0	505.0	643.0	966.0	739.0	89.0	273.0	1,140.0	⁴ 580.0
Total.....	25,532.8	6,379.8	1,776.6	5,413.3	4,665.9	1,051.5	2,965.6	1,910.7	1,379.4

¹ All obligation figures represent net activity during fiscal year.

² Represents undistributed program supporting costs.

³ Net deobligation during fiscal year 1954 applicable to prior years obligations.

⁴ Represents credits applicable to prior years operations and undistributed program supporting costs.

 TABLE 9.—*Far East: Obligations by cost component, fiscal year 1955*¹

[Thousands of dollars]

Country	Total United States	Foreign technicians	Techni-cians ²	Supplies and equip-ment	Other costs	Host country contributions (estimated)
China (Formosa).....	\$3,425	\$690	\$2,020	\$715	-----	\$2,501
Indochina (Associated States).....	3,515	170	1,485	1,860	-----	2,000
Philippines.....	7,630	1,079	2,668	3,883	-----	26,749
Thailand.....	5,000	1,015	1,580	2,405	-----	13,100
Indonesia.....	4,000	1,045	2,020	935	-----	5,185
Total.....	23,570	3,999	9,773	9,798	-----	49,535

¹ This table is based on program values in accordance with congressional presentation of June 1954.

² Technician column includes all contract costs. It also contains program support costs (including domestic), which were not available separately.

 TABLE 10.—*Far East: Obligation by field of activity, fiscal year 1955*¹

[Thousands of dollars]

Country	Total United States	Agri-culture	Indus-try, mining, and labor	Health and sanitation	Educa-tion	Trans-portion and com-munication	Public admin-istration	General and com-munity devel-opment	Other costs
China (Formosa).....	\$3,425.0	\$545.0	\$125.0	\$250.0	\$870.0	\$75.0	\$560.0	\$1,000.0	-----
Indochina (Associated States).....	3,515.0	720.0	105.0	1,560.0	330.0	-----	800.0	-----	-----
Philippines.....	7,630.0	1,780.0	1,060.0	2,115.0	980.0	610.0	1,085.0	-----	-----
Thailand.....	5,000.0	930.0	335.0	1,325.0	905.0	840.0	415.0	250.0	-----
Indonesia.....	4,000.0	985.0	590.0	410.0	285.0	100.0	360.0	1,270.0	-----
Total.....	23,570.0	4,960.0	2,215.0	5,660.0	3,370.0	1,625.0	3,220.0	2,520.0	-----

¹ This table is based on program values in accordance with congressional presentation of June 1954.

152 DEVELOPMENT OF TECHNICAL ASSISTANCE PROGRAMS

TABLE 11.—Latin America: Obligations by cost components, fiscal year 1953¹

[Thousands of dollars]

Country	United States contributions						Cash and kind host country contributions (estimated United States dollar equivalent)
	Total	Foreign technicians	United States employed technicians	United States contracts	Contributions to co-op services ²	Other costs	
Bolivia.....	\$1,287.3	\$144.8	\$462.4	-----	\$557.5	\$122.6	\$1,838.0
Brazil.....	2,967.1	428.3	1,207.3	\$203.4	770.0	358.1	13,620.0
Chile.....	1,180.2	164.7	338.5	-----	620.0	57.0	2,815.3
Colombia.....	869.5	68.8	337.6	12.9	220.2	230.0	3,115.8
Costa Rica.....	734.2	42.2	373.3	-----	225.0	93.7	1,062.0
Cuba.....	202.3	41.6	139.2	-----	-----	21.5	100.0
Dominican Republic.....	268.0	32.5	113.9	-----	100.0	21.6	148.6
Ecuador.....	1,045.8	65.2	570.4	-----	333.0	77.2	2,690.4
El Salvador.....	628.1	69.1	310.9	-----	158.4	89.7	1,134.2
Guatemala.....	205.9	-----	139.3	-----	-----	66.6	612.0
Haiti.....	545.2	71.7	212.2	-----	190.7	70.6	895.4
Honduras.....	620.2	54.9	199.5	-----	310.0	64.8	1,985.8
Mexico.....	625.4	139.2	298.4	-----	125.0	62.8	702.0
Nicaragua.....	572.1	61.6	289.4	-----	160.0	61.1	976.0
Panama.....	657.1	82.6	307.0	8.5	135.0	124.0	1,552.8
Paraguay.....	1,031.2	94.0	485.6	-----	342.0	109.6	1,008.0
Peru.....	1,624.0	126.2	564.8	7.0	775.0	151.0	2,347.2
Uruguay.....	132.2	95.9	80.2	-----	50.0	61.0	518.0
Venezuela.....	99.9	8	59.9	-----	25.0	14.2	1,270.8
Dependent territories.....	36.3	1.8	32.0	-----	-----	2.5	6.3
Regional.....	1,002.7	-----	625.0	65.0	5.0	307.7	-----
Subtotal.....	16,343.7	1,785.9	7,146.8	296.8	5,001.8	2,112.4	38,398.6
Domestic program costs (undistributed).....	610.1	-----	-----	-----	-----	-----	-----
Total.....	16,953.8	-----	-----	-----	-----	-----	-----

¹ For fiscal year ending June 30, 1953, as reported on Mar. 9, 1954; M/CONT/BUD/. This tabulation does not include field administrative costs paid through the corporation; the IIAA; but includes for comparative purposes transfer charges to cover domestic program costs and programs in the dependent overseas territories.

² Includes only grants made to "Servicios" and matched by host country cash contributions and used to finance jointly operated demonstration projects.

DEVELOPMENT OF TECHNICAL ASSISTANCE PROGRAMS 153

TABLE 12.—Latin America: Obligations by activity, fiscal year 1953¹

[Shows United States contributions only]

[Thousands of dollars]

Country	Total	Agriculture and natural resources	Health and sanitation	Education	Transportation power	Industry, mining, and labor	Public administration	Community development
Bolivia.....	\$1,287.3	\$495.6	\$353.5	\$289.2	\$43.1	\$82.9	\$23.0	-----
Brazil.....	2,967.1	672.3	652.8	182.7	112.4	635.9	694.7	\$16.3
Chile.....	1,180.2	455.8	399.1	19.0	2.5	249.6	54.2	-----
Colombia.....	869.5	454.5	316.0	-----	24.4	39.0	27.2	8.4
Costa Rica.....	734.2	469.9	201.0	-----	27.3	5.5	30.5	-----
Cuba.....	202.3	173.1	-----	-----	7.3	10.7	11.2	-----
Dominican Republic.....	268.0	54.7	18.2	159.2	-----	17.5	18.4	-----
Ecuador.....	1,045.8	389.7	357.6	134.8	45.4	61.6	25.4	31.3
El Salvador.....	628.1	185.6	246.1	32.5	-----	129.8	34.1	-----
Guatemala.....	205.9	144.1	61.8	-----	-----	-----	-----	-----
Haiti.....	545.2	331.6	178.8	-----	-----	15.0	19.8	-----
Honduras.....	629.2	282.6	136.9	149.5	32.1	3.0	25.1	-----
Mexico.....	625.4	64.8	278.7	-----	5.1	255.7	21.1	-----
Nicaragua.....	572.1	290.1	105.0	137.1	-----	17.9	13.9	8.1
Panama.....	657.1	203.4	186.8	191.4	37.8	8.5	29.2	-----
Paraguay.....	1,031.2	474.0	212.8	211.0	13.8	18.0	101.6	-----
Peru.....	1,624.0	784.4	346.9	334.2	5.0	133.9	19.6	-----
Uruguay.....	132.2	-79.1	141.6	-----	-----	37.2	32.5	-----
Venezuela.....	99.0	-----	89.7	-----	7.8	-----	2.4	-----
Dependent territories.....	36.3	15.8	-----	3.5	-----	-----	17.0	-----
Regional.....	1,002.7	367.9	183.7	17.6	153.5	134.9	145.1	-----
Subtotal.....	16,343.7	6,230.8	4,467.0	1,861.7	517.5	1,856.6	1,346.0	64.1
Domestic program costs.....	610.1	-----	-----	-----	-----	-----	-----	-----
Total.....	16,953.8	-----	-----	-----	-----	-----	-----	-----

¹ For fiscal year ending June 30, 1953, as reported on Mar. 9, 1954; M/CONT/BUD. This tabulation does not include field administrative costs paid through the corporation, IIAA, but includes for comparative purposes transfer charges to cover domestic program costs and programs in the dependent overseas territories.

154 DEVELOPMENT OF TECHNICAL ASSISTANCE PROGRAMS

TABLE 13.—Latin America: Estimated obligations, based on allotments as of June 30, 1954, by cost components, fiscal year 1954

[Thousands of dollars]

Country	United States contributions					Host country contributions cash and kind (estimated United States equivalent)	
	Total	Foreign technicians	United States technicians	United States contracts	Contributions to cooperative services and supplies and equipment ¹		Other costs
Bolivia.....	\$3,192.6	\$171.9	\$531.5	-----	\$2,246.0	\$243.2	\$3,651.6
Brazil.....	2,719.5	521.6	694.9	\$17.0	1,035.0	451.0	27,906.4
Chile.....	1,432.4	335.0	288.6	-----	590.0	218.8	2,230.0
Colombia.....	1,421.5	152.8	327.8	77.5	250.0	613.4	2,320.0
Costa Rica.....	857.2	85.1	254.0	-----	250.0	268.1	967.1
Cuba.....	185.0	56.7	125.3	-----	-----	3.0	360.0
Dominican Republic.....	237.0	39.1	163.9	-----	25.0	9.0	104.5
Ecuador.....	1,508.1	143.4	481.1	-----	404.5	479.1	775.2
El Salvador.....	612.3	127.1	357.2	-----	40.0	88.0	313.0
Guatemala.....	188.1	-----	109.8	-----	-----	78.3	673.0
Haiti.....	1,035.0	74.2	339.7	-----	605.0	16.1	919.2
Honduras.....	1,087.4	83.2	228.4	-----	653.1	122.7	2,030.5
Mexico.....	1,375.4	353.4	378.6	-----	175.0	468.4	1,618.9
Nicaragua.....	543.2	79.3	255.2	-----	165.0	43.7	1,379.1
Panama.....	1,141.1	101.1	345.6	124.0	268.0	302.4	1,131.9
Paraguay.....	1,249.9	132.3	430.3	-----	593.2	94.1	2,314.0
Peru.....	2,423.8	167.6	582.7	19.0	605.0	1,049.5	2,746.9
Uruguay.....	220.1	81.9	71.2	-----	50.0	17.0	509.5
Venezuela.....	130.0	10.0	91.0	-----	25.0	4.0	1,030.6
Dependent territories.....	1,054.0	58.0	96.0	-----	150.0	750.0	212.0
Regional.....	1,351.4	2.0	841.8	54.7	-----	452.9	-----
Subtotal.....	23,965.0	2,775.7	6,994.6	292.2	8,129.8	5,772.7	53,193.4
Domestic program costs (undistributed).....	960.0	-----	-----	-----	-----	-----	-----
Subtotal.....	24,925.0	-----	-----	-----	-----	-----	-----
Less funds released from prior year's programs.....	-583.0	-----	-----	-----	-----	-----	-----
Total.....	24,342.0	-----	-----	-----	-----	-----	-----

¹ Includes \$51,500 of equipment and supplies purchased by the United States and transferred by grants-in-kind for project demonstration purposes: \$50,000 for Mexico; \$1,500 for Paraguay. All other contributions are in the form of grants made to "Servicios" and matched by host country cash contributions, and used to finance jointly operated demonstration projects.

TABLE 14.—Latin America: Estimated obligations, based on allotments as of June 30, 1954, by activity, fiscal year 1954

[Shows United States contributions only]

[Thousands of dollars]

Country	Total	Agriculture and natural resources	Health and sanitation	Education	Transportation, power	Industry, mining, and labor	Public administration	Community development
Bolivia.....	\$3,192.6	\$2,519.7	\$276.0	\$283.9	\$51.1	\$53.9	\$8.0	
Brazil.....	2,719.5	717.7	644.7	588.7	39.6	239.1	465.7	\$24.0
Chile.....	1,432.4	634.7	344.0		9.6	386.0	19.9	38.2
Colombia.....	1,421.5	848.9	298.9	4.6	19.9	83.4	20.4	145.4
Costa Rica.....	857.2	593.6	171.8		21.7	22.6	47.5	
Cuba.....	185.0	111.0		4.8	9.6	41.3	18.3	
Dominican Republic.....	237.0	81.0	11.8	113.2			31.0	
Ecuador.....	1,508.1	862.1	267.1	201.8	69.2	92.0	9.9	6.0
El Salvador.....	612.3	214.5	186.1	52.9	4.1	95.3	59.4	
Guatemala.....	188.1	138.1	50.0					
Haiti.....	1,035.0	415.3	482.5	82.4		4.4	47.4	3.0
Honduras.....	1,087.4	484.7	257.1	253.2	68.7	3.8	19.9	
Mexico.....	1,375.4	491.7	303.8	95.6	23.2	403.5	57.6	
Nicaragua.....	543.2	214.2	109.3	167.6	21.3	15.7		15.1
Panama.....	1,141.1	648.3	211.6	166.4	16.5	31.4	66.9	
Paraguay.....	1,249.9	339.4	261.2	498.6		33.6	117.1	
Peru.....	2,423.8	1,264.1	541.2	254.7	28.6	326.3	5.9	3.0
Uruguay.....	220.1	1.6	130.3		7.6	11.4	59.2	
Venezuela.....	130.0		122.0				8.0	
Dependent territories.....	1,054.0	131.5	1.0	36.0		79.5		806.0
Regional.....	1,351.4	472.0	365.3	62.5	157.6	117.4	176.6	
Subtotal.....	23,965.0	11,184.1	5,035.7	2,866.9	548.3	2,040.6	1,248.7	1,040.7
Domestic program costs.....	960.0							
Subtotal.....	24,925.0							
Less funds released from prior year's programs.....	-583.0							
Total.....	24,342.0							

156 DEVELOPMENT OF TECHNICAL ASSISTANCE PROGRAMS

TABLE 15.—Latin America: Program planned for implementation, based on availability of funds, \$26 million—by cost component, fiscal year 1955

 [Thousands of dollars ¹]

Country	United States contributions						Estimated host country contributions, cash and kind (estimated United States dollar equivalent) ²
	Total	Foreign technicians	United States technicians	United States contracts	Contributions to cooperative services, and supplies and equipment ²	Other costs	
Bolivia.....	\$1,965.0	\$380.1	\$882.5	\$156.0	\$445.0	\$101.4	\$1,441.5
Brazil.....	3,070.0	500.0	1,434.3	30.0	900.0	205.7	34,120.0
Chile.....	1,657.0	294.3	491.2	104.7	610.0	156.8	1,841.6
Colombia.....	1,073.0	123.3	482.4	60.0	325.0	82.3	2,556.0
Costa Rica.....	889.0	134.4	387.5	-----	240.3	117.8	1,265.4
Cuba.....	467.0	145.0	220.7	9.0	-----	92.3	1,900.0
Dominican Republic.....	375.0	63.1	173.5	-----	50.0	88.4	162.0
Ecuador.....	1,364.0	159.5	567.7	12.0	440.0	184.8	728.7
El Salvador.....	875.0	82.4	531.4	-----	162.0	99.2	654.0
Guatemala.....	975.0	359.0	320.0	-----	220.0	76.0	-----
Haiti.....	1,267.0	103.0	513.5	45.0	402.7	202.8	3,792.0
Honduras.....	975.0	196.0	494.5	-----	130.0	154.5	705.5
Mexico.....	1,400.0	445.8	443.6	165.7	167.0	177.9	1,145.9
Nicaragua.....	825.0	113.0	357.6	114.9	200.0	39.5	1,386.7
Panama.....	975.0	77.3	496.4	25.0	285.0	91.3	1,117.2
Paraguay.....	1,315.0	230.0	614.1	-----	353.0	117.9	3,273.9
Peru.....	2,323.0	530.1	616.5	95.0	615.0	466.4	3,823.4
Uruguay.....	400.0	94.0	174.3	-----	100.0	31.7	357.0
Venezuela.....	195.0	4.5	140.8	-----	25.0	24.7	1,111.0
Dependent territories.....	550.0	125.0	256.5	105.0	25.0	38.5	10,750.0
Regional.....	974.0	10.4	490.5	326.4	-----	146.7	-----
Subtotal.....	23,900.0	4,170.2	10,089.5	1,248.7	5,695.0	2,696.6	72,131.8
Domestic program costs.....	1,512.0	-----	-----	-----	-----	-----	-----
Voluntary agencies and inter-regional projects.....	588.0	-----	-----	-----	-----	-----	-----
Total.....	26,000.0	-----	-----	-----	-----	-----	-----

¹ New obligational authority.

² Includes \$10,000 of equipment and supplies purchased by the United States and transferred by grant-in-kind for project demonstration purposes for Mexico. All other contributions are in the form of grants to "Servicios" and matched by host country cash contributions, and used to finance jointly operated demonstration projects.

³ Preliminary.

158 DEVELOPMENT OF TECHNICAL ASSISTANCE PROGRAMS

TABLE 17.—Near East, Africa, and South Asia: Obligations by cost component, fiscal year 1953¹

[Thousands of dollars]

	Total United States	Foreign technicians	United States technicians ² (non-contract)	United States contracts			Supplies and equipment ⁷	Other costs ⁴	Host country contribution (estimate) ⁵
				Total	University and other technician type	Other non-technician type ³			
Afghanistan.....	\$639	\$80	\$232	\$115	\$115	-----	\$212	-----	\$5,000
Dependent territories.....	625	-----	250	150	150	-----	-----	\$225	(⁶)
Egypt.....	12,617	129	462	540	-----	\$540	6,486	5,000	19,952
Ethiopia.....	1,395	5	378	400	400	-----	237	375	2,223
Greece.....	⁹ 1,207	(⁶)	(⁶)	(⁶)	(⁶)	(⁶)	(⁶)	(⁶)	(⁶)
India.....	43,577	805	1,441	2,665	1,355	1,310	38,666	-----	100,000
Iran.....	22,546	561	1,901	2,263	763	1,500	10,129	7,692	16,000
Iraq.....	1,828	127	523	813	813	-----	309	56	16,621
Israel.....	2,361	200	245	145	30	115	1,270	501	2,100
Jordan.....	2,623	82	440	541	-----	541	883	677	935
Lebanon.....	966	250	716	-----	-----	-----	-----	-----	1,190
Liberia.....	1,548	10	664	300	-----	300	421	153	1,383
Libya.....	1,174	80	520	-----	-----	-----	279	295	624
Nepal.....	458	-----	108	-----	-----	-----	350	-----	(⁶)
Pakistan.....	11,593	-----	803	1,894	915	979	8,896	-----	15,120
Saudi Arabia.....	1,604	72	336	330	-----	330	594	272	1,750
Turkey.....	¹⁰ 2,131	(⁶)	(⁶)	(⁶)	(⁶)	(⁶)	(⁶)	(⁶)	(⁶)
Regional projects.....	1,520	45	63	1,234	107	1,127	88	90	-----
Program support costs.....	2,206	-----	-----	-----	-----	-----	-----	2,206	-----
Total.....	⁸ 112,618	2,446	9,082	11,390	4,648	6,742	68,820	17,542	-----

¹ Represents net activity.

² Basic salaries, allowances, international travel, and transportation of effects; United States secretaries included; no local personnel included.

³ For engineering, aerial survey, construction, training, and other contractual services of a nontechnician type involving also administrative fees, and undetermined supplies and equipment and local costs involved in the total contract obligation. (Contract personnel of the nontraining type.)

⁴ Includes obligations for local personnel, local construction contracts, technician support costs such as rents, utilities, miscellaneous nonproject supplies and equipment, communications, etc.

⁵ Estimated United States dollar equivalent of both cash and kind contributions.

⁶ Not available.

⁷ Includes obligations which would now come under the category of "development assistance."

⁸ Total includes Greece, for which distribution by cost component not available.

⁹ Includes, \$36,000 adjustment to tourism program transferred to Department of Commerce July 1952; and \$7,000 operating and miscellaneous costs.

¹⁰ Includes \$65,000 miscellaneous and operating costs.

NOTE.—Fiscal year 1953 data agrees with Greenbook fiscal year 1955, 2d presentation, July 1954.

TABLE 18.—Near East, Africa and South Asia: Obligations by field of activity, fiscal year 1953

[Thousands of dollars]

	Total United States	Agriculture	Industry, mining, and labor	Health and sanitation	Education	Transportation and communication	Public administration	General and community development
Afghanistan.....	\$639	\$344	\$98	\$32	\$165			
Dependent territories.....	625	575				\$50		
Egypt.....	12,617	1,664	245	197	254	33	\$8	\$10,216
Ethiopia.....	1,395	877	64	135	160		56	103
Greece.....	¹ 1,207	459	228	(¹)	(¹)	221	298	(¹)
India.....	43,577	33,271	701	5,843	1,459	21	40	2,242
Iran.....	22,546	3,785	2,295	4,889	1,973	666	625	8,513
Iraq.....	1,828	534	15	256	373	256	13	381
Israel.....	2,361	799	461	370	314	144	273	
Jordan.....	2,623	1,306	297	289	433	120	184	
Lebanon.....	966	678	15	124	109			40
Liberia.....	1,548	290		326	145	518	43	226
Libya.....	1,174	580		180	414			
Nepal.....	458	342	43	73				
Pakistan.....	11,593	6,533	3,009	471	800	25	16	739
Saudi Arabia.....	1,604	210		129	70	445	100	650
Turkey.....	² 2,131	690	401	(¹)	(¹)	858	117	(¹)
Regional projects.....	1,520	636	13	357	60		60	394
Program support costs.....	2,206							
Total.....	112,618	53,597	7,885	13,671	6,729	3,357	1,833	23,304

¹ Includes \$3,600 adjustment to tourism program transferred to Department of Commerce July 1952; includes \$7,000 operating and miscellaneous costs.

² Includes \$65,000 miscellaneous and operating costs.

160 DEVELOPMENT OF TECHNICAL ASSISTANCE PROGRAMS

TABLE 19.—Near East, Africa, and South Asia: Obligations by cost component fiscal year 1954

[Thousands of dollars]

	Total United States	Foreign technicians	United States technicians ¹ (non-contract)	United States contracts			Supplies and equipment ⁵	Other costs ⁶	Host country contribution (estimate) ⁴
				Total	University and other technician type	Other non-technician type			
Afghanistan	\$1,341	\$153	\$293	\$372	\$372		\$523		\$5,000
Dependent territories	³ 3,365		286	89	89		1,500	\$1,490	4,388
Egypt	3,256	106	675	398	298	\$100	1,900	177	19,321
Ethiopia	2,629	60	442	1,654	1,654		284	189	3,000
Greece	536	130	97	109	109			200	(?)
India	27,011	513	1,682	6,269	1,450	4,819	18,349	198	156,577
Iran	12,917	586	2,753	3,848	2,148	1,700	940	4,790	18,000
Iraq	2,194	107	933	535	535		310	309	16,640
Israel	1,483	198	408	753	753		26	98	1,500
Jordan	2,341	124	787				530	900	2,160
Lebanon	2,793	150	878				546	1,219	903
Liberia	1,164	45	747	120	120		191	61	2,250
Libya	1,490	68	465	37	37		350	570	711
Nepal	869	78	139	220	220		401	31	500
Pakistan	8,156	2	1,121	3,734	2,034	1,700	3,125	174	28,400
Saudi Arabia	896	115	442				240	99	2,000
Turkey	3,048	1,004	207	1,569	1,569		184	84	(?)
Regional projects	974	60	343	276	75	201	95	200	
Domestic program costs	1,242							1,242	
Total	77,705	3,499	12,698	19,983	11,463	8,520	29,494	12,031	261,350

¹ Basic salaries, allowances, international travel and transportation of effects; United States secretaries included; no local personnel included.

² For engineering, aerial survey, construction, training, and other contractual services of a nontechnician type involving also administrative fees, and undetermined supplies and equipment and local costs involved in the total contract obligation. (Contract personnel of the nontraining type.)

³ Includes obligations for local personnel, local construction contracts, technician support costs such as rents, utilities, miscellaneous nonproject supplies and equipment, communications, etc.

⁴ Estimated United States dollar equivalent of both cash and kind contributions.

⁵ Includes \$2,300,000 programmed from local currency proceeds of sales of United States surplus agricultural commodities to the United Kingdom, France, and Italy.

⁶ Includes obligations which would now come under the category of "development assistance."

⁷ Not available.

NOTE.—Total obligation figures by country agree with those shown on controller's financial statement as of June 30 1954, dated September 1954. They reflect net activity.

DEVELOPMENT OF TECHNICAL ASSISTANCE PROGRAMS 161

TABLE 20.—Near East, Africa and South Asia: Obligations, by field of activity, fiscal year 1954

[Thousands of dollars]

	Total United States	Agriculture and natural resources	Health and sanitation	Educational	Transportation	Industry and mining	Public administration	Labor	Community development, social welfare and housing	General and miscellaneous
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	
Afghanistan.....	\$1,341	\$751	\$120	\$364	\$7	\$89	-----	-----	\$10	-----
Dependent territories.....	3,365	2,115	-----	400	200	250	-----	-----	375	\$25
Egypt.....	3,256	1,227	599	831	13	473	\$17	-----	86	10
Ethiopia.....	2,629	1,638	152	481	-----	266	30	-----	-----	62
Greece.....	536	234	-----	5	30	245	6	16	-----	-----
India.....	27,011	5,788	5,076	1,219	2,052	6,921	8	\$18	5,761	168
Iran.....	12,917	3,601	2,496	2,409	579	1,011	1,093	122	178	1,428
Iraq.....	2,194	948	235	346	329	10	46	-----	258	22
Israel.....	1,483	787	181	139	59	118	27	16	22	134
Jordan.....	2,341	2,172	263	313	164	66	12	-----	12	239
Lebanon.....	2,793	1,375	258	616	-----	361	25	20	108	30
Liberia.....	1,164	431	231	212	114	19	31	-----	101	25
Libya.....	1,490	638	243	541	-----	-----	6	-----	-----	62
Nepal.....	869	179	74	344	-----	28	-----	-----	244	-----
Pakistan.....	8,156	4,143	331	1,628	74	499	18	-----	190	1,273
Saudi Arabia.....	896	246	214	43	62	-----	116	-----	215	-----
Turkey.....	3,048	733	-----	1,290	157	620	96	66	-----	86
Regional projects.....	974	646	34	95	-----	69	-----	-----	-----	130
Domestic program costs.....	1,242	-----	-----	-----	-----	-----	-----	-----	-----	-----
Total.....	77,705	26,752	10,507	11,276	3,840	11,045	1,531	258	7,560	3,694

162 DEVELOPMENT OF TECHNICAL ASSISTANCE PROGRAMS

TABLE 21.—Near East, Africa, and South Asia: Program by cost component, fiscal year 1955

[Thousands of dollars]

	Total United States	Foreign technicians	United States technicians (noncontract) ¹	United States contracts			Supplies and equipment and other costs ²	Host country contribution (estimate) ³
				Total	University and other technical type	Other non-technical type		
Afghanistan.....	\$1,620	\$115	\$459	\$630	\$630	-----	\$416	\$5,000
Dependent territories.....	2,400	(⁵)	-----	-----	-----	-----	-----	5,400
Egypt.....	3,500	268	997	549	549	-----	1,686	12,752
Ethiopia.....	3,400	600	947	890	840	\$50	963	2,361
Greece.....	626	142	399	-----	-----	-----	85	(⁶)
India.....	15,400	(⁵)	-----	-----	-----	-----	-----	157,490
Iran.....	8,500	-----	-----	-----	-----	-----	-----	21,682
Iraq.....	2,200	149	1,296	455	455	-----	300	4,678
Israel.....	1,400	144	696	360	360	-----	200	(⁶)
Jordan.....	2,200	200	807	175	175	-----	1,018	810
Lebanon.....	2,000	(⁵)	-----	-----	-----	-----	-----	1,516
Liberia.....	1,300	58	887	80	80	-----	275	1,712
Libya.....	1,400	64	548	-----	-----	-----	788	723
Nepal.....	780	(⁵)	-----	-----	-----	-----	-----	800
Pakistan.....	5,300	(⁵)	-----	-----	-----	-----	-----	32,972
Saudi Arabia.....	7200	-----	-----	-----	-----	-----	-----	-----
Turkey.....	1,000	211	605	75	75	-----	109	(⁶)
Regional projects.....	1,573	(⁵)	-----	-----	-----	-----	-----	-----
Domestic program costs.....	2,215	-----	-----	-----	-----	-----	2,215	-----
Total programmed.....	56,626	-----	-----	-----	-----	-----	-----	-----

¹ Basic salaries, allowances, international travel, and transportation of effects; United States secretaries included; no local personnel included.

² Includes costs for local personnel, rents, local construction contracts, etc.

³ Estimated United States dollar equivalent of both cash and kind contributions.

⁴ Programs reduced from that shown in congressional presentation—breakdown by field of activity to be reprogramed by missions.

⁵ Cost component breakdown not yet available.

⁶ United States technical cooperation program in Israel in fiscal year 1954 and 1955 consists almost exclusively of technicians and trainees. The demonstration aspects of the projects are being financed from prior years funds; in those years (1952 and 1953) the Government of Israel contributed, in cash (Israeli pounds) an amount equal to the United States dollar contribution to the demonstration projects. Over and above this contribution, a major share of the counterpart funds generated from special economic aid imports was used for development activities on which United States technicians were advising. Israel has since its inception as an independent state, committed itself to a major economic development effort involving every conceivable resource. It has required great effort on the part of our mission to contain this zeal within reasonable bounds.

⁷ For liquidation costs only.

⁸ Not available.

DEVELOPMENT OF TECHNICAL ASSISTANCE PROGRAMS 163

TABLE 22.—Near East, Africa, and South Asia: Program by field of activity, fiscal year 1955

[Thousands of dollars]

	Total United States	Agriculture and natural resources	Health and sanitation	Education	Transportation	Industry and mining	Public administration	Labor	Community development, social welfare and housing	General and miscellaneous
Afghanistan.....	\$1,620	\$845	\$150	\$400	-----	\$105	\$50	-----	\$70	-----
Dependent territories..	¹ 2,400	(²)	-----	-----	-----	-----	-----	-----	-----	-----
Egypt.....	3,500	1,293	711	531	\$58	263	341	-----	303	-----
Ethiopia.....	3,400	805	560	1,210	50	150	100	-----	420	\$105
Greece.....	626	240	-----	-----	58	194	56	13	-----	65
India.....	¹ 15,400	(²)	-----	-----	-----	-----	-----	-----	-----	-----
Iran.....	¹ 8,500	(²)	-----	-----	-----	-----	-----	-----	-----	-----
Iraq.....	2,200	930	375	504	-----	30	59	-----	274	28
Israel.....	1,400	482	141	133	87	202	92	\$12	27	224
Jordan.....	2,200	1,056	253	378	80	339	-----	-----	36	58
Lebanon.....	¹ 2,000	(²)	-----	-----	-----	-----	-----	-----	-----	-----
Liberia.....	1,300	353	264	240	189	18	58	-----	153	25
Libya.....	1,400	602	230	498	-----	-----	20	-----	-----	50
Nepal.....	780	331	148	44	10	33	6	-----	208	-----
Pakistan.....	¹ 5,300	(²)	-----	-----	-----	-----	-----	-----	-----	-----
Saudi Arabia.....	³ 200	-----	-----	-----	-----	-----	-----	-----	-----	-----
Turkey.....	1,000	425	-----	-----	150	98	30	112	-----	185
Regional Domestic program costs.....	1,573	(²)	-----	-----	-----	-----	-----	-----	-----	-----
	2,215	-----	-----	-----	-----	-----	-----	-----	-----	-----
Total programed.....	56,626	-----	-----	-----	-----	-----	-----	-----	-----	-----

¹ Programs reduced from that shown in congressional presentation; breakdown by field of activity to be reprogramed by missions.

² Field of activity breakdown not yet available.

³ For liquidation costs only.

164 DEVELOPMENT OF TECHNICAL ASSISTANCE PROGRAMS

TABLE 23.—Status of FOA technical cooperation and technical exchange personnel as of the end of the fiscal years 1953, 1954

Area	Technical cooperation program funds						Overseas, foreign nationals ⁵ foreign country funds
	Grand total United States funds	United States nationals overseas ^{1, 2}				Overseas, foreign national FOA funds ³	
		Total	Regular	Other Federal ³ agencies	Consultants ⁴		
1953—total.....	2, 795	1, 827	1 946	871	10	968	1, 919
Europe.....	306	177	162	11	4	129	-----
Far East.....	412	330	234	92	4	82	626
Latin America.....	727	535	321	214	-----	192	-----
Near East, Africa, and South Asia.....	1, 350	785	229	554	2	565	1, 293
1954—total.....	3, 008	1, 960	² 1, 429	510	21	1, 048	2, 372
Europe.....	239	135	132	-----	3	104	-----
Far East.....	399	353	287	58	8	46	622
Latin America.....	917	530	415	108	7	387	-----
Near East, Africa, and south Asia.....	1, 453	942	595	344	3	511	1, 750

¹ There were, in addition, 180 employees on technical cooperation and technical exchange program funds in Washington.

² There were, in addition, 219 employees on technical cooperation and technical exchange program funds in Washington.

³ Other Federal agencies are reimbursed for the costs of their employees who work directly under FOA supervision. Includes personnel secured under interagency agreements and personnel on reimbursable detail to FOA.

⁴ Includes consultants who rendered service during the reporting month, with or without compensation.

⁵ Local employees hired overseas by FOA.

⁶ These FOA employees are paid from local currency trust funds supplied by the participating countries as part of their contribution toward local expenses for the technical assistance program. Foreign nationals engaged in these programs who are not FOA employees are excluded from these tables.

GENERAL NOTE.—Data show number of American and foreign national employees hired by FOA and also employees of other Federal agencies detailed to FOA. Persons working under technical assistance or technical services contracts are excluded.

Employees of other Federal agencies on detail to FOA and local currency trust funds employees should be excluded from FOA's personnel strength when the data are used to arrive at the number of overall Federal employees paid from U. S. Government funds. Excludes support personnel employed in other U. S. Government agencies but paid from technical cooperation and exchanges funds.

TABLE 24.— *Europe: Status of FOA technical exchange personnel as of the end of fiscal year 1953*

[Number of employees]

Country	Technical exchange program funds						Overseas foreign nationals ⁴ foreign country funds
	Grand total United States funds	United States nationals overseas				Overseas foreign nationals ³ FOA funds	
		Total	Regular	Other Federal ¹ agencies	Consultants ²		
Total	306	177	162	11	4	129	-----
Austria	23	13	13	-----	-----	10	-----
Belgium	9	7	5	2	-----	2	-----
Denmark	6	4	4	-----	-----	2	-----
France	20	14	13	-----	1	6	-----
Germany (Federal Republic)	26	12	12	-----	-----	14	-----
Italy	50	28	20	7	1	22	-----
Netherlands	10	6	6	-----	-----	4	-----
Norway	6	1	1	-----	-----	5	-----
Portugal	5	2	2	-----	-----	3	-----
United Kingdom	8	7	7	-----	-----	1	-----
Yugoslavia	3	2	2	-----	-----	1	-----
USRO/FOA	140	81	77	2	2	59	-----

¹ Other Federal agencies are reimbursed for the costs of their employees who work directly under FOA supervision. Includes personnel secured under interagency agreements and personnel on reimbursable detail to FOA.

² Includes consultants who rendered service during the reporting month, with or without compensation.

³ Local employees hired overseas by FOA.

⁴ These FOA employees are paid from local currency trust funds supplied by the participating countries as part of their contribution toward local expenses for the technical assistance program. Foreign nationals engaged in these programs who are not FOA employees are excluded from these tables.

GENERAL NOTE.—Data show number of American and foreign national employees hired by FOA and also employees of other Federal agencies detailed to FOA. Persons working under technical assistance or technical services contracts are excluded.

Employees of other Federal agencies on detail to FOA and local currency trust fund employees should be excluded from FOA's personnel strength when the data are used to arrive at the number of overall Federal employees paid from U. S. Government funds. Excludes support personnel employed in other U. S. Government agencies but paid from technical cooperation and exchanges funds.

TABLE 25.—*Europe: Status of FOA technical exchange personnel as of the end of fiscal year 1954*

[Number of employees]

Country	Technical exchange program funds					Overseas foreign nationals ⁴ foreign country funds
	Grand total United States funds	United States nationals overseas			Overseas foreign nationals ³ FOA funds	
		Total	Regular	Other Federal ¹ agencies			Consultants^{2}
Total.....	239	135	132		3	104
Austria.....	21	11	11			10
Belgium.....	12	10	10			2
Denmark.....	9	4	4			5
France.....	13	9	9			4
Germany (Federal Republic)...	27	10	10			17
Iceland.....	1	1			1	
Italy.....	46	19	19			27
Netherlands.....	6	3	3			3
Norway.....	6	2	2			4
Portugal.....	6	2	2			4
Spain.....	1	1	1			
United Kingdom.....	12	7	7			5
Yugoslavia.....	11	9	7		2	2
USRO/FOA.....	68	47	47			21

¹ Other Federal agencies are reimbursed for the costs of their employees who work directly under FOA supervision. Includes personnel secured under interagency agreements and personnel on reimbursable detail to FOA.

² Includes consultants who rendered service during the reporting month, with or without compensation.

³ Local employees hired overseas by FOA.

⁴ These FOA employees are paid from local currency trust funds supplied by the participating countries as part of their contribution toward local expenses for the technical assistance program. Foreign nationals engaged in these programs who are not FOA employees are excluded from these tables.

⁵ Charged to cost of occupation; not counted in total.

GENERAL NOTE.—Data show number of American and foreign national employees hired by FOA and also employees of other Federal agencies detailed to FOA. Persons working under technical assistance or technical services contracts are excluded.

Employees of other Federal agencies on detail to FOA and local currency trust fund employees should be excluded from FOA's personnel strength when the data are used to arrive at the number of overall Federal employees paid from U. S. Government funds. Excludes support personnel employed in other U. S. Government agencies but paid from technical cooperation and exchanges funds.

DEVELOPMENT OF TECHNICAL ASSISTANCE PROGRAMS 167

TABLE 26.—Far East: Status of FOA technical cooperation personnel as of the end of fiscal years 1953, 1954

[Number of employees]

FISCAL YEAR 1953

Country	Technical cooperation program funds						Overseas foreign nationals ⁴ foreign country funds
	Grand total United States funds	United States nationals overseas				Overseas foreign nationals ³ FOA funds	
		Total	Regular	Other Federal agencies	Consultants ²		
Total.....	412	330	234	92	4	82	626
Burma.....	45	45	22	23	—	—	153
China (Formosa).....	43	43	39	2	2	—	179
Indochina, Associated States.....	47	47	36	10	1	—	121
Indonesian Republic.....	116	34	16	18	—	82	—
Philippines.....	98	98	77	21	—	—	100
Thailand.....	63	63	44	18	1	—	73

FISCAL YEAR 1954

Total.....	399	353	287	58	8	46	622
Burma.....	21	21	19	2	—	—	59
China (Formosa).....	56	56	44	9	3	—	199
Indochina, Associated States.....	63	63	49	13	1	—	177
Indonesian Republic.....	90	44	35	9	—	46	—
Korea.....	25	25	21	1	3	—	—
Philippines.....	91	91	66	24	1	—	105
Thailand.....	53	53	53	—	—	—	82

¹ Other Federal agencies are reimbursed for the costs of their employees who work directly under FOA supervision. Includes personnel secured under interagency agreements and personnel on reimbursable detail to FOA.

² Includes consultants who rendered service during the reporting month, with or without compensation.

³ Local employees hired overseas by FOA.

⁴ These FOA employees are paid from local currency trust funds supplied by the participating countries as part of their contribution toward local expenses for the technical assistance program. Foreign nationals engaged in these programs who are not FOA employees are excluded from these tables.

GENERAL NOTE.—Data show number of American and foreign national employees hired by FOA and also employees of other Federal agencies detailed to FOA. Persons working under technical assistance or technical services contracts are excluded.

Employees of other Federal agencies on detail to FOA and local currency trust fund employees should be excluded from FOA's personnel strength when the data are used to arrive at the number of overall Federal employees paid from U. S. Government funds. Excludes support personnel employed in other U. S. Government agencies but paid from technical cooperation and exchanges funds.

168 DEVELOPMENT OF TECHNICAL ASSISTANCE PROGRAMS

TABLE 27.—Latin America: Status of FOA technical cooperation personnel as of the end of fiscal year 1953

[Number of employees]

Country	Technical cooperation program funds					Overseas, foreign nationals ⁴ foreign country funds
	Grand total U. S. funds	United States nationals overseas			Overseas, foreign nationals ³ FOA funds	
		Total	Regular	Other Federal ¹ agencies			Consultants^{2}
Total.....	727	535	321	214	192	
Bolivia.....	52	38	17	21	14	
Brazil.....	89	57	42	15	32	
Chile.....	35	25	19	6	10	
Colombia.....	29	16	9	7	13	
Costa Rica.....	45	28	13	15	17	
Cuba.....	8	7		7	1	
Dominican Republic.....	17	10	5	5	7	
Ecuador.....	46	33	18	15	13	
El Salvador.....	34	26	10	16	8	
Guatemala.....	17	9	2	7	8	
Haiti.....	21	20	16	4	1	
Honduras.....	31	21	18	3	10	
Mexico.....	39	35	13	22	4	
Nicaragua.....	33	24	13	11	9	
Panama.....	29	29	24	5		
Paraguay.....	59	39	34	5	20	
Peru.....	71	48	30	18	23	
Trinidad.....	2	2		2		
Uruguay.....	6	4	3	1	2	
Venezuela.....	5	5	5			
Regional.....	59	59	30	29		

¹ Other Federal agencies are reimbursed for the costs of their employees who work directly under FOA supervision. Includes personnel secured under interagency agreements and personnel on reimbursable detail to FOA.

² Includes consultants who rendered service during the reporting month, with or without compensation.

³ Local employees hired overseas by FOA.

⁴ These employees are paid from local currency trust funds supplied by the participating countries as part of their contribution toward local expenses for the technical assistance program.

GENERAL NOTE.—Data show number of American and foreign national employees hired by FOA and also employees of other Federal agencies detailed to FOA. Persons working under technical assistance or technical services contracts are excluded.

Employees of other Federal agencies on detail to FOA and local currency trust fund employees should be excluded from FOA's personnel strength when the data are used to arrive at the number of overall Federal employees paid from U. S. Government funds.

TABLE 28.—Latin America: Status of FOA technical cooperation personnel as of the end of fiscal year 1954

[Number of employees]

Country	Technical cooperation program funds					Overseas foreign nationals ³ FOA funds	Overseas foreign nationals ⁴ foreign country funds
	Grand total U. S. funds	United States nationals overseas					
		Total	Regular	Other Federal ¹ agencies	Consultants ²		
Total.....	917	530	415	108	7	387	-----
Bolivia.....	57	40	35	5	-----	17	-----
Brazil.....	109	71	57	13	1	38	-----
Chile.....	44	31	24	7	-----	13	-----
Colombia.....	34	24	19	5	-----	10	-----
Costa Rica.....	149	81	18	13	-----	118	-----
Cuba.....	11	9	6	2	1	2	-----
Dominican Republic.....	17	10	10	-----	-----	7	-----
Ecuador.....	53	33	27	5	1	20	-----
El Salvador.....	45	30	27	3	-----	15	-----
Guatemala.....	54	10	10	-----	-----	44	-----
Haiti.....	36	25	24	1	-----	11	-----
Honduras.....	33	24	20	3	1	9	-----
Mexico.....	39	31	14	16	1	8	-----
Nicaragua.....	24	20	16	4	-----	4	-----
Panama.....	45	35	32	2	1	10	-----
Paraguay.....	51	29	26	2	1	22	-----
Peru.....	84	46	38	8	-----	38	-----
Trinidad.....	1	1	1	-----	-----	-----	-----
Uruguay.....	7	6	4	2	-----	1	-----
Venezuela.....	6	6	6	-----	-----	-----	-----
Surinam.....	2	2	1	1	-----	-----	-----
Regional.....	16	16	-----	16	-----	-----	-----

¹ Other Federal agencies are reimbursed for the costs of their employees who work directly under FOA supervision. Includes personnel secured under interagency agreements and personnel on reimbursable detail to FOA.

² Includes consultants who rendered service during the reporting month, with or without compensation.

³ Local employees hired overseas by FOA.

⁴ These employees are paid from local currency trust funds supplied by the participating countries as part of their contribution toward local expenses for the technical assistance program.

GENERAL NOTE.—Data show number of American and foreign national employees hired by FOA, and also employees of other Federal agencies detailed to FOA. Persons working under technical assistance or technical services contracts are excluded.

Employees of other Federal agencies on detail to FOA and local currency trust fund employees should be excluded from FOA's personnel strength when the data are used to arrive at the number of overall Federal employees paid from U. S. Government funds.

170 DEVELOPMENT OF TECHNICAL ASSISTANCE PROGRAMS

TABLE 29.—Near East, Africa, and South Asia: Status of FOA technical cooperation personnel as of the end of fiscal year 1953

Country	Technical cooperation program funds						Overseas foreign nationals ⁴ foreign country funds
	Grand total U. S. funds	United States nationals overseas				Overseas foreign nationals ³ FOA funds	
		Total	Regular	Other Federal ¹ agencies	Consultants ²		
Total	1,350	785	229	554	2	565	1,293
Afghanistan.....	13	13	2	11			
Egypt.....	68	36	9	27		32	
Ethiopia.....	27	14	7	7		13	
Greece.....	202	60	54	6		142	46
India.....	140	90	15	75		50	
Iran.....	158	158	59	99			1,233
Iraq.....	78	59	9	50		19	
Israel.....	45	19	2	17		26	
Jordan.....	43	34	9	25		9	
Lebanon.....	207	57	6	51		150	
Liberia.....	89	44	3	41		45	
Libya.....	42	38	4	34		4	
Nepal.....	55	9		9		46	
Pakistan.....	58	38	4	34		20	
Saudi Arabia.....	23	21	4	17		2	
Turkey.....	91	84	41	41	2	7	14
Regional.....	11	11	1	10			

¹ Other Federal agencies are reimbursed for the costs of their employees who work directly under FOA supervision. Includes personnel secured under interagency agreements and personnel on reimbursable detail to FOA.

² Includes consultants who rendered service during the reporting month, with or without compensation.

³ Local employees hired overseas by FOA.

⁴ These employees are paid from local currency trust funds supplied by the participating countries as part of their contribution toward local expenses for the technical assistance program.

GENERAL NOTE.—Data show number of American and foreign national employees hired by FOA and also employees of other Federal agencies detailed to FOA. Persons working under technical assistance or technical services contracts are excluded.

Employees of other Federal agencies on detail to FOA and local currency trust fund employees should be excluded from FOA's personnel strength when the data are used to arrive at the number of overall Federal employees paid from U. S. Government funds.

TABLE 30.—Near East, Africa, and South Asia: Status of FOA technical cooperation personnel as of the end of fiscal year 1954

[Number of employees]

Country	Technical cooperation program funds						Overseas foreign nationals foreign country funds ⁴
	Grand total U. S. funds	United States nationals overseas				Overseas foreign nationals FOA funds ³	
		Total	Regular	Other Federal agencies ¹	Consultants ²		
Total.....	1,453	942	595	344	3	511	1,750
Afghanistan.....	28	27	15	12	-----	1	-----
Egypt.....	76	59	45	14	-----	17	-----
Ethiopia.....	49	35	19	16	-----	14	-----
Greece.....	41	16	16	-----	-----	25	34
India.....	159	93	62	31	-----	66	-----
Iran.....	207	207	143	62	2	32	1,693
Iraq.....	108	76	50	26	-----	55	-----
Israel.....	96	41	18	23	-----	19	-----
Jordan.....	84	65	38	27	-----	127	-----
Lebanon.....	177	50	26	24	-----	47	-----
Liberia.....	108	61	32	29	-----	-----	-----
Libya.....	42	42	32	10	-----	-----	-----
Nepal.....	61	9	7	2	-----	52	-----
Pakistan.....	104	62	46	16	-----	42	-----
Saudi Arabia.....	36	26	16	10	-----	10	-----
Turkey.....	65	61	28	32	1	4	23
Regional.....	12	12	2	10	-----	-----	-----

¹ Other Federal agencies are reimbursed for the costs of their employees who work directly under FOA supervision. Includes personnel secured under interagency agreements and personnel on reimbursable detail to FOA.

² Includes consultants who rendered service during the reporting month, with or without compensation.

³ Local employees hired overseas by FOA.

⁴ These employees are paid from local currency trust funds supplied by the participating countries as part of their contribution toward local expenses for the technical assistance program.

GENERAL NOTE.—Data show number of American and foreign national employees hired by FOA, and also employees of other Federal agencies detailed to FOA. Persons working under technical assistance or technical services contracts are excluded.

Employees of other Federal agencies on detail to FOA and local currency trust fund employees should be excluded from FOA's personnel strength when the data are used to arrive at the number of overall Federal employees paid from U. S. Government funds.

II. UNITED NATIONS TECHNICAL ASSISTANCE PROGRAM

TABLE 31.—Contributions pledged by governments for the expanded program for all 4 financial periods as at Apr. 15, 1954¹

[In United States dollar equivalent]

Country	First period (1950-51)	Second period (1952)	Third period (1953)	Fourth period (1954)
1. Afghanistan.....	\$7,001	\$7,001	\$10,000	\$10,000
2. Argentina.....	200,000	200,000	200,000	300,000
3. Australia.....	400,921	190,000	400,000	400,000
4. Austria.....	19,231	19,231	19,231	19,231
5. Belgium.....	270,000	270,000	283,500	324,000
6. Bolivia.....	12,500	12,500	25,000	7,895
7. Brazil.....	459,459	459,459	459,459	540,541
8. Burma.....	7,500	8,000	12,000	12,000
9. Byelorussian Soviet Socialist Republic.....				50,000
10. Cambodia.....		5,000	5,000	
11. Canada.....	772,727	750,000	800,000	1,500,000
12. Ceylon.....	15,009	15,000	15,000	15,000
13. Chile.....	90,000	174,194	209,032	58,909
14. China.....	10,000	10,000	10,000	15,000
15. Colombia.....	51,020	100,000	100,000	125,000
16. Costa Rica.....	5,000	5,000	5,000	6,000
17. Cuba.....	50,000	50,000	50,000	
18. Czechoslovakia.....				69,444
19. Denmark.....	95,555	108,585	434,342	434,342
20. Dominican Republic.....		6,000	10,000	
21. Ecuador.....	6,300	6,300	6,400	6,400
22. Egypt.....	81,850	81,850	86,157	86,157
23. El Salvador.....	5,000	5,000	6,000	7,000
24. Ethiopia.....	20,129	20,000	20,000	20,000
25. Federal Republic of Germany.....		119,048	148,810	148,810
26. Finland.....	5,000	10,000	10,000	10,000
27. France.....	1,207,500	1,064,643	1,207,500	1,207,500
28. Greece.....	20,295	20,295	20,295	5,000
29. Guatemala.....	5,000	7,500	7,500	7,500
30. Haiti.....	6,000	12,000	12,000	12,000
31. Honduras.....	8,000	8,000	9,600	8,000
32. Iceland.....		2,500	2,800	2,806
33. India.....	250,000	275,000	275,000	300,000
34. Indonesia.....	121,522	43,860	63,585	65,790
35. Iran.....	40,000	40,000	40,000	50,000
36. Iraq.....	5,005	5,000	11,201	14,002
37. Ireland.....	13,994	14,002		14,001
38. Israel.....	27,988	28,003	40,000	50,000
39. Italy.....	93,000	93,000	93,000	96,000
40. Japan.....		80,000	80,000	80,000
41. Jordan.....				2,800
42. Korea.....	5,000	5,000	3,000	3,000
43. Laos.....		5,000	4,857	2,857
44. Lebanon.....	6,556	6,846	6,846	6,846
45. Liberia.....	8,000	12,000	12,000	15,000
46. Libya.....			3,000	3,600
47. Luxembourg.....	2,520	2,500	2,500	2,500
48. Mexico.....		34,682	34,682	34,682
49. Monaco.....	2,857	2,857	1,143	1,429
50. Netherlands.....	400,000	400,000	421,053	600,000
51. New Zealand.....	124,138	126,015	125,593	125,593
52. Nicaragua.....		5,000	5,000	5,000
53. Norway.....	34,999	55,999	69,999	97,998
54. Pakistan.....	140,663	151,103	166,213	166,213
55. Panama.....		3,000	3,000	3,000
56. Paraguay.....		5,000	5,000	8,000
57. Peru.....			10,000	12,000
58. Philippines.....	50,000	50,000	50,000	55,000
59. Poland.....			75,000	75,000
60. Saudi Arabia.....		15,000	15,000	15,000
61. Sweden.....	96,525	357,336	385,623	483,279
62. Switzerland.....	233,645	218,862	231,852	233,372
63. Syria.....	11,410	11,410	11,410	11,410
64. Thailand.....	19,758	34,000	40,000	40,000
65. Turkey.....	183,638	182,000	183,571	201,495
66. Ukrainian Soviet Socialist Republic.....				125,000
67. Union of Soviet Socialist Republics.....			1,000,000	
68. United Kingdom.....	2,128,255	1,260,151	1,400,168	1,820,218
69. United States.....	12,007,500	11,400,000	12,767,145	13,861,809
70. Uruguay.....	99,408	50,000	75,000	75,000
71. Vatican City.....				2,000
72. Venezuela.....	44,000	20,000	25,000	25,000
73. Vietnam.....		7,500	7,500	7,500
74. Yemen.....	4,200		2,100	2,100
75. Yugoslavia.....	50,000	50,000	62,500	82,500
Total.....	20,035,578	18,797,232	22,394,167	24,284,529

¹ U. N. Document E/2566, E/TAC/REP.3, pp. 265-266.

TABLE 32.—Contributions outstanding for the first, second, and third financial periods as at June 18, 1954¹

Pledging government	United States dollar equivalent	Pledging government	United States dollar equivalent
FIRST FINANCIAL PERIOD (1950-51)		THIRD FINANCIAL PERIOD (1953)	
1. Syria.....	\$11,410	1. Belgium.....	\$13,500
2. Uruguay.....	99,408	2. Brazil.....	84,908
		3. Chile.....	34,838
Total.....	110,818	4. Cuba.....	50,000
SECOND FINANCIAL PERIOD (1952)		5. Ethiopia.....	20,000
1. Cuba.....	50,000	6. Guatemala.....	5,000
2. Korea.....	2,000	7. Italy.....	93,000
3. Laos.....	2,160	8. Laos.....	4,857
4. United State of America.....	650,000	9. Peru.....	10,000
		10. Uruguay.....	375
Total.....	704,160	Total.....	316,478

SUMMARY

[In United States dollar equivalents]

	1st financial period 1950-51 (revised)	2d financial period 1952	3d financial period 1953 (revised)
Total amount of contributions pledged	\$20,035,578	\$18,797,232	\$22,394,167
Contributions received in previous year(s).....	19,885,160	17,791,797	18,939,010
Balance due as at Jan. 1, 1954.....	150,418	1,005,435	3,455,157
Total amount of contributions collected in 1954 to date.....	39,600	301,275	3,138,679
Balances as shown above.....	110,818	704,160	316,478

¹ U. N. Document E/2566/Add.1; E/TAC/REP.3/Add.1, 18 June 1954.

TABLE 33.—Pledges to central account, local contributions, and funds allocated for country assistance—Calendar year 1954¹

	Contributions and pledges to central account	Percent	Estimated local contributions by assisted governments	Total pledges to central account and local contributions	Funds allocated for country assistance (estimated)
North America:					
United States.....	² \$13,861,809	57.08		³ \$13,861,809	
Canada.....	1,500,000	6.18		1,500,000	
Total.....	15,361,809	63.26		15,361,809	
Europe:					
Austria.....	19,231	.08	\$333,000	352,231	\$29,989
Belgium.....	324,000	1.33		324,000	
Byelorussian Soviet Socialist Republic.....	50,000	.21		50,000	
Czechoslovakia.....	69,444	.29		69,444	
Denmark.....	434,342	1.79		434,342	
Finland.....	10,000	.04	50,000	60,000	19,675
France.....	1,207,500	4.97		1,207,500	
Germany, Federal Republic of.....	148,810	.61		148,810	
Greece.....	5,000	.02	35,000	40,000	95,341
Iceland.....	2,806	.01	3,000	5,806	1,015
Italy.....	96,000	.40	21,000	117,000	44,900
Netherlands.....	600,000	2.47		600,000	
Norway.....	97,998	.40		97,998	
Poland.....	75,000	.31		75,000	
Spain.....			1,000	1,000	15,000
Sweden.....	483,279	1.99		483,279	
Switzerland.....	233,372	.96		233,372	
Turkey.....	201,495	.83	1,281,000	1,482,495	522,467
United Kingdom.....	1,820,218	7.50		1,820,218	
Yugoslavia.....	82,500	.34	1,426,000	1,508,500	666,572
Ireland.....	14,001	.06		14,001	
Vatican City.....	2,000	.01		2,000	
Luxembourg.....	2,500	.01		2,500	
Monaco.....	1,429	.01		1,429	
Portugal.....			5,000	5,000	5,037
Ukrainian Soviet Socialist Republic.....	125,000	.51		125,000	
Total.....	6,105,925	25.15	3,155,000	9,260,925	1,399,996
Near East and Africa:					
Regional projects.....			53,000	53,000	435,234
Egypt.....	86,157	.35	350,000	436,157	543,373
Ethiopia.....	20,000	.08	480,000	500,000	261,462
Iran.....	50,000	.21	863,000	913,000	784,711
Iraq.....	14,002	.06	997,000	1,011,002	451,826
Israel.....	50,000	.21	1,454,000	1,504,000	328,114
Lebanon.....	6,846	.03	79,000	85,846	82,153
Libya.....	3,600	.01	600,000	603,600	631,751
British West Africa.....					8,200
French Africa.....			313,000	313,000	17,805
Gambia.....			7,000	7,000	6,000
Gold Coast.....			40,000	40,000	48,375
Liberia.....	15,000	.06	99,000	114,000	215,991
Morocco.....			173,000	173,000	17,345
Nigeria.....			135,000	135,000	32,867
Somalland.....			4,000	4,000	24,000
Sudan.....					14,000
Tanganyika.....			37,000	37,000	47,687
Tunisia.....			139,000	139,000	41,325
Uganda.....					19,754
Jordan.....	2,800	0.01	121,000	123,800	216,180
Syria.....	11,410	.05	1,892,000	1,903,410	361,403
Cyprus.....			5,000	5,000	12,015
Saudi Arabia.....	15,000	.06	692,000	707,000	130,735
Yemen.....	2,100	.01	5,000	7,100	38,687
Afghanistan.....	10,000	.04	787,000	797,000	424,760
Total.....	286,915	1.18	9,325,000	9,611,915	5,195,753

See footnotes at end of table, p. 175.

TABLE 33.—Pledges to central account, local contributions, and funds allocated for country assistance—Calendar year 1954—Continued

	Contributions and pledges to central account	Percent	Estimated local contributions by assisted governments	Total pledges to central account and local contributions	Funds allocated for country assistance (estimated)
Asia and the Far East:					
Regional projects.....					\$577,425
Australia.....	\$400,000	1.65		\$400,000	
Burma.....	12,000	.05	\$828,000	840,000	627,645
Cambodia.....			143,000	143,000	119,852
Ceylon.....	15,000	.06	3,834,000	3,849,000	449,866
China (Taiwan).....	15,000	.06	590,000	605,000	178,422
Hong Kong.....			65,000	65,000	28,575
India.....	300,000	1.24	5,855,000	6,155,000	986,068
Indonesia.....	65,790	.27	2,888,000	2,953,790	725,729
Japan.....	88,000	.33	3,000	83,000	4,071
Korea.....	3,000	.01	1,000	4,000	10,250
Laos.....	2,857	.01	15,000	17,857	49,377
Malaya.....			240,000	240,000	76,141
Nepal.....			14,000	14,000	72,578
North Borneo.....			30,000	30,000	60,458
New Zealand.....	125,593	.52		125,593	
Pakistan.....	166,213	.68	3,071,000	3,237,213	854,470
Philippines.....	55,000	.23	587,000	642,000	260,759
Samoa.....					2,050
Sarawak.....			81,000	81,000	17,508
Singapore.....			97,000	97,000	91,486
Thailand.....	40,000	.16	1,875,000	1,915,000	663,753
Viet Nam.....	7,500	.03	33,000	40,500	10,847
Total.....	1,287,953	5.30	20,250,000	21,537,953	5,867,330
Latin America:					
Regional projects.....			1,140,000	1,140,000	1,083,731
Argentina.....	300,000	1.24		300,000	
Bolivia.....	7,895	.03	181,000	188,895	281,286
Brazil.....	540,541	2.23	761,000	1,301,541	379,951
Chile.....	58,909	.24	525,000	583,909	251,037
Colombia.....	125,000	.51	511,000	636,000	212,010
Costa Rica.....	6,000	.03	300,000	306,000	137,410
Cuba.....			17,000	17,000	29,050
Dominican Republic.....			203,000	203,000	61,146
Ecuador.....	6,400	.03	373,000	379,400	263,427
El Salvador.....	7,000	.03	287,000	294,000	179,352
Guatemala.....	7,500	.03	123,000	130,500	144,775
Haiti.....	12,000	.05	124,000	136,000	117,688
Honduras.....	8,000	.03	170,000	178,000	90,425
Mexico.....	34,682	.14	1,310,000	1,344,682	327,719
Nicaragua.....	5,000	.02	43,000	48,000	79,975
Panama.....	3,000	.01	n. a.	3,000	131,235
Paraguay.....	8,000	.03	515,000	523,000	257,438
Peru.....	12,000	.05	382,000	394,000	140,136
Uruguay.....	75,000	.31	5,000	80,000	42,150
Venezuela.....	25,000	.10	34,000	59,000	43,500
British Guiana.....			8,000	8,000	16,200
Jamaica.....			24,000	24,000	45,225
Trinidad.....			19,000	19,000	17,805
Total.....	1,241,927	5.11	7,055,000	8,296,927	4,332,671
Interregional projects.....					456,727
Total.....	24,284,529	100.00	39,785,000	64,060,529	17,252,477

¹ Hearings before the Senate Foreign Relations Committee on the Mutual Security Act of 1954, pp. 384-385.

² Of this amount, \$9,957,621 was pledged subject to congressional approval.

³ The United States pledge represents approximately 22 percent of the total of pledges to the central fund and local contributions by assisted governments.

⁴ The total of funds allocated for country assistance is the estimated cost of projects approved by the Technical Assistance Board in December 1953 for execution in 1954. Additional projects may be approved as funds become available. The total shown does not include estimated central administrative and indirect operational costs of the participating organizations or the estimated cost of the secretariat of the Technical Assistance Board.

176 DEVELOPMENT OF TECHNICAL ASSISTANCE PROGRAMS

TABLE 34.—United States appropriations and pledges toward U. N. calendar year program and fiscal year funds from which pledges are met, 1952-55¹

	Fiscal year 1952	Fiscal year 1953	Fiscal year 1954	Fiscal year 1955
Appropriation.....	\$12,000,000	\$8,171,333	\$8,500,000	\$9,957,621
	Calendar year 1952	Calendar year 1953	Calendar year 1954	Estimated calendar year 1955
United States pledge.....	\$11,400,000	\$12,767,145	\$13,861,809	\$16,000,000
Fiscal year 1952 funds.....	11,400,000			
Fiscal year 1953 funds.....		8,171,333		
Fiscal year 1954 funds.....		4,595,812	3,904,188	
Fiscal year 1955 funds.....			9,957,621	?(8,000,000)

¹ Report of the Senate Committee on Foreign Relations on the Mutual Security Act of 1954, July 13, 1954, S. Rept. 1799, 83d Cong., p. 64. Table revised, Nov. 8, 1954.

² This sum has been authorized but not appropriated.

TABLE 35.—Obligations by United Nations specialized agency, 1950-54¹

	1950-51 obligations	1952 obligations	1953 obligations	1954 estimated obligations
U. N.....	\$1,196,733	\$5,432,200	\$5,279,592	\$4,658,600
ILO.....	336,316	1,875,562	2,268,106	2,275,200
FAO.....	2,013,347	6,355,577	6,049,060	5,688,500
UNESCO.....	1,075,454	3,533,762	2,727,081	2,704,500
ICAO.....	302,056	941,542	1,014,940	865,000
WHO.....	1,332,865	4,353,970	4,178,806	4,376,600
TAB.....	179,480	475,516	1,299,490	1,278,000
Total.....	6,436,251	22,968,129	22,817,075	21,846,400

¹ U. S. Department of State, UNI July 12, 1954.

III. ORGANIZATION OF AMERICAN STATES TECHNICAL ASSISTANCE PROGRAM

 TABLE 36.—Status of contributions pledged and paid for the program of technical cooperation 1951-54¹

Member country	1951 program		1952 program		
	Pledged	Paid	Pledged	Paid	Pending
Argentina.....	\$87,857.00	\$87,857.00	\$87,857.00	\$87,857.00	-----
Bolivia.....	-----	-----	7,388.00	-----	\$7,388
Brazil.....	128,000.00	128,000.00	128,000.00	128,000.00	-----
Chile.....	23,429.00	23,429.00	23,429.00	23,429.00	-----
Colombia.....	26,857.00	26,857.00	26,857.00	26,857.00	-----
Costa Rica.....	2,429.00	2,429.00	2,429.00	2,429.00	-----
Cuba.....	17,143.00	17,143.00	17,143.00	-----	17,143
Dominican Republic.....	4,571.43	4,571.43	5,260.00	5,260.00	-----
Ecuador.....	6,142.00	6,142.00	6,142.00	6,142.00	-----
El Salvador.....	4,571.00	4,571.00	4,571.00	4,571.00	-----
Guatemala.....	5,000.00	5,000.00	5,000.00	5,000.00	-----
Haiti.....	2,000.00	2,000.00	2,000.00	2,000.00	-----
Honduras.....	3,143.00	3,143.00	3,500.00	3,500.00	-----
Mexico.....	14,758.29	14,758.29	-----	-----	-----
Nicaragua.....	3,000.00	3,000.00	3,000.00	3,000.00	-----
Panama.....	2,714.00	2,714.00	2,714.00	2,714.00	-----
Paraguay.....	-----	-----	-----	-----	-----
Peru.....	17,428.57	17,428.57	-----	-----	-----
United States.....	882,143.00	882,143.00	839,578.00	839,578.00	-----
Uruguay.....	19,100.00	19,100.00	19,100.00	19,100.00	-----
Venezuela.....	13,764.11	13,764.11	12,926.16	12,926.46	-----
Total.....	1,264,050.40	1,264,050.40	1,196,894.46	1,172,363.46	24,531

Member country	1953 program			1954 program		
	Pledged	Paid	Pending	Pledged	Paid	Pending
Argentina.....	\$87,857	\$87,857	-----	\$100,000.00	-----	\$100,000.00
Bolivia.....	-----	-----	-----	7,388.00	-----	7,388.00
Brazil.....	128,000	128,000	-----	150,000.00	-----	150,000.00
Chile.....	23,429	23,429	-----	34,452.00	-----	34,452.00
Colombia.....	39,494	39,494	-----	39,494.00	\$39,494	-----
Costa Rica.....	3,571	3,571	-----	3,571.00	3,571	-----
Cuba.....	17,143	-----	\$17,143	17,143.00	-----	17,143.00
Dominican Republic.....	6,722	6,722	-----	6,722.00	-----	6,722.00
Ecuador.....	4,571	-----	6,142	7,000.00	-----	7,000.00
El Salvador.....	6,142	4,571	-----	4,571.00	4,571	-----
Guatemala.....	5,000	5,000	-----	5,000.00	-----	5,000.00
Haiti.....	2,000	2,000	-----	2,000.00	2,000	-----
Honduras.....	3,500	3,500	-----	4,622.00	-----	4,622.00
Mexico.....	35,000	-----	35,000	-----	-----	-----
Nicaragua.....	3,000	3,000	-----	5,000.00	-----	5,000.00
Panama.....	2,714	2,714	-----	2,714.00	-----	2,714.00
Paraguay.....	5,000	-----	5,000	5,000.00	-----	5,000.00
Peru.....	-----	-----	-----	-----	-----	-----
United States.....	840,963	840,963	-----	1,000,000.00	750,000	250,000.00
Uruguay.....	13,865	13,865	-----	13,865.00	-----	13,865.00
Venezuela.....	22,688	22,688	-----	22,350.87	-----	22,350.87
Total.....	1,250,659	1,187,374	63,285	1,430,892.87	799,636	631,256.87

¹ Organization of American States, ESSE-Doc. 11/54 (English), Aug. 17, 1954, pp. 76-77.

STAFF STUDY NO. 1
MULTILATERAL TECHNICAL ASSISTANCE
PROGRAMS

March 11, 1955

179

FOREWORD

One of the specific questions which Senate Resolution 214 directs the Subcommittee on Technical Assistance Programs to consider is "the relationships between the technical assistance programs of the United Nations and of the Organization of American States and those conducted by the United States."

This study of the multilateral programs has been prepared by Pat M. Holt of the staff of the Foreign Relations Committee for the information of the subcommittee. It describes the technical assistance programs of the United Nations, the Organization of American States (OAS), and the Colombo plan.

Congress will shortly be called upon to decide a number of questions regarding American policy toward these programs. Foremost among these questions are:

1. To what extent should the United States participate in multilateral programs? In 1954, for every dollar which the United States contributed to the multilateral programs, it spent approximately \$7 on its own bilateral program. Would American policy objectives be better served by increasing or decreasing, or even by eliminating, the proportion going to multilateral agencies?

2. Should the United States change its method of contributing to the U. N. and OAS activities? As things now stand, no contribution to the U. N. can be pledged until the funds have been appropriated. Can a method be devised which will not only preserve congressional freedom of action but which will also give the U. N. advance knowledge of what contribution to expect from the United States? A collateral question is whether United States contributions should be made to the U. N. central account, as in the past, or to the individual specialized agencies, such as the Food and Agriculture Organization and the World Health Organization.

The present study explores some of the considerations involved in these and other questions relating to the multilateral programs. It is hoped that this objective discussion of the problems will be helpful to members of the subcommittee and of the Senate generally. No inferences should be drawn from this study as to the views of the subcommittee.

MIKE MANSFIELD,

Chairman, Subcommittee on Technical Assistance Programs.

MARCH 11, 1955.

MULTILATERAL TECHNICAL ASSISTANCE PROGRAMS

I. UNITED NATIONS

A. THE "REGULAR" AND "EXPANDED" PROGRAMS

Although the United Nations expanded technical assistance program dates from 1950, the U. N. has carried on technical assistance as a part of its regular work since 1946.

"Constitutionally," said David Owen, then head of the U. N. Economic Affairs Department, writing in *The Annals of The American Academy of Political and Social Science* in July 1950, "it is a question of obligation,"

Among the purposes of the U. N. stated in article 1 of the charter is "to achieve international cooperation in solving international problems of an economic, social, cultural, or humanitarian character. * * *" The preamble to the charter records the determination of "the peoples of the United Nations * * * to promote social progress and better standards of life in larger freedom" and "to employ international machinery for the promotion of the economic and social advancement of all peoples."

Chapters IX and X of the charter elaborate somewhat on these objectives. Under article 55, the U. N. is to promote, among other things, "higher standards of living, full employment, and conditions of economic and social progress and development." Responsibility for these functions is vested in the General Assembly and, under its authority, in the Economic and Social Council. Provision is made for bringing the various specialized agencies into relationship with the U. N., for initiating negotiations looking to the creation of additional specialized agencies, and for establishing economic, social, and other commissions.

Some of the specialized agencies were carrying on technical assistance programs even prior to formation of the U. N. The International Labor Organization, for example, had sent advisory missions on labor problems to its member countries from time to time ever since it was established in 1919.

The immediate antecedent of the U. N. program, however, was the social welfare advice which the United Nations Relief and Rehabilitation Administration provided to war-devastated liberated countries. These advisory services were taken over by the U. N. in December 1946 under the terms of General Assembly Resolution 58 (I). Under this resolution, experts were sent to advise governments on welfare services, fellowships were provided for training officials in social welfare, and advice was given on the manufacture of prosthetic appliances and the vocational training of physically handicapped persons. Demonstration equipment and technical publications were also furnished.

The program was at first limited to countries which had received help from UNRRA, but it has subsequently been extended to include all countries which ask for this type of assistance. Its object has been officially described as "the stimulation of social progress for its own sake and not only as an aspect of economic development."¹

U. N. technical assistance activities were broadened by two additional resolutions of the General Assembly in December 1948. One of these (Resolution 200 (III)) provided for advice on economic development programs, fellowships for foreign training of technicians from underdeveloped countries, and help in the organization of short-term training institutes within those countries. The second (Resolution 246 (III)) established an international center for training in public administration.

In the meantime, the various specialized agencies continued their own technical assistance activities. These activities, like those of the U. N. proper, were, and are, provided for in the regular budgets of the agencies and are known as the "regular" technical assistance programs as distinguished from the "expanded" program instituted in 1950.

It is difficult to measure the extent of technical assistance carried on under the regular budgets of the specialized agencies. By the very nature of these agencies, their work is technical and could be called "technical assistance" whenever somebody benefits from it.

Figures supplied by the Department of State from the reports of the agencies themselves indicate that these regular programs, in total, amount to between one-fourth and one-third of the expanded program, with wide variations between agencies. Here are the figures for 1953:

	Technical assistance	
	Regular program	Expanded program
	<i>Thousands</i>	<i>Thousands</i>
United Nations.....	\$1,800	\$5,101
Food and Agriculture Organization.....	200	6,049
World Health Organization.....	3,900	4,178
U. N. Educational, Scientific, and Cultural Organization.....	800	2,727
International Labor Organization.....	100	2,268
International Civil Aviation Organization.....	0	1,015
International Telecommunications Union.....	0	129
World Meteorological Organization.....	0	49
Total.....	6,800	22,817

An independent observer, however, has estimated the total technical assistance expenditures under regular budgets "at perhaps * * * \$20 million annually," or roughly the same size as the expanded program.²

This estimate is based on an allocation of two-thirds to three-fourths of the annual budgets of ILO, FAO, WHO, and UNESCO to technical services to governments and private organizations, "with a somewhat smaller proportion in the case of ICAO."

¹ United Nations Department of Public Information, United Nations Technical Assistance, Background Paper No. 74, Jan. 1, 1953, p. 5.

² Walter R. Sharp, The Institutional Framework for Technical Assistance, International Organization, August 1953, p. 343.

The activities carried on under the regular and expanded programs are frequently similar, but there is a distinction in purpose, or at least in emphasis. The "expanded" program is more heavily oriented toward economic development of underdeveloped countries. Although the "regular" programs likewise contain many projects which have this end in view, they also include some which do not—for example, WHO's mental-hygiene work in Western Europe.

In addition to, and separate from, these operations are the technical assistance activities of the International Bank for Reconstruction and Development and the International Monetary Fund. The bank has sent a number of missions to underdeveloped countries to make economic surveys and draw up plans of development. The fund has given technical advice to some countries on foreign exchange and currency problems. These two agencies are self-supporting and do not require annual contributions.

The technical-assistance aspects of the work of the United Nations Children's Fund (UNICEF) should also be noted. Although originally established to carry out primarily relief activities, UNICEF has recently given increasing emphasis to long-term maternal and child-welfare projects, sometimes in cooperation with FAO, WHO, or the United States bilateral program. UNICEF is financed by voluntary contributions.

The United States contributions to the regular technical assistance program, like the contributions of other countries, are included in the annual assessments levied by the specialized agencies on their members and are not stated separately. In 1954, the United States contributed the following percentages of the budgets of the U. N. and the agencies conducting regular technical assistance programs:

	<i>Percent</i>
United Nations.....	33.33
Food and Agriculture Organization.....	30
World Health Organization.....	33.33
United Nations Educational, Scientific, and Cultural Organization.....	33.33
International Labor Organization.....	25

On the basis of these percentages, the United States contribution to U. N. regular technical assistance programs would range from approximately two and a quarter million dollars to perhaps as much as seven and a half million, depending on how one measures the size of the "regular" programs. This amounts to from one-fourth to three-fourths of the United States contribution to the expanded program. In any event, the United States contribution is much smaller percentagewise to the regular than to the expanded program. In no case does it amount to more than one-third whereas in the expanded program it has consistently been more than one-half.

The immediate impetus for the establishment of the expanded program came from President Truman's inaugural address in 1949 in which he enunciated the point 4 concept and declared that, among other things, it "should be a cooperative enterprise in which all nations work together through the United Nations and its specialized agencies wherever practicable."

Following this speech, the United States offered a resolution in the U. N. Economic and Social Council requesting the Secretary General to prepare a comprehensive plan for an expanded cooperative program of technical assistance for economic development. The Secretary General's report, prepared in cooperation with the executive

heads of the specialized agencies, was completed in May 1949, and in August the Economic and Social Council adopted a resolution (222 A (IX)) establishing the program. The General Assembly gave its unanimous approval in resolution 304 (IV) November 16, 1949.

The first pledging conference was held the following June, and 55 governments agreed to contribute \$20 million for the first financial period, which covered the 18 months from July 1, 1950, to December 31, 1951. Subsequent financial periods have been on a calendar year basis.

B. ORGANIZATION AND ADMINISTRATION

The organizational structure of the U. N. Expanded Technical Assistance Program is shown in the chart on page 185. Overall administration is done by the Technical Assistance Board which consists of the executive heads, or their representatives, of the participating agencies. The Board has an executive chairman appointed by the U. N. Secretary General after consultation with the agencies.

Actual operations are carried out by the specialized agencies and the U. N. Technical Assistance Administration which is a sort of catchall organization created to cover fields in which no specialized agency existed—i. e., industry, transport, mining, public administration, and social welfare and community development. U. N.-TAA also administers the technical assistance programs of the International Telecommunications Union and the World Meteorological Organization.

Since the program was set up in 1949, there have been a number of significant organizational changes. These related to the operations of the Technical Assistance Board, to the appointment of U. N. resident representatives in countries receiving technical assistance, and to allocation of funds to the participating agencies. All of these changes have been in the direction of centralizing administration of the program.

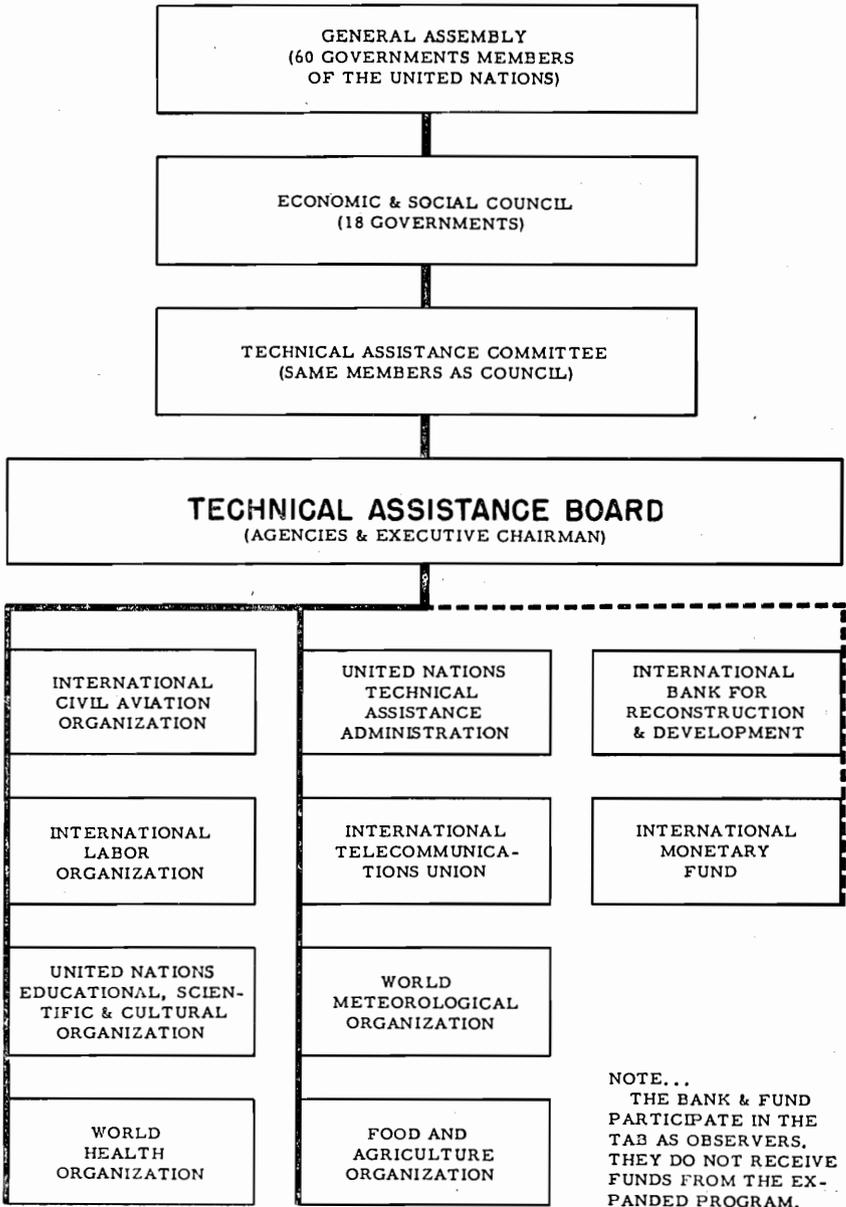
Technical Assistance Board

As it was originally established, the Technical Assistance Board did not have an executive chairman; the Secretary General of the U. N., or his representative, served as chairman ex officio. Within the TAB, each participating organization was to inform the others of requests to it for technical assistance. Each organization was to present annually its proposed program for the ensuing year, the TAB was to examine these programs in relation to each other and to make recommendations to the Technical Assistance Committee for transmission to the Economic and Social Council. The TAB was likewise to be a forum for general discussion of problems of coordination. Its decisions, on all but procedural matters, were to be "by general agreement."

In 1952, the Economic and Social Council provided for a full-time executive chairman of the Technical Assistance Board (resolution 433 A (XIV)). At the same time, it provided that although the Board would "normally" act through general agreement, it could also act through agreement between the executive chairman and a majority of the members present and voting. In cases of disagreement between the executive chairman and such a majority, either could refer the question to the Technical Assistance Committee.

Moreover, the executive chairman is authorized to act on the Board's behalf when it is not in session, to make recommendations to

UNITED NATIONS EXPANDED PROGRAM OF TECHNICAL ASSISTANCE



it on proposed activities, and to evaluate the effectiveness of the various participating agencies. He has also been given authority to allocate up to 5 percent of the funds available during a year to meet "urgent needs which may arise during the implementation of the annual program."

Resident representatives

In most countries where the U. N. carries on a technical assistance program of significant size, there is a resident representative, who is responsible to the Chairman of the Technical Assistance Board and who functions at the country level in a manner roughly analogous to that in which TAB functions at the international level.

It is the job of the resident representative, in addition, to provide administrative services for all the U. N. agencies and experts operating in the country. Beyond this, however, he is supposed to exercise a general coordinating influence, in cooperation with officials of the government concerned and with officials of any other technical-assistance programs that may be in operation.

Except as he can exercise it through qualities of personal leadership, however, the resident representative does not have the authority of the United States mission chief. He is responsible to the Technical Assistance Board, while the various technicians whose work he is supposed to coordinate are responsible to their own specialized agencies. In some cases, requests for assistance have been agreed to by a specialized agency without the knowledge of the resident representative. Although this practice appears to be less prevalent today than it was 2 years ago, there is considerable evidence that the specialized agencies have been something less than enthusiastic toward even the idea of a resident representative. They have expressed the view that a resident representative has only a limited field of usefulness, and this in purely administrative tasks, but, in the opinion of the U. N. Advisory Committee on Administrative and Budgetary Questions, they have failed to make adequate use of his services even there. Some agencies continue to provide administrative and support services which could be performed by the resident representative, and some have even gone so far as to establish their own regional representatives. In the words of the Advisory Committee's report to the Ninth General Assembly, this "involves much overlapping and proliferation of staff."

In July 1954, the Economic and Social Council moved to strengthen the resident representative's position somewhat by directing that country programs should be formulated "by the requesting governments in consultation with the resident representatives." This was approved by the General Assembly in November 1954.

Agency allocations

At the beginning, the Technical Assistance Board was bound to allocate the bulk of the funds according to the following scale:

	<i>Percent</i>
United Nations.....	23
International Labor Organization.....	11
Food and Agriculture Organization.....	29
United Nations Educational, Scientific, and Cultural Organization.....	14
International Civil Aviation Organization.....	1
World Health Organization.....	22

This scale has governed the allocation of varying amounts of the funds available to the expanded program. For the first financial period, from mid-1950 through 1951, the scale applied to all of the first \$10 million in contributions and to 70 percent of the second \$10 million. In 1952, it applied to 50 percent of all contributions and in 1953 to 50 percent with a proviso that a minimum of \$10 million was to be allocated according to the scale. In 1954, the scale applied to 75 percent of total contributions. The table below shows actual obligations by each agency and by the Technical Assistance Board.

This scale, however, was abolished by ECOSOC in July 1954, and TAC was given power to make all allocations on the basis of requests submitted by governments, and subject to the confirmation of the General Assembly. No specialized agency is to suffer a reduction of more than 15 percent from the preceding year (unless, of course, the total funds available are reduced by more than that amount). The new method of allocation will be effective for the 1956 program.

United Nations expanded program of technical assistance, obligations by agency, 1950-54

	1950-51		1952		1953		1954	
	Obligations	Per-cent	Obligations	Per-cent	Obligations	Per-cent	Obligations	Per-cent
U. N. ¹	\$1, 196, 733	18. 6	\$5, 432, 200	23. 7	\$5, 279, 592	23. 1	\$4, 653, 408	23. 84
ILO.....	356, 316	5. 2	1, 875, 562	8. 2	2, 268, 106	9. 9	1, 963, 275	10. 06
FAO.....	2, 013, 347	31. 3	6, 355, 577	27. 7	6, 049, 060	26. 5	4, 714, 747	24. 16
UNESCO.....	1, 075, 454	16. 7	3, 533, 762	15. 5	2, 727, 081	12. 0	2, 416, 290	12. 38
ICAO.....	302, 056	4. 7	941, 542	4. 1	1, 014, 940	4. 4	753, 782	3. 86
WHO.....	1, 332, 865	20. 7	4, 353, 970	19. 0	4, 178, 806	18. 3	3, 739, 000	19. 16
TAB.....	179, 480	2. 8	475, 516	2. 1	1, 299, 490	5. 7	1, 277, 300	6. 54
Total.....	6, 436, 251	100. 0	22, 968, 129	100. 0	22, 817, 075	100. 0	19, 517, 802	100. 00

¹ Includes International Telecommunications Union and World Meteorological Organization.

There has been a discernible trend toward centralizing the United Nations program, though it remains loosely organized compared to the United States program. In the beginning, TAB's examination was made of the programs of the specialized agencies in relation to each other. TAB looked at the worldwide program of the Food and Agriculture Organization, for example, as related to the worldwide program of UNESCO.

TAB now looks first at a country program, and fits the agencies' operations into that.

If the United States technical assistance program were organized comparably to the U. N. program, there would be no Foreign Operations Administration but instead an interdepartmental committee composed of representatives of Departments such as Agriculture, Labor, and Health, Education, and Welfare. Each of the Departments concerned would have its own experts in the field, and each would have its own administrative facilities in Washington. The experts would be responsible, not to the FOA mission chief or the ambassador in each country, but to their own departments.

This is, indeed, roughly the situation which existed in regard to United States bilateral technical assistance prior to passage of the Act

for International Development in 1950. In the early days, when the United States program was very much smaller, it was largely carried out by the individual departments concerned. As the United States program has expanded, centralization has proceeded apace—the same trend that is noticeable in the U. N. program, but at a much faster tempo.

Differences inherent in bilateral and multilateral programs, however, make it unsound to carry analogies too far. For one thing, the specialized agencies do not by any means have the same relationship to the United Nations as do United States executive departments to the United States Government. The latter are parts of the United States Government and in their actions are indistinguishable from it. The specialized agencies, on the other hand, are not parts of the U. N.; they are separate, independent international organizations of sovereign states. This distinction is not always made, however, by the private citizens with whom the various agencies come into contact.

Administrative costs

Considerable attention has been given to U. N. administrative costs, and some of the most vigorous criticism has come from within the U. N. itself. The Advisory Committee on Administrative and Budgetary Questions in a report in June 1954 found that “the level of administrative expenditure appears to be unduly high.” Overall administrative and indirect operational costs of the expanded program, the Committee reported, amounted to 22 percent of the total in 1953 and to 21 percent in 1954. The Committee recommended efforts to achieve a reduction to 17 to 19 percent in 1955 with an ultimate goal of 12 percent. It pointed out that current administrative costs are particularly high in view of the many administrative services provided by recipient governments.

The Committee attributed this high level of administrative costs to a number of factors, most of them having to do with the program’s organizational dispersal among the specialized agencies.

The Committee found, for example, that the specialized agencies draw too sharp a distinction between the “regular” and the “expanded” programs. It criticized a tendency on the part of the agencies to set up separate technical assistance departments to deal with expanded program activities. This is contrary, the Committee pointed out, to the principles laid down by the Economic and Social Council that the activities of the agencies under the expanded program “should be such as to be suitable for integration with their normal work” and that the agencies should “insure the fullest use of any existing facilities.”

The committee further noted that “administrative arrangements and administrative procedures continue to be governed by factors which, as it seems, have less to do with the exigencies of the program than with the constitutional relationship between those organizations.”

It is virtually impossible to compare U. N. and United States administrative costs. For one thing, the U. N. figures cited above include not only purely administrative costs but also “indirect operational costs.” If these latter are omitted, the cost of administration is reduced by about half. For another thing, the United States program is not ad-

ministered independently and one cannot break out of the FOA budget that portion devoted to administering technical, as distinguished from economic, assistance. When the United States program was administered separately by the Technical Cooperation Administration in the Department of State, however, administrative costs ran to about 11 percent.

C. FINANCE

From the beginning, the U. N. expanded technical assistance program has had finance as one of its major problems. The "regular" technical assistance program is paid for out of the regular budgets of the U. N. and the specialized agencies and is therefore financed through assessments on the member states, as a part of their dues of membership. This is not true of the "expanded" program which depends on voluntary contributions and consequently leads a somewhat precarious financial existence. Through the end of 1954, the voluntary contributions had always been forthcoming, but sometimes so close to the last moment as to keep the program in a constant state of uncertainty.

The history of contributions to the expanded program is set forth in the tables on pages 10-12. The story of United States contributions, which have ranged between 55 and 60 percent of the total, is shown in the table on page 193.

United Nations expanded program of technical assistance—Comparative table of pledges and payments, as of Jan. 31, 1955

[United States dollar equivalent]

Country	1950-51		1952		1953		1954	
	Pledge	Payment	Pledge	Payment	Pledge	Payment	Pledge	Payment
Afghanistan.....	7,001	7,001	7,001	7,001	10,000	10,000	10,000	10,000
Argentina.....	200,000	200,000	200,000	200,000	200,000	200,000	300,000	300,000
Australia.....	400,921	400,921	190,000	190,000	400,000	400,000	400,000	400,000
Austria.....	19,231	19,231	19,231	19,231	19,231	19,231	19,231	9,616
Belgium.....	270,000	270,000	270,000	270,000	297,000	270,000	337,500	270,000
Bolivia.....	12,500	12,500	12,500	12,500	25,000	25,000	7,895	7,895
Brazil.....	459,459	459,459	459,459	459,459	459,459	374,551	540,541	165,081
Burma.....	7,500	7,500	8,000	8,000	12,000	12,000	12,000	12,000
Byelorussian S. S. R.....							50,000	50,000
Cambodia.....			5,000	5,000	5,000	5,000		
Canada.....	772,727	772,727	750,000	750,000	800,000	800,000	1,500,000	1,500,000
Ceylon.....	15,009	15,009	15,000	15,000	15,000	15,000	15,000	15,000
Chile.....	90,000	90,000	174,194	174,194	209,032	209,032	58,909	58,909
China.....	10,000	10,000	10,000	10,000	10,000	10,000	15,000	15,000
Colombia.....	51,020	51,020	100,000	100,000	100,000	100,000	140,000	140,000
Costa Rica.....	5,000	5,000	5,000	5,000	5,000	5,000	6,000	6,000
Cuba.....	50,000	50,000	50,000		50,000			
Czechoslovakia.....							69,444	69,444
Denmark.....	95,555	95,555	108,585	108,585	434,342	434,342	434,342	322,619
Dominican Republic.....			6,000	6,000	10,000	10,000	10,000	10,000
Ecuador.....	6,300	6,300	6,300	6,300	6,400	6,400	6,400	205
Egypt.....	81,850	81,850	81,850	81,850	86,157	86,157	86,157	86,157
El Salvador.....	5,000	5,000	5,000	5,000	6,000	6,000	6,000	6,000
Ethiopia.....	20,129	20,129	20,000	20,000	20,000	20,000	20,000	20,000
Federal Republic of Germany.....			119,048	119,048	148,810	148,810	148,810	148,810
Finland.....	5,000	5,000	10,000	10,000	10,000	10,000	10,000	10,000
France.....	1,207,500	1,207,500	1,064,643	1,064,643	1,207,500	1,207,500	1,207,500	1,207,500
Greece.....	20,295	20,295	20,295	20,295	20,295	20,295	5,000	5,000
Guatemala.....	5,000	5,000	7,500	7,500	7,500	7,500	7,500	7,500
Haiti.....	6,000	6,000	12,000	12,000	12,000	12,000	12,000	12,000
Honduras.....	8,000	8,000	8,000	8,000	9,600	9,600	8,000	8,000
Iceland.....			2,500	2,500	2,800	2,800	2,806	2,806
India.....	250,000	250,000	275,000	275,000	275,000	275,000	300,000	300,000
Indonesia.....	121,522	121,522	43,860	43,860	63,585	63,585	65,790	65,790
Iran.....	40,000	40,000	40,000	40,000	40,000	40,000	50,000	
Iraq.....	5,005	5,005	5,000	5,000	11,201	11,201	14,002	
Ireland.....	13,994	13,994	14,002	14,002			14,001	
Israel.....	27,983	27,983	28,003	28,003	40,000	40,000	50,000	40,000
Italy.....	93,000	93,000	93,000	93,000	93,000	93,000	96,000	
Japan.....			80,000	80,000	80,000	80,000	80,000	80,000
Jordan.....							2,815	2,815

Korea.....	5,000	5,000	5,000	3,000	3,000	3,000	3,000	3,000
Laos.....			5,000	5,000	2,823	2,823	2,857	2,857
Lebanon.....	6,556	6,556	6,846	6,846	6,846	6,846	6,846	6,846
Liberia.....	8,000	8,000	12,000	12,000	12,000	12,000	15,000	15,000
Libya.....					3,000	3,000	3,600	3,600
Liechtenstein.....							467	
Luxembourg.....	2,520	2,520	2,500	2,500	2,500	2,500	2,500	2,500
Mexico.....			34,682	34,682	34,682	34,682	34,682	
Monaco.....	2,857	2,857	2,857	2,857	1,143	1,143	1,429	1,429
Netherlands.....	400,000	400,000	400,000	400,000	421,053	421,053	600,000	600,000
New Zealand.....	124,138	124,138	126,015	126,015	125,593	125,593	125,593	125,593
Nicaragua.....			5,000	5,000	5,000	5,000	5,000	
Norway.....	34,999	34,999	55,999	55,999	69,999	69,999	97,998	97,998
Pakistan.....	140,663	140,663	151,103	151,103	166,213	166,213	166,213	166,213
Panama.....			3,000	3,000	3,000	3,000	3,000	3,000
Paraguay.....			5,000	5,000	5,000	5,000	8,000	
Peru.....					10,000		12,000	
Philippines.....	50,000	50,000	50,000	50,000	50,000	50,000	55,000	55,000
Poland.....					75,000		75,000	75,000
Saudi Arabia.....			15,000	15,000	15,000	15,000	15,000	15,000
Sweden.....	96,525	96,525	357,336	357,336	386,623	386,623	483,279	483,279
Switzerland.....	233,645	233,645	218,862	218,862	231,852	231,852	233,372	233,372
Syria.....	11,410	11,410	11,410	11,410	11,410	11,410	11,410	
Thailand.....	19,758	19,758	34,000	34,000	40,000	40,000	40,000	40,000
Turkey.....	183,638	183,638	182,000	182,000	183,571	183,571	201,495	201,495
Ukrainian S. S. R.....							125,000	125,000
United Kingdom.....	2,128,255	2,128,255	1,260,151	1,260,151	1,400,168	1,400,168	1,820,218	1,820,218
United States.....	12,007,500	12,007,500	11,400,000	11,400,000	12,767,145	12,767,145	* 13,861,809	* 13,861,809
Uruguay.....	99,408		50,000	50,000	75,000	75,000	75,000	
Vatican City.....							2,000	
Venezuela.....	44,000	44,000	20,000	20,000	25,000	25,000	45,000	45,000
Vietnam.....			7,500	7,500	7,500	7,500	7,500	7,500
Yemen.....	4,200	4,200			2,100	2,100	2,100	2,100
Yugoslavia.....	50,000	50,000	50,000	50,000	62,500	62,500	82,500	82,500
Subtotal.....	20,035,578	19,936,170	18,797,232	18,745,232	21,405,633	21,135,725	24,342,511	23,433,456
U. S. S. R. ¹					1,000,000	1,000,000	1,000,000	1,000,000
Total.....	20,035,578	19,936,170	18,797,232	18,745,232	22,405,633	22,135,725	25,342,511	24,433,456
Number of countries pledging per year.....	54		65		69		74	

¹ Of this amount \$3,171,333 was paid from funds appropriated for fiscal year 1953 and \$4,595,812 from funds appropriated for fiscal year 1954.

² Of this amount \$3,904,188 was contributed from funds appropriated for fiscal year 1954 and \$9,957,621 from funds appropriated for fiscal year 1955.

³ Pledge for 1953 program originally offered in July 1953 with limitations attached which made it unacceptable. These limitations were removed in March 1954 and contribution was then accepted. In June 1954 the U. S. S. R. offered 4 million rubles, equivalent to \$1 million, for the 1954 program.

NOTE.—These figures represent contributions to the U. N. technical assistance special account from which allocations to the participating agencies are made. They do not include contributions made by recipient governments to the cost of projects carried out in their own countries in local currency or goods and services. These local contributions are estimated to be approximately twice the cost borne by the participating agencies financed from the special account.

UNITED NATIONS EXPANDED PROGRAM OF TECHNICAL ASSISTANCE, CALENDAR YEAR 1955

Contributions pledged as of Jan. 31, 1955

Country	Amount pledged (dollar equivalent)	Country	Amount pledged (dollar equivalent)
Afghanistan.....	10,000	Indonesia.....	65,790
Argentina.....	300,000	Iran.....	50,000
Australia.....	500,000	Iraq.....	14,002
Austria.....	38,462	Israel.....	27,778
Belgium.....	337,500	Italy.....	200,000
Bolivia.....	7,895	Lebanon.....	6,846
Brazil.....	486,486	Liberia.....	15,000
Burma.....	12,000	Libya.....	4,000
Byelorussian S. S. R.....	50,000	Luxembourg.....	2,500
Cambodia.....	2,000	Mexico.....	24,000
Canada.....	1,500,000	Netherlands.....	660,000
Ceylon.....	18,000	Norway.....	400,000
Chile.....	100,000	Pakistan.....	166,213
China.....	15,000	Paraguay.....	8,000
Colombia.....	140,000	Philippines.....	55,000
Costa Rica.....	7,000	Poland.....	75,000
Czechoslovakia.....	69,444	Saudi Arabia.....	15,000
Denmark.....	550,166	Sweden.....	579,934
Dominican Republic.....	20,000	Switzerland.....	233,372
Ecuador.....	6,667	Syria.....	11,867
Egypt.....	100,517	Thailand.....	40,000
El Salvador.....	7,000	Turkey.....	201,495
Ethiopia.....	20,000	Ukrainian S. S. R.....	125,000
Finland.....	15,000	United Kingdom.....	2,240,000
France.....	1,448,571	Uruguay.....	100,000
Germany, Federal Republic of.....	148,810	U. S. S. R.....	1,000,000
Greece.....	5,000	Vatican City.....	2,000
Guatemala.....	7,500	Venezuela.....	150,000
Haiti.....	12,000	Yugoslavia.....	82,500
Honduras.....	8,000		
Iceland.....	2,806		
India.....	400,000		
		Total.....	12,901,121
Number of countries pledging for 1954.....			73
Number of countries pledging for 1955.....			61
Number of countries increasing pledges over 1954 pledges.....			21

Contributions paid as of Feb. 28, 1955

Denmark.....	\$72,390
United Kingdom.....	840,000
Vatican City.....	2,000
Venezuela.....	100,000
Total.....	1,014,390

United States contributions to United Nations expanded program of technical assistance

United States fiscal year	Amount authorized	Amount appropriated	United States pledge for calendar year U. N. program	Remarks
Ending June 30, 1951.....	\$12,007,500	\$12,007,500	\$12,007,500 (1950-51).	\$8,171,333 paid from fiscal year 1953 funds. \$4,595,812 was pledged subject to the appropriation of funds, and subsequently paid from fiscal year 1954 funds.
Ending June 30, 1952.....	12,000,000	12,000,000	11,400,000 (1952)....	
Ending June 30, 1953.....	14,708,750	8,171,333	12,767,145 (1953) ...	
Ending June 30, 1954.....	12,750,000	8,500,000	13,861,809 (1954)....	\$3,904,188 paid from fiscal year 1954 funds. \$9,957,621 was pledged subject to the appropriation of funds. This amount was appropriated for fiscal year 1955.
Ending June 30, 1955.....	17,958,000	9,957,621	-----	Appropriation Act precludes any further United States pledge until funds have been appropriated. ²

¹ Includes \$9,957,621 to pay balance of calendar year 1954 pledge and \$8 million for approximately 1/2 of calendar year 1955.

² On Feb. 10, 1955, President requested \$8 million supplemental appropriation to cover contribution for first half of calendar 1955.

In 1954, contributions were pledged by 74 countries—a number greater than the total membership of the U. N. Non-U. N. members making pledges included Austria, Ceylon, the Federal Republic of Germany, Finland, Ireland, Italy, Japan, Jordan, Korea, Laos, Libya, Liechtenstein, Monaco, Switzerland, Vatican City, and Vietnam. Cambodia, another nonmember, contributed in 1952 and 1953, but not in 1954. Among the members of the U. N. only the Union of South Africa has never contributed.

Five countries—Canada, France, the United Kingdom, United States, and Soviet Union—together contributed \$19.4 million, or not quite four-fifths of the total. The breakdown, aside from the United States contribution of \$13.8 million, is as follows:

Contributions of—

\$1,000,000 to \$2,000,000 from 4 countries: Canada, France, United Kingdom, U. S. S. R.

\$500,000 to \$1,000,000 from 2 countries: Brazil and the Netherlands.

\$250,000 to \$500,000 from 6 countries: Argentina, Australia, Belgium, Denmark, India, and Sweden.

\$100,000 to \$250,000 from 7 countries: Colombia, Federal Republic of Germany, New Zealand, Pakistan, Switzerland, Turkey, Ukrainian S. S. R.

\$50,000 to \$100,000 from 14 countries: Byelorussia S. S. R., Chile, Czechoslovakia, Egypt, Indonesia, Iran, Israel, Italy, Japan, Norway, Philippines, Poland, Uruguay, Yugoslavia.

\$10,000 to \$50,000 from 18 countries: Afghanistan, Austria, Burma, Ceylon, China, Dominican Republic, Ethiopia, Finland, Haiti, Iraq, Ireland, Liberia, Mexico, Peru, Saudi Arabia, Syria, Thailand, and Venezuela.

Less than \$10,000 from 24 countries: Bolivia, Cambodia, Costa Rica, Cuba, Ecuador, El Salvador, Greece, Guatemala, Honduras, Iceland, Jordan, Korea, Laos, Lebanon, Libya, Liechtenstein, Luxembourg, Monaco, Nicaragua, Panama, Paraguay, Vatican City, Vietnam, and Yemen.

The resolution of the Economic and Social Council establishing the U. N. program laid down as one of the "guiding principles" that governments requesting technical assistance—

should be expected to agree * * * normally to assume responsibility for a substantial part of the costs of technical services with which they are provided, at least that part which can be paid in their own currencies.

These local contributions amount to more than twice the U. N. allocations for country assistance—in 1954, \$39.8 million against \$17.3 million (both figures estimated). They are in addition to what the recipient countries pay into the central account. (See table, below.)

Countries receiving U. N. technical assistance, 1954

	U. N. fund allocation (estimated)	Local contribution (estimated)	Country contribution or pledge to central account
Europe:			
Austria.....	\$29,989	\$333,000	\$19,231
Finland.....	19,675	50,000	10,000
Greece.....	95,341	35,000	5,000
Iceland.....	1,015	3,000	2,806
Italy.....	44,900	21,000	96,000
Spain.....	15,000	1,000	-----
Turkey.....	522,467	1,281,000	201,495
Yugoslavia.....	666,572	1,426,000	82,500
Portugal.....	5,037	5,000	-----
Ukrainian S. S. R.....	-----	-----	125,000
	1,399,996	3,155,000	542,032
Near East and Africa:			
Regional projects.....	435,234	53,000	-----
Egypt.....	543,373	350,000	86,157
Ethiopia.....	261,462	480,000	20,000
Iran.....	784,711	863,000	50,000
Iraq.....	451,826	997,000	14,002
Israel.....	328,114	1,454,000	50,000
Lebanon.....	82,153	79,000	6,846
Libya.....	631,751	600,000	3,600
British West Africa.....	8,200	-----	-----
French Africa.....	17,805	313,000	-----
Gambia.....	6,000	7,000	-----
Gold Coast.....	48,375	40,000	-----
Liberia.....	215,991	99,000	15,000
Morocco.....	17,345	173,000	-----
Nigeria.....	32,867	135,000	-----
Somaland.....	24,000	4,000	-----
Sudan.....	14,000	-----	-----
Tanganyika.....	47,687	37,000	-----
Tunisia.....	41,325	139,000	-----
Uganda.....	19,754	-----	-----
Jordan.....	216,180	121,000	2,800
Syria.....	361,403	1,892,000	11,410
Cyprus.....	12,015	5,000	-----
Saudi Arabia.....	130,735	692,000	15,000
Yemen.....	38,687	5,000	2,100
Afghanistan.....	424,760	787,000	10,000
	5,195,753	9,325,000	286,915
Asia and the Far East:			
Regional projects.....	577,425	-----	-----
Burma.....	627,645	828,000	12,000
Cambodia.....	119,852	143,000	-----
Ceylon.....	449,866	3,834,000	15,000
China (Taiwan).....	178,422	590,000	15,000
Hong Kong.....	28,575	65,000	-----
India.....	986,068	5,855,000	300,000
Indonesia.....	725,729	2,888,000	65,790
Japan.....	4,071	3,000	80,000
Korea.....	10,250	1,000	3,000
Laos.....	49,377	15,000	2,857
Malaya.....	76,141	240,000	-----
Nepal.....	72,578	14,000	-----
North Borneo.....	60,458	30,000	-----
New Zealand.....	-----	-----	125,593

Countries receiving U. N. technical assistance, 1954—Continued

	U. N. fund allocation (estimated)	Local con- tribution (estimated)	Country contribution or pledged to central account
Asia and the Far East—Continued			
Pakistan.....	\$854,470	\$3,071,000	\$166,213
Philippines.....	269,759	587,000	55,000
Samoa.....	2,050	-----	-----
Sarawak.....	17,508	81,000	-----
Singapore.....	91,486	97,000	-----
Thailand.....	663,753	1,875,000	40,000
Vietnam.....	10,847	33,000	7,500
	5,867,330	20,250,000	887,953
Latin America:			
Regional projects.....			
Bolivia.....	1,083,731	1,140,000	-----
Brazil.....	281,286	181,000	7,895
Chile.....	379,951	761,000	540,541
Colombia.....	251,037	525,000	58,909
Costa Rica.....	212,010	511,000	140,000
Cuba.....	137,410	300,000	6,000
Dominican Republic.....	29,050	17,000	-----
Ecuador.....	61,146	203,000	-----
El Salvador.....	263,427	373,000	6,400
Guatemala.....	179,352	287,000	7,000
Haiti.....	144,775	123,000	7,500
Honduras.....	117,688	124,000	12,000
Mexico.....	90,425	170,000	8,000
Nicaragua.....	327,719	1,310,000	34,682
Panama.....	79,975	43,000	5,000
Paraguay.....	131,235	n. a.	3,000
Peru.....	257,438	515,000	8,000
Uruguay.....	140,136	382,000	12,000
Venezuela.....	42,150	5,000	75,000
British Guiana.....	43,500	34,000	45,000
Jamaica.....	16,200	8,000	-----
Trinidad.....	45,225	24,000	-----
	17,805	19,000	-----
	4,332,671	7,055,000	976,927
Interregional projects.....	456,727	-----	-----
	¹ 17,252,477	39,785,000	2,693,827

¹ The total of funds allocated for country assistance is the estimated cost of projects approved by the Technical Assistance Board in December 1953 for execution in 1954. Additional projects may be approved as funds become available. The total shown does not include estimated central administrative and indirect operational costs of the participating organizations or the estimated cost of the secretariat of the Technical Assistance Board.

The fact is that, despite the financial vicissitudes to which it is subject, the program has not substantially varied in size since it got underway. During the calendar years 1952, 1953, and 1954, its total obligations have amounted to \$23 million, \$22.8 million, and \$19.5 million, respectively. This is a variation of approximately 17 percent. By contrast, during the fiscal years of 1952, 1953, and 1954, obligations for the United States bilateral program (including an indeterminate amount of economic aid) have amounted to \$121.7 million, \$138.0 million, and \$108.8 million, respectively—a variation of almost 27 percent.

Problems of planning and management

Although the United Nations program has so far eventually received the money to keep it on a relatively even keel, it has rarely had certain knowledge in advance that this would be the case. As a consequence, advance, long-range planning has been made extremely difficult. The same uncertainty of available funds characterizes administration of the United States program, of course, but appropriations for the United

States program have rarely come as late in the financial year as have contributions to the U. N. program. One of the reasons for this is that the United States, as the contributor of more than half of the U. N. funds, appropriates its contributions according to its own fiscal years, whereas the U. N. operates on a calendar-year basis. Thus, for the calendar year 1953 (which is also the U. N. fiscal year), the United States pledged \$12.8 million. Of this amount, \$8.2 million was appropriated for United States fiscal year 1953, and \$4.6 million was appropriated for United States fiscal year 1954—which meant that it was not paid until the last 6 months of calendar 1953.

The U. N. program's financial operations are further complicated by the fact that it receives its money in literally dozens of currencies, some of which are not freely convertible. Thus, U. N. programs have to be planned not only with an eye on how much money is available but also with regard to the areas in which that money can be spent and the goods and services which can be bought in those areas.

The U. N. has sought in three ways to bring greater financial certainty into the program. It has established a special reserve fund for which \$3 million is set aside annually and which it is hoped will eventually reach \$12 million. Existence of a fund of this size is expected to make it possible to plan on a longer range basis and to carry on programs out of reserves pending the receipt of new contributions. In addition, the U. N. has appealed repeatedly to governments to pay their contributions as much as possible in convertible currencies and also, within constitutional limitations, to make pledges of contributions covering a number of years.

Existence of a reserve fund should make possible better currency management, but the problem of inconvertible currencies can probably never be completely solved except on a more general basis.

A few countries have heeded the call to make pledges for more than 1 year. In 1953, Indonesia made a 3-year pledge, and in 1954, Denmark, the Netherlands, Switzerland, and Italy made pledges of annual contributions which would carry through to 1959.

Problems of United States policy

As the contributor of more than half of the total, however, the United States is the predominant influence for fiscal stability or instability in the program. In the Mutual Security Act of 1954, Congress authorized the appropriation of \$18 million, of which \$10 million was to meet the balance of the United States pledge for calendar 1954 and \$8 million was for approximately one-half of the contemplated pledge for calendar year 1955. In the Mutual Security Appropriations Act, 1955, the \$10 million for calendar 1954 was appropriated, but no appropriation was made for calendar 1955. Further, a proviso in the Appropriation Act forbade any subsequent pledge until appropriations had been made.

The immediate effect of this action was to make it impossible for the United States to make any pledge for 1955 at the pledging conference held in November 1954, because funds had not been appropriated even though they had been authorized. On February 10, 1955, the President asked Congress for a supplemental appropriation of \$8 million for the United States contribution to the U. N. program for the first half of the calendar year 1955.

There still remains, however, the question of the manner and extent of United States participation in the U. N. program, assuming that this country wishes to participate at all.

One method might be an initial appropriation for 2 years, followed by annual appropriations, so that the contribution available from the United States would be known in advance. The appropriation might be made subject to a proviso that in no event could the United States contribution exceed 50 percent—or some other agreed percentage—of the total. This would provide a safeguard against the possibility of other nations reducing their contributions on the theory that the United States would take up the slack. A matching policy on the part of the United States might also encourage other contributors.

This policy has been roughly followed in connection with United States contributions to the technical assistance program of the Organization of American States. Even though funds have been appropriated, they are contributed in installments based on pledges and contributions from other nations (see p. 29).

Another way for the United States to participate in the U. N. program would be through direct appropriations to the various specialized agencies concerned. This course, which would bypass the U. N. proper, was suggested after the Economic and Social Council scrapped the percentage allocation to the specialized agencies.

In favor of appropriations to the specialized agencies, it is argued that Congress would be enabled to determine more precisely the purposes for which the appropriations would be used—e. g., health, agriculture, etc.—and would not be put in the position of turning the money over to the U. N. with no strings attached. It is argued further that direct appropriations to the specialized agencies would make possible savings in central administrative costs and that the technicians in the specialized agencies are better able to plan intelligent programs than are the members of the U. N. Technical Assistance Board. Finally, it is pointed out that members of the Soviet bloc do not participate in the specialized agencies to the extent that they take part in the U. N.

On the other hand, it is argued that appropriations direct to the specialized agencies would fragment the program and would make the problem of coordination even more difficult. One of the criticisms that has been leveled against the U. N. program is that each of the specialized agencies has naturally tended to emphasize the importance of its own particular field, to the detriment of a well-rounded development program. If all the contributors dealt directly with the specialized agencies, it is argued, the results would be chaotic, and an analogy is drawn to the situation which would prevail if United States bilateral technical assistance funds were appropriated directly to the Department of Agriculture, the Department of Health, Education, and Welfare, and other agencies without reference to FOA or the State Department. It is recalled that the 1949 resolution of the Economic and Social Council establishing the U. N. program specifically provides that "contributions shall be made without limitation as to use by a specific agency or in a specific country or for a specific project."

In its appropriations for the United States bilateral programs, Congress has never attempted to specify funds for particular fields of activity, and has allocated funds among areas only in the most gen-

eral way. And as to participation of the Soviet bloc in determining how U. N. funds shall be spent, it is pointed out that the Soviet bloc already participates in some of the specialized agencies and may join others at any time, and in any event has no greater influence in the U. N. (through the Technical Assistance Committee and the General Assembly) than it has in the specialized agencies to which it belongs.

Problems of Soviet participation

The relationship of the Soviet Union to the U. N. technical assistance program raises important questions from both a financial and an operating standpoint. When the U. N. program was begun, the Soviets refused to have anything to do with it. In 1953, however, they suddenly announced a contribution of 4 million rubles (\$1 million at the official exchange rate). The contribution originally had conditions attached to it which made it unacceptable to the U. N., but these were removed and it was paid early in 1954.

For the 1954 program, the Soviets contributed another 4 million rubles, and for 1955 they have pledged an additional 4 million.

One possible course for the United States to take would be to withdraw from the U. N. program entirely on the assumption that without United States support the program would fold up or that in any event the United States should not be a party to a cooperative enterprise in which the door is open to activities against American interests. Withdrawal from the U. N. program might be accompanied by a corresponding—or even a greater than corresponding—increase in the United States bilateral program.

An alternative would be to continue to contribute only to those U. N. agencies in which the Soviets do not participate.

On the other hand, it is argued that either of these courses would leave United States policy at the mercy of the Soviet Union in that the Soviets could block American participation in any international enterprise, no matter how popular or worthwhile, simply by participating themselves. It is recalled that United States representatives in the U. N. constantly taunted the Soviets for nonparticipation, and it is feared that United States withdrawal would open the way for similar taunts from the Soviets. An offsetting increase in the United States bilateral program would lend credence, it is predicted, to Soviet propaganda that the United States program is imperialistic and that the United States is not interested in any international program which it cannot control.

Those who take this view argue that the United States reaction to Soviet participation should be an even more vigorous American participation to counteract Soviet influence. Any other course, this argument runs, would amount to letting the Soviets take over the program by default.

It should be noted that the conditions attached to the original Soviet contribution were that the money be used only by the U. N. Technical Assistance Administration, which would have meant for such purposes as public administration and community development. This is an indication of the fields of Soviet interest in technical assistance. The U. N. rejected the Soviet conditions and insisted that the contribution be made to the central account, or not at all.

The question remains, however, of how the 12 million rubles in the U. N. technical assistance fund are to be spent. The prospect

of a Russian expert giving advice to, say, Indonesia, on a subject such as police administration is one calculated to alarm a good many Americans. It should be remembered, however, that under the U. N. program no technician can be sent into a country unless he is acceptable to that country. No Russian technicians have as yet been used under the U. N. program, though they have been sent abroad by the Soviet Government on a bilateral basis.

On balance, it would probably be fair to say that at the beginning of 1955, the U. N. expanded technical assistance program found itself rich in rubles and poor in dollars and embarrassed on both counts.

D. RELATIONSHIP OF UNITED NATIONS AND UNITED STATES PROGRAMS

There is no formal connection between the United Nations and the United States programs of technical assistance. There is, however, a wide variety of informal connections, most of them in the field, both between U. N. resident representatives and United States mission chiefs, and between the individual technicians working in the two programs. Coordination is also provided, in varying degree, by the recipient government. Since 1952, the United States Mission chiefs and the U. N. resident representatives have been under instructions from Washington and New York, respectively, to notify each other of all requests for assistance.

In some cases, the United Nations and United States have cooperated on specific projects. This cooperation usually takes the form of the United States supplying the equipment and the United Nations the technicians, though occasionally the reverse is true. In one case in Latin America, the United States operates a yellow fever control program with funds, materials, and equipment supplied by the Pan American Sanitary Bureau and some of the personnel supplied by the World Health Organization.

The chart on page 20 diagrams the method of coordination. The recipient government plays an important role. Indeed, it may be said that the degree of coordination is almost directly dependent on the recipient government.

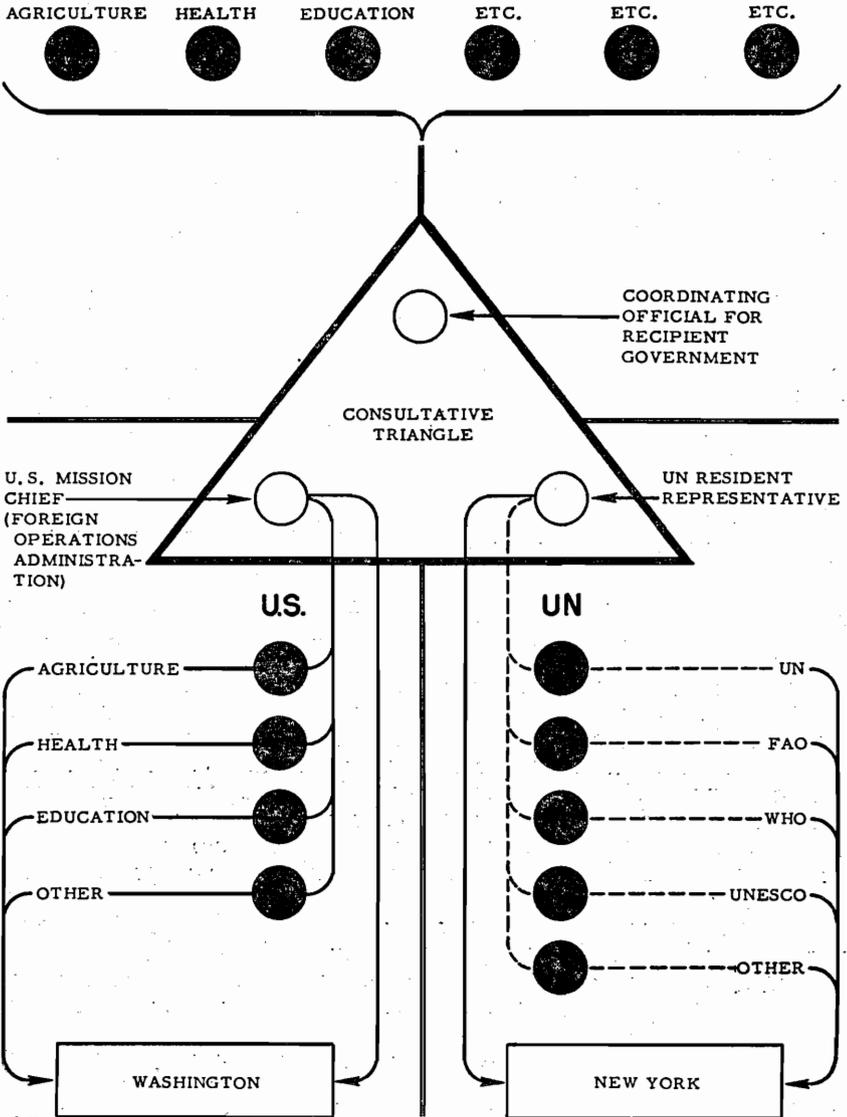
Lack of coordination may result in duplication. On occasion, duplicate requests for the same assistance have been submitted to both the United States and the United Nations. Some overlapping has also resulted from too broadly or poorly defined projects. But a more important result of lack of coordination appears to have been a less than maximum use of available resources. Among those concerned with technical assistance, there is general agreement that coordination of the United Nations and United States programs has improved in the last few years.

In many respects, the two programs are complementary though many of their operating projects are similar. The United States, for example, has placed relatively more emphasis on agriculture, forestry, and fisheries and the United Nations relatively more on education and technical training.

Geographically, both programs have placed greatest emphasis on Asia and the Far East, but this has been more marked in the case of the United States program. The U. N. has spent relatively more in Africa and Latin America than has the United States.

UNITED NATIONS EXPANDED PROGRAM OF TECHNICAL ASSISTANCE · FIELD COORDINATION

RECIPIENT GOVERNMENT MINISTRIES



In addition, in actual operation various aspects of both programs have shown to relative advantage. The factors which are listed below are those most frequently mentioned in discussions of the two programs. They are listed here uncritically, with no attempt at evaluation.

Personnel and local acceptability

1. Assistance from the U. N. is sometimes more acceptable to a government, particularly one which is sensitive about its independence, than is assistance from the United States or from any individual country. This is particularly true in fields such as public administration which have to do with government itself. It is sometimes also true in fields such as aviation in which United States business has a direct economic interest in the country concerned. The preference may persist even if the U. N. technicians are themselves Americans, as about 15 percent of them are.

2. Inasmuch as the U. N. can recruit technicians from all over the world, it can sometimes provide men better suited to handle specific assignments than can the United States. For work particularly in the Middle East and Asia, the U. N. has been able to recruit technicians who do not suffer the language handicaps of many Americans. And the U. N. can partially surmount cultural differences through the use of experts from countries with cultural backgrounds similar to those of the country where the experts are serving, or through the use of experts from semideveloped countries in less developed countries.

International recruiting for its own sake is not an unmixed blessing, however. In consciously making an effort to draw its technicians from a variety of countries, the U. N. occasionally comes up with incompetents who are selected primarily because of their nationality. Further, in some instances, U. N. technicians have been hampered in working together by their diverse nationalities, whereas United States technicians with a homogeneous background do not have this handicap. Some U. N. technicians who have previously been in the colonial services of their own governments have been criticized for a patronizing attitude toward the people of countries receiving technical assistance.

Finally, some U. N. technicians have been political refugees who have become involved in politics in an unacceptable manner; others have been severely critical of United States methods and institutions. But it is, of course, possible to hear individual technicians of both programs criticized for a wide variety of professional or personal faults.

3. U. N. experts frequently do not stay in a country as long as do United States experts, and their work sometimes suffers from this fact. Sometimes these short tours of duty result in paper plans which are not followed up, though this is apparently true less often now than in the early days of the program.

Supplies and equipment

4. The U. N. generally has available to it smaller quantities of supplies and equipment than the United States program uses. There is a difference of opinion as to whether this handicaps the U. N. program. In some instances, it is said to have contributed to less than wholly satisfactory project results; in other cases, it is said to have led to more careful and realistic project planning.

In January 1952, the General Assembly supported an Economic and Social Council recommendation that policy regarding supplies and equipment be interpreted "more generously." U. N. expenditures for these items increased from \$304,000 in the first financial period, covering 18 months from June 1950 to December 1951 to \$3 million in the year 1952.³ It should be pointed out, however, that the first period covered the time when the program was just getting under way and the need for supplies and equipment would presumably be less acute than after the program was in active operation. Under rules now in effect, up to 25 percent of the total cost of a project can be devoted to supplies and equipment, and even this can be increased when necessary. By way of comparison, United States expenditures for supplies and equipment generally run to between 30 and 40 percent, though they are subject to extreme fluctuation between countries. It should be borne in mind, also that the United States figures are percentages of a far larger total.

One result of the smaller quantities of supplies and equipment available to the U. N. has been a greater emphasis on fellowships and on surveys by advisory experts. Although the U. N. program is only one-fifth the size of the United States program measured in dollars, it has four-fifths as many experts.

5. U. N. programs generally tend to give a recipient country a sense of participation in U. N. affairs, to make it conscious of the U. N., and to increase public support for the U. N. The presence of U. N. agencies also sometimes tends to dispel suspicion of the United States program.

6. United States programs are sometimes preferred by recipient countries in fields in which the United States is particularly noted—e. g., health and agriculture. Some governments feel that United States programs produce faster results and involve less redtape. This may be in part the result of greater administrative and financial support for United States technicians. In some countries, on the other hand, the U. N. can operate more independently and with less redtape.

7. The United States generally has closer relations with the recipient government through the day-to-day operations of the Embassy and can therefore usually command more sympathetic attention at a higher level of the recipient government for operating problems of technical assistance.

8. The U. N. is particularly well-suited to carry out regional programs.

Some of these differences are inherent in the nature of multilateral or bilateral programs; others may simply be a reflection of the personal characteristics of the people who are operating the two programs in a particular country.

Meeting requests for assistance

Both the United Nations and the United States programs have faced many of the same problems of administration and of program planning, of course. Both operate on the basis of agreements with the governments of recipient countries and on the basis of requests from those governments. But almost by definition, the government of an underdeveloped country is likely to be unable to formulate balanced,

³ PEP (Political and Economic Planning). Technical Assistance—Policy and Method, Sept. 22, 1952 (London), p. 88. Sharp, *op. cit.*, p. 344, places expenditures for supplies and equipment in the first financial period at 13 percent of the total.

well-thought-out requests. Not only does such a government often lack the technical personnel to draft plans for economic development, but it also lacks the necessary statistical data. Vested interests of one sort or another also frequently exercise an undue influence on the formulation of requests so that the technical assistance requested would benefit special groups instead of the country as a whole. To overcome these difficulties, the U. N. in particular has resorted to survey missions which, in effect, supply technical assistance for the purpose of formulating requests for technical assistance. The U. N., however, feels obligated to furnish technical assistance to any country requesting it. Hugh L. Keenleyside, Director-General of the U. N. Technical Assistance Administration, told the 1951 Institute for Annual Review of United Nations Affairs that—

as long as a country recognized as sovereign came to the United Nations for technical assistance the United Nations was bound to give it. This is what it was instructed to do under the relevant General Assembly resolutions.⁴

One can only speculate as to what the result would be if the U. N. should be met with a request for technical assistance from, say, Albania or one of the other less-developed members of the Soviet bloc. Barring a change in Kremlin policy, however, this is extremely unlikely. The Soviet captives have consistently taken the position that they receive all the technical assistance they need from Moscow, and a request to the U. N. would be an admission of the contrary. Further, the introduction of outside experts into these countries would be a breach of the Iron Curtain which could hardly be tolerated by the Soviet Union.

The United States, of course, retains greater freedom of action than the U. N., even though the U. N. does exercise some discrimination between projects. It is, indeed, compelled to pick and choose by the fact that it has twice as many requests as it has money to fill.

Proportion of United States contribution

A final consideration to be taken into account in determining the proportion of United States funds to be channeled through multilateral and through bilateral programs is this: Multilateral programs can do some things which bilateral programs cannot do, but the advantages which are inherent in a multilateral approach may well be destroyed if one country contributes so heavily that the program loses its multilateral character. This point is not accepted by all students of the problem. Prof. Walter R. Sharp of Yale University, for example, finds it—

hard to see what real difference * * * (it) would make in terms of administering a multilateral program effectively—

if the United States contribution should reach even 80 or 85 percent of the total.

Sharp suggests a division of effort whereby the U. N. would—

handle strictly *technical* assistance to areas where substantial United States military and defense support assistance is not being provided.⁵ [Author's italics.]

This would mean United States withdrawal from most Latin American countries—the places where the United States program is oldest and best established. It would further serve to tie United States

⁴ Clyde Eagleton and Richard N. Swift (editors) 1951 Annual Review of United Nations Affairs. New York and London, 1952, p. 233.

⁵ Sharp, *op. cit.*, pp. 375, 377.

technical assistance in other countries more closely to military and economic assistance.

On the whole, Congress has been less concerned with the division of United States technical assistance funds between multilateral and bilateral programs than it has with the proportion which the United States contribution represents of the total of multilateral funds. In its report on the Mutual Security Act of 1954, the Senate Foreign Relations Committee strongly approved the administration's goal of working for a reduction in the United States contribution to 50 percent of the U. N. total (it was 60 percent in 1953 and 57.7 percent in 1954). The International Development Advisory Board has recommended a decrease in the percentage of the United States contribution concurrently with an increase in the absolute amount. The IDAB proposes that the total size of the U. N. program be doubled over a period of 5 years, with the United States contributing half.

II. ORGANIZATION OF AMERICAN STATES

A. BACKGROUND AND ORGANIZATION

Although various agencies of the Organization of American States have carried on technical-assistance activities for many years, the OAS technical-assistance program as such, like that of the United Nations, derived its immediate inspiration from President Truman's inaugural address in 1949.

The day after the 1949 inauguration, the Inter-American Economic and Social Council met in special session and sent the President a declaration commending his initiative and pledging itself to—

further strengthen its efforts in achieving a more effective cooperation toward the development of the program of action which President Truman recommended to his country for the economic improvement of the underdeveloped regions of the world.

Plans for the OAS program were drafted by the Council's Committee on Technical Cooperation, and the program was authorized by the Council in its resolution of April 10, 1950.

The participating agencies are the—

- American International Institute for the Protection of Childhood
- Inter-American Indian Institute
- Inter-American Institute of Agricultural Sciences
- Inter-American Statistical Institute
- Pan American Institute of Geography and History
- Pan American Sanitary Bureau
- Pan American Union (the General Secretariat of the OAS)

The executive heads of these agencies, or their representatives, make up the Coordinating Committee on Technical Assistance, which administers the program.

Individual projects are proposed by the participating agencies and reviewed, in relation to the program as a whole, by the Coordinating Committee on Technical Assistance. This committee makes up the proposed annual program and submits it to the Inter-American Economic and Social Council. It is there reviewed again in detail by the Council's Committee on Technical Cooperation, which is made up of representatives of seven member states, appointed annually by the Chairman of the Council. Since its establishment in 1950, the

Committee on Technical Cooperation has had the following membership:

- | | |
|--|---|
| <p>1950—Argentina
 Brazil
 Chile
 Costa Rica
 Mexico
 United States
 Uruguay</p> | <p>1952—Brazil
 Colombia
 Costa Rica
 Cuba
 Nicaragua
 Peru
 United States</p> |
| <p>1951—Brazil
 Costa Rica
 Cuba
 Nicaragua
 Peru
 United States
 Uruguay</p> | <p>1953—Brazil
 Colombia
 Costa Rica
 Cuba
 Nicaragua
 Peru
 United States</p> |
| | <p>1954—Argentina
 Brazil
 Cuba
 Ecuador
 Nicaragua
 United States
 Venezuela</p> |

The annual program is recommended by the Committee on Technical Cooperation and is approved by the Inter-American Economic and Social Council. The Council will not approve initiation of a project unless a majority of the states for which it is designed have expressed an interest in participating in it.

B. METHOD OF OPERATION

Although the organization of the OAS program is quite similar to that of the U. N., the OAS program differs materially in its operation in that it is limited to regional training projects. No assistance is given to individual countries, but all countries may benefit from each project.

This is best illustrated by a description of some of the projects in the program for 1954. The Inter-American Training Center for Economic and Financial Statistics, located in Santiago, is sponsored by the Inter-American Statistical Institute and the Pan American Union and operates as an annex to the school of economics and commerce of the University of Chile. It has an OAS-financed budget of \$165,000, and the Chilean Government supplies the office space and equipment and certain teaching and administrative personnel. The OAS finances fellowships for 21 students each year, and the center accepts 19 additional students whose expenses are paid either by their own governments or by other technical assistance programs. A considerable number of other students attend the center for part-time courses, with their expenses paid by non-OAS sources. The OAS pays the salaries of the director of the center and some of the professors.

The Inter-American Housing Center, located in Bogotá, is sponsored by the Pan American Union and provides research and training in various aspects of low-cost housing. The OAS budget is \$219,000, which finances 21 trainees per year, 1 from each member country. Special 2-month fellowships for subsistence only are provided for 7 different countries each year. Additional trainees, financed from other sources, are also accepted. The Colombian Government has

provided a new building for the center and makes dormitories at the National University available at reduced rates. It also furnishes building materials and labor for construction of experimental houses and makes a cash contribution of 102,000 pesos (approximately \$40,800) a year.

The Inter-American Rural Normal School, located at Rubio, Venezuela, is sponsored by the Pan American Union and offers intensive 2-year courses in rural teacher training at an established institution. The OAS budget of \$171,000 provides for 5 teachers from 10 countries during the first 2-year course and for 5 teachers from 11 countries during the second. In addition, it pays the salaries of 8 professors.

Other OAS projects give training in evaluation of natural resources, in children's services, in agricultural and rural home management extension programs, in diagnosis and control of hoof-and-mouth disease, in urban and regional planning, and in diseases communicable from animal to man, such as rabies and bovine tuberculosis. The table below shows how funds have been divided among the participating agencies.

Technical cooperation program of Organization of American States—Program analysis by agency

Agency	1951	1952	1953	1954 (estimated)
Pan American Sanitary Bureau.....	\$148,600	\$186,716	\$267,098	\$389,098
Inter-American Statistical Institute.....		69,078	172,312	165,022
Inter-American Indian Institute.....		4,094		
Pan American Union.....	55,634	227,264	301,547	473,805
Inter-American Institute of Geography and History.....		17,988	77,019	143,543
Inter-American Institute for Protection of Childhood.....		34,800	34,267	34,765
Inter-American Institute of Agricultural Sciences.....	136,118	372,665	486,055	601,888
Total project costs.....	340,352	912,605	1,338,298	1,808,121
Overall administrative expense:				
Coordinating Committee on Technical Assistance.....	38,259	44,590	56,451	
Pan American Union.....		15,953	15,549	84,66
Pan American Sanitary Bureau.....	9,365	11,367		
Total overall administrative expense.....	47,624	71,910	72,000	84,660
Total.....	387,976	984,515	1,410,298	1,892,781

¹ Total approved program for year. Obligations for 1954 are estimated at \$1,600,000.

The policy of limiting OAS technical assistance to regional training centers was adopted on the recommendation of Dr. Alberto Lleras, then Secretary General of the OAS. In a memorandum of June 12, 1950, to members of the Coordinating Committee on Technical Assistance, Dr. Lleras listed these advantages for his suggested policy:

1. It is cheaper than direct technical assistance.
2. It benefits all the countries wishing to make use of the centers.
3. "It creates groups of local technicians, who will be of more permanent and general value than if technical aid were sent to one country for a given project."
4. It avoids "competition or conflict" with the government-to-government programs of the U. N.
5. "It creates a permanent interest in technical assistance on the part of the governments, especially those where the headquarters of the technical centers are located."

6. "It stimulates and strengthens the services of institutes, universities, and research centers in Latin America."

7. It is easier and cheaper to administer.

8. It is easier to estimate costs, and "there is no risk of having a given project fail through lack of funds, as might be true in the case of direct technical aid."

C. "REGULAR" WORK OF PARTICIPATING AGENCIES

As in the case of the specialized agencies of the United Nations, it is difficult to measure the amount of technical assistance which the agencies participating in the OAS program carry on as part of their regular work. The Pan American Sanitary Organization is the Western Hemisphere regional arm of the World Health Organization and is thus involved not only in its own activities but also in the regular technical assistance work of WHO, in WHO's part of the U. N. expanded technical assistance program, and in the OAS technical assistance program. The Sanitary Organization's total budget, however, is only \$2 million a year, and that is the largest of any of the OAS agencies other than OAS itself. The following table shows the budgets and United States contributions for all the agencies:

	Year	Total budget assessments ¹	United States payment	
			Amount	Percent
Organization of American States.....	Fiscal 1954.....	\$3,159,941	\$2,085,561	66.00
American International Institute for the Protection of Childhood.....	Calendar 1953.....	28,000	10,000	35.71
Inter-American Indian Institute.....	Fiscal 1954.....	20,700	4,800	23.19
Inter-American Institute of Agricultural Sciences.....	.....do.....	226,570	160,000	70.62
Pan American Institute of Geography and History.....	.....do.....	110,000	10,000	(?)
Pan American Sanitary Organization.....	Calendar 1953.....	2,000,000	1,320,000	66.00

¹ Most of these organizations have outside income in addition to their assessed budgets. Where it exists, this ranges from \$15,000 in the case of the Pan American Institute of Geography and History to \$352,050 in the case of the Inter-American Institute of Agricultural Sciences. This latter organization, which operates demonstration farms in Costa Rica, gets more than half its income from the sale of goods and services and from donations.

² The United States assessment is 39.02 percent, or \$42,928. Until the passage of Public Law 736, 83d Cong., the statutory limitation on the United States payment was \$10,000.

Mention should also be made of the Pan American Railway Congress Association, organized in 1910 with headquarters in Buenos Aires. Although it does not participate in the OAS program, the association does carry on activities designed "to promote the development and progress of railways in the American Continent." In calendar 1952, its budget was \$12,607 and the United States payment was \$5,000.

D. FINANCE

Like the U. N. program, that of the OAS is financed through voluntary contributions from the member states. These have totaled in the neighborhood of \$1¼ million dollars a year (they increased to a little more than \$1,400,000 in 1954).

In each of the first 4 years of the program, the United States pledged a contribution of \$1 million provided that this did not exceed 70 percent of the total. The 70-percent limitation held actual payments from the United States to between \$800,000 and \$900,000 in

208 MULTILATERAL TECHNICAL ASSISTANCE PROGRAMS

1951, 1952, and 1953. In 1954 other pledges were sufficient to call for the full \$1 million. For 1955, the United States has pledged \$1.5 million subject to the same 70-percent proviso.

Organization of American States technical cooperation program

STATUS OF CONTRIBUTIONS AS OF MAR. 1, 1955

Member country	Calendar year 1951		Calendar year 1952		Calendar year 1953		Calendar year 1954	
	Pledged	Paid	Pledged	Paid	Pledged	Paid	Pledged	Paid
Argentina.....	\$87,857	\$87,857	\$87,857	\$87,857	\$87,857	\$87,857	\$100,000	-----
Bolivia.....	-----	-----	7,388	-----	-----	-----	7,388	-----
Brazil.....	128,000	128,000	128,000	128,000	128,000	128,000	150,000	-----
Chile.....	23,429	23,429	23,429	23,429	23,429	23,429	34,452	-----
Colombia.....	26,857	26,857	26,857	26,857	39,494	39,494	39,494	\$39,494
Costa Rica.....	2,429	2,429	2,429	2,429	3,571	3,571	3,571	3,571
Cuba.....	17,143	17,143	17,143	17,143	17,143	17,143	17,143	-----
Dominican Republic.....	4,571	4,571	5,269	3,260	6,722	6,722	6,722	6,722
Ecuador.....	6,142	6,142	6,142	6,142	6,142	6,142	7,000	-----
El Salvador.....	4,571	4,571	4,571	4,571	4,571	4,571	4,571	4,571
Guatemala.....	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000
Haiti.....	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000
Honduras.....	3,143	3,143	3,500	3,500	3,500	3,500	4,622	4,622
Mexico.....	14,758	14,758	-----	-----	35,000	35,000	-----	-----
Nicaragua.....	3,000	3,000	3,000	3,000	3,000	3,000	5,000	5,000
Panama.....	2,714	2,714	2,714	2,714	2,714	2,714	2,714	-----
Paraguay.....	-----	-----	-----	-----	5,000	-----	5,000	-----
Peru.....	17,429	17,429	-----	-----	-----	-----	-----	-----
United States ¹	882,143	882,143	839,578	839,578	840,963	840,963	1,000,000	852,335
Uruguay.....	19,100	19,100	19,100	19,100	13,865	13,865	13,865	-----
Venezuela.....	13,764	13,764	12,926	12,926	22,688	22,688	22,351	22,351
Total.....	1,264,050	1,264,050	1,196,894	1,189,506	1,250,659	1,239,517	1,430,893	945,666

CONTRIBUTIONS OUTSTANDING, MAR. 1, 1955

1952 program:		1954 program—Continued	
Bolivia.....	\$7,388	Bolivia.....	\$7,388
1953 program:		Brazil.....	150,000
Ecuador.....	6,142	Chile.....	34,452
Paraguay.....	5,000	Cuba.....	17,143
Total.....	11,142	Ecuador.....	7,000
1954 program:		Panama.....	2,714
Argentina.....	100,000	Paraguay.....	5,000
		Uruguay.....	13,865
		Total.....	* 337,562

¹ The United States pledge for each year was a maximum of \$1 million, provided that this did not exceed 70 percent of total pledges.

² The United States has contributed \$852,335 to the 1954 program from fiscal year 1954 funds.

1955 pledges

Country	Amount	Country	Amount
Argentina.....	\$100,000	Honduras.....	\$4,622
Brazil.....	150,000	Mexico.....	24,000
Chile.....	34,452	Nicaragua.....	5,000
Colombia.....	39,494	Panama.....	2,714
Costa Rica.....	3,571	Paraguay.....	5,000
Cuba.....	17,143	Peru.....	14,000
Dominican Republic.....	6,722	United States.....	¹ 1,500,000
Ecuador.....	9,033	Uruguay.....	13,865
El Salvador.....	6,722	Venezuela.....	34,032
Guatemala.....	7,000		
Haiti.....	2,000	Total.....	1,979,370

¹ The United States offered \$1,500,000 for 1955 subject to the limitation that the United States contribution would not exceed 70 percent of the total governmental contributions.

Like the U. N. program, the OAS program operates on a calendar-year basis. But whereas appropriations for United States contributions to the U. N. program have normally been made 6 months late,

they have been made 6 months early for the OAS program. Thus, the full amount of the United States pledge of \$1.5 million to the OAS for calendar 1955 was appropriated in the Mutual Security Appropriation Act for fiscal 1955—in advance of the OAS pledging conference. Neither the authorizing nor the appropriating legislation impose any conditions on United States contributions; the 70-percent limitation is simply the policy of the executive branch. The tables on page 208 show the detailed history of pledges and contributions for each country.

The OAS program has not experienced the same financial hazards which have beset the U. N. program. This is due in part to the fact that United States contributions have been known in advance and in part to the nature of the OAS program: its projects are few in number, are usually operated in connection with a permanent institution, and are susceptible to relatively easy, quick expansion or contraction. Even so, many member states of OAS have suggested putting the financing of the program on a longer range basis, and some have indicated willingness to do it through assessments instead of voluntary contributions. The Rio Conference in November–December 1954, agreed “to adapt the method of contributions and financing” of the program “to its status as a continuing activity” and resolved that “to this end, all the member states *shall* contribute * * * their contributions making a sum sufficient to cover its total cost.” [Italic supplied.] The Inter-American Economic and Social Council is to establish the new method of financing the program which will be effective in 1956.

During the first 2 years of the program, expenditures lagged considerably behind income, but in 1953 and 1954 expenditures have exceeded income so that the balances accumulated in the first 2 years have been largely spent.

Thus, expenses in 1951 amounted to only \$388,000, against pledges of \$1.3 million, and in 1952, expenses were \$985,000 against pledges of \$1.2 million. But in 1953, expenses increased to \$1.4 million against pledges of \$1.3 million, and in 1954 the estimates were expenses of \$1.6 million and pledges of \$1.4 million. In its report on the program for 1954, the Committee on Technical Cooperation said it—

wishes to state clearly that in 1954 it will be possible to continue the activities that have been started only if the member states that still have not done so increase their contributions in accordance with the recommendations of the Negotiating Committee * * *; and in 1955 it will be necessary to consider reducing these activities unless the total quotas for this year are increased.

The table on page 210 shows the contributions recommended by the Negotiating Committee for the 1954 program to which the Committee on Technical Cooperation referred.

OAS budget figures appear to bear out Dr. Lleras' contention that a program of indirect assistance through regional training centers would be cheaper to administer than a program of direct assistance. Central administrative expenses in the budget for 1954 totaled \$84,660 out of total funds available of almost \$1.9 million. This is an administrative cost of approximately 4.5 percent. It includes the cost of the executive secretariat of the Coordinating Committee on Technical Assistance, the cost of fiscal administration, the cost of project inspections, and the cost of overall administrative expenses of cooperating agencies responsible for more than one project. Such expenses are

limited to a maximum of 5 percent of the total projects being administered by the particular agency. In the case of agencies responsible for only one project, the administrative expenses are included in the budget of the particular project.

Scale of contributions proposed by the negotiating committee for the 1954 program of technical cooperation

Member state	Scale by percent of contributions ¹	Proposed contributions ²	Member state	Scale by percent of contributions ¹	Proposed contributions ²
Argentina.....	6.15	\$129,196	Honduras.....	0.22	\$4,622
Bolivia.....	.54	11,344	Mexico.....	3.69	77,518
Brazil.....	8.99	188,858	Nicaragua.....	.21	4,412
Chile.....	1.64	34,452	Panama.....	.19	3,991
Colombia.....	1.88	39,494	Paraguay.....	.21	4,412
Costa Rica.....	.17	3,571	Peru.....	1.22	25,629
Cuba.....	1.20	25,209	United States.....	70.00	1,470,526
Dominican Republic.....	.32	6,722	Uruguay.....	.66	13,865
Ecuador.....	.43	9,033	Venezuela.....	1.08	22,688
El Salvador.....	.32	6,722			
Guatemala.....	.46	9,664	Total.....	100.00	2,100,751
Haiti.....	.42	8,823			

¹ Scale used as a basis by the member states in estimating their contributions to the 1951 program, taking into account the fact that the United States provided a maximum amount of \$1 million under the condition that its contribution would not exceed 70 percent of the total amount.

² Based on the percentages under the first column, taking the total budget of the 1953 proposed program as a basis.

Because of its nature, the OAS program has presented few problems of coordination with either the United Nations or United States programs. The U. N. Technical Assistance Board and the OAS Coordinating Committee on Technical Assistance each sends observers to meetings of the other dealing with matters of mutual interest, and routinely exchange information on requests for assistance.

E. QUESTIONS FOR THE FUTURE

In a report prepared in connection with the Rio Conference of Ministers of Finance or Economy, the Secretariat of the Inter-American Economic and Social Council made these recommendations as to the long-range operation of technical assistance programs in Latin America, not only by the OAS but also by other agencies:

1. Greater emphasis should be given to fields related to industrial development. In 1954, the United Nations, United States, and OAS devoted the following percentages of their total resources in Latin America to various categories of projects:

	<i>Percent</i>
Agriculture, forestry, and fisheries.....	35.6
Health, welfare, and housing.....	26.2
Education.....	13.5
Natural resources.....	4.4
Industry and labor.....	8.5
Transportation.....	3.8
Public administration.....	5.8
General economic planning.....	1.3
Other.....	0.9
Total.....	100.0

"The situation," the Secretariat concluded, "would seem to indicate an increasing need for technological skills, particularly in the broad

field of industrial planning as well as skills related to the development of specific industries and related activities."

2. Greater emphasis should be given to indirect, as distinguished from direct, technical assistance. "It should be recognized," said the report, "that only in the case of highly specialized fields of knowledge is 'direct technical assistance' justified as a long-term measure. As a short-term measure it is justified only to meet emergency problems until the national institutions can begin to supply the needs of the developing economies. Apart from the exception previously noted, the only long-term technical assistance which can be fully justified is that which assists the national institutions of a country to produce on a continuing basis the resources, both human and technological, required for its economic development. This latter type of assistance is essentially an indirect type."

3. An international clearinghouse of technical assistance information should be established to "collect information on all known resources of technical knowledge and personnel including the conditions under which they could be obtained" and to make "this information * * * available to officials of the government of a member state upon request." The report points out that in many cases, governments "solicit and obtain technical assistance without knowing if it is the best available and if its value is consistent with its cost."

4. Greater emphasis should be given to planning, both by the furnishing agencies and the recipient countries, "in order to assure that the assistance given is in accord with the objective of the economic development programs of those countries." The report concluded:

"In the future, if technical assistance is to play its required role in economic development of lesser developed areas, and if it is to function with the maximum degree of efficiency and economy, much greater attention must be given to the planning of its activities not in terms of piecemeal approaches to particular problems, but in terms of long-range overall development needs and aims of the recipient countries."

Resolutions adopted at both the Caracas and Rio conferences reflect these recommendations, especially as they concern integrating technical assistance with long-range plans of economic development and improving the level of technical training particularly in industrial fields.

III. COLOMBO PLAN

A. BACKGROUND

The Colombo plan is not really a plan at all; it is more exactly a collection of plans, each of which is individually developed and implemented and none of which bears any necessary relationship to any other. It is also a means for international discussion and consideration of regional problems, and people who have participated in its meetings have found it a useful instrument in increasing international understanding of these problems—those which are peculiar to individual countries as well as those which are common to the area as a whole.

The plan—its formal name is "The Colombo Plan for Cooperative Economic Development in South and Southeast Asia"—grew out of the meeting of Commonwealth Foreign Ministers in Colombo, Ceylon, in January 1950.

The meeting had been called for a general discussion of world problems with particular emphasis on south and southeast Asia. As a result of proposals initiated by the Australian delegation, the Foreign Ministers set up a Consultative Committee to study a concerted approach to the area's problems of economic development.

Standards of living in the area, which had always been notoriously low, had been further depressed by World War II. The rate of economic development had never been much above zero, but it was now actually negative; so that the economic processes at work in the area could be more accurately characterized as those of decay rather than those of development or even of stagnation. In Asia, as in Europe, World War II had spread economic ruin, but this fact was not so dramatically apparent in Asia because the people there had so much less to lose.

Immediately after the war, for example, there were 15 million acres of abandoned rice fields in southeast Asia. One-third of the railroad tracks were either torn up or useless. The cost of living in 1950 was three times what it was in 1939. Although population had increased by 11 percent, food production had decreased.

The effects of the war intensified the area's more basic, long-term economic problems. These were a low, almost insignificant, rate of capital accumulation, and an almost total lack of professional, skilled, or even semiskilled manpower. The two were, of course, interrelated, and this interrelationship is recognized in the Colombo plan, though separate approaches are used to deal with each.

When the Consultative Committee which had been established in Colombo met in Sydney in May 1950, it recommended to the member countries that they draw up 6-year plans of economic development covering the period July 1, 1951, to June 30, 1957. Each country was, and is, the master of its own plan. Some countries already had plans underway.

The original members of the Consultative Committee were the commonwealth countries of Australia, Canada, Ceylon, India, New Zealand, Pakistan, and the United Kingdom, together with Malaya and British Borneo. At Sydney, the Committee invited noncommonwealth countries in the area, or with interests in the area, to join it. Over the years, its membership has grown to include 17 countries and two territories. Besides the original members, these are Burma, Cambodia, Indonesia, Japan, Laos, Nepal, the Philippines, Thailand, the United States, and Vietnam.

B. TECHNICAL ASSISTANCE

The Sydney meeting of the Consultative Committee also agreed on a technical-assistance program amounting to a maximum of £8 million (approximately \$22.4 million) over a period of 3 years from July 1, 1950. To aid in the administration of this program, which has subsequently been extended, the Committee established a Council for Technical Cooperation with a director and a bureau.

The Council, which has its headquarters in Colombo, consists of one representative of each cooperating government. Day-to-day operations are carried out by the bureau under the director.

These operations consist almost entirely of acting as a clearinghouse for requests for, and offers of, technical assistance. The assistance

in question heavily emphasizes training. When a country in the area desires a technician in a certain field, it sends its request to the bureau which then forwards it to the country which is felt to be most likely to be in a position to fill the request. Conversely, when a country is able to make experts available, or to receive foreign students for training, it likewise notifies the bureau which forwards the offer to the country or countries most likely to be in a position to utilize that particular type of assistance.

From that point on, the arrangements are up to the two countries involved, and the bureau takes no part in their bilateral negotiations.

The United States, which maintains its own aid missions in most of the countries of the area, is not a member of the Council for Technical Cooperation. It is simpler for the Indian Government, for example, to approach the American mission in New Dehli directly with a request for specific technical assistance than to make its request through the bureau in Colombo, which would forward it to Washington, which would forward it to the mission in New Delhi.

It would, of course, be possible for a government to send a request to the bureau at the same time it makes the same request of the American aid mission, so that some overlapping might result. The bureau however, maintains liaison with the American Embassy in Colombo and also with the various United Nations agencies engaged in technical assistance in the area. In addition, there are varying degrees of informal coordination exercised in each of the area's capitals as among the local government, the governments of countries extending technical assistance, and the U. N. agencies concerned.

Altogether, under the technical assistance aspects of the Colombo plan, nearly 1,700 places have been found for training nationals of the area outside their own country, and more than 250 outside experts and technicians have been brought into the area. Countries within the area which are themselves receiving technical assistance also extend it to each other.

At the beginning, the offers of technical assistance exceeded the requests for it, but the requests have shown a steady upward trend. This is attributable, at least in part, to progress in the capital investment aspects of the economic development plans. At the beginning, some countries were unable to define their technical-assistance needs precisely. As economic development progresses, there is also an increase in the need for technical skills.

There has been a growing trend, indeed, to combine general economic aid and technical assistance in the same projects, in an effort to insure that capital equipment and technical skill are available in the right amounts at the right times.

Increasing attention is also being given to expanding training facilities within the area, both on a national and a regional basis.

C. CAPITAL INVESTMENT

The capital-investment side of the Colombo plan is even more loosely organized than the technical-assistance program. The Consultative Committee meets every year to hear progress reports and to engage in a general discussion of economic problems, but it has no headquarters and no staff.

All external assistance involved in the Colombo plan is supplied on a bilateral basis between the country furnishing it and the country receiving it.

In the beginning, the Consultative Committee added up the individual country development plans presented to it, but more recently it has not done even that. Nor are there any precise figures on contributions to the plan. This is partly the result of the loose organization under which details are handled bilaterally outside the Consultative Committee. Partly, also, it is a result of the fact that some of the contributions, particularly in the field of technical assistance, are in the form of services.

The original plans—i. e., those of Ceylon, India, Pakistan, Malaya, and British Borneo—totaled \$5,230 million, of which \$3,035 million was required from foreign sources. Of this amount, in turn, it was contemplated that \$689 million would be available through the release of sterling balances by the United Kingdom, leaving \$2,346 million to be financed through other external sources.

Figures in the Third Annual Report of the Consultative Committee, prepared at the Ottawa meeting in October 1954, indicate that external assistance of the magnitude of approximately \$1.9 billion has either been pledged or actually obligated.

The United States is by far the largest contributor, having obligated a total of \$805 million through fiscal 1954—\$468 million in economic and technical assistance, \$273 million for wheat purchases (including the Indian wheat loan), and \$64 million in Export-Import Bank credits utilized.

The United Kingdom has pledged approximately \$700 million in the form of releases of sterling balances, and has also provided other assistance; Canada has furnished or pledged approximately \$110 million, and Australia approximately \$77 million.

No attempt will be made here to evaluate the results achieved by the Colombo plan. The Consultative Committee itself, however, believes that progress has been "substantial." Its third annual report estimates an increase in total developmental expenditures of 27 percent from 1953 to 1954 and of 31 percent from 1954 to 1955.

"It is true," the committee concluded, "that the basic development especially in some countries has been slower than is needed to achieve the objects of the plan. Nevertheless in some directions, and notably in food production, the improvement during the past year has been substantial, and several countries have made marked advances in the field of manufacturing industry and in extended provision for social services (i. e., public health, education, and housing). Moreover, the full impact of the development program will not be felt for some time in view of the long-term nature of so many of the projects, and this has to be borne in mind in appraising the results achieved to date in relation to the targets originally established, most of which have undergone extensive revision in the light of experience."

STAFF STUDY NO. 2

ORGANIZATION AND ADMINISTRATION
OF TECHNICAL ASSISTANCE PROGRAMS

April 8, 1955

FOREWORD

An enlarged technical assistance program has operated as a regular part of the foreign policy of the United States since 1950. It has been pursued both through the United Nations and on a bilateral basis. In the past 5 years the program has been at various times directed by the Department of State, coordinated by the Director of Mutual Security, and controlled by the Foreign Operations Administration. The Mutual Security Act of 1954 provides for it to be returned to the jurisdiction of the Department of State by the middle of this year.

These repeated changes may be attributed in part to the newness of technical assistance as a regular element of foreign policy. In part, they may be due to varying concepts of the program. Whatever the reasons, it is eminently desirable that the administrative machinery through which the program is to operate be stabilized as soon as possible.

This study considers some of the problems of organization and administration. It deals with the question of location of the program in the Government as well as with questions of coordination and internal organization.

The study was prepared under the direction of the subcommittee staff by Mr. Dudley Ball, of the Legislative Reference Service. Dr. Halford Hoskins and Miss Mary Fulton gave guidance and assistance. The study is designed for background use and the subcommittee will undoubtedly wish to examine further some of the issues raised. The views presented here do not necessarily represent those of the subcommittee or any of its members.

MIKE MANSFIELD,

Chairman, Subcommittee on Technical Assistance Programs.

APRIL 8, 1955.

ORGANIZATION AND ADMINISTRATION OF TECHNICAL ASSISTANCE PROGRAMS

I. INTRODUCTION

There are differing concepts of what a technical assistance program is and of what it should attempt to accomplish. Under one concept, the proper function of a technical assistance program is held to be simply to communicate to the people of underdeveloped countries methods, procedures, and techniques which can aid them in gradually developing their resources and improving their working and living conditions. Skilled personnel would be utilized essentially for teaching purposes, and responsibility for large-scale application of the knowledge transmitted would rest almost exclusively with the country receiving it.

Under another concept, technical assistance projects are regarded as part of a larger development program which may include not only diffusion of technical knowledge but also economic assistance in grants and loans and in some cases even military aid. Proponents of this approach are concerned with more rapid acceleration of the economic development of certain underdeveloped areas. They would have the United States assume a share of the cost and effort not only of imparting knowledge, but of applying and utilizing it. Under still another concept, the program would concentrate on specific types of assistance such as agriculture, public health, or Government services, without necessarily following a closely integrated overall plan of development.

The three basic concepts have been oversimplified here but it is apparent that there are significant differences in these approaches. Any one of them might be effectively pursued by a type of organization and administration which would be unsuited for the other two. Each of these concepts has predominated at various times in the direction of the technical assistance program with resultant changes in organization and administration. Some of the changes have evoked vigorous protest, have raised doubts, or have provoked suggestions for still further alterations. This study will point out the major areas of dispute in this connection.

In addition to a national program, which is carried out on the basis of bilateral agreements with other countries, the United States also participates in the technical assistance activities of the United Nations and its specialized agencies. To the extent that such participation involves questions of administration, that program is also treated here.

The problem of location of the technical assistance program within the executive branch of the Federal Government has given rise to considerable debate in and out of Congress. Is it better to have the

program concentrated in the State Department or lodged elsewhere? What are the problems of coordinating technical assistance with respect to overall United States foreign policy? Should all types of foreign aid—military, economic, and technical—be dispensed by the same agency or should they be kept separate? Some of the questions which are raised remain pertinent even though the technical assistance program is scheduled to be returned to the Department of State at the end of June 1955.

Problems of internal organization for the administration of the program and staff services such as personnel and budgeting are also raised here, along with the problem of measuring and evaluating the results of technical assistance. Finally, the study sets forth administrative questions involving the relationships of the program with private organizations.

II. BACKGROUND

The principle of extending technical assistance to other countries by United States citizens can be traced back to the efforts of religious missionaries in various underdeveloped areas of the world. Many church groups established programs in remote regions based on the principle of helping others to help themselves, a principle which has also motivated the Government's technical assistance program.

In the 19th century the State Department sometimes helped arrange contracts for technical advice of one kind or another between foreign governments and American technicians, many of whom came from agencies of the United States Government. At the turn of the century the American Government embarked on fairly large-scale programs of assistance in Cuba, Puerto Rico, and the Philippines. Additional experience was gained in Haiti and Santo Domingo. Most of these programs were administered by the military.

From 1938 until 1948, an Interdepartmental Committee on Scientific and Cultural Cooperation functioned as the means of facilitating the interchange of scientific, technical, and cultural information with the other American states. Legislation enacted in 1938 and amended in 1939 authorized the detail of employees with special knowledge and experience for temporary duty with the governments of other American countries, the Philippines, and Liberia. The Public Health Service, the Bureau of Public Roads, the Bureau of the Census, and Civil Aeronautics Administration, and the Bureau of Mines were among the agencies which sent personnel on technical missions and brought foreigners to the United States for training.

This type of loose organization fitted a technical assistance program which served to impart skills in specific subject matter areas without close reference to an overall plan of development. The first attempt at a more integrated approach came with the establishment of the Institute of Inter-American Affairs. The Institute had its beginning as a Government corporation set up in 1942 by the Coordinator for Inter-American Affairs. Two years later, the Inter-American Educational Foundation, Inc., was established by Coordinator Nelson Rockefeller. These two corporations were combined by an act of Congress in 1947 as the Institute of Inter-American Affairs.

The operation of the Institute in Latin America gave impetus to the idea of extending technical assistance to other areas of the world. It also provided basic experience in the problems of organizing and

administering such programs. Under the Institute's program, the device of the Servicio was developed as a means of joint United States and Latin American action in technical development. The Servicio was an agency set up in the appropriate ministry of the country receiving assistance. It was jointly financed and staffed, with most of the personnel being nationals of the recipient country but the director an American holding a position in the Institute of Inter-American Affairs. The idea was that eventually the indigenous governments would take over completely the projects controlled by the Servicio.

More formalized than the earlier operations, the Institute provided a definite focus for the program within the United States Government. In the field, however, projects in agriculture, public health, and education operated in a semiautonomous manner and were not coordinated on a country or area basis.

The proposal for an expanded United States program of technical assistance was put forward as point 4 in President Truman's inaugural address in January 1949. On February 21, 1950, an office for Technical Cooperation and Development was established in the State Department, under the direction of the Assistant Secretary for Economic Affairs. Congress passed the Act for International Development¹ in the summer of 1950, and on September 6 funds for technical assistance became available. Responsibility for the program was assigned to the Secretary of State by Executive Order 10159. The order also created the International Development Advisory Board, made up of private citizens, and established the Interdepartmental Advisory Council on Technical Cooperation. The latter was composed of the heads of participating departments and agencies, as the successor to earlier interdepartmental advisory and coordinating committees.²

On October 27, 1950, the Technical Cooperation Administration was established within the Department of State.³ The administration was semiautonomous within the Department and operated separately from other Government agencies concerned with foreign aid. A few months later the Institute of Inter-American Affairs, although retaining its separate identity, was tied in with the Technical Cooperation Administration by the device of making the Director of the latter a member of the Board of Directors of the Institute.⁴

At the outset, the Technical Cooperation Administration appeared to be guided by a long-range, limited approach essentially independent of other forms of foreign aid. The Mutual Security Act of 1951, however, moved in the direction of integrating all foreign assistance programs. It created in the Executive Office of the President the position of Director of Mutual Security as a coordinator of the Technical Cooperation Administration program in the Department of State, of the military assistance program in the Department of De-

¹ 64 Stat. 204. Text in Senate Foreign Relations Committee. Development of Technical Assistance Program. Background Information and Documents. Committee Print, November 22, 1954, pp. 31-36. Hereafter cited as "Background Information and Documents."

² U. S. Congress. House. Committee on Foreign Affairs. Memoranda on the point 4 program. Committee print, 82d Cong., 2d sess., Washington, U. S. Government Printing Office, 1952, pp. 1, 6.

³ U. S. Department of State. Department Announcement 212, October 27, 1950.

⁴ U. S. Congress. House. Committee on Government Operations. Technical Cooperation Administration. Hearings * * * 83d Cong., 2d sess., June-July 1953. Washington, U. S. Government Printing Office, 1954, p. 3.

fense, and of the defense support (economic aid) program of the Mutual Security Agency.⁵ During this period, MSA itself carried out what amounted to technical assistance in the Far East, with TCA limiting its activities to the Near East, south Asia, and Africa and to Latin America. MSA and its predecessor organization, the Economic Cooperation Administration, had been first on the scene in the Far East under authority of the Economic Cooperation Act of 1948, and they continued to carry out United States assistance programs in that area under the principle that only one agency should operate in any one country.

The next major change came with Executive Reorganization Plan No. 7, which went into effect in the summer of 1953. An independent Foreign Operations Administration replaced the Mutual Security Agency and the functions of the Technical Cooperation Administration were transferred from the Department of State to this new Agency.

Most recently the Mutual Security Act of 1954 superseded previous legislation under which authorization had been provided for technical assistance, notably the Economic Cooperation Act of 1948 and the Act for International Development of 1950. The act called for the dissolution of the Foreign Operations Administration by June 30, 1955 and the return of the technical assistance program to the Department of State. The Institute of Inter-American Affairs was extended from 1955 to 1960 and was made subject to the budget and auditing procedures applicable to regular Government agencies rather than those applicable to Government corporations. In other respects, however, its corporate powers were retained.

III. ADMINISTRATION THROUGH THE UNITED NATIONS

The Act for International Development authorizes the President to contribute to United Nations technical cooperation programs. This provision raises the question of what proportion of total United States technical assistance funds should be channeled through the United Nations and what proportion should be administered directly on the basis of bilateral agreements with underdeveloped countries. The question involves considerations of foreign policy as well as administrative factors. It might be argued, for example, that the political advantages accruing to the United States through participation in the United Nations program are sufficient in themselves to justify such participation. On the other hand, it could also be argued that the advantages of complete coordination with our foreign policy which may accompany a bilateral program are more important. Policy questions such as these are beyond the scope of this study.

The attitude of underdeveloped countries receiving technical assistance is also an important factor which has a direct bearing upon the administration of the program. In some countries the state of public opinion is such that a United States technical aid program might not be acceptable but United Nations aid would be welcomed. Some governments, for example, are afraid of the internal political repercussions likely to result from being too closely associated with a west-

⁵ U. S. Congress. House. Committee on Government Operations, *ut sup.*, p. 6. United States President. First report to Congress on the mutual-security program. December 31, 1951. Washington, U. S. Government Printing Office, 1952, p. 45.

ern nation or of becoming involved in the controversy between the United States and the Soviet Union as a result of substantial direct-aid relationships with us. In these cases, of course, administration is possible through the United Nations whereas it is not possible, or would at least be more difficult, on a bilateral basis. The administrative problem here, however, again touches on a policy question. Is the technical development of these countries of such importance to us that it is desirable to seek to allay their political doubts and fears by operating through an indirect channel?

Another factor to be considered is that other countries often have valuable technical contributions to make. In fields such as tropical medicine, for instance, the United States does not have a supply of technicians comparable to that of some other nations. Nor is there an overabundance of American technicians with a knowledge of the languages of Asia and the Middle East. Realities such as these may argue for administration of part of the program through an international agency.

It is difficult to make precise comparisons of the costs of administration on a multilateral and a bilateral basis. It would seem to be clear, however, that multilateral administration is less costly to American taxpayers since 40 to 45 percent of the financial burden is borne by other nations.

A final question is that of coordination of the United Nations and United States programs. This is a matter in which the government of the recipient country must necessarily play a large role, but steps have also been taken to improve the processes of coordination and consultation between United States and United Nations officials concerned. An agreement has been reached for the exchange of information between the United Nations and Foreign Operations Administration headquarters, and no project will be undertaken without such exchange. In the field in many countries a system of committees or informal conferences between United States and United Nations mission chiefs has been developed. Particular projects are tentatively assigned on the basis of which organization can handle them most easily and effectively, with the final decision as to which organization will be requested to undertake a project resting with the recipient government.

The present policy of the United States is to regard the United Nations programs as complementary to its own efforts. As expressed by the Assistant Secretary of State for United Nations Affairs, the—
use of both offers greater hope of achieving the overall objectives sought by the United States than the exclusive use of either.⁶

The position of the United States is that, while it has been willing to make substantial contributions in funds to the United Nations for technical assistance programs, its share should not exceed 60 percent

⁶ U. S. Congress, Senate, Committee on Foreign Relations, Mutual Security Act of 1954. Hearings, 83d Cong., 2d sess., June 1954. Washington, U. S. Government Printing Office, 1954, p. 379.

At this point it should be noted that the United Nations technical assistance program is not the only multilateral program of this type in which the United States participates. The Organization of American States carries on a limited program in the hemisphere and receives regular contributions from the United States. The Caribbean Commission and certain other specialized international organizations carry out activities which bear at least some resemblance to technical assistance. These programs, however, cannot be regarded as major parts of the United States effort to provide technical assistance and will not be considered further here.

of the total and should in time be reduced to 50 percent. For calendar year 1954 the United States pledged a total of \$13,861,809 and all other nations combined pledged approximately \$11.4 million.

IV. ADMINISTRATION OF THE UNITED STATES BILATERAL PROGRAM

The present organization of the technical assistance program reflects the concept that the objective of the United States in extending aid is to improve the total economic situation and the ability to resist Communist aggression in given foreign nations and that technical assistance is only one of several instruments available to be used to this end. In many countries, technical assistance is the only United States aid program; in others, it is used in combination with other forms of assistance. All nonmilitary programs are administered by the same personnel in the Foreign Operations Administration; there is no separate technical assistance subdivision.

This arrangement has led to criticism from numerous sources. The International Development Advisory Board in 1953 recommended the inclusion of technical assistance in an agency entrusted with the administration of all foreign economic programs, but stated that—

* * * its identity should be preserved separate from such other programs and especially those involving military or large economic aid.

The Board feared that lumping together technical assistance and other foreign aid programs would lend credence to Communist propaganda that the real aim of the United States in underdeveloped countries is imperialistic.⁷ Church groups which have long been active in private technical assistance have been particularly concerned about the tying together of military and technical aid.

A 1954 report prepared by the Investigations Division of the Senate Appropriations Committee, based on investigative and research work by Agent William V. Sinnott and observations in the field by Senator Allen J. Ellender, called attention to the confusion resulting from the lack of distinction, in some countries, between technical assistance and economic aid. It noted that the technical assistance features of the overall international development program tended to become merged with and quite overshadowed by special large-scale economic assistance grants to such countries as Iran, Israel, Pakistan, India, and Egypt. Inasmuch as identical personnel in the same missions were dispensing both technical assistance and economic aid, the line of demarcation between technical assistance and outright economic assistance had become arbitrary, at best. The report reiterated the point that as technical assistance loses its particular identity, its psychological value diminishes correspondingly and expenditures tend to rise.⁸

This discussion raises a fundamental question. Assuming that it is important to keep technical assistance distinct, at what point is such assistance carried beyond its logical limits and inflated into economic development aid? In an integrated administration, one in which

⁷ U. S. International Development Advisory Board. Conclusions and recommendations. * * * Report * * * regarding the United States participation in technical cooperation programs for underdeveloped countries. December 1953, p. 25.

⁸ U. S. Congress. Senate. Committee on Appropriations. International development and related legislation. Committee print, 83d Cong., 2d sess., January 1954. Washington, U. S. Government Printing Office, 1954, pp. 4-5. Jonathan B. Bingham, *Shirt-Sleeve Diplomacy: Point 4 in Action*, New York, 1953, p. 210.

both technical assistance and economic aid are dispensed by the same people, there may be less incentive to work out a clear answer and make a sharp distinction. Yet, failure to draw a distinction could involve not only increased costs to the United States, but important policy matters as well. The risk of political involvement in the affairs of other nations, particularly underdeveloped nations, is greater in the case of large-scale economic aid than in the case of technical assistance. It may be desirable to take this greater risk in certain situations. This should be done however, on the basis of a calculated decision and not as the result of drift from a technical aid program into one of general economic aid.

On the other hand, it has been argued that the effectiveness of both economic and technical assistance is increased when each is used to supplement the other and that this can be done more effectively when the two programs are administered together. The important question, in this view, is the kind and scope of assistance required to achieve the United States objectives in a given country. In some countries, no assistance at all is necessary. In others, it may be possible to await the cumulative effects of a pure technical assistance program, or there may be available to the country sources of capital which make economic grants unnecessary. In still other countries, however, it may be possible to achieve the United States objectives only through economic development aid; and in most of these cases, technical assistance will be required for the efficient utilization of this economic aid.

Those who hold this view further argue that it is equally illusory to attempt to distinguish between degrees of United States involvement in other countries' affairs through extending technical or economic assistance, or a combination of the two. They point out that, in order to achieve maximum effectiveness, technical assistance frequently must deal with a country's basic economic institutions, with its methods of public administration, and with the management of its resources. Thus, the only way in which the United States can escape being involved—from the viewpoint of the basic relationship between the two countries—is to refrain from beginning any program, whether of technical assistance or of economic aid.

In any event, the argument over what the distinction is between technical and economic assistance and whether it is wise, or even possible, to make a distinction will not be settled by putting administration of the programs in one or another Government agency. The same questions will remain within the administering agency, whether it be Foreign Operations Administration, the State Department, or some other agency, so long as this country has both types of programs and both are administered by the same authority.

A. Location of the program in the Department of State

A major argument for inclusion of the technical assistance program within the framework of the Department of State has to do with the necessity of achieving an effective coordination of foreign policy. It is difficult to control the policies of a separate operating agency even if adequate mechanical devices are established to assure coordination. Policy is developed at least in part by a series of decisions made in the course of operations. While each decision in and of itself may lack sufficient significance to require referral to the coordi-

nating body, the total effect of a number of these small decisions may result in the creation of policy or at least precedent upon which policy subsequently is based. It would be more difficult to detect and harder and more time-consuming to correct deviations in an operating agency over which the Department of State has no direct control.

Coordination in the field is also essential particularly in the case of a program which, like technical assistance, is of a continuing nature. The best of coordinating devices are apt to be slow and somewhat less than satisfactory in providing speedy answers to specific problems occurring thousands of miles away.

Some would hold that consistency in foreign policy can be obtained without merging the operating agency and the policymaking body. There are three major arguments against location of the technical assistance program in the State Department: (1) That the technical assistance program is but one phase of a larger aid operation which can best be administered by a separate agency outside the Department; (2) that the State Department should devote its energies to the formulation of foreign policy and should avoid undertaking operational programs; and (3) that the diplomatic and reporting responsibilities of the Foreign Service and the operating responsibilities of technical assistance personnel are to some extent incompatible. In this connection, it is again emphasized that a fully effective technical assistance program is dedicated to change; that it therefore inevitably becomes involved—even though by invitation—in a country's internal affairs; and that the Foreign Service should avoid such involvements.

A reconciliation of these points of view might be found in the proposal to reorganize the Department of State somewhat after the fashion of the Department of Defense. This proposal would involve the creation of a semiautonomous subdepartment for economic affairs which would include technical assistance along with such residual economic aid programs as may remain after the abolition of the Foreign Operations Administration. It could provide a solution to the problem of coordination of foreign policy, but might raise other problems of internal coordination. For instance, there would be the question of how to establish effective communications within the superdepartment without interfering with the operating details of each of the major component units. Some also question the advisability of adding a large-scale administrative task of this nature to the other duties of the Secretary of State. Furthermore, there is the possibility that foreign economic aid might be given only a secondary position in such an arrangement and hence be neglected. It might then prove more difficult to attract able personnel to serve in positions which would be at the highest levels in an independent agency, but which might be several steps down in the administrative hierarchy in this proposed type of organization.

As one device for putting the program in the Department of State but leaving it with a measure of autonomy, the suggestion has been made that there be established a Technical and Developmental Cooperation Agency headed by an Administrator responsible to the Secretary of State and confirmed by the Senate.^{8a} Another device might be more extensive use of the corporate form of organization, again

^{8a} See remarks of Representative Harrison A. Williams, Jr., *Congressional Record* (daily edition), March 15, 1955, p. 2513.

with the directors responsible to the Secretary and confirmed by the Senate. The Institute of Inter-American Affairs could serve as a model.

B. Location of the program in the Foreign Operations Administration

The second major alternative would be to continue the Foreign Operations Administration and keep the technical assistance program in that agency. The Foreign Operations Administration which now is administering the technical assistance program is scheduled to be dissolved in June 1955 in accordance with an act of Congress. Suggestions have been made however, that this decision be reversed, postponed, or modified.

The basic argument favoring administration by Foreign Operations Administration or a similar independent agency is that operation of all foreign aid programs should be concentrated insofar as possible in a single agency distinct from the policy-formulating department. Such an arrangement probably provides flexibility for the administration of a program which is designed to be of a temporary nature. It relieves the Secretary of State of many administrative duties and allows him to concentrate more on policy matters. The greater degree of responsibility in a separate agency, moreover, is said to attract more capable leadership and to bring greater freedom from red tape and hiring restrictions.⁹

The argument is also advanced that technical assistance by its very nature is so similar to other Foreign Operations Administration economic programs that to separate it from the agency would only cause duplication, overlapping and "jurisdictional" conflict. This contention, however, loses some of its force in the light of the congressional decision in the Mutual Security Act of 1954, that economic aid should be terminated and that technical assistance should be returned to the Department of State. There is nothing to prevent any residual or special economic aid programs from being administered after dissolution of the Foreign Operations Administration within the same structure which houses the technical assistance program in the Department. The relationship between the two kinds of aid programs would then be the same as it is now, with the same advantage of avoiding duplication and the same problem of distinguishing between technical and economic assistance.

The principal argument against administration by a separate agency, as previously mentioned, involves the problem of coordination with foreign policy. There are other objections as well, including the fact that the burdens of the President are increased by the addition of another executive agency reporting to him. This is contrary to the recommendations of the Hoover Commission in 1949 that the number of agencies reporting directly to the President should be drastically curbed. An attempt has been made to meet this objection through the establishment of various coordinating devices such as the Dodge Committee, the National Security Council, and the Operations Coordinating Board.

⁹ Brookings Institution. International Studies Group. The administration of foreign affairs, and overseas operations. Washington, U. S. Government Printing Office, 1951, pp. 92-95.

C. Alternative locations of the program

It would be possible to carry on a technical assistance program through several agencies of the Federal Government, such as the Department of Agriculture and the Bureau of Mines. Presumably, some sort of a clearinghouse or coordinating body would have to be established to receive and assign requests for assistance coming in from the underdeveloped countries. A loose and informal organization of this type, one which characterized the early period of governmental technical assistance, would be difficult to control and would seem to present serious problems in coordination. It presumably would be valid only if technical assistance were very limited and concentrated on the development of a few fields within the underdeveloped countries, such as agriculture, public health, and education, as was in fact the case before World War II. It has the advantage of allowing the agencies with technical skills readily available to conduct the actual operating programs. The Department of State would not have responsibility for operating the program, but might well provide the coordination such a system would require.

There have been a number of suggestions of other possible locations of the technical assistance program within the executive branch. One possibility would be to create an independent agency to administer only the technical assistance program. This approach would meet some of the objections to the present situation in which all foreign aid programs are intermingled. It would seem to require, however, some device for coordination with foreign policy. Moreover, it would place additional responsibility on the Chief Executive.

Another possible location for the program is in the Department of Defense. The reasoning behind this suggestion is that the purposes of the United States' effort to improve economic conditions in other countries are related to national defense in that such efforts are designed to check the spread of communism. Further, many of the undertakings (i. e., public health, engineering, etc.) are of a kind with which the military forces have had considerable experience. Administration by the Defense Department is objected to on the grounds that it would dissipate the psychological impact growing out of the humanitarian nature of technical assistance, and that the military organization should not be employed outside the direct military orbit.¹⁰ It could further be argued that the purposes and objectives of technical assistance are not military in character and that technical assistance would be in the national interests of the United States even if the Soviet threat did not exist.

V. INTERNAL ORGANIZATION PROBLEMS

Regardless of the location of the program within the executive branch, the problems of the internal organization of the technical assistance agency or unit are similar. In general this internal organization can be on either a functional or a geographic basis, or a combination of the two. In the present organization of the Foreign Operations Administration, a combination is used, with programs developed through the joint activities of an Office of Operations and an Office of

¹⁰ See statement of Harold Stassen, U. S. Congress, Senate, Committee on Foreign Relations, Mutual Security Act of 1953, Hearings * * * 83d Cong., 1st sess., Washington, U. S. Government Printing Office, 1953, p. 180.

Technical Services. In the Office of Operations there are four regional divisions, each having general responsibility for all types of programs within its area: Europe; the Near East, south Asia, and Africa; the Far East; and Latin America. The regional office is responsible for the general conformity of one program in each country with United States objectives for that country, for assuring a balanced and economically sound program of development, and for managing the funding of the program. Within these regional divisions day-to-day operations are handled on a country-by-country basis.

The Office of Technical Services is organized along functional lines, including divisions dealing with food and agriculture, public services (i. e., public administration, public health, community development, education, and housing), industrial resources, labor affairs, transportation, trade and investment, and small business. The Technical Services offices are responsible for the technical soundness of the programs in their respective functional fields; for the utilization of the other technical agencies of government which assist FOA in functional fields; and for the procurement in the United States of the commodities and services required to carry out the programs.

All programs are developed and implemented through cross-consultation between the geographic and functional offices concerned. Such an organizational pattern is designed to combine broad knowledge of a country's economy and its development program with the full utilization of technical capacity in the several functional fields.

The FOA geographic divisions are correlated with the area-type organization used in the Department of State, and this arrangement facilitates the process of informal consultation between corresponding officials in the two agencies.

The principal alternatives to the present internal organization of the program would be to put it on either a completely geographic or a completely functional basis. Again, the concept of what the program is designed to do is an important consideration. A geographic organization would reflect primary concern with the integrated development of a given area. A functional organization would emphasize worldwide development of certain functions, such as, for example, agriculture, and would most readily lend itself to a fragmenting of the program among the various departments of the government concerned with specific subject-matter fields.

Some question has been raised as to whether the Institute of Inter-American Affairs, which handles the program in Latin America, should continue as a Government corporation or should be completely integrated in the technical aid administration. If an organization for the technical assistance program were being created from scratch, it is probable that no such separate arrangement as now prevails would be contemplated. The fact remains, however, that the Institute has operated successfully in Latin America for some 12 years and has built up both goodwill and prestige. In addition, its corporate status does provide it with a degree of flexibility which is lacking in regular governmental agencies,¹¹ though this flexibility was considerably curtailed by the Mutual Security Act of 1954 which provided that the Institute

¹¹ U. S. Congress. House. Committee on Government Operations. Technical Cooperation Administration, op. cit., pp. 19-21.

should follow the budget and auditing procedures applicable to regular Government agencies rather than those applicable to Government corporations. However, the corporate authorities of the Institute for purposes other than budget and auditing procedures remain unmodified, including authority to determine the manner of obligating and expending corporate funds and to receive corporate funds for expenditure without regard to fiscal-year limitations.^{11a}

VI. PERSONNEL PROBLEMS

A. Control of staff

On June 1, 1953, in a letter envisaging the early reorganization of foreign aid activities under the Foreign Operations Administration, the President gave the Director for Mutual Security instructions for the integrating of foreign aid activities.¹² In accordance with these instructions, nearly 450 technical assistance employees have been transferred to the Foreign Operations Administration from other Government agencies. About the same number remain on the rolls of other agencies but are presently working for and paid for by Foreign Operations Administration. They are mainly in the Departments of Commerce and Interior and are engaged, for the most part, on highly specialized projects.

The President's action has a bearing on a primary question with respect to the technicians employed in the program. Should such employees wherever possible be carried on the rolls of the agency administering the program or should they be recruited in major part from other agencies of the Federal Government on a loan basis? Until recently these other agencies have supplied the technicians requested by the Foreign Operations Administration. The technicians were continued on the rolls of the other agencies but their salaries and expenses were paid from funds made available by the Foreign Operations Administration. Once assigned to the Foreign Operations Administration, they were subject to its supervision and control. This system has had obvious advantages. It has allowed the Foreign Operations Administration to make use of well-qualified technicians who either were already employed by the other agencies or whose capabilities were known to them. It has made easier the recruitment of qualified people for short-term assignments which they might otherwise have been unwilling to accept; and it has mobilized the interest of other Government agencies in the technical assistance program. It also provided a channel through which there could be made available to these agencies such knowledge which the technicians acquired abroad as might be useful in the United States.

At the same time, there have been disadvantages in this type of organization. The lines of authority and control have not been clear. There has been a natural tendency for employees of the Department of Agriculture, for instance, either consciously or unconsciously to continue Department of Agriculture methods and policies even after being assigned to a technical assistance mission, regardless of whether or not those policies were identical with those of the Foreign Operations Administration.

^{11a} Public Law 665, 83d Cong., 2d sess., sec. 544 (b). See also, U. S. Congress. Senate Committee on Foreign Relations. Report on H. R. 9678, the Mutual Security Act of 1954 (S. Rept. 1799, 83d Cong., 2d sess.), p. 114.

¹² Department of State Bulletin, vol. 28 (June 15, 1952), pp. 855, 856.

Another alternative which has occasionally been used by FOA has been a contract between FOA and another Government agency, such as, for example, the Bureau of Public Roads. Under this type of contract, the other agency agrees to carry out a project under the general direction of FOA, utilizing its own personnel who remain on its rolls.

B. Recruitment

A major problem with respect to the technical assistance program is the difficulty of securing adequate numbers of qualified technicians. The temporary nature of the posts to be filled and uncertainty as to the future of the program have been deterrents to recruitment, particularly of able and experienced personnel. Enlistment for technical cooperation missions abroad also has been handicapped to some extent by the understandable reluctance of other Government agencies to release their best men for field operations over which they had no control or for which they have no responsibility.

A board of consultants to the Technical Cooperation Administration recommended in 1953 that recruitment be facilitated by allowing the Civil Service Commission "maximum flexibility" in appointments of overseas personnel. The board noted that personal qualifications and experience often are more important than academic standing. It also recommended that salaries should be kept in line with home salaries so that the determining factor would be the appeal of services to be rendered rather than compensation. Further suggestions called for liberalizing leave from positions in other agencies of government in the United States, and guaranteeing continuance of State or institutional retirement plans.

Partly because of the difficulties attending recruitment of technical and professional personnel from other agencies of Government, the Foreign Operations Administration has found it necessary to obtain a considerable proportion of the personnel required for specialized overseas operations from sources outside of the United States Government. This has been accomplished through a number of channels. The agency has established close contacts with professional, technical, and scientific organizations throughout the country, such as the Public Administration Clearing House, and the various societies in economics, engineering, accounting, and other professional fields of FOA activity. It is in touch with appropriate departments—those of anthropology, political science, public administration, and others—of leading universities and colleges, especially the land-grant colleges. The Foreign Operations Administration maintains close working relations with the heads of these institutions to the end that it may obtain data on the specialists it requires. In addition to these recruitment sources, other Government agencies aid FOA in securing technical specialists. The Public Health Service and the Office of Education, for example, are the primary source of nominations of personnel to FOA in their respective fields.

As a rule, the Foreign Operations Administration seeks persons already employed in responsible positions, since these will have some of the maturity and practical experience needed for service abroad. Recruiters in the Personnel Office of the Foreign Operations Administration and contact men in the field are on the alert for nominations of qualified individuals from all of the sources indicated above. Those whose interests and qualifications appear to be in line with posts to

be filled are brought to Washington—with their wives, if practicable—for further screening.

The individuals selected for appointment are then given a relatively short briefing—the duration and character of which is determined by the nature of the duties to be performed, the country to which assignment is made, and the needs and aptitudes of the appointee. For some purposes individuals attend the Foreign Service Institute of the Department of State. Some are briefed by division chiefs of relevant Government agencies, as, for example, the Department of Agriculture for agronomists, the Public Health Service for those concerned with promoting sound health practices in underdeveloped countries, and the Office of Education for specialists in the field of public education. Not infrequently, briefing may also call for short periods of consultation at colleges or universities.

Language difficulties become especially important when the technician is to be abroad for only a short time. Although attempts are made to obtain technicians who already have facility in the appropriate foreign language, it is obviously impossible to attain that goal in all cases, particularly in the Middle East and Southeast Asia. More language training has been recommended for technicians being sent overseas, but that is not always practical, particularly in the case of short-term appointments.

C. Relations of diplomatic and technical assistance personnel in the field

A problem in some posts overseas is the proper relationship between United States technical assistance personnel and the diplomatic staff. The chief of the diplomatic mission serves as the chief of all United States personnel in the country. This arrangement is essential for purposes of coordination of foreign policy. Nevertheless, the attitudes in the diplomatic service are apt to differ somewhat from those of individuals working in a program such as technical assistance. Resentment may rise on both sides over what one might consider precipitate haste and the other as dragging feet. Add differences in allowances, housing facilities and—in some cases—social attitudes, and it is easy to see how a schism might develop between personnel of the two agencies.

On the other hand, some private organizations and missionaries are concerned about the tendency of technicians in some areas to become too closely attached to the diplomatic corps. They feel that this results in a loss of the shirt-sleeve approach and that the technicians do not circulate sufficiently among the people to be served.

D. Length of overseas assignment

The amount of time it takes to get a technician to his post and able to operate in an efficient manner is a matter of major concern. From the time an underdeveloped country presents its request for a specific type of technician until that technician is hired and ready to go to work, many months have passed. A time lag of from 5 to 6 months is not unusual. The procedures which must be followed are involved: The formal request from the country, forwarding the request to Washington, finding the technician, sending his qualifications back to the originating country for approval, and, finally, the appointment, security clearance, training, orientation, travel, and acclimatiza-

tion of the technician. A result of the time lag is that the field has often operated at a level below its authorization with the program retarded accordingly.

Closely connected with the time lag is the problem of the short-term appointment. Appointments for a period of 24 months, for instance, result in actual field work of fairly short duration. Travel time, orientation time, acclimatization, and annual and sick leave must be deducted. The usual cost (including salary, travel, pay differentials, and allowances) of sending a United States technician to some posts, India, for example, for 2 years is between \$27,000 and \$28,000. There is a question as to whether the technician can be effective enough in such a period to justify an expenditure of this size.

Proposals have been advanced for the development of a career service to carry out the technical assistance program. This approach holds the promise of providing a permanent pool of technicians who would gain through experience greater competence in dealing with the peculiar problems of technical assistance in areas of varied cultures. Development of a career service will be difficult, however, as long as the program is subject to frequent organic changes and wide year-to-year fluctuations in size and scope.

VII. FINANCIAL ARRANGEMENTS

The technical assistance program operates under substantially the same fiscal controls which affect most other governmental projects. Beyond these, however, is the additional fact that the future of the technical assistance program, in a political sense, has not been assured. Although technical assistance has received relatively less criticism, there have been demands in Congress and elsewhere for the drastic reduction or elimination of all foreign aid programs. It is undoubtedly difficult to build up a good staff or develop an effective long-range program when there is a high degree of uncertainty as to how much money, if any, will be available after the end of the fiscal year. Against this, however, is the consideration that carefully controlled appropriations are essential to prevent the technical assistance program from undertaking overly ambitious and unduly costly projects.

The inability to conduct long-range financial planning in the past was reflected in relationships of private organizations with the program. Some of these organizations hesitated to enter into contracts or commit large sums of their own for projects which would require the continuing operation of the technical assistance program over a number of years. The Foreign Operations Administration, however, now has authority to negotiate 3-year contracts, a change which has led to a growing number of contracts with private business and universities.

Another problem arising from the inability to plan on a longer range basis is that of coordinating the United States portion of the financing with that of the host country. This contribution by the local government is in many cases as much as five times that of the United States share in a country program. It becomes more difficult for the local government to budget with an eye to the future when it has no assurance of the extent of United States participation beyond a current fiscal year.

VIII. EVALUATION METHODS

The results of the technical assistance program often may be amorphous and hard to define. How can the impact of an educational program, for example, be measured in meaningful terms? How much of the increased agricultural production in a certain country can be certified as the direct result of the assistance program and how much resulted from better weather conditions or other factors? How can the improvement in public administration be stated in statistics? Or, even more important, perhaps, how can the change in atmosphere from despair to hope be evaluated? And, finally, how can the impact of the total program on the achievement of the objectives of our foreign policy be measured? Certain economic guides and indicators may be relied upon to gage the progress of parts of the program but many of the nations with which technical assistance is concerned lack effective statistical and reporting services. It is quite possible that personal subjective judgments will remain the only evaluations possible for some aspects of the program.

Even where they are available, statistics are incapable of measuring the full impact of technical assistance, especially the cultural, social, and political consequences. Most economically underdeveloped societies cling to traditional ways of doing things. The approach of western science is as foreign to them as are the products of that science—antibiotic drugs, hybrid seeds, crossbred livestock, and vitamin pills. What happens when a self-contained society is disrupted by the introduction of new techniques? This question is one of the great relatively unexplored areas of technical assistance.

There has been criticism of the Foreign Operations Administration and its predecessor agencies on the ground that there is no proper evaluation of the results of the training given foreign technicians brought to this country under the technical assistance program. This situation is now reported to have been corrected. Monthly reports are made on each trainee and, in addition, they are given a summing-up course at a university to round out their program, help them evaluate their experiences in this country, and the like. An attempt is now being made to devise means of following up on trainees after return to their own countries.

IX. RELATIONS WITH PRIVATE ORGANIZATIONS

A contracting system whereby private organizations undertake part of the operations of the technical assistance program allows the Foreign Operations Administration to delegate responsibilities, tap sources of personnel otherwise unavailable, and minimize official involvement. On the other hand, large-scale use of private agencies may complicate administration by requiring more coordination and so more personnel. It also may have the effect of circumventing Government salary ceilings.

There has been a considerable expansion of the use of the contracting system under the present administration. One of the most significant recent developments is the increased use of land-grant colleges on a contract basis to carry out appropriate missions both at home and abroad. Forty-three contracts were in effect on September 15, 1954, and more were in the process of negotiation. Contracts have also

been negotiated with a number of private organizations. The Near East Foundation, for example, undertook a multipurpose program in Iran; the American Friends Service Committee contracted for a project in India; and private corporations have been used for operations such as aerial mapping, locust-spraying, well-drilling, and economic and engineering studies and surveys.

The Foreign Operations Administration has established a central office to provide liaison with voluntary agencies, and efforts are also reported being made to improve coordination with private agencies in the field.

X. CONCLUDING COMMENTS

Repeated change in administration and organization is not an unusual characteristic of a new governmental undertaking. In this respect, the technical assistance program is no exception. It has been scattered among various executive agencies with minimum coordination. It has been centralized in the Department of State. It has been fused with other forms of aid in the Foreign Operations Administration. Now, it is apparently headed back to the Department of State.

These changes have reflected varying concepts of what the program is and where it fits in the conduct of foreign policy. While such changes, to some extent, may be unavoidable, nevertheless they take their toll in terms of increased costs and decreased efficiency.

At the end of June 1955, technical assistance functions are scheduled again to be lodged in the Department of State, in accordance with the Mutual Security Act of 1954. Although the shift presumably will settle for the present the location of the program within the executive branch, a number of questions pertinent to administration and organization remain to be clarified. Among the most important are the following:

1. Relationship of the United States bilateral program to United Nations technical assistance activity.
2. The relationship of technical assistance to vestigial foreign economic aid and to military assistance.
3. The relationship of the unit administering technical assistance within the Department of State to other branches of the Department and to other executive agencies.
4. Problems of internal organization, personnel, financing, and evaluation.
5. Relationships of the technical assistance agency to private organizations.

The fact that these questions remain highly pertinent several years after the establishment of the expanded technical assistance program is a reflection of a fundamental difficulty. The program has not yet found its level and place in the Government. There is still lacking a consistent concept of the scope of technical assistance and its role in foreign policy. Until such a concept emerges, and gains general acceptance, administrative and organizational problems of a serious nature are unavoidable and solutions are likely to prove temporary at best.

STAFF STUDY NO. 3
SOVIET TECHNICAL ASSISTANCE IN
NON-COMMUNIST ASIA

June 10, 1955

235

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FOREWORD

In the last 2 years, the Soviet Union has filled the air of non-Communist Asia with frequent statements about the extent to which it is willing to furnish technical assistance to underdeveloped countries as a part of mutually beneficial trade agreements. In the same period, it has begun to contribute to the United Nations expanded technical assistance program.

The Subcommittee on Technical Assistance Programs asked the Legislative Reference Service of the Library of Congress to make a thorough survey of these Soviet activities so that there might be available information as to their scope and characteristics. Soviet sources have had to be used extensively and they are used subject to the usual reservations as to accuracy. This study is based on the report prepared by Dr. Sergius Yakobson, senior specialist in Russian affairs, and J. Clement Lapp, Foreign Affairs Division, Legislative Reference Service, under the direction of the subcommittee staff.

The study is designed to provide background information, and the subcommittee will undoubtedly wish to explore some of the implications and questions which are raised. But certain conclusions seem clear:

The Soviets conceive of technical assistance as something which can be sold as part of a trade agreement and which is, at the same time, a useful opening wedge for economic and political penetration. There is no bilateral grant assistance in the Soviet scheme of things.

Technical assistance, even under the Soviet definition, has been mainly limited to Afghanistan and India, with peripheral activity in Burma and Indonesia. It is impossible to measure its extent, but the available evidence indicates that thus far, at least, Soviet activities are only a fraction of the United States work in this field.

Soviet performance has not lived up to Soviet promises. In part, this is because of the exaggeration inherent in Soviet propaganda. In part, also, it is a reflection of the domestic economic difficulties of the U. S. S. R. Appealing to the desire of Asian states for industrialization, the Soviet Union has made extravagant promises of advanced industrial equipment, and this is precisely the type of assistance which it is least capable of rendering.

There appears to be no occasion for the United States either to withdraw its aid from countries receiving Soviet "assistance" or to attempt to outbid the Soviets in given countries. The Asian countries themselves have generally received the Soviet offers cautiously and somewhat skeptically. The United States may well benefit from a comparison of American and Soviet technical assistance programs operating in the same country.

Finally, the Soviet technical assistance programs appear to be a tacit admission of the success of the American and United Nations programs in this field. The Soviet programs also appear to be a recognition on the part of the Soviets that the process of economic development may lead either to democratic or totalitarian political

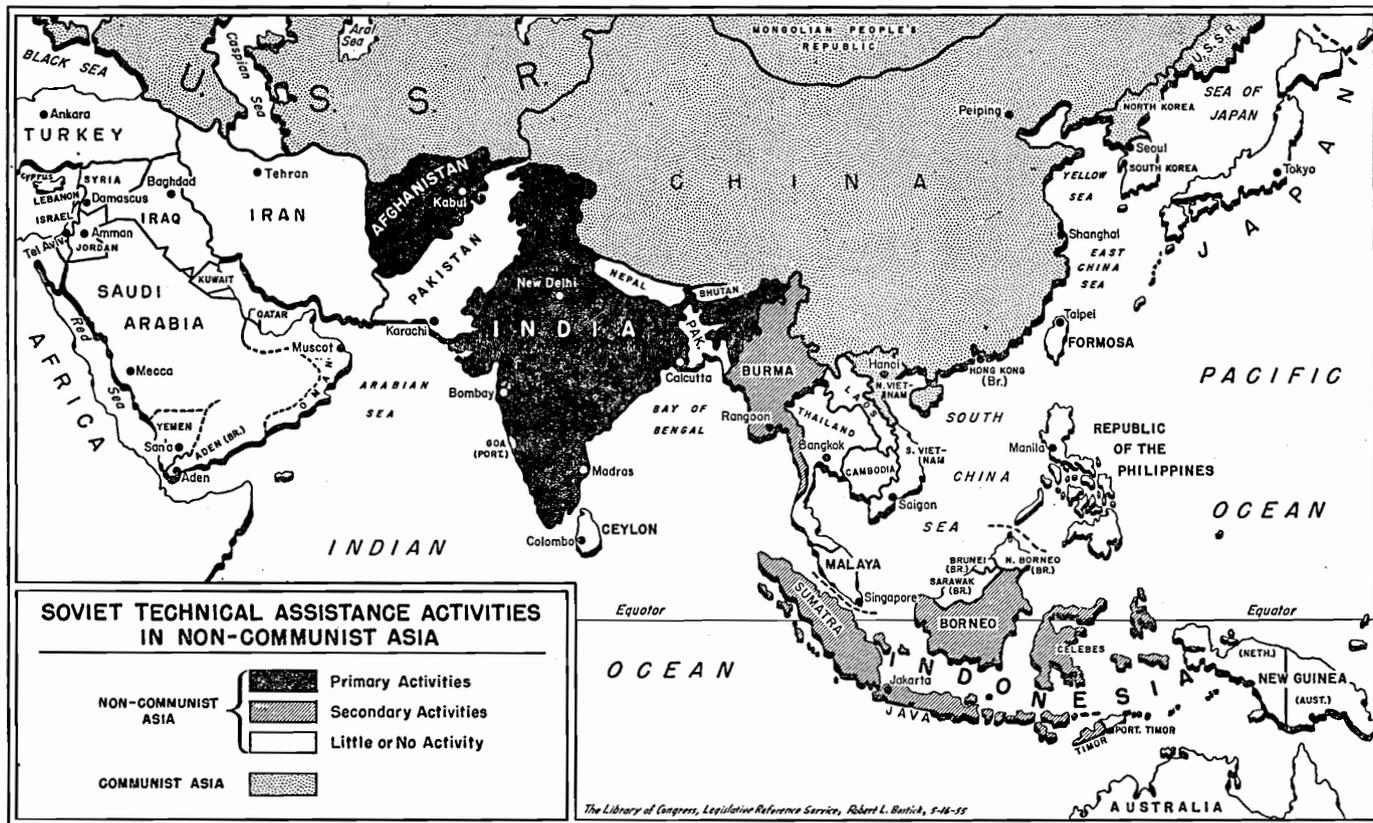
forms—that is, that democracy does not necessarily follow from economic development. This is a point which it is well for American policymakers to keep in mind.

Soviet technical assistance has not, as yet, been conspicuously successful, but it is something which we should not fail to take into account in formulating and carrying out our own policies.

MIKE MANSFIELD,

Chairman, Subcommittee on Technical Assistance Programs.

JUNE 10, 1955.



SOVIET TECHNICAL ASSISTANCE IN NON-COMMUNIST ASIA

I. INTRODUCTION

As applied by the Soviet Union to its own activities, the term "technical assistance" means the rendering of assistance by Soviet technicians in return for compensation from a contracting government. The services of the technicians are usually supplied in connection with the assembly of equipment which the contracting government has bought from the Soviet Union.

The term "technical assistance" is also applied to the training of technicians in the U. S. S. R. for compensation from a contracting government, usually in conjunction with the sale of Soviet equipment.

The Soviet technical assistance program, therefore, is something very much different from the technical assistance program carried on by the United States.

It is not, however, irrelevant to a consideration of the problems of policy and operations involved in the United States activities. In their scope and character, Soviet technical assistance activities reflect Soviet economic and political foreign policy and serve as a guide to Soviet efforts to bring additional Asian nations into the Soviet economic and political orbit. There is also evidence to suggest that these activities have been inspired, in part, by Soviet concern over the impact of United States and United Nations technical assistance programs.

It is impossible to estimate with any accuracy the cost of what even the Soviets themselves refer to as "technical assistance." The amount of bilateral Soviet assistance in the American understanding of the term is zero. And under the Soviet definition, technical assistance is so much a part of a business transaction that one cannot, with any assurance, segregate an amount.

It seems clear, however, that even this amount is not large, compared either to the United States program or to the impression created by Soviet statements, most of which are couched in exceedingly general terms.

It is the purpose of this study to examine the Soviet technical assistance activities in the non-Communist states of Asia, to describe the Soviet organization for administration of these activities, and to attempt to fit these activities into the larger context of Soviet policy. Soviet participation in the United Nations technical assistance programs is also treated.

The study does not deal with technical or economic assistance, or other activities related to economic development, in the Soviet captive states of Eastern Europe, in Communist China, North Vietnam, North Korea, or Tibet. The U. S. S. R. has extended large credits to other members of the Soviet bloc, including Poland, Czechoslovakia,

Hungary, Communist China, and North Korea. On balance, however, so far as Eastern Europe is concerned, the net flow of capital has probably been from the captives to the U. S. S. R. Indeed, some of the Eastern European captives, notably Czechoslovakia and the Soviet Zone of Germany, were no doubt at a higher level of economic development than the Soviet Union itself at the time they fell within the Soviet grasp. In regard to Communist China, there is little reliable information in available sources as to the extent of Soviet credits or the methods of applying them.

It is known that the Chinese Communists themselves are carrying on reconstruction work in North Korea and North Vietnam. They have also engaged in roadbuilding in Tibet. It is not clear how much of this has been done with an eye to economic development and how much with an eye to military operations.

II. BACKGROUND

Soviet offers of technical assistance to non-Communist Asian states have been a comparatively recent development and must be viewed in the light of an evolving Soviet trade policy which became most pronounced after the death of Stalin but which appears to have been going on in fact for some time previously.

The old Soviet conception was that exports were justified solely by the need to pay for a minimum of imports required for the fulfillment of planned domestic goals. In 1940, the Soviet Ministry of Foreign Trade voiced official approval of the fact that whereas the Soviet Union ranked 2d among the nations of the world with respect to industrial production, it stood 19th with respect to foreign trade.¹

This conception was first challenged in 1948 by the prominent Soviet economist, V. E. Motylev. He agreed that internal economic requirements make a certain level of imports necessary, and that these have to be covered by exports; but he insisted that it is also true that specific foreign policy objectives may dictate additional exports. In line with the political objectives of the U. S. S. R., he asserted, Soviet foreign trade is—

a means of developing and strengthening friendly ties and close collaboration with a number of countries, and a means of facilitating their development in directions which correspond both to the interests of those countries and to the interests of the Soviet Union.²

The current official Soviet view is that foreign trade is both an "organic part of the Socialist economic system" and an "integral element of the Soviet foreign policy."³

This change has been interpreted as a shift from military to economic pressure in the Soviet's anti-Western campaign.⁴ The new tactics, involving a limited employment of technical aid, particularly for propagandistic purposes, have gradually come into focus together with increased reliance on the peace offensive, economic pressure, and the trade offensive.

¹ Leon M. Herman: "The New Soviet Posture in World Trade," in *Problems of Communism*, November-December 1954, p. 9.

² Sergius Yakobson: "Soviet Concept of Point Four," *The Annals of the American Academy of Political and Social Science*, March 1950, p. 134.

³ Vneshniala Torgovlia (Foreign Trade), Moscow, November 1954, p. 1.

⁴ Leon M. Herman, *op. cit.*, p. 12.

EVOLUTION OF SOVIET TACTICS

In this postwar evolution of Soviet tactics, two phases may be noted:

1. Until the death of Stalin, Soviet policy attempted to create an impression of support for the economic well-being of Asian states, while in fact no actual contribution was made toward economic development. Soviet policy was mainly engaged in denouncing the United States technical assistance program and holding—

before the underdeveloped countries visions of Soviet bounty ready to pour forth on the world if it rejected American efforts to exploit impoverished colonial peoples.⁵

2. After the Malenkov government came into power, the Soviets began to make a financial contribution to United Nations technical assistance programs and rather modest offers of technical assistance to non-Communist Asian states.

At the present stage, any comment upon the policy of the Bulganin government with respect to the development of Asian states could only be speculative. It should be noted, however, that Molotov recently gave assurance that the technical assistance policy adopted by Malenkov will continue.

Of the non-Communist states of Asia, only in Afghanistan and India has Soviet technical aid actually been provided to any extent. The Soviet techniques of gaining an entree, applied in Afghanistan and India, are now being used in Indonesia and, to a lesser extent, in Burma. An extension of Soviet direct technical assistance to Asian countries other than Indonesia and Burma appears less imminent than in these two states.

CHARACTERISTICS OF SOVIET TECHNICAL ASSISTANCE

From Soviet words and actions in regard to its technical assistance programs, certain general characteristics of those programs and of the Soviet approach to them can be defined:

1. The programs are trade arrangements and emphasis is placed on their businesslike nature. This provides assurance, so the Soviets say, that their trade and technical assistance are "disinterested," and a contrast is drawn with United States aid which is pictured as being invariably accompanied by American political pressure and as being contingent upon support of American "aggressive militarism." The Soviets also use the trade argument to capitalize upon the sensitivity of Asian states toward being recipients of charity.

2. The Soviets view trade as "disinterested," however, only when it is conducted on a government-to-government basis. They attempt to discredit Western private investment as an extension of 19th century colonialism.

3. The Soviets offer long-term, low-interest loans with deferred payments which may be made in local currencies or which may be made through barter deals or other mercantilistic arrangements. (In practice, although some Soviet loans bear interest at 2½ or 3 percent, most of them are payable in 10 to 15 years, or even less. Under the mutual security program, the United States makes 40-year

⁵ Michael L. Hoffman, in *New York Times*, July 27, 1949, p. 7.

loans with interest at 3 percent if repaid in dollars or 4 percent if repaid in local currency.) The Soviets likewise offer to buy raw materials, including those which are a glut on the market, on the basis of firm prices fixed for a period of 1 year or longer. Thus, they attempt to meet the shortage of international exchange, particularly dollar and sterling shortages; to satisfy the need of the Asian states for dependable export markets, and to appeal to the desire for low interest rates. Thus, also, do they attempt to draw the Asian states into arrangements which, if accepted, would tend to remove those states from the Western trading system and place them within the Communist economic orbit.

4. Finally, the Soviets offer machine tools and industrial equipment to satisfy the demand for rapid industrialization and economic development evident in most of the states of Asia. (In practice, actual deliveries appear to have been negligible to date.) Propaganda is developed on the theme of helping Asian states on the road to political and economic independence. At the same time, to satisfy the demand for consumer goods, Soviet exhibits at Asian trade fairs have created an impression that the vast array of items ranging from household gadgets to refrigerators and automobiles would be available from the Soviet Union if political and trade ties were established.

U. S. S. R. ECONOMIC CAPABILITIES

The Soviet Union itself, however, is a shortage economy with needs for capital goods and unfilled demands among its own people for consumer goods. Despite the fact that Soviet technical assistance is a trading arrangement, foreign deliveries of goods of this kind tend to intensify Soviet domestic economic problems.

The 1946-50 five-year plan, for example, promised delivery of 725,000 tractors in the Soviet Union. Production was in fact in the neighborhood of 689,000, a shortage of only 5 percent, but because of the diversion of tractors to the European captive countries, only about 536,000 units were actually received in the U. S. S. R. itself—a shortage of 26 percent. This further aggravated the disorder in Soviet agricultural production openly admitted by the Soviet leadership in September 1953.⁶

The picture is substantially the same for consumer goods. In 1953, plans were announced for the annual production, beginning in 1955, of 196,000 washing machines, 330,000 refrigerators, 500,000 vacuum cleaners, 3,445,000 bicycles, and 4 million radio receivers—to satisfy the needs of a population in excess of 210 million.⁷ And the return to an emphasis on heavy industry following the resignation of Malenkov probably means that even less consumer goods will be available either for home consumption or for export.

It is apparent, therefore, that, despite the emphasis on trade, a large political element must enter any Soviet decision to divert either capital or consumer goods from its own economy in return for the types of things which it has indicated it is willing to accept in repayment. Even when such a decision is made, deliveries are likely to be slow and the amounts involved to be exaggerated.

⁶ Leon M. Herman, *op. cit.*, p. 12.

⁷ *New York Times*, November 1, 1953, p. 26.

PROPAGANDA THEMES

Within this context, Soviet offers of technical assistance appear to be motivated by the objective of developing receptivity to trade and hence to the broader motive of bringing the states concerned within the Soviet sphere of economic and political influence and control.

While the Soviet trade and technical assistance offensive has been based on this general strategy, tactics have been accommodated to the peculiarities of the individual states with recognition given to political factors affecting resistance. These include the degree of industrial development and other internal economic peculiarities of the state. Thus, while the lure of rapid industrialization and basic economic development is held out to the lesser developed areas, the prospect of a vast market in the Soviet Union and Communist China is extended to an industrialized Japan, thirsting for markets.

Certain themes, however, appear in Soviet statements on the subject. The following is typical:

Striving to expand international economic cooperation, the countries in the socialist camp are giving considerable technical aid to countries which are economically underdeveloped, and granting this aid on conditions radically different from those imposed by capitalist countries. The democratic [i. e., Soviet bloc] states do not pursue the goal of economically subordinating underdeveloped countries. They grant loans on more favorable terms. Rendering assistance to economically backward states, the democratic countries export to them only such materials as are difficult for them to produce domestically. Capitalistic firms, on the other hand, try to flood every market with their own goods. The aid of the democratic camp to countries poorly developed economically is based on the principle of mutual advantage, recognition of the equality of both sides and non-interference in internal affairs. * * * It is becoming increasingly clear that the policy of international cooperation conducted by countries in the socialist system is prevailing over the policy of U. S. ruling circles which is aimed at disrupting this cooperation.⁸

III. ADMINISTRATION

Soviet technical assistance is administered by a subordinate organization of the Soviet Ministry of Foreign Trade, the agency V/O Technoexport. The function of this agency is to furnish equipment for Soviet projects outside the U. S. S. R., to supervise plant construction, and to provide technical consultants for the planning of industrial development projects and other Soviet technical assistance programs abroad. This agency sends engineers and other Soviet technicians to the recipient country and supervises the training in the U. S. S. R. of workers, engineers, and technicians from the contracting country. While the projects are supervised by V/O Technoexport, this agency, when operating outside the U. S. S. R., administers its program as a part of the Soviet Trade Organization, another arm of the Ministry of Foreign Trade.

The operations of V/O Technoexport have been primarily in the East European captive countries, China, and North Korea. In the non-Communist countries of Asia V/O Technoexport has undertaken projects in Afghanistan and India.

While this agency has the central responsibility for planning and administering technical assistance programs, insofar as Soviet technical assistance activities in non-Communist Asia have developed to date, other agencies have played an important role. These include

⁸ *Kommunist* (Moscow), No. 15, October 1954, pp. 44-60.

the various state organs concerned with agriculture and industry; the State Bank; the organs of propaganda including foreign broadcasts; the various organizations which sponsor the visits of non-governmental delegations to the Soviet Union; the Chamber of Commerce of the U. S. S. R., which plays a prominent part in the organization of Soviet participation in foreign trade fairs; and export-import organizations of the Ministry of Foreign Trade other than V/O Technoexport.⁹

IV. AFGHANISTAN

Soviet technical aid activities in Afghanistan have followed and have been identified with a drive for expanded trade. The trade drive would appear to have a basis in long-range strategic interests of the U. S. S. R. rather than in any immediate advantage to be gained from imports from Afghanistan.

Afghanistan is predominantly an agricultural country. Its more important exports include karakul furs and cotton. Afghanistan has copper, coal, lead, iron, and some oil deposits. Geographically, Afghanistan borders the Soviet Union. Long considered to be a barrier between Russia and the subcontinent, it flanks both India and Pakistan on the one side and the Near East on the other. Politically Afghanistan was long considered as being anti-Russian and an opponent of communism.

A Moslem state, it has a close identity of interest with the other Moslem states of the Near East. In 1937 a friendship and non-aggression treaty (the Pact of Saadabad) was signed linking Afghanistan with Iraq, Iran, and Turkey. In 1949 official announcements were made in Kabul and Tehran that the 1937 pact still existed "in spirit." The treaty was interpreted by some as being the nucleus of a possible Middle East defense alliance. Turkey has subsequently become a member of the North Atlantic Treaty Organization and has concluded individual treaties with Pakistan and with Iraq while the United States has signed military assistance agreements with Pakistan and Iran. Following Pakistan's independence in 1947, Afghanistan's relations with its Moslem neighbor to the southeast were strained by a dispute over the area inhabited by the Pathan tribesmen in the regions bordering the Khyber Pass.¹⁰ During the period in which relations remained tense the traditional trade of Afghanistan with India was adversely affected, due to Afghanistan's geographical position. In this context the Soviet Union moved to penetrate Afghanistan.

Early in 1950 the U. S. S. R. brought pressure on both Afghanistan and Iran for increased trade. Concurrently charges were made against Afghanistan in connection with the work of the American firm, Morrison Knudsen Co., engaged in the construction of irrigation canals and other projects for the Government of Afghanistan.¹¹ In an effort to discredit United States technical assistance the Soviet Union charged that American specialists were building military roads, making maps, and engaging in espionage near the U. S. S. R. frontier.

⁹ Article by N. I. Metnikov, president of V/O Technoexport in Soviet Union, (Moscow) November 1954; see also the Russo-British Chamber of Commerce Information Circular, January 7, 1955, and Trade Organizations of the U. S. S. R., published by Trade Agency of the U. S. S. R. in India, Calcutta.

¹⁰ New York Times, January 23, 1950, p. 11; February 4, 1950, p. 4; April 24, 1950, p. 24; New York Herald Tribune, January 29, 1950, p. 16; February 4, 1950, p. 25; and the Times (London), September 11, 1953, p. 9.

¹¹ New York Herald Tribune, May 17, 1950, p. 7.

In July 1950 a 4-year Soviet-Afghan trade agreement was concluded. It provided for Soviet delivery of machinery and transportation equipment and for Soviet credits linked to the future export of Afghan minerals to the Soviet Union. Press reports at the time indicated that the Soviet Union had offered the services of oil-prospecting technicians in conjunction with the export of drilling equipment.¹²

At the beginning of 1952 it was reported that Afghan-Soviet trade had doubled and that the Soviet Union had opened a trade office in Kabul.¹³ This office was staffed with experts to stimulate trade and further Soviet aims in Afghanistan. Efforts to gain an economic foothold in Afghanistan were accompanied by propaganda and diplomatic pressure directed against United Nations and United States technical aid programs in Afghanistan.¹⁴

Commenting on technical assistance given to Afghanistan prior to 1953 the official Soviet foreign trade journal states:

Together with the successful development of mutually profitable trade between the Soviet Union and Afghanistan, the Soviet Union gives real help in the development of Afghan economy. To this end repeatedly Soviet specialists in the field of entomology, veterinary medicine, in the exploitation of oil wells, etc., have been sent to Afghanistan. In the city of Kunduze, Soviet specialists have built the largest cotton-cleaning plant in the country. The Soviet Union had delivered to Afghanistan metal poles and wires which permitted the establishment of about 1,500 kilometers of telegraph and telephone lines. In 1952 the construction of four oil tanks having a general capacity of about 1,200 cubic meters was started. The construction by Soviet specialists of these reservoirs for holding oil products, with pumping and distributing mechanism, has received high praise from the Afghan people.¹⁵

DEVELOPMENTS SINCE 1953

In April 1953 a five-man Russian technical mission arrived in Kabul to supervise the construction of air-conditioned storage houses for wheat.¹⁶ Ten months later, on January 27, 1954, an agreement was signed in Kabul for a loan of \$3.5 million to Afghanistan at 3 percent interest to be applied to the construction of two large grain elevators, a flour mill, and a bread-baking plant. The two elevators, one in Kabul and one in Pul-i-Khumri, would cost about \$4 million each. The loan, to be spent on Soviet equipment and technical services, would be payable in dollars, karakul, cotton, or other commodities at the rate of \$1 million a year. Radio Moscow made the following comment on the agreement:

An agreement has been signed between the U. S. S. R. and Afghanistan on January 27, 1954, for opening credit to Afghanistan for the building of 2 silos and 1 bread factory. In accordance with this agreement, the Soviet Union is assisting Afghanistan by carrying out the technical work, giving necessary materials and equipment, setting up the equipment, and putting the installations into operation. The Afghanistan Government will pay all the expenses from the credit opened by the Soviet Union which has extended this credit under more favorable conditions than those received by Afghanistan from other countries.¹⁷

The commentator then quoted from an unidentified Afghan newspaper indicating that the credit with the Soviet Union was at 3 percent interest as compared with 3½ percent charged by the United States

¹² Christian Science Monitor, September 2, 1950, p. 2; January 21, 1952, p. 4. Prior to 1950, trade between the two countries was conducted on the basis of agreements between the Soviet trade agency, Vostokintorg, and the National Bank of Afghanistan.

¹³ Christian Science Monitor, January 21, 1952, p. 4.

¹⁴ New York Times, September 19, 1952, p. 2; September 20, 1952, p. 2; November 20, 1952; Christian Science Monitor, October 13, 1952, p. 2.

¹⁵ A Seminar: "Soviet-Afghan Economic Relations," in Vneshniaia Torgovlia, 1954, No. 5, p. 3.

¹⁶ Bombay, Press Trust of India in English Morse to Tokyo, April 5, 1953.

¹⁷ Radio broadcast, Moscow, Near Eastern Service in Turkish, September 17, 1954, 1800 GMT.

for the Helmand River Valley development project. It was reported that each of the elevators would store 20,000 tons of cereals and that the electric grinding mill would grind 60 tons of wheat a day. It was further announced that—

Afghanistan had placed an order with the Soviet Union for equipment for the construction of new oil tanks with a capacity of 3,800 cubic meters. Preparations in the construction area have been almost completed, Soviet workers setting them up quickly. The tanks will be put in service before the end of the year.¹⁸

A broadcast in Persian 2 days later carried substantially the same information but added that Soviet technicians in Afghanistan were also installing cotton-cleaning machinery, oil pumps, and three furnaces.¹⁹ Construction of the elevators, the bakery, and the mill in Kabul commenced in April 1954 under the supervision of Soviet technical workers. In May the Soviet Union supplied equipment for the hospital at Jalalabad.²⁰

During the summer of 1954 the Soviet Union commenced construction of a 60-mile pipeline from Termez in the Uzbek Soviet Socialist Republic across the Amu Darya River to the Afghan city of Mazare Sharif. Reportedly the pipeline would have an annual capacity of 30,000,000 gallons of gasoline and would be paid for through the barter of cotton and other commodities.²¹

On October 5, 1954, the Afghan Ministry of Finance announced the signing of an agreement for credit by the U. S. S. R. of over \$2 million for paving the streets of the city of Kabul. The Soviet Union would provide bitumen and roadbuilding machinery and would send Soviet technicians to supervise the construction. The Soviet Union also would provide laboratory equipment and equipment for the Kabul public works department. The agreement permitted the Soviet Union to commence exploration of the sulfur deposits in southeast Afghanistan.²²

During 1954 there were unconfirmed rumors that the Soviet Union had offered Afghanistan \$250 million in economic aid, purportedly as a counter to United States economic and military aid to Pakistan. It was reported that this aid would be principally for roadbuilding, the construction of multipurpose hydroelectric plants, and in mining development. No official announcements were made concerning this rumored loan, and it appears to have been an exaggerated version of an agreement reported to have been reached in 1954 for the sale of \$250,000 of Russian consumer goods to be paid for by Afghanistan in local currency for use by the Soviet Embassy in Kabul.

In May 1955 the Ambassador of Afghanistan to the United States asserted that the only form of assistance provided by the Soviet Union was an \$8 million loan made during 1954 to establish a credit for barter

¹⁸ Ibid.

¹⁹ Moscow, Near Eastern Services in Persian, September 19, 1954, 0930 GMT.

²⁰ Radio broadcast, Paris A. F. P. radioteletype in English to the Americas, November 7, 1954, 1926 GMT; announcement made in Karachi by the Foreign Minister and Deputy Prime Minister of Afghanistan, Sardar Na'im Khan; earlier reports, Paris AFP, January 28, 1954, GMT; Moscow home service, April 30, 1954, and Moscow, English language to Southeast Asia, July 21, 1954, 1400 GMT; Afghan News Agency Baktari release, July 23, 1954; the Times (London), February 11, 1955.

²¹ New York Times, June 3, June 7, and July 30, 1954; the Times (London), February 11, 1955; radio broadcast Paris in French to the Americas, October 26, 1954, 1750 GMT.

²² Radio broadcast, Moscow, Tass, Russian to Far East, October 9, 1954, 1600 GMT; Radioteletype Paris to Americas, October 26, 1954, 1750 GMT; Izvestia, October 10, 1954; New York Times, October 11, 1954; New York Herald Tribune, January 14, 1955. On November 11, 1954, the Deputy Prime Minister of Afghanistan announced in Karachi that the loan was for \$3 million and that Afghanistan was negotiating a \$4 million loan with Czechoslovakia for industrial equipment; Broadcast Paris Radioteletype to the Americas, November 7, 1954, 1926 GMT. In February 1955 it was unofficially reported that a total of \$25 million had been loaned for roadbuilding and equipment for the Kabul municipality; the Times (London), February 11, 1955.

arrangements between the two countries. This amount presumably included all agreements made during 1954.^{22a}

V. INDIA

As in Afghanistan, Soviet overtures for providing technical assistance to India have been closely identified with the efforts of the U. S. S. R. to develop Indo-Soviet trade. On January 10, 1952, Mikhail V. Nesterov, chairman of the Soviet Chamber of Commerce, told a press conference in Bombay that since the Soviet Union had not "launched an armaments drive" it could provide India with grain, locomotives, streetcars, buses, machine tools, automobiles, chemicals, dyes, fertilizers, agricultural machinery, printing equipment, and weaving machinery in exchange for jute, tobacco, shellac, textiles, copra, and spices.²³ The offer to supply industrial equipment with payment in rupees was made on the eve of the opening of the International Industries Fair at Bombay at which the Soviet Union, for the first time, placed its goods on display to the Indian public.²⁴ At the official opening of the trade fair Soviet Ambassador to India K. V. Novikov assured India that the Soviet Union was prepared to give technical assistance for India's development projects.²⁵ While the offer stirred a certain amount of enthusiasm in Indian commercial circles, the Government remained unresponsive, and the offer was not immediately followed up. The Indian Government also appeared reluctant to engage in barter agreements with Communist powers. In August 1953 trade negotiations, which meanwhile had opened in New Delhi, broke down as a result of disagreement over the price India would pay for Russian wheat and also as a result of Soviet insistence upon government-to-government accounts while India favored private trade.

The appointment of Mikhail A. Menshikov, former Minister of Foreign Trade, as Soviet Ambassador to India on September 1, 1953, indicated the importance which the Soviet Union placed upon developing closer economic relations with India.²⁶ The new Ambassador made an opening move by offering to send Soviet technicians to aid in Indian development programs. This offer, however, was made in conjunction with an expanded trade program. Various reasons made the offer unacceptable. The presence of great numbers of Soviet citizens in India ran counter to the policy and practice of the Indian Government, dating from independence, of suppressing communism and Communist activity within India. In particular, the prospect of Soviet agents being at large in India was not appealing to the Indian Government nor to the Congress Party at a time when elections were to be held in sensitive Travancore-Cochin and in other states.²⁷

^{22a} New York Times, July 30, 1954. According to radio broadcasts on September 10, 1954, a Soviet loan of \$200 million had been granted. This was identified as the "third loan within 15 months." See also New York Times, May 4, 1955.

²³ New York Times, January 11, 1952, p. 9 and January 14, p. 3.

²⁴ Soviet account of the trade fair in U. S. S. R. Information Bulletin (Washington, D. C.), vol. XII, No. 3, February 11, 1952, and Pravda, January 13, 1952.

²⁵ U. S. S. R. Information Bulletin, vol. XII, No. 3, February 11, 1952, p. 86 and New York Times, January 19, 1952, p. 2.

²⁶ New York Times, September 3, 1953, p. 3.

²⁷ New York Times, November 14, 1953, p. 2.

SOVIET-INDIAN TRADE AGREEMENT

Ambassador Menshikov subsequently offered to supply India with heavy industrial equipment, farm machinery, and machine tools at prices lower than those prevailing in Western Europe and the United States. The Soviet Union would grant long-term, low-interest credits payable in rupees. Indian shipping would be used to the maximum extent. The Soviet Union purportedly had no interest in such Indian raw materials as manganese and other strategic ores but would purchase such products as jute, cinchona, tea, and oil seed, which were then a glut on the market. A 5-year trade agreement was signed on December 2, 1953.²⁸

Although the Indo-Soviet trade agreement contained no provisions with respect to technical assistance, the arrangements for such assistance were clarified in an exchange of letters between Ambassador Menshikov and H. V. R. Iengar, Secretary of the Indian Ministry of Commerce and Industry. Mr. Iengar's letter, dated December 2, 1953, stated:

During the course of the negotiations for the conclusion of the trade agreement between India and the U. S. S. R. the question of assistance and cooperation on technical, scientific, and cultural matters between the two countries was discussed.

The representatives of the U. S. S. R. said that the U. S. S. R. Government was prepared to render technical assistance that may be necessary in the installation and operation of equipment that will be supplied by the U. S. S. R. to India under the said agreement. The U. S. S. R. Government also expressed willingness to render technical assistance for the planning and execution of various projects in India. The representatives of the Government of India expressed the Government of India's appreciation of the offer made by the U. S. S. R.

As the nature and extent of such assistance will necessarily vary in each individual case, they will have to be settled as and when occasions arise for that purpose, by negotiations between the Indian parties with the approval of the Government of India on the one hand and the Soviet trade organizations on the other.²⁹

The Soviet press and some Indian newspapers regarded the agreements as a major cold-war victory. The Indian trade journal, *The Eastern Economist*, concluded:

It is obvious that there is a determination on the part of both countries to extend the range and scope of articles in international trade and to buttress it with a technical aid and shipping agreement * * *. While the free world has, therefore, no political cause for concern, some countries in the free world will certainly have another economic warning to observe * * *. So long as hard currencies continue to exist, a preference will invariably be made in favor of countries willing to trade in our currency.³⁰

In summarizing Indian press reaction, the Soviet *New Times* dwelt upon comments regarding the effect of the agreement upon relations with the United States:

The Bengal Ananda Bazar Patrika, which speaks for influential business circles, said editorially that "the Indian-Soviet trade agreement is of vast importance for many reasons: India today needs capital equipment for its industries, and experts to organize those industries."

The conclusion of the trade agreement with the Soviet Union is regarded by the Indian public as an important step toward normalizing international relations and as a manifestation of India's independence in international affairs. The *National Herald* declares in an editorial that India is opposed to American-dictated restrictions in international trade. Swadhinata describes as a highly important development the fact that the Indian Government ignored American bullying and concluded a trade agreement with the Soviet Union.

²⁸ Foreign Service Dispatch, Amcongen New Delhi No. 928, December 3, 1953.

²⁹ *Ibid.*

³⁰ *The Eastern Economist*, December 4, 1953, p. 908.

The Indian press emphasizes that the Soviet Union was the first great power to recognize the Indian rupee. "This will raise the prestige of Indian currency," the *Tej* remarks. Enumerating the advantages of trade with the Soviet Union, the newspaper says: "What Russia's enemies will think of the agreement does not bother us in the least."

Another point the Indian press makes is that the new agreement will do much to lessen India's dependence on the United States and Britain for capital equipment. The *Nav Bharat Times* remarks in this connection that after many years of futile attempts to obtain much-needed capital equipment in the U. S. A. and Britain, India will now receive such equipment from the Soviet Union. Indian papers also believe that the new agreement will make for larger markets for Indian goods. * * * The trade agreement with the Soviet Union, Indian papers say, will help overcome India's foreign exchange difficulties, inasmuch as all transactions with the U. S. S. R. will be in rupees. Another positive feature of the agreement commented on is the Soviet undertaking to render India technical assistance.³¹

The official Soviet publication on foreign trade praised the trade agreement for furthering foreign trade, developing and strengthening relations between the two countries, developing the mechanization of Indian agriculture, and contributing to India's industrialization and achievement of real economic independence. It stressed that the agreement was based on the principle of equality and mutual advantage and that the price of Soviet goods would not exceed the prices on the world market. It noted that payment by India in rupees would make Indo-Soviet trade independent of American dollars or other foreign currency. It emphasized that the agreement provided not only for trade in the usual sense but for the provision of complete industrial establishments to be constructed by Soviet technicians. Lastly, after charging that American technical and financial aid constituted interference in India's internal affairs, the journal concluded that the agreement would have a "normalizing" effect on international trade.³²

Similarly commenting on the technical assistance aspects of the trade agreement, Ambassador Menshikov stated in a public address on December 22, 1953, that—

Technical assistance which was being offered by the Soviet Union was entirely different in character from the aid received from some other countries. Russian aid was rendered only when it was desired and requested by a country and solely in the interests of that country. In such a case, the assisted country alone was the complete owner of new enterprises built and equipped with the assistance of the Soviet Union and of the products resulting from those new enterprises. The technical assistance was given on a friendly basis without any selfish aim on the part of the donor for a very moderate payment and in some cases without any payment at all.³³

On May 4, 1954, the Indian Minister of Commerce, D. P. Kar-marker, speaking on the technical assistance side of the agreement, told Parliament:

According to the letters exchanged between the U. S. S. R. and India, the former was to render technical assistance in the installation and operation of equipment to be supplied under the agreement and in the planning and execution of various projects. It has not been found necessary so far to seek such assistance.³⁴

³¹ Spandaryan, V.: *Soviet-Indian Economic Relations*, New Times (Moscow), No. 50, December 12, 1952, p. 6.

³² A. M. Smirnov, *Vnesnialia Torgovlia U. S. S. R.* Moscow, 1954, p. 275 (official publication of the Ministry of Foreign Trade).

³³ *Hindustan Times*, December 22, 1953.

³⁴ Radio broadcast, Bombay, Press Trust of India, May 4, 1954.

STEEL MILL NEGOTIATIONS

The next major move of the Soviet Union involving technical assistance was an offer to provide India with a steel mill. This followed an announcement by India's Minister of Commerce that under the second 5-year plan the target for steel production would be a capacity of 6 million tons by 1961. India had already entered into an agreement with West Germany for the construction of a new steel mill at Rourkela (Orissa) by the firms Krupp and Demag.³⁵ It was, however, evident that even with this new mill, capacity would still fall short of 3 million tons. A group of Indian industrialists headed by two brothers, G. and B. M. Birla, had commenced negotiations to secure capital in Great Britain and the United States for additional steel mills. Significantly the Soviet offer was announced in the midst of these negotiations. Press reports in September 1954 intimated that the Soviet Union had offered to provide \$75 million worth of equipment on a credit that India would repay over a 15-year period; interest would be between 2 and 2½ percent (the Indian press emphasized that this was approximately one-half the amount charged by the United States and the World Bank); ownership and management of the mill would be Indian; the Soviet Union would not possess stock in the mill nor require that a percentage of the production be sent to the U. S. S. R.; the mill would be placed in operation in approximately 3 years, and the Soviet Union would provide technicians to supervise construction and operation.³⁶

On September 24, 1954, K. C. Reddy, India's Minister of Production, announced that the Government of India had decided to invite a team of Soviet specialists to visit India to study the technical aspects of the new steel project and that the Indian Planning Commission had begun studies on the type of steel to be produced.³⁷ In October, Dr. C. A. Mehta, director of the Bombay metals firm of Kamani, while visiting Japan, stated that the Soviet offer was obviously a part of its policy of "trying to gain a foothold in India." He pointed out, however, that India would only accept the offer free of political conditions; that the number of technicians would be limited to 25, and that the Government-operated mill would raise the standard of living in India and thus "help prevent the spread of communism."³⁸ While earlier reports had mentioned a credit of \$75 million, Dr. Mehta used a figure of \$150 million, to be repaid with 2½ percent interest over 15 years.

On November 17 a team of 16 Russian steel experts headed by A. A. Trusov arrived in India. Six additional steel experts arrived on the following day. It was announced that they would remain in India for about 2 months to engage in planning for the erection of the steel mill.³⁹ Six weeks later, in January 1955, it was reported that the ingot capacity of the proposed mill would be increased to about 850,000 tons; that the types of products to be made had been

³⁵ 180 Indian technicians were under training in West Germany for the planned \$152 million Hindustan Steel Works. The German constructed mill would have a 500,000-ton capacity. *Indiagram*, September 27, 1954. See also *Business Week*, October 2, 1954, p. 150.

³⁶ *New York Times*, September 12, 1954, p. 2; *Business Week*, September 18, 1954, p. 164 and October 2, 1954, p. 150; and *Foreign Service Despatch*, American Embassy New Delhi, No. 1478, March 18, 1954, and No. 357, September 16, 1954.

³⁷ *Foreign Service despatch*, American consul Calcutta, No. 191, September 27, 1954.

³⁸ *Washington Post*, October 2, 1954.

³⁹ *Bombay, Press Trust of India*, radio broadcast, November 17, 1954, 0130 GMT.

determined; and that these included railroad rails, wheels, and structural steel.⁴⁰ A short time later, it became known that India had accepted the technical recommendations of the Soviet steel mission for a 1-million-ton-capacity plant.⁴¹ During these negotiations India refused to accept a Soviet offer of a dismantled steel mill from Czechoslovakia and another offer of a second-rate mill which had previously been rejected by Communist China.⁴²

The Soviet-Indian agreement, finally signed on February 2, 1955, provided for the construction of a steel plant having an original capacity of 1 million tons of steel ingots and 750,000 tons of rolled products. Eventual expansion of the plant to produce 1 million tons of rolled products was envisaged. The Soviet Union undertook to provide the plant and equipment, and Soviet technicians were to supervise the construction, to be completed by December 31, 1959. The total cost of the plant was not announced, but the cost of the equipment to be provided by the Soviet Union was estimated at 434 million rupees or about \$91,140,000 f. o. b. Black Sea and Baltic Sea ports. In addition, India promised to pay the Soviet Union 25 million rupees for preparing the detailed project report, drawing designs, and performing other technical services. Payments were to be made in Indian rupees (of present value) in 12 equal annual installments with interest at 2½ percent on the unpaid balance. These payments were to be deposited in a special account in the Reserve Bank of India to be used by the Soviet authorities for the purchase of Indian commodities. Final agreement on construction of the plant was made contingent upon Indian acceptance of the project report, to be submitted within 9 months after selection of the site. If India rejected the project report, the Soviet Union was to be paid up to 8 million rupees for its expenses in preparing the report. India reserved the right to find other means of completing construction of the plant in the event of war or embargo. The agreement provided for a maximum use of Indian metallurgical, engineering, and other industries and for a close association of Indian personnel in the project in connection with the construction as well as for training purposes. The Soviet Union agreed to receive in the U. S. S. R. two or more Indian delegations to observe the operations of a plant similar to the type to be built in India. Although the agreement did not specify the location, it was reported that the Bhilai region of Madhya Pradesh had been selected as the site of the new plant.⁴³

In announcing the agreement Radio Moscow stated:

The agreement provides that Soviet organizations will complete blueprints, will manufacture and supply to India necessary equipment, and will carry out technical supervision of the project, including assembly work and the actual putting into operation of the equipment. In order to carry out the work connected with the design, building, and the activation of the plant, Soviet organizations will send to India the necessary number of experts and will train Indian personnel in India and in the Soviet Union. Apart from this, Indian experts will have the opportunity to study in the U. S. S. R. the metallurgical plants and enterprises producing metallurgical equipment.

⁴⁰ New York Times, January 2, 1955, p. 7.

⁴¹ New York Times, January 28, 1955. The increase to 1 million ton capacity had been previously reported, the Financial Times (London), January 11, 1955.

⁴² U. S. News and World Report, March 18, 1955, p. 44.

⁴³ Foreign Service Despatch, American Embassy New Delhi, No. 835, February 3, 1955; New York Times, February 3, 1955; Washington Post, February 3, 1955; and United States News and World Report, February 11, 1955, p. 119.

The first shops including 3 coke batteries, 2 blast furnaces, and 2 open-hearth furnaces will be put into operation by the end of 1958 and the remaining shops by the end of 1959.⁴⁴

The agreement with the Soviet Union was only part of India's effort to increase steel production. The addition of the German and Russian mills would still not meet the projected steel production requirements under the second 5-year plan. On January 18, 1955, India agreed to accept British bids for expansion of the Tata mill and the German mill by 500,000 tons each. Negotiations were continued with Britain⁴⁵ for the construction of an additional mill and a Japanese offer was also reportedly under consideration. Further, in September 1954 a firm of United States consultants had been invited to advise the Indian Government on expansion of the Bhadravati Iron and Steel Works.⁴⁶ And in May 1955 a group from Tata Industries, headed by the chairman, J. R. D. Tata, came to the United States for discussions on American participation in Tata's plan to expand its steel capacity.

OTHER SOVIET OFFERS

Construction of a steel mill has been only one aspect of Soviet efforts to penetrate India. Since the conclusion of the 1953 trade agreement Soviet technical assistance has been made available in other fields. In July 1954 the U. S. S. R. provided India with the services of three diamond-mining experts (headed by V. I. Tikhonov) to survey the possibilities of large-scale mechanization of the mines of the Panna diamond mining syndicate. An optimistic report was made in October. Although no official announcement was made at the time, the Indian press reported that the Soviet Government would supply the heavy equipment needed for full mechanization of the mines and would provide technicians to install the equipment.⁴⁷ Also in July 1954 Prof. P. C. Mahalanobis, Director of the Indian Statistical Institute, announced (while in Moscow as guest of the Soviet Academy of Sciences) that agreement had been reached in principle for Soviet experts to go to India to give technical advice and for Indian students to train in Russia. He indicated that arrangements had been made for about three Soviet experts to work at the Indian statistical institute on planning electronic computers.⁴⁸

During 1954 Soviet lightweight tractors imported by India were assembled by Soviet mechanics.⁴⁹ In a radio broadcast in January 1955, Ivan Efanov, Assistant Chief of the Southeast Asia and Middle East Department of the Soviet Ministry of Foreign Trade, announced that a contract had been signed under which the U. S. S. R. would send India the full equipment for a tool factory and would give technical assistance in its construction.⁵⁰ A report by the Russo-British Chamber of Commerce identifies this tool factory as one for the manufacture of files.⁵¹ These programs negotiated directly be-

⁴⁴ Moscow, Soviet Home Service, February 2, 1955, 1930 GMT.

⁴⁵ See *The Times of India*, October 9, 1954, p. 1; the *London Times*, November 29, 1954, p. 8; *Christian Science Monitor*, December 6, 1954, p. 12; *New York Times*, January 6, 1955, p. 3; the *Financial Times* (London), January 12, 1955, and January 19, 1955.

⁴⁶ *Indiagram*, September 29, 1954.

⁴⁷ *Indian Express* (Bombay), October 14, 1954; *Foreign Service Despatch*, Amcongen Bombay, No. 296, October 28, 1954.

⁴⁸ Reuters, London, radioteletype to New York, July 18, 1954.

⁴⁹ *New York Times*, May 26, 1954; *Foreign Service Despatch*, American Embassy New Delhi, No. 1818, May 20, 1954; *New York Times*, September 12, 1954.

⁵⁰ Moscow, English language broadcast to Southeast Asia, January 21, 1955, 1400 GMT.

⁵¹ Russo-British Chamber of Commerce Information Bulletin for Members, January 7, 1955.

tween the Soviet Union and India are additional to the equivalent of \$536,000 of Russian technical aid to be provided through the United Nations program.⁵²

As a part of its trade offensive in India, the Soviet Government has sponsored numerous tours of the U. S. S. R. by Indian groups. A delegation of Indian railwaymen, for example, toured the Soviet Union in June-July 1954 at the invitation of the Soviet Ministry of Railways.⁵³ In September 1954 five Indian agriculture specialists headed by Dr. S. R. Sen, economic and statistical adviser to the Ministry of Food and Agriculture, visited the Soviet Union.⁵⁴ A delegation of the Indo-Soviet Cultural Society headed by Tedja Singh spent a month in the Soviet Union in October-November 1954.⁵⁵ Another agricultural delegation headed by M. V. Krishnappa, Deputy Minister of Food and Agriculture, left for Moscow at the end of 1954.⁵⁶ A group of Indian industrialists visited the Soviet Union during September and October 1954. On January 19, 1955, it was announced in New Delhi that the Indian Government was preparing to send a working mission to the U. S. S. R. to study the Soviet steel industry. Besides the quasi-official delegations, private Indian citizens and student groups have also visited the Soviet Union.

As for grant aid to India, on October 28, 1953, Ambassador Menshikov presented Prime Minister Nehru with a check for 296,560 rupees on behalf of the Red Cross and Red Crescent societies of the U. S. S. R. for the relief of flood victims in India.⁵⁷

In a résumé of Soviet relations with its neighbors, presented to the Soviet Supreme Council and the Soviet people on February 9, 1955, Foreign Minister V. M. Molotov stated:

The further strengthening of friendly relations between the Soviet Union and India must be noted with great satisfaction. Political and economic as well as cultural ties are developing successfully which help the peoples of our countries, who cherish mutual respect and sincere sympathy for each other, to come closer together.

A few days ago an important economic agreement was concluded. According to this agreement, the Soviet Union has taken upon itself to build in India, under the terms of advantageous long-term credit, a large steel mill which will produce more than 1 million tons of steel and a respective quantity of rolled metal. The Soviet Union will deliver all the equipment and will give the necessary technical assistance, including the dispatch of highly qualified experts. We met this request with great willingness as the development of metallurgy in India must further the preservation of the national independence and the economic improvement of this ancient and great country, to whom the peoples of the U. S. S. R. extend their wholehearted sympathy.

During the summer of this year the Soviet Union is to be visited by the Prime Minister of India, Jawaharlal Nehru. The announced visit of Mr. Nehru has found the most friendly response among the peoples of the Soviet Union.

Our relations with two other Asian countries, Burma and Indonesia, are continuing to be strengthened also.⁵⁸

INDIAN ATTITUDE

While the Indian Government has apparently moved carefully in its acceptance of Soviet offers to provide industrial equipment and technical assistance, some Indian industrialists have opposed the trend.

⁵² See section on Soviet participation in U. N. technical assistance programs below.

⁵³ Moscow, Tass releases, July 11 and July 23, 1954.

⁵⁴ Radio broadcast, Press Trust of India, August 24, 1954.

⁵⁵ News (Moscow), No. 23, December 1, 1954.

⁵⁶ Moscow, English language broadcasts to Southeast Asia, January 20, 1955.

⁵⁷ New Times (Moscow), No. 44, October 31, 1953.

⁵⁸ U. S. S. R. Home Service, February 9, 1955.

Upon returning from a tour of the Soviet Union late in 1954 the Indian textile manufacturer Kasturbhai Lalbhai warned that the Soviet offer to send technicians and equipment to India should be "taken with caution." Soviet engineers, he said, are "out of touch with world developments in industry" and Soviet machinery is of "poor quality." Lalbhai declared that, after visiting 25 factories in the Soviet Union, it was clear that the Russians could not help Indian industry—

the handling of machinery in factories showed a lack of expert knowledge—there is no question of the Russian delegations being able to help Indian industries in any way—there are no original machinery factory designs in Russia, they are all copies of German, British, Japanese, or American plants.⁵⁹

This criticism, coming during the steel plant negotiations and threatening to obstruct Soviet plans for India, evoked a response from the Soviet Union. In an English language broadcast on December 15, 1954, a Soviet commentator made a point of the fact that the statement was published by the *Hindustan Times* which belongs to Birla, who is "closely connected with the British and American monopolies." This was taken as evidence that these monopolies "have not yet dropped their efforts to discredit by any and every means India's desire for strong economic connections with the U. S. S. R."⁶⁰ The Soviet press alleged that Lalbhai's opposition was part of a general campaign to hamper the attempt of the Soviet Union to comply with the Indo-Soviet agreement on technical assistance concluded at the close of 1953.⁶¹

In its own public pronouncements, the Indian Government has been anxious to stress its independent position. On November 3, 1954, the Indian Minister for Commerce and Industry told foreign press correspondents that India would "accept aid from whatever quarter it comes provided there are no strings attached." He declared that the industrial development of India could conform neither to the totalitarian pattern nor the American pattern; that each country had to develop in its own way.⁶² On the following day Prime Minister Nehru said that "help is welcome but ultimately any nation rises by its own efforts only."⁶³ Speaking in Parliament on December 21, the Prime Minister asserted that "in India there would be no departure from the chosen middle of the road." At the conference of the U. N. Economic Commission for Asia and the Far East, in Kandy, Ceylon, in February 1954, the Indian delegate declared that India would accept aid from any country without prejudice or distinction.⁶⁴ Finally, the Indian ambassador to the United States has outlined India's approach to foreign aid as follows:

Foreign aid can be acceptable to India if it is given with the object of furthering her economic development and not as an instrument of cold war. In order to produce the best results, it is important that economic aid and technical advice be given without creating a sense of inferiority in the recipient country or engendering any suspicions about the motives and objectives of such programs.⁶⁵

⁵⁹ Tokyo, Panasia News Agency releases, December 15, 1954; *Hindustan Times*, December 10 and December 11, 1954; *Daily News Record* (New York), January 10, 1955.

⁶⁰ Moscow, English language broadcast, December 15, 1954, 1400 GMT.

⁶¹ *Izvestia*, Tass release, article by K. Petrov, December 24, 1954.

⁶² *Indiagram*, November 5, 1954.

⁶³ *Indiagram*, November 8, 1954.

⁶⁴ *New York Times*, February 11, 1954.

⁶⁵ *The Annals of the American Academy of Political and Social Science*, July 1954, p. 126.

VI. OTHER NON-COMMUNIST STATES OF ASIA

In the non-Communist states of Asia other than Afghanistan and India, Soviet activity has largely been confined to the dissemination of propaganda and participation in trade fairs. Soviet propaganda has sought to discredit United States technical assistance and to induce receptivity to Soviet trade and technical aid. Generalized statements directed to the region as a whole have emphasized the eagerness of the Soviets to trade and the benefits to be derived by Asian countries participating in such trade.

In this connection, the following statement by the Malayan delegate to the 1953 meeting of the U. N. Economic Commission for Asia and the Far East is an illuminating reaction:

Memories must be short indeed if regular delegates to the Economic Commission for Asia and the Far East have forgotten the welcome change in the Soviet attitude which first blossomed during the first trade-promotion conference in Singapore in October 1951, and seemed to be fruiting at Rangoon 3 months later.

At both of these conferences, just as at the close of their delegate's speech here yesterday, the U. S. S. R. offered capital goods with, we understand, early delivery. In Singapore we welcomed this change of heart in the one great manufacturing country which up till then had apparently been unable to help relieve our postwar shortages. * * * Malayan importers were genuinely interested in these capital goods and endeavored to place trial orders. The Malayan Government were prepared to allow the import of such goods, provided, of course, that they were competitive with those of other manufacturing countries. Most of us will remember that, in Rangoon, the Soviet delegate made a special point of the reliability and promptness of the U. S. S. R. in the execution of orders. So let us turn to the latest Malayan import figures for 1952.

During the 11 months covered by this volume in front of me, the entire imports of Malaya * * * from the U. S. S. R. have been as follows: 9 tons of asbestos, 24 cameras, \$1,800 worth of proprietary medicines, 500 pounds of canned fish, 400 pounds of caviar. Total value—\$47,129, of which caviar accounted for \$16,772. During the same 11 months, the U. S. S. R.'s direct imports of Malayan rubber came to 28.7 million Malayan dollars. Last year, therefore—despite the very considerable fall in the world price of rubber—Russian imports from Malaya were still over 1,500 times the volume of their exports to Malaya. The ratio was in fact, 1,560 to 1.

If, therefore, the committee agrees with the Soviet delegate in a general condemnation of the exploitation of this region by manufacturing countries, they are thereby accepting the fact that the U. S. S. R. is far and away the greatest exploiter of the peoples of Malaya. Here then, Mr. Chairman and gentlemen, is the fulfillment, so far as Malaya is concerned, of the Soviet promise—made both in Singapore and Rangoon—for “numerous types of capital goods in exchange for raw materials”. * * * ⁶⁶

A. INDONESIA

In Indonesia, Communist propaganda has emphasized the contribution of the Soviet Union to Afghanistan and India. In a broadcast to Indonesia on December 15, 1954, for example, the Soviet commentator said:

A tremendous increase was witnessed in this year's barter trade between India and the Soviet Union. Soviet organizations will also give aid to Indonesian firms in building industrial factories. * * * Mr. Senusi, chairman of the Indonesian delegation [which visited the U. S. S. R. in September] said that his delegation saw in the Soviet Union many things which can be used by Indonesia right now.⁶⁷

In another Indonesian language broadcast in January 1955, the chief of the Southeast Asia and Middle East Department of the

⁶⁶ United Nations, Economic Commission for Asia and the Far East, Ninth Session, February 6-14, 1953, Bandung, Indonesia, Summary Records (quoted in United States News and World Report, March 27, 1953, p. 22).

⁶⁷ Moscow, Indonesian language broadcast to Southeast Asia, December 15, 1954, 1130 GMT.

Soviet Ministry of Foreign Trade lauded the benefits of Soviet trade and condemned United States trade discrimination and purported refusal to sell machinery and capital goods to underdeveloped countries. He said:

Soviet willingness to send technical aid to build a metal factory in India was hailed all over Asia. A team of Soviet metal experts is currently in India to discuss the building of the metal factory with Indian experts. Soviet trade organizations also trade with Burma and Pakistan, while preparations are under way for trade with Indonesia.⁶⁸

The Communist trade offensive in Indonesia was actually begun by the European satellite states and Communist China. Hungary and Czechoslovakia were the first members of the Soviet bloc to conclude trade agreements with Indonesia.⁶⁹ In July 1954, an Indonesian-Polish trade agreement was announced whereby Poland would provide textiles, chemicals, machinery, and industrial equipment in exchange for lead, rubber, copper, tea, coffee, and paper.⁷⁰ No technical assistance provisions were reported.

The following month Indonesia concluded a trade agreement with Communist China covering an exchange of goods valued at 6 million pounds sterling. China was to provide textiles, machinery, and electrical equipment while Indonesia would deliver coffee, paper, copper, and other minerals.⁷¹ Again, no technical assistance provisions were reported. Nor do the available sources indicate the extent to which Communist China, which is as underdeveloped as Indonesia, has actually delivered such items as machinery and electrical equipment; or, if such deliveries have been made, whether the items actually came from Communist China or the Soviet Union.

The first recorded Soviet bloc technical assistance in Indonesia came in August 1954 in the form of an Indonesian agreement with Rumania under which Rumania was to provide technical assistance in building a cement mill, opening new oil wells, and exploiting Indonesian mineral deposits.⁷² A credit equivalent to approximately \$7 million has also been extended to Indonesia by the Soviet Zone of Germany to cover sugar mill equipment and the services of 50 technicians (a large number for the purpose).

Accelerated Soviet activity

In September 1954, the Soviet Union appointed its first Ambassador to Indonesia. The appointment signaled accelerated Soviet activity in Indonesia.⁷³ It coincided with a shakeup in the Indonesian Communist Party in which many influential Chinese were removed from controlling positions. It also coincided with the visit of an official Indonesian trade delegation to the Soviet Union,⁷⁴ and followed visits during the summer of 1954 by Indonesian railway, medical, agricultural, industrial, and women's delegations.⁷⁵

⁶⁸ Moscow, Indonesia language broadcast to Southeast Asia, January 24, 1955, 1130 GMT.

⁶⁹ New York Times, September 25, 1954, p. 5.

⁷⁰ Pravda, July 4, 1954.

⁷¹ Izvestia, August 27, 1954.

⁷² New York Times, August 25, 1954, p. 10; Kommunist (Moscow), October 1954, No. 15, p. 59.

⁷³ Christian Science Monitor, September 24, 1954, p. 2. The Soviet Union had requested 40 buildings to house its staff being sent to Indonesia. In response to the protest of Indonesia, the Soviet Ambassador announced upon his arrival on September 14 that his staff of 30 persons had been reduced to 8 persons. For an analysis of the political shift in Indonesia evident around August 1954 in which the President and Government inclined toward closer relations with the Communist bloc, see: Dennis Warner, "Indonesian Intrigue" in Wall Street Journal, December 10, 1954, p. 8; Tillman Durdin, "Report on Indonesia" in New York Times, December 12, 1954, p. 4-E; and Mochtar Lubis, "The Indonesian Communist Movement Today," in Far Eastern Survey, November 1954, p. 161.

⁷⁴ Izvestia, September 10, 1954.

⁷⁵ New York Times, September 25, 1954, p. 5; Izvestia, August 5 and 9, 1954; Pravda, July 31, 1954.

Upon returning to Indonesia, the head of the trade delegation, Dr. A. Senusi, Acting Chief of the Department of Industry, reported that the U. S. S. R. was prepared to set up factories in Indonesia and to supply the equipment and technicians needed to place them in operation. He also said that the Soviet Union would supply specialists to train native personnel to take over management of the factories, and that long-term credits would be granted at an interest rate of 2 percent.⁷⁶ To date, however, no Soviet-sponsored industrial projects have been announced although some may be under consideration in connection with the current trade negotiations.

The Soviet Union assumed a prominent role in the International Trade Fair held in Djakarta during August and September 1954.⁷⁷ Pravda reported that the Soviet pavilion was visited by "over 1 million persons including President Soekarno and Vice President Hatta, numerous ministers, and delegations of peasants and workers from all parts of Indonesia."⁷⁸ It stated that:

The Chairman of the [Indonesia] Government Committee for the Organization of the Fair, Laikhad, declared in a conversation with correspondents in the Soviet pavilion: "The participation of the Soviet Union in the Fair has an enormous significance. For the first time the Indonesians can acquaint themselves with the achievements of Soviet industry and culture. But its significance goes beyond this. The fair will contribute to the establishment of free and broad trade relations. As is known, Indonesia desires to end forever the policy of discrimination dictated by the Western Powers."

The press agencies Antara and Aneta [Indonesian organizations] issue detailed descriptions about the Soviet pavilion, stressing that the participation of the Soviet Union in the fair "will contribute to the strengthening of the friendship between the peoples of the Soviet Union and Indonesia and to the expansion of commercial links between the two countries."⁷⁹

The success of the Soviet exhibition was described by one American correspondent in the following terms:

The United States is taking a propaganda beating—by default—and the Russians are making propaganda hay at the Indonesian Trade Fair here. * * * Tens of thousands of Indonesians have come from all over the country to gaze with wonder on Russian-made automobiles, farm implements, machine tools, surgical instruments, and other "triumphs" of the Communist revolution. * * *

When Indonesians ask questions of Russian attendants they are answered in their own language. * * * [The Russians] put up a huge pavilion to house an exhibit that some sources have estimated to be worth a million dollars. They sent 40 technicians to staff it. * * * Because the fair has been a big success [U. S.] Embassy officials have recommended that the State Department take a "second look" at its policy of nonparticipation. * * *⁸⁰

At the close of the trade fair the Soviet Ambassador called on the Prime Minister of Indonesia and presented the pavilion which had housed the Soviet exhibit as a gift on behalf of the Russian people and as a "mark of respect and friendship of the Soviet Union for the people of Indonesia." The building was reportedly to be used as a hospital.

⁷⁶ Izvestia, September 17 and October 27, 1954; New York Times, November 7, 1954, p. E9. Although the Soviet Union had previously offered in general terms to provide Asian states with industrial equipment at the ECAFE Conference in Bandung, Java, in February 1953 and on other occasions, it was not until the middle of 1954 that specific offers were made to individual states and the first indication given of long-term low-interest credits and the provision of Soviet technical assistance.

⁷⁷ For a résumé of Soviet participation in trade fairs see: Literaturnaya Gazeta, September 18, 1954, p. 4; News (Moscow), No. 19, October 1954, p. 20; News, February 1954, No. 3, p. 27; Pravda, August 27, 1954; U. S. S. R. Information Bulletin, February 11, 1952. During the period since the end of World War II, the U. S. S. R. has participated in 47 foreign trade exhibitions. In Asia the Soviet Union has had exhibits in trade fairs in Peking (China), Bombay (India), Djakarta (Indonesia), Bangkok (Thailand), Damascus (Syria), and Izmir (Turkey).

⁷⁸ Pravda, October 4, 1954.

⁷⁹ Pravda, August 21, 1954.

⁸⁰ Keyes Beech in Washington Post, October 13, 1954, p. 4.

B. BURMA

Although the Soviet Union has directed its usual trade propaganda toward Burma, it does not appear to have exerted as vigorous an effort to gain an economic foothold in Burma as it has in Afghanistan, India, and Indonesia. On the contrary, current trade negotiations appear to be as much the result of Burma's initiative as of the Soviet Union's.

Since achieving independence, Burma has waged a continuous campaign to subdue two Communist insurrectionist groups within the country and at the same time has attempted to maintain amicable relations with both the free world and the Soviet bloc. The Burmese Government's problems have been further complicated by the militant activities of the Karen minority and by the presence in Burma of remnants of the Chinese Nationalist forces under General Li Mi.

On March 28, 1953, the Government of Burma announced that it desired to cancel the United States economic-aid agreement effective at the end of June. This action was variously interpreted as a move to emphasize Burmese neutrality, as a maneuver by the Government to retain the support of factions fearful of offending the Soviet Union and Communist China, and as an action in protest of alleged United States support of the Chinese Nationalist forces in Burma.⁸¹

On April 22, 1954, a 3-year trade agreement was signed with Communist China providing a market for a small part of Burma's surplus rice. China undertook to provide Burma with coal, silk, textiles, paper, agricultural implements, light industrial products, handicraft goods, enamelware, porcelain, tea, and pharmaceutical and medical preparations in exchange for rice, beans, mineral ores, timber, and raw cotton.⁸² In November 1954, the Burmese Government announced that arrangements had been made for the sale of 150,000 tons of rice to Communist China within the terms of this agreement.⁸³

In September 1954, a Burmese delegation headed by the Minister of Agriculture and Forestry visited the Soviet Union⁸⁴ and in November it was announced that a Burmese trade mission was departing to the Soviet Union to negotiate the sale of additional amounts of Burmese rice. The delegation, which was headed by the Minister of Nationalization, arrived in Moscow at the end of December.⁸⁵

On February 22, 1955, Burmese Premier U Nu announced that the Soviet Union would soon buy 200,000 tons of Burmese rice and would supply Burma with industrial equipment in exchange. He said that the Soviet Union had shown a "sincere desire to help Burma in her present rice crisis."⁸⁶ The final terms of the agreement have not been announced, but neither Burma nor the Soviet Union has given any indication that large-scale technical assistance programs are under negotiation.

Burmese efforts to dispose of surplus rice were not confined to the Soviet bloc. In October 1954, Burma proposed that the United States buy Burmese rice for distribution to countries in Asia. Burma would

⁸¹ New York Times, March 29, 1953, p. 1; June 12, 1953, p. 3; June 16, 1953, p. 5; June 14, 1953, p. 4; October 22, 1954, p. 5.

⁸² New York Times, April 25, 1954.

⁸³ New York Times, November 4, 1954, p. 6; December 13, 1954, p. 3.

⁸⁴ Pravda, September 12, 1954; September 26, 1954.

⁸⁵ Pravda and Izvestia, December 31, 1954.

⁸⁶ New York Herald Tribune, February 23, 1955, p. 3.

buy United States industrial equipment and would engage the services of United States technicians with the dollars earned through the sale. In setting forth this proposal, Premier U Nu said that—

Burma is willing to accept United States economic aid but we prefer to pay for it, as this forms a more solid basis of friendship than acceptance of gifts.⁸⁷

C. CEYLON

Ceylon's economic relations with the Soviet bloc have revolved mainly around the 5-year trade agreement concluded with Communist China December 18, 1952. This agreement provided for the annual shipment of 270,000 metric tons of rice to Ceylon and the purchase of 50,000 tons of rubber by China. Prices were to be revised yearly. The agreement had no technical assistance aspects.

Coming as it did during the Korean war, the agreement was widely interpreted among the members of the United Nations with armed forces in Korea as a violation of the spirit of the General Assembly resolution of May 18, 1951, against the shipment of strategic materials to Communist China. Ceylon is not a member of the United Nations, its admission having been vetoed by the Soviet Union, but on March 23, 1953, Ceylon did prohibit private Ceylonese businessmen from importing strategic goods for transshipment to Communist China.

At the time the rubber agreement was signed, the Ceylonese Government contended that it was nonpolitical and was necessitated by the falling price of rubber and the rising price of rice on the world market. W. Averell Harriman, then United States Mutual Security Director, told Congress in his final report that Ceylon had refused to sell the rubber to the United States because the United States had offered only the world market price, had offered rice at a price Ceylon was unwilling to pay, and had refused to promise Ceylon \$50 million in economic aid. Communist China was paying 40 percent above the world market price for the rubber.

While visiting the United States in December 1954, Ceylonese Prime Minister Sir John Kotelawala said that Ceylon would have no further need of rubber deals with Communist China if it received assistance from the United States. He suggested that the most effective way to combat communism in Asia would be through economic assistance "in abundance * * * in the right place and in the right manner and at the right time * * *"

As for Ceylon, the Prime Minister said:

We want financial aid and this is the right time to give it. It must also be given in the right manner and the right spirit without being tied up in strings.⁸⁸

The Soviet Union itself has made no specific offers to Ceylon beyond its general offers to help in industrialization and to provide technical assistance to countries of South Asia. During 1954 the Soviet Union invited the Ceylon Rubber Commission to visit the U. S. S. R. In February 1955 it was announced that Ceylon had rejected this invitation and that instead of an official delegation, a group of Ceylonese trade union officials and industrialists were privately negotiating with Soviet and Ceylonese authorities for a delegation to visit the U. S. S. R. during the summer of 1955.⁸⁹

⁸⁷ New York Times, October 15, 1954, p. 5.

⁸⁸ New York Herald Tribune, December 2, 1954, p. 3.

⁸⁹ Broadcast, Vienna, Interreport-Ost, February 3, 1955.

Meanwhile, the Ceylonese Government has seized a number of opportunities to record its firm opposition to Communist expansionism, and has taken steps to impede economic and other relations—except for the rubber agreement with Communist China—with Soviet bloc nations. In January 1954 foreign exchange and other controls were tightened to prevent foreign Communists from entering Ceylon and to prevent foreign subsidization of Communist propaganda in Ceylon. A month later, the Government banned diplomatic relations with any Communist nation.

D. THAILAND, PAKISTAN, AND JAPAN

Thailand, Pakistan, and Japan are each linked to the United States in one way or another through military security agreements, and in each of these countries the Soviet Union has found an inhospitable political climate.

In Thailand, the Minister of Economic Affairs announced in August 1953 that his Government had been officially approached by the Soviet Union in regard to the conclusion of a bilateral trade agreement. The Thai Government stated that its ban on shipment of raw materials to the Soviet bloc would not be lifted but that the trade proposal would be considered on its merits.⁹⁰

On December 8, 1953, an International Trade Fair opened at Bangkok at which the U. S. S. R. exhibition (according to the Soviet press) was awarded first prize. The further claim was made that the Soviet pavilion contained more than 5,000 separate items of manufactured goods and was visited by 800,000 persons.⁹¹

The U. S. S. R.'s plans to participate in the 1954 International Trade Fair at Bangkok were somewhat frustrated by Thai restrictions which are reported to have prevented the Russians from bringing a circus and a ballet corps. This would have confined the Soviet exhibit to an industrial display, and the U. S. S. R. withdrew from participation in the fair at the last minute.

In Pakistan, the Soviet Union has not successfully employed technical assistance as a device for economic penetration, although a Pakistan trade delegation, headed by Said Hassan, Deputy Minister of Economics, did visit the Soviet Union in October 1954, and although Pakistan has carried on trade with Communist China in cotton and jute.

In regard to Japan, which is already industrialized, technical assistance has not been a factor in the recently stepped-up Soviet trade offensive. This drive, in which Communist China has played an important part, has instead been aimed at the—

development, on mutually beneficial terms, of broad trade relations and the establishment of close cultural ties with Japan.⁹²

Japanese business delegations have been invited to China, and in the fall of 1954 a delegation of the Japanese Diet spent a month in China.⁹³

In addition, among other things, China has offered to settle outstanding controversies over fishing rights off the China coast,⁹⁴ and

⁹⁰ New York Times, August 23, 1953, p. 6.

⁹¹ News (Moscow), January 1954, No. 1, p. 22, and February 1954, No. 3, p. 27.

⁹² Communiqué on negotiations between China and the Soviet Union, Supplement to People's China (Peking), November 1, 1954.

⁹³ New York Times, October 26, 1954, p. 13.

⁹⁴ The Times (London), October 13, 1954, p. 6.

the Soviet Union has sold Japan coking coal at a loss in the interest of developing trade.⁹⁵

While understandably no Soviet technical assistance offers have been made to the Republic of Korea and the Republic of China on Formosa, propaganda has magnified Soviet technical aid to Communist North Korea and Communist China. Similarly there have been no Soviet technical assistance or economic aid offers to the Philippines nor to South Vietnam, Laos, and Cambodia.

E. THE NEAR EAST

Until recently the Soviet Union has attempted to achieve its aims in the countries of the Near East (except Afghanistan) by means other than technical aid. Although trade agreements have been concluded with Iran, Israel, and Lebanon, these contain no provisions for technical assistance. The only instance of Soviet technical assistance of any significance in this area has been the provision of aircraft, pilots, and Soviet specialists to aid Iran in combating the annual invasion of locusts which cause severe losses to Iranian agriculture. According to the Soviet foreign trade journal—

more than 72,000 hectares of crops affected by the locusts have been treated by the Soviet expeditions during the last 3 years.⁹⁶

Soviet activity in regard to the Near East since the latter part of 1954 has been marked by stepped-up economic and cultural gestures, and has assumed some of the traits which were evident earlier in South Asia. Soviet exhibits were sent to the international trade fairs at Damascus and Izmir (Smyrna). The Near Eastern states were invited to attend the Agriculture Exhibition in Moscow. An Israeli women's delegation visited the Soviet Union and at the end of 1954 a delegation of the Syrian Academy of Sciences visited the Soviet Union upon invitation of the Academy of Sciences of the U. S. S. R. Even Soviet hostility toward Turkey has been toned down and an official Soviet delegation visited Turkey for the first time in many years in connection with the International Civil Aviation Conference held in Turkey at the end of 1954. Czechoslovakia and Hungary have recently contracted to supply industrial equipment to Turkey.

A more conciliatory Soviet attitude was adopted toward the government of Premier Zahedi in Iran in negotiations which led to a settlement of the long-standing border dispute.

In recent months Soviet native language broadcasts to the Near East have begun to mention Soviet technical aid, particularly descriptions of the aid to Afghanistan and India. In general, this propaganda places more stress upon agricultural aid which might be available than upon the industrialization theme used in South Asia. Notwithstanding the propaganda, specific offers are not known to have been made and the Soviet Union does not appear as anxious to engage in technical assistance programs in the Near East as in South Asia.

VII. SOVIET PARTICIPATION IN UNITED NATIONS TECHNICAL ASSISTANCE PROGRAMS

Accompanying the developing Soviet emphasis on bilateral trade and technical assistance in South Asia, there has been a change in

⁹⁵ New York Times, December 16, 1954, p. 6.

⁹⁶ D. Beloshapkin: *The Economic Relations Between the Soviet Union and Iran*, Vneshtniaia Torgovlia (Moscow), 1954, No. 9, pp. 1-9.

Soviet policy toward the multilateral technical assistance programs of the United Nations.⁹⁷

When the question of establishing the U. N. expanded technical assistance program was before the Economic and Social Council in August 1949, the Soviets abstained from voting, and the Soviet delegate used the occasion to denounce the Point Four concept as "a program of expansion under a screen of anticommunism" and an opportunity for American "monopolists to seize the colonies and underdeveloped areas of the world in toto."⁹⁸

But later in the same year, in the General Assembly, the Soviet bloc joined other members of the U. N. in voting unanimously for the technical assistance resolution. One observer has suggested that this was because the Kremlin—

regretted its decision to fight the Marshall plan, which had cost it so much goodwill in Europe. Perhaps it differed from President Truman on the long-range effects of economic development, and reasoned that they might be rendered as favorable to communism as to democracy.⁹⁹

Whatever the reason, however, Soviet acquiescence in the program did not last long. It boycotted the first pledging conference to obtain funds for the program in June 1950, ostensibly because of the presence of Chinese Nationalists.

PARTICIPATION IN POLICYMAKING ORGANS

The Soviets did, however, continue to participate in the policy-making organs of the U. N. which dealt with the program and on which they had membership. These included the General Assembly, the Technical Assistance Committee (composed of members of the Economic and Social Council), which passes upon recommendations of the Technical Assistance Board, and the Economic Commission for Asia and the Far East which engages in factfinding activities related to the economic development of Asian countries but does not carry on technical assistance or economic aid programs as such.

The record of Soviet participation in the specialized agencies, which actually perform most of the U. N. technical assistance work, is more spotty. The Soviet Union did not become a member of the International Labor Organization or of the United Nations Educational, Scientific and Cultural Organization until 1954. Its membership in the World Health Organization has been in inactive status during the last 2 years. It has never been a member of the Food and Agriculture Organization or the International Civil Aviation Organization, and it does not contribute to the United Nations Children's Fund.

Prior to July 1953, the Soviet Union used U. N. organs as a forum for attacking the existing programs, both of the U. N. and the United States, ostensibly on the grounds that they were designed to make the underdeveloped countries "raw material appendages" of the United States and other Western Powers. At the same time, the Soviets professed their own support of technical assistance to underdeveloped

⁹⁷ For a description of these programs and the problems raised by Soviet policy toward them, see Senate Foreign Relations Committee, Subcommittee on Technical Assistance Programs, Staff Study No. 1, "Multilateral Technical Assistance Programs," 1955, pp. 1-24, and especially pp. 18-19.

⁹⁸ Walter R. Sharp, "International Technical Assistance: Programs and Organization," Chicago, 1952, p. 60.

⁹⁹ R. P. Stebbins and associates: "The United States in World Affairs, 1950," New York, 1950, p. 343.

areas while refusing to contribute—as Dr. Isador Lubin put it—“one red ruble.”¹⁰⁰

SOVIET BLOC CONTRIBUTIONS

Following the death of Stalin, the Soviet Union made an abrupt change in its policy of financial nonsupport of the U. N. technical assistance program. In a speech in the Economic and Social Council July 15, 1953, the Soviet delegate voiced opposition to large-scale aid to underdeveloped countries and emphasized that what such countries needed was simply some help in helping themselves. At the conclusion of the speech, he unexpectedly announced that the Soviet Government would contribute 4 million rubles (equivalent to \$1 million at the official exchange rate) to the U. N. technical assistance fund. The contribution was officially pledged at the technical assistance pledging conference November 12, 1953.

At the same time Poland pledged \$75,000, Byelorussia \$50,000, and the Ukraine \$125,000 while Czechoslovakia announced that it would participate in 1954. These actions indicated that the new policy was a concerted move on the part of the entire Soviet bloc. The meaning was variously interpreted¹⁰¹ as a recognition by the Soviet Union of the adverse propaganda effects of its nonparticipation, as a move to use the U. N. for further penetration of underdeveloped countries through sending Soviet technicians abroad and granting scholarships in Soviet universities, as foreshadowing increased Soviet participation in the work of the specialized agencies, and as a device for developing receptivity to securing trade agreements with underdeveloped areas and securing raw materials from those areas.

In this last connection, it should be noted that Soviet participation in the U. N. technical assistance program coincided with an increased Soviet emphasis on East-West trade. In April 1953, the U. S. S. R. had ended a long boycott and participated in a conference on the resumption of trade between Eastern and Western Europe. In the July ECOSOC sessions on technical assistance, the Soviet delegates emphasized removing barriers to international trade.

This was followed in August by Soviet statements extolling the efforts of the Soviet delegates in the U. N. in—

* * * foiling the attempts of definite elements to utilize such aid to further the self-seeking interests of the capital exporting countries.¹⁰²

The same article returned to the theme that trade was the road to economic development and gave evidence that East-West trade controls were hurting:

The Soviet Union believes that the only sure way of improving the position of the underdeveloped countries is to remove the numerous restrictions to expansion of their trade with other countries, imposed upon them by some of the big powers. * * * Instead of prating so much about “aid” to underdeveloped countries, the United States in the first place, and other countries as well, should desist from robbing them by acquiring their raw materials at low monopoly prices and selling them manufactured goods at high monopoly prices.

If the underdeveloped countries were allowed the opportunity to enlarge their trade with all countries without restriction or discrimination, it would probably not be long before they rid themselves of such handicaps as unfavorable balances of payments, chronic dollar shortages, and constant and dangerous drains on

¹⁰⁰ New York Times, June 24, 1952, p. 30. Dr. Lubin was United States delegate to the U. N. Economic and Social Council.

¹⁰¹ For press comment, see New York Times, July 16, 1953, p. 1; October 13, 1953, p. 21; January 8, 1954, p. 2; March 12, 1954, p. 4; September 12, 1954, p. 7; November 27, 1954, p. 23; New York Herald Tribune July 19, 1953, p. 2; Economist (London), July 25, 1953, p. 249.

¹⁰² New Times (Moscow), August 5, 1953, p. 1.

their foreign exchange reserves. * * * It would be better, in the interests of the underdeveloped countries, not to prevent them from trading normally with other countries and thus earning the foreign exchange they need, than to grant them so-called aid from which so far they have only suffered.¹⁰³

The Soviets continued not only to denounce American aid programs but also to criticize the U. N. programs. In October 1953, for example, they complained that U. N. administrative costs were too high, that the program had not taken the needs of Asia sufficiently into account, and that there had been infiltration of foreign capital directed toward exploitation and the obtaining of superprofits.¹⁰⁴

The Soviets also stepped up their use of U. N. forums for announcing offers of direct assistance to Asian countries. These offers have been qualified, however, and have usually been linked with the establishment of trade. A typical Soviet statement is the following, made by the Soviet delegate to the 10th session of the U. N. Economic Commission for Asia and the Far East in Kandy, Ceylon, in February 1954, and reported by the Soviet Foreign Trade Journal:

The Soviet Union is prepared to consider the question of concluding long-term contracts for the purchase of goods in these countries in exchange for Soviet goods. In doing so the Soviet Union intends to reach an understanding about stable prices over a lengthy period and is contemplating the possibility of arranging for payment in the domestic currencies of the respective countries of Asia and the Far East. In an effort to promote the economic development of the countries within the sphere of the Commission, the Soviet Union is prepared to deliver to these countries equipment and machinery payable in installments.

* * * In accordance with the program of the fund for technical aid of the United Nations the Soviet Union is prepared to examine concrete requests of countries of Asia and the Far East for technical assistance in the following fields: extracting and processing of minerals, developing the metallurgical, the machine building, and particularly the agricultural machinery industries, developing textile and food industries, establishment of rubber-processing plants, construction of hydroelectric stations and powerplants as well as organizing flood control and utilization of water resources for irrigation purposes, antilocus measures, and training and improvement of the technical know-how of workers in industry and other branches of the economy in these countries.¹⁰⁵

USE OF SOVIET FUNDS

When the Soviet Union announced its first pledge to the U. N. technical assistance program, G. P. Arkadyev, the Soviet delegate, stipulated that the contribution be used only by the U. N. Technical Assistance Administration and not by the specialized agencies, which share in the technical assistance fund and carry out most of the work. Under regulations previously adopted by the General Assembly, however, all contributions were to be made without strings attached. The U. N. therefore notified the Soviet Union that the contribution was not acceptable for the purpose for which it was made and the contribution remained on deposit to the credit of the United Nations in the State Bank in Moscow. In January 1954, the U. N. sent a special representative to Moscow to negotiate the matter, and in March the Soviet Union notified the Secretary General of its willingness to permit use of the funds by all participating specialized agencies as determined by the Technical Assistance Board.

¹⁰³ *Ibid.*, p. 2.

¹⁰⁴ *New York Times*, October 2, 1953, p. 1.

¹⁰⁵ *Soviet Summary in Vneshniala Torgovliala*, Moscow, 1954, No. 4, p. 11. For the U. N. record of the offer, see U. N. Economic and Social Council, Economic Commission for Asia and the Far East. Official records, 10th session, February 8-18, 1954 (U. N. Document E/CN.11/389, March 25, 1954).

A further problem of using the funds remained, however, for the rubles were inconvertible and therefore could be spent only in the Soviet Union. In September 1954 the Technical Assistance Board urged the specialized agencies to investigate possibilities for using the rubles, and by the end of the year several projects were under consideration. As of May 1955, about \$3,350,000 in rubles and other Soviet bloc currencies was actually available for use. Of this amount the Technical Assistance Board at that time had approved projects which would utilize \$1,636,200 in rubles during 1955. These projects were for technical assistance to Ceylon, Chile, Ecuador, India, Jordan, Pakistan, Yugoslavia and for regional studies in Asia as follows:

266 SOVIET TECHNICAL ASSISTANCE IN NON-COMMUNIST ASIA

Country	Project	Administered by agency	
		U. N. Technical Assistance Administration	Food and Agriculture Organization
Ceylon.....	Chemical and allied products equipment (carpentry shop equipment for salt workers in off season).	\$9,000	
Chile.....	Equipment for technical schools and institutions (industrial, meteorological, agricultural).	200,000	
Ecuador.....	Housing equipment (testing equipment for local building materials).	5,000	
India.....	Statistics: 4 experts, 36 months; equipment (electronic computers and calculators).	504,950	
	General economic survey: 1 expert, 5 months; 10 fellows, 10 months (study tour to U. S. S. R., to see technical training).	20,050	
	Total.....	525,000	
Jordan.....	Animal production and disease control equipment (laboratory equipment).		\$11,000
	Chemical and allied products equipment (hydraulic press and olive oil centrifuge).	2,000	
	Mineral resources development equipment (core-drilling equipment).	10,000	
	Total.....	12,000	
Pakistan.....	General economic survey equipment (drilling and grading equipment).	70,000	
	Water resources development equipment (drilling equipment).	130,000	
	Total.....	200,000	
Yugoslavia.....	Land and water use and farm machinery equipment.		20,000
	Irrigation projects equipment.....		87,400
	Total.....		107,400
Yugoslavia.....	Fabricated metal projects equipment (equipment in connection with project for advising on fabrication of metal products).	14,500	
	Power production equipment (equipment for rural electrification demonstration center).	58,100	
	Mineral resources development equipment (equipment for project in connection with production of heavy paraffin oil and lignite).	13,300	
	Chemical and allied industries equipment (equipment for production of insecticides).	7,100	
	Total.....	93,000	
	Irrigation project equipment.....		76,200
Asia and Far East, regional.....	Mineral resources development: Study tour (ECAFF); 10 fellowships: 2 experts in Russia (group of Southeast Asian officials to visit the U. S. S. R. for several months to observe methods of lignite production.)	90,000	
Middle East and Asia, regional (primarily Iran and Burma).	Forestry development equipment.....		87,840
Near East, regional.....	Desert locust control equipment.....		132,500
Asia, regional.....	Fishery equipment.....		87,300
Total.....		1,134,000	502,240

Of the \$1,636,240 scheduled for use in 1955, about 91 percent (approximately \$1,500,000) will be used for the purchase of Soviet supplies or equipment. Only 3 of the projects listed above involve Soviet experts or training grants within the U. S. S. R.: (1) The statistics project in India is largely for equipment but will also involve the sending of 4 experts to India for an average of 9 months each; (2) the general economic survey project in India will involve the sending of 1 expert to India for 5 months, and the sending of 10 fellows to the U. S. S. R. for 1 month each; (3) the mineral resources department study tour will involve sending a group of Southeast Asian officials to the U. S. S. R. for several months to observe methods of lignite production (this trip may also be expanded to include observation of coal production methods in Western Europe).

There are also under consideration new requests from India for projects which would use an additional \$1.9 million. All of these are for equipment except for one project totaling approximately \$42,000 for experts and equipment requested by the Ministry of Food and Agriculture.¹⁰⁶

¹⁰⁶ Statistics provided by the U. S. Department of State, Bureau of International Organization Affairs.

STAFF STUDY NO. 4

SUMMARY OF REPORTS OF AMERICAN CITIZENS
ABROAD ON TECHNICAL ASSISTANCE
PROGRAMS

December 22, 1955

269

FOREWORD

To enable it to carry out its assignment under Senate Resolution 214, the Subcommittee on Technical Assistance Programs in 1954, under the chairmanship of Senator Hickenlooper, solicited the views of American citizens stationed or residing in countries receiving technical assistance.

The reports received in late 1954 and early 1955 in response to this request are of such interest, that the subcommittee directed Miss Morella Hansen of the committee staff to summarize them in order to make them readily available to subcommittee members and others concerned with the technical assistance programs.

The bulk of the reports here summarized came from chiefs of American diplomatic missions; others came from American businessmen and journalists. In all cases, the reports were solicited by the subcommittee with assurance that they would not be published in a form which would identify the writers.

One does not have to agree with all of the comments in these reports to be impressed with the thoughtful consideration which this group of perceptive observers has obviously given to the problem. Unanimity could not be expected; yet there is a remarkably wide consensus.

The reports as a whole form an invaluable addition to the body of information otherwise available to the subcommittee which expresses its deep appreciation for the fine cooperation extended to it by our official representatives and private citizens abroad.

MIKE MANSFIELD,

Chairman, Subcommittee on Technical Assistance Programs.

DECEMBER 21, 1955.

SUMMARY OF REPORTS BY AMERICAN CITIZENS ABROAD ON TECHNICAL ASSISTANCE PROGRAMS

I. INTRODUCTION

The Subcommittee on Technical Assistance Programs was directed by Senate Resolution 214, 83d Congress, to make "a full and complete study of technical assistance and related programs." In particular the subcommittee was authorized to direct its attention to—

1. The general level of authorizations of funds for the future to enable the programs efficiently to achieve their purposes;
2. The relationships between the technical assistance programs of the United Nations and of the Organization of American States and those conducted by the United States;
3. The coordination of United States agencies in operations within and outside the United States;
4. The extent to which the programs have been able to utilize private agencies in achieving their purposes;
5. The degree of self-help and mutual assistance available in countries receiving technical assistance;
6. The relationship between technical assistance, economic aid, and military assistance; and
7. The effectiveness of the administration of the programs in advancing the foreign policy of the United States.

As a part of the study of these matters, the chairman of the subcommittee in October 1954 requested the chiefs of the United States diplomatic missions in the underdeveloped countries where a United States program of technical assistance operates to comment on the activities at their posts, with particular reference to the seven points of Senate Resolution 214. The chiefs of missions were assured that their remarks would be treated on a confidential basis and would not be published in a form in which the source of individual comments would be identifiable.

Approximately 35 ambassadors responded from Latin America, the Near East and Africa, South and Southeast Asia, and the Far East.

The subcommittee also invited comments from American newspaper reporters and businessmen residing in countries receiving technical assistance and a number of such comments were submitted on the same terms as those of the ambassadors.

These reports are summarized in this study for the use of the subcommittee and the Senate. The summary preserves the anonymity of the writers in accordance with the terms under which their comments were solicited. Neither the authors of the quotations nor the countries from which they were reporting are identified.

Since most of the comments were addressed to the seven points of the resolution, they have been grouped under those headings.

There was a large area of agreement on these points:

1. Level of appropriation

The present level of appropriations for long-range technical assistance programs was generally considered about adequate, although some increases were regarded as justifiable in some of the countries on the periphery of the Soviet bloc.

The need for increased funds, if any, was thought to be for capital—grant or loan, private or public—to assist in the development of the resources of countries where more rapid progress was desirable in the interest of the United States.

2. Multilateral programs

United States interests were being well served by the programs of technical assistance of the United Nations and the Organization of American States, which, notwithstanding certain weaknesses, played an important role in areas in which local sensitivities precluded unilateral technical assistance.

3. Coordination of United States activities

Field programs and activities of the United States were in general well coordinated. The chiefs of mission were largely indifferent to the question of which agency or department should administer the program from Washington, so long as the activities were subject to field coordination by the Ambassador.

4. Use of private agencies

Little use has been made by the International Cooperation Administration of private agencies until recent times. There was considerable sentiment for expanding and multiplying arrangements with private agencies.

5. Self-help

Measured by direct contributions in cash, supplies, or personnel to the program, self-help by the recipient nations was judged adequate. Measured by serious efforts at self-development, it was found wanting in many areas.

6. Relationship between United States aid programs

There was little relationship between programs for military and technical assistance. Economic aid and technical assistance, on the other hand, were closely related. In underdeveloped countries receiving substantial grant aid, technical assistance of a proportionate scale was indispensable for making effective use of economic aid.

7. Effectiveness of the program

The program has promoted good will and friendliness toward the United States, but the degree to which foreign attitudes are shaped through the operation of the program is difficult to ascertain.

These generalized views are described in greater detail in the sections that follow.

II. GENERAL LEVEL OF AUTHORIZATIONS OF FUNDS FOR THE FUTURE TO ENABLE THE PROGRAMS EFFICIENTLY TO ACHIEVE THEIR PURPOSES

Most of the ambassadors felt that the present level of funds provided for technical assistance was adequate to meet present goals. A few, particularly in countries which are at an intermediate stage of develop-

ment, thought it might be possible to begin a gradual reduction of the program within the foreseeable future. One warned against "super-salesmanship devoted to empire building." A more common view, however, particularly in extremely underdeveloped countries, was that the present stage of underdevelopment is itself a limiting factor on the capacity of the country to absorb technical assistance and that as development proceeds moderate increases in technical assistance funds will become desirable. One ambassador commented on the increasing requests for technical assistance which he attributed in part to growing confidence in the United States.

A third group of ambassadors, mainly in politically instable countries close to the Iron Curtain, declared that the present level of funds is inadequate. One of these ambassadors felt that the amount of technical assistance would depend on the amount of economic aid. If economic aid is increased, technical assistance should also be increased to insure effective utilization of the economic assistance.

A. Factors affecting need for technical assistance

Among the majority of ambassadors who believed the present level of funds to be adequate, there were many who qualified their opinions in one way or another. Some strongly recommended increases in funds for training. One suggested two levels for the technical assistance program:

1. A minimum program for countries that show little interest in general resources management; and
2. An expanded program for countries that take effective steps to improve their general resources management.

If we want to give real help to * * * countries—

said this ambassador—

we cannot afford to scatter our efforts on the periphery of their problems. We must go to the center of their difficulties: We must help countries in the basic field of general resources management * * *. Generally speaking, * * * countries have shown little interest in inviting us to help them plan sound economies. Instead, they have invited us to help them put patches on the sick economies that are the unfortunate but inevitable result of the lack of overall planning, of sound monetary and fiscal policies, and of a well-organized public administration. Too often we have stopped after giving other countries what they said they wanted; we have not tried enough to give them also what we knew they needed.

This ambassador cited a number of examples of how, in his judgment, United States technical assistance has been less than fully effective because of poor management on the part of the recipient government. In one country, for instance, while American technicians were working with the Ministry of Agriculture to increase milk production, another ministry was putting uneconomic price controls on milk, with the result that milk cows were eventually sold for beef.

Another American also suggested two different levels for the technical-assistance program according to the immediacy of the threat of Communist aggression or subversion.

In many countries—

he pointed out—

we have a continuing but not necessarily urgent or vital, interest. They are not threatened by imminent Communist attack or infiltration * * *. For such

countries one would assume that the level of authorization * * * could and should be modest.

In other countries, however, he continued, the threat of Communist aggression and internal subversion is imminent and immediate and the United States is conducting substantial programs of military and economic assistance.

It is precisely here—

this ambassador declared—

that technical assistance becomes not less but more necessary * * *. Technical assistance on a very considerable scale * * * is absolutely indispensable to the success of our military assistance and economic aid and, hence, to the objectives to which the latter are given * * *. The technical assistance must be provided concurrently and in a measure commensurate with the economic and military aid which we are giving.

Another writer suggested a different criterion for scaling the size of technical assistance programs. In underdeveloped countries facing the immediate threat of Communist aggression, he suggested, technical assistance should be designed to support other types of United States aid and should vary in size according to these other aid programs. In underdeveloped countries not immediately threatened with aggression, he went on, technical assistance should be a modest program aimed at raising standards of living.

Many of the ambassadors in the group which held the present level of funds to be adequate seemed to agree with the ambassador who wrote that—

there remains a great deal more which can be accomplished through technical assistance * * * but it is believed that a large increase over the present level of activity would show rapidly diminishing returns since the limiting factor in * * * economic development at present is a lack of investment capital rather than a lack of technical competence.

Another wrote:

If the touchstone is "improvement," the proposed fiscal year 1955 level of FOA expenditures will, of course, be considered a success since practically all the things being done are good. I have grave doubts whether any significant increase in the standard of living of the * * * masses can be achieved in a brief period as the result of FOA expenditures at the present level.

And from a third ambassador came this:

If the past * * * goals of social welfare and improvement of the lot of the small farmer are to be continued, existing technical aid allotments are sufficient or could be reduced slightly as time passes. On the other hand, if * * * [this country] is to be made into a producing member of the western alliance, so-called "economic development" allotments must be obtained.

B. Relationship to other financial needs

This emphasis on the need for private investment, intergovernmental loans, and grant economic aid was repeated many times.

Indeed—

was the feeling of one—

technical assistance itself can hardly be expected to become fully effective until it is geared into such capital financing * * *

Another ambassador wrote:

It is important to recognize that economically underdeveloped countries, even though deficient in technical knowledge, encounter serious difficulties in obtaining appreciable benefits from technical assistance programs unless economic development activities are simultaneously underway.

Another ambassador pointed out that the capacity of countries in his area to absorb technical assistance would increase considerably if these countries were to receive greatly increased amounts of economic aid from the Export-Import Bank, the International Bank for Reconstruction and Development, or from private investment.

Along these lines, suggestions were made for small increases in appropriations to provide more thorough reporting on foreign trade and investment opportunities and for steps to eliminate or reduce double taxation of United States firms operating abroad.

Some writers warned against expanding the technical assistance program in ways which would result in substantial increases in the numbers of American technicians in the recipient countries. Commenting on the increase in the number of United States technicians which had already taken place in one country, another ambassador warned that—

any further substantial increase would present problems which would jeopardize other aspects of our activities * * *.

He added:

A reappraisal of the operation could undoubtedly bring about effective economies without harm to the prestige or effectiveness of the program * * *. I do not feel that sufficient attention by far has been paid to the training of local employees to take over the work being carried out by our technical or administrative personnel.

Another put it this way:

A great deal more [assistance] could probably be utilized advantageously, and we could get by with a good deal less if necessary. I do not believe our technical assistance funds are being wasted * * * and would judge that a continued program of about the size now being carried on, or perhaps slightly larger if future events warrant, would be advisable. A greatly enlarged program would tend to make our technicians and activities * * * [here] too conspicuous. A greatly reduced program would fail to meet the need for helping the present democratic forces in * * * [this country] to improve their standard of living sufficiently rapidly to maintain themselves in the race between progress and disintegration in this part of the world.

C. Need for program stability and flexibility

Two points which were stressed repeatedly by the ambassadors were the importance of stability in size and the need for flexibility in the use of technical assistance appropriations.

It is my personal view—

wrote one ambassador in a typical comment—

that an essential element to achieving these purposes [i. e., those of the technical assistance program] is constancy of effort over an extended period of years. This is a long-range program. Although generous funds will contribute measurably to its success and usually can be put to good use, it is equally important that the amounts of funds available annually remain more or less stable for a successive number of years.

Along these lines, it was suggested that funds should not be tied to a rigid time period for expenditure and that the program should be planned for longer periods than 12 months in advance. Others pointed out that stability in appropriations would facilitate programming, lend increased effectiveness to the efforts of the United States, and make possible—

a continuity in the main body of officials, both at the Washington end and in the field.

The view was stated that—

the problem is not so much one of inadequacy of funds as of developing techniques for their most effective implementation. Technical assistance is usually long-term by nature and it is preferable to be able to look forward to restricted activity with continuity and avoid overextension liable to abrupt curtailment.

Flexibility seemed necessary so that, in the words of another ambassador—

promising and well-thought-out projects may not be impeded or delayed and the right sort of personnel can be attracted.

A third ambassador wrote that—

because of our fiscal system, it is necessary for the FOA to predict in advance what needs will arise in the other countries and what requests for technical assistance will be received. This requires our technicians to prepare estimates based on the projects they anticipate will be desirable to the other government. Once the funds are appropriated, there may be a tendency to solicit a request from the host government for the type of program envisaged in the planning stage. In the long run this does not do the United States any good and tends to create the impression in other countries that this program of technical assistance is somehow being pushed by the United States for its own interests. * * * A system permitting greater flexibility should be devised and no technical assistance should be provided except upon the firm and official request of the host government.

Finally, one ambassador, who found the general level of funds adequate, wrote that—

it would be very helpful if some arrangement could be made for more prompt allotment of funds to the field as they are appropriated.

III. THE RELATIONSHIPS BETWEEN THE TECHNICAL ASSISTANCE PROGRAMS OF THE UNITED NATIONS AND OF THE ORGANIZATION OF AMERICAN STATES AND THOSE CONDUCTED BY THE UNITED STATES

Generally speaking, Americans overseas, including the ambassadors, were satisfied with coordination between the bilateral United States program and the multilateral United Nations and Organization of American States activities. They emphasized that the programs supplemented or complemented each other and that overlapping, duplication and rivalry, which some of them noted at the beginning of the programs, were now largely avoided.

A number of them made specific reference to machinery set up by the recipient country to coordinate requests for technical assistance. More frequently, however, coordination has been left to the personal handling of the mission chiefs of United States, United Nations, or Organization of American States programs as is apparent from comments such as this:

It appears that the *leaders* of the technical assistance programs of the United States, United Nations and Organization of American States have close working relationships * * *. [Italics supplied.]

The success of such relationships in the words of one ambassador has been—

due to the initiative and good sense of the individuals who happen to be directing the United States, United Nations, and Organization of American States programs * * *.

A. *Coordination machinery*

Several of the commentators, however, found room for improvement in the recipient countries' coordinating machinery, in the

organization of the U. N. programs, and in the relationship between U. S. and U. N. agencies.

The * * * Government—

wrote one—

has no person or office charged with the responsibility of coordinating the many and often overlapping requests for technical assistance that originate in half a dozen * * * ministries.

Another reported:

several instances of near-duplication of programs due to the fact that the U. N. resident representative [here] * * * has not always been kept informed of * * * requests direct to the U. N. or its specialized agencies and so was not aware that projects were under consideration which would have duplicated point 4 activities.

To remedy this, he suggested that—

the U. N. representative's authority should be strengthened, and all * * * requests for assistance to U. N. agencies should be channeled through him to facilitate coordination.

It was suggested also that coordination between U. S. and U. N. programs could be improved—

if USOM [United States Operations Mission] directors before proceeding to a new post or while on leave could visit U. N. headquarters in New York and discuss some common problems * * *. Moreover, it would be useful if FOA missions could be kept currently advised on U. N. plans for technical assistance within countries to which they are accredited. It might also be helpful if USOM could be kept currently informed of the plans of the World Bank for projects within a given country.

It appeared to be the feeling of the ambassadors that—

there is a place for both the United Nations and United States programs * * * and that—

We should recognize that assistance from these other sources also serves our objectives and deserves our support.

Because—

* * * It is advantageous when technical assistance is not concentrated exclusively in the hands of a single country.

One person suggested that in his particular country consideration be given to—

naming a recognized American economist as the head of the United Nations Technical Assistance Mission * * * and merging our technical assistance programs with it.

Another suggestion was that—

Technical assistance could be dispensed progressively in some form of multi-lateral setting similar to the IBRD [International Bank for Reconstruction and Development], or Colombo Plan or even OEEC [Organization for European Economic Cooperation].

B. Advantages of multilateral programs

One of the principal advantages of the multilateral approach noted by the ambassadors was to prevent, in the words of one—

the growth of sentiment among [people] who prefer not to be overly dependent upon the support of a single nation, that we are playing a disproportionate role—in their affairs. Feelings of national pride and independence have, in fact, created a preference in some nations for multilateral technical assistance to which, by reason of their contributions, they feel they

exercise a "claim," rather than for "charity type" assistance from the United States.

The type of obstacles to United States technical assistance created by this attitude is described in the following quotation:

There exists the feeling in the minds of many that they are perfectly capable of carrying on their own programs and they resent the implication that United States technicians can do a better job or can teach them anything. Obstacles are encountered in the fields of geology and mining probably due to fear * * * that if the United States technical group becomes cognizant of highly prospective mineral areas or deposits that such knowledge may be given to United States industrialists rather than to [local] industrialists.

Another important aspect of multilateral programs observed by our public representatives abroad is that an international organization can give certain types of advice more effectively "particularly when the interested country has acute national susceptibilities" and can undertake operations "which the United States mission cannot touch for political reasons."

The multilateral programs in some cases were carried on by employees often indigenous to the area in which they worked and aware of local economic and social capacities and limitations.

Our people—

one of the ambassadors who observed this stated—

tend to think in American terms of mass production which almost invariably involves a fairly complicated organizational structure * * * The United Nations, on the other hand, seems to be thinking in simpler terms. * * * Inasmuch as the * * * farmer now uses for almost all agricultural production only the plow and the machete, the introduction of the wheel and the wheelbarrow may be simple enough for him to understand, whereas the principles of crop rotation and crossbreeding of seeds, if they reach him through our channels, are much more abstract and may be more difficult to understand.

C. Disadvantages of multilateral programs

While commenting on the advantages of the U. N. and OAS programs, some of the writers also noted a tendency in some countries to prefer United States assistance. One subcommittee correspondent wrote:

* * * officials [here] would have a preference for the OAS or U. N. sponsored programs, other things being equal, but the superior organizational and stability of the FOA technical assistance program * * * would, it is believed, lead them to select the latter were they offered a choice between the two types of organization.

Another one stated:

Naturally the tendency is * * * to prefer United States technical assistance * * * [because it has] more liberal funds * * * [and is] more likely to support positive policies abroad with grants or loans than is a U. N. organization whose objectives are bound to be more general.

The author of the last comment added that—

another reason for the preference for United States technical assistance has been the generally superior skills of experts coming from the United States.

This view was shared by others.

Some general criticisms of the U. N. program in specific countries included: Faulty organization, loose direction, a lack of clear-cut objectives, somewhat inferior personnel and very poor personnel practices with a high personnel turnover, and a lack of funds, supplies, and equipment. One comment was that "they just send in persons without any sort of tools at all."

There was some feeling that the programs of the United States, U. N., and OAS agencies should be in different fields but few of the ambassadors attempted to define the fields. One of these believed— it important to see that all United States aid and assistance programs are sufficiently concentrated to achieve identifiable results within a reasonable period of time. Since this will involve concentration in certain fields, this will leave other fields open to U. N. and OAS activities.

According to another ambassador:

so long as our national policy calls for the support of the U. N. and OAS programs, there remains for the United States only those activities not covered, or not sufficiently covered by the other programs. Our interests require that in the future we always examine with care all non-United States programs supported by us to be sure they do not provide for activities which Uncle Sam would prefer to carry on alone.

IV. COORDINATION OF UNITED STATES AGENCIES IN OPERATIONS WITHIN AND OUTSIDE THE UNITED STATES

Although the comments of ambassadors and other Americans residing abroad were written before the Foreign Operations Administration was abolished and its economic functions transferred to the International Cooperation Administration in the Department of State, these comments have by no means lost their relevancy.

The ambassadors reporting were satisfied with coordination procedures in the field. "No problem"; "very efficient and smoothly"; "good working coordination"; "close and harmonious"; "operate as a team" were their words describing the relationship between the embassy and the technical assistance program. Recognition of their responsibility for coordination was explicit in such remarks as:

I take such action as may be warranted to achieve proper coordination of American activities * * *.

The overall supervision by the ambassador is recognized and accepted * * *.

All foreign aid activities are coordinated * * * under my direction.

Duplication or overlapping activities were rarely observed. One post reported some duplication—

in the sense that the * * * [local FOA mission] is charged with the responsibility of compiling and submitting to FOA in Washington detailed data concerning the economy of * * * [this country] * * * its operating budgets and kindred subjects, despite the fact that all of this information is also supplied by the embassy in great detail to the State Department.

This type of duplication was eliminated at another post by—

the designation of the FOA mission chief as counselor for economic affairs in the embassy, to serve concurrently * * * [to] avoid any duplication in the operational and reporting functions and at the same time assure better coordination in all field activities.

The same suggestion was made, unrelated to the question of duplication, by an ambassador who felt that—

FOA operations in a foreign country should be placed organizationally under the Chief of the Economic Section and the control by the Ambassador should be exercised through this officer and through the Deputy Chief of the Diplomatic Mission.

Field coordination, while good, was at times made difficult by Washington.

Our recommendations have to be fought through so much bureaucracy—
wrote an ambassador—

* * * I am sadly depressed at the length of time it takes to get joint action in Washington from FOA, State, and Defense.

Another reported--

there is a certain amount of friction which leads to delays and occasional lapses of coordination.

The writer of the last comment was one of the few to go on record directly for preferring—

to see the staffs fully integrated * * *

A colleague in this group put it this way:

The creation of FOA divorced policy from operations. * * * Since operations are the implementation of policy, such a separation is not logical and is an invitation to internal bickering and conflict, with the frequent result that policy is determined by operations, rather than the other way around. Both at home and in the field, coordination can best be effected if policy and operations are controlled by the same headquarters.

In a similar vein, one ambassador noted—

a slight tendency on the part of FOA in Washington to make decisions which the FOA officials consider to be "operational" and, therefore, outside the responsibility of the Department of State * * *. This situation would be ameliorated if the technical assistance function in Washington were under the Department of State.

Other difficulties stemming from accountability to separate headquarters in Washington were mentioned by a number of others. One of these ambassadors sometimes felt that "what FOA in Washington wants is his signature, not his judgment." Another noticed "a difference in attitude by the FOA as represented here by the USOM and that of some of the established departments." This difference in attitude was reflected, according to a third source in "certain signs of 'empire building' since the program was taken into FOA." The impetus for this came not from the field but from Washington, this source elaborated:

Occasionally, without his volition, the country director is forced into a pattern of those FOA country operations of the larger, or largest, magnitude which may be encountered in other nations. Furthermore, one senses the very human desire of the Washington organization to have operations in all countries.

Bearing also on the question of State Department-FOA relations was a warning that—

any undertaking abroad by any agency of the Government must be examined at the beginning to make sure that it can be carried out without impairing the ability of the Secretary of State to meet his constitutional duties.

To another ambassador, the most important consideration was not necessarily the location of responsibility in Washington for the program but that the program have—

steady reinforcement from the * * * Washington headquarters * * * stability and continuity of its directing personnel there * * * stability in the basic structure of the program, with assurances of adequate appropriations * * *

Only one of all the ambassadors concerned with the location of administrative responsibilities in Washington, found it "slightly preferable to have point 4 set up as a separate agency" because then "the ambassador avoids the occasional embarrassment of being too closely connected with an action program."

An isolated comment was received on the—

serious managerial difficulties due to the anachronistic *servicio*¹ organizational structure, which leads to administrative and policy lapses and conflicts * * * The point here is not that the *servicio* * * * per se is ineffective, but that the *servicios* operated independently over so long a period of time that they acquired some bad habits * * * In the Federal service, where part of each employee's direction comes from regulations and directives, and where the director in the field for this reason does not have complete control including hiring and firing, a strongly centralized structure seems necessary.

V. THE EXTENT TO WHICH THE PROGRAMS HAVE BEEN ABLE TO UTILIZE PRIVATE AGENCIES IN ACHIEVING THEIR PURPOSES

Reports were received from a number of countries to the effect that there was no utilization of private agencies or that contracts with private agencies either were insignificant or had only recently been concluded. These observations came particularly from Latin American and some south Asian and Far Eastern countries.

To my knowledge, FOA has not been able to utilize a single private agency in achieving its purpose in this country * * *

a typical comment read.

Indeed, I know of no fruitful effort which FOA has exerted to that desirable end.

Some of these individuals qualified their observations by pointing out that in their area it was not feasible to use private agencies because none operated there or for other reasons.

From the Near East, on the other hand, came several reports of "extensive" use of private agencies, as illustrated by this quote:

The program * * * has been able to utilize to an exceptional degree private American agencies in its activities.

A. *University contracts*

The form of private agency contract singled out for particular approval was the university contract. One ambassador called it "the most important new idea in United States technical assistance in a decade." Another one stated that "the presence of American college and university personnel has greatly enhanced the effectiveness of the technical assistance program." Hopes and anticipation for greater use of this method were expressed by several ambassadors.

The newness of the university contract method, on the other hand, made a few ambassadors hesitate to evaluate its effectiveness. One of them, moreover, cautioned that—

Experience has shown the need for closer coordination of the work being done under a university contract and the work done by FOA. I should recommend that a special effort be made to correlate the activities of such university personnel with the activities of the FOA both in the field and in the United States so that each may be kept advised of their responsibilities and the interrelationship of their work. A system providing such a current exchange of information would be mutually helpful.

There was relatively little comment about the work of foundations and private American corporations except to note their existence in the field. The ambassadors appeared satisfied with their performance wherever and whenever they operated under contract to FOA.

¹ The *servicio* is an organization in Latin America jointly managed and financed by the United States and the other country concerned.

The fact that no one raises problems of coordination between point 4 and the foundations is undoubtedly a compliment to the smooth operation and public relations of the foundations—

was the observation of one of them. He added,

I am not sure, however, that this means that there is any general policy as to how point 4 and the foundations can work to best advantage together.

B. Relations with private agencies

A number of mission chiefs felt that "greater utilization of private agencies would be desirable." For instance, one report expressed—the firm belief that United States aid can be more efficiently administered * * * [here] as well as in other * * * countries, by private United States firms who can supply the technical knowledge.

Another one stated that—

the experience * * * with private organization contracts has shown a number of types of technical assistance can be better provided by such organizations than by United States government agencies.

A similar observation was made at two other posts:

[Private agencies] are able to operate more effectively than Government in some fields and the two should work in close harmony.

And—

Utilization of private agencies for such purposes affords some advantages over that of United States Government institutions. They can operate with greater flexibility and their activities and recommendations are less likely to be regarded as subject to political considerations.

However, factors limiting the work of private agencies were observed.

Private agencies are not a substitute for governmental activities, chiefly because of their limited resources—

one ambassador believed. Another cautioned that—

Uncle Sam should remember that private agencies engaged in such activities have the same human desire as governmental agencies to supersalesmanship and to prolong their activities to the maximum possible.

At two posts efforts were reported underway to promote greater understanding and support from the local American business community for technical assistance. From one of these, the ambassador wrote that he and the FOA mission chief—

are planning the organization of an informal American advisory committee to work * * * in the interest of achieving an improved understanding of the work of that mission among private American organizations operating * * * [here] and greater participation, where feasible, by private American organizations in furthering Mission programs.

The FOA mission, at the other post—

has sought to enlist the advice, cooperation, and support of the large American business community in furthering measures to encourage private and foreign investment. Informal technical help has been provided the American Chamber of Commerce. The president of that organization has been assisted in working out specific proposals to be made to the * * * [local government] for creating a more favorable atmosphere for private investment.

The latter post had expectations, furthermore, that some work begun by FOA under contracts with private organizations might be taken over by those organizations after FOA financial support ceased.

It appears likely numerous activities begun in this way, with United States Government assistance, may be continued under private sponsorship on a more

or less permanent basis. * * * It is hoped the relationship established between * * * educational institutes and the American universities will continue even after the completion of the present contracts. Efforts are also being exerted to arrange for private foundations to finance the cost of continuing some of the most basic work begun under the contracts. In the future it is hoped the * * * government may find it desirable to finance the service of private management firms for purposes similar to those now provided for under the United States financed contracts.

The beneficial impact of technical assistance activities on private American enterprise abroad was noted in one report:

As a result of the stepped-up activity * * * [here] the local representatives of International Harvester have constructed a large building for sales, repair and servicing of all kinds of agricultural equipment * * *.

One group of American businessmen took the following view of the program's relationship to private business:

We, * * * strongly feel that the technical assistance program should in no way infringe upon the field of free enterprise and private initiative. * * * Where any project of the technical assistance program engages the business sector of * * * [the] economy, we are convinced that its proper field is that of advice and consultation and that it should not permit itself to be lured into any role other than that of technical adviser; private initiative is able and eager to develop the economy * * * in the business field, and as the economy * * * advances, aided at strategic points by technical advice and assistance, the need for such aid diminishes in direct proportion to the increased efficiency of the industrial effort as more effective techniques are applied. This, to our minds, would be a logical and highly desirable development.

VI. THE DEGREE OF SELF-HELP AND MUTUAL ASSISTANCE AVAILABLE IN COUNTRIES RECEIVING TECHNICAL ASSISTANCE

High degrees of self-help and mutual assistance were reported from countries in which the technical assistance program had operated for a long time and from countries engaged on long-range development plans.

The local contribution to long-established projects has ranged as high as 90 percent of the total costs in some countries.

In its 12 years of operation—

a particular program in one country—

has completed or turned back to * * * government agencies for continued operation 72 out of 86 individual projects * * *. As the oldest activity in the field of United States technical cooperation * * * [here], the * * * program is expected by fiscal year 1955-56 to enter a period where it will be turning back more projects to the * * * authorities than it will be initiating.

In another country—

the cooperative agricultural extension program is now operated to a very large extent by * * * [local] personnel, under the direction of * * * [a local] director, and about three-fourths of the cost is defrayed by the * * * [local] government.

A. *Self-help and development plans*

In countries undertaking long-term development programs, the ambassadors measured the degree of self-help by the size of these programs compared to the United States contribution of technical assistance.

Rated this way, in one country—

foreign assistance from all sources is only 10 percent of the * * * [local government's] budget for development work.

Another ambassador wrote:

The cost of the present United States technical assistance program is less than 2 percent of the total * * * [host country's] 1954 appropriations for development activities.

Elsewhere—

the government's expenditures on development now comprise a large share of total expenditures and are possible only with substantial deficit financing. Considering its resources, * * * [this country] is, in my view, making a maximum effort to help itself.

In addition to financial contributions, a number of the ambassadors mentioned contributions in facilities and personnel, measures for fiscal stability, and economic planning as criteria of self-help.

The satisfaction expressed above with the degree of self-help was in some instances qualified. In one country, which was described as "100 percent cooperative in the technical assistance program," the government has—

always been willing to budget whatever money is necessary, but the actual money has not always been available immediately after the budget has been approved.

A similar observation was made at another post where—

it has been difficult to secure the prompt payment of agreed to contributions on the part of the * * * [local] government.

Although the local contribution of personnel was commented on favorably a number of times, there was criticism from two sources. One of these stated that—

counterpart personnel to assist and ultimately to pick up entirely the administration of these programs has not been all that it ought to be. There is a lack of personnel for such functions but we all are aware of it and attempting to do everything possible toward that end.

The other noted that—

the * * * [local] government is deficient in providing help at the working level which the peasants require.

He added:

Our technicians should come into direct contact with the ultimate recipients of the assistance.

B. Factors limiting self-help

The limiting factors on the degree of self-help that could be exerted by recipient nations were noted.

There are severe limitations on the degree of self-help and mutual assistance which * * * [this country] can contribute toward such a program, especially the apparent ceiling on finance and manpower—

one ambassador wrote, and concluded that—

unless economic development plans are very carefully balanced against * * * [this country's] capabilities in terms of finance and * * * trained manpower, overextension of credit and failure to achieve objectives are apt to result, accompanied by disillusionment.

Another one stated:

It is believed that the * * * government would have difficulty in maintaining the matching ratio * * * should it be decided to extend the program.

From parts of the world where the program is relatively new or where highly unstable conditions prevail, the degree of self-help was reported as low.

Conditions are such that the type of self-help and mutual assistance available here is different from that in a more sophisticated social and economic structure— one ambassador observed at his post and the—

policy is that no aid will be given unless it is matched by a standard of competence on the part of * * * recipients which will merit that aid. * * * This, in my concept, is a sufficient degree of self-help and mutual assistance in view of our strategic and political objectives * * *.

Similar observations came from ambassadors to several newly independent nations whose independence was seriously threatened from the outside.

On the other hand, self-help in a broader sense was considered somewhat lacking also in older countries with long-established programs to which matching contributions otherwise were found satisfactory. For instance, one ambassador reported from such a post:

The degree of self-help available is negligible * * *. Several projects that have been turned over to the government have been closed down because of cost, maladministration, lack of adequate personnel after politicians have fired employees unacceptable to the party in power, and for various related reasons. Because of this, * * * cabinet ministers have preferred that the programs remain under joint American control in order that the country not lose needed programs.

Another ambassador made this observation at his post:

In general * * * [this government's] own or self-help activity has been satisfactory * * * with the exception of geology and mining * * * the only field in which * * * [it] might be of mutual assistance to the United States. It must be reported that * * * cooperation, which was more substantial, has now ceased and no * * * technicians are working with their American counterparts. Moreover, * * * [these people] are making a poor showing generally in the educational and professional fields of geology and mining, as well as in the staffing of government agencies concerned with these matters. Finally there is no evidence that the * * * [local] government has established favorable conditions for the export of mineral products or the development of mining projects.

One ambassador believed that—

the field where the lack of self-help is most important * * * is that which I have called general resources management.

C. Mutual assistance

Only two instances of "mutual assistance" were reported. The country in which he is stationed "is eager to make the technical assistance program a mutual one," one ambassador reported.

In a number of cases * * * [it] has sent experts to other countries and it offers training fellowships in some fields.

From another post it was reported that—

we get some mutual assistance from * * * [this country] chiefly in the field of raw materials of a strategic nature.

The question of giving technical assistance to authoritarian countries was raised by one ambassador who believed that—

if FOA had never been conceived, it is unquestionable that * * * [this government] would be financially able to employ, for the advancement and enlargement of * * * [this] country's agriculture and industry, the same type and number of technicians that are now supplied by FOA, if * * * [it] were disposed to do so. Obviously, * * * [it] will not be so disposed so long as such technical aid is provided gratuitously by the United States. It is my feeling that the strange paradox of our technical assistance program may not pertain to * * * [this country] only.

According to two ambassadors, the self-help and mutual assistance aspect should not be overstressed. One of these commented:

* * * [This government] can pay for technical assistance and is doing so in large measure, but factors other than ability to pay must be considered.

The other elaborated on this theme as follows:

Whereas we should in general avoid becoming involved in merely doing somebody else's work for them when they actually have the capacity to meet the responsibility in question, there sometimes arise cases where assistance is justified even though the country in question may have a considerable degree of self-help potential. One reason for assistance * * * is that certain types of activity in certain countries sometimes require an outside element for activation purposes * * *. Another reason in sometimes rendering assistance * * * is that we may wish for our own reasons to encourage certain types of activity in a foreign country, and we might in such circumstances elect to undertake a technical assistance program in a certain field despite the fact that the foreign country in question might be fully capable of handling the matter itself.

VII. THE RELATIONSHIP BETWEEN TECHNICAL ASSISTANCE, ECONOMIC AID AND MILITARY ASSISTANCE

The ambassadors reported a very close interrelationship between technical assistance and economic aid in areas where the United States operates both. The following quotations from their reports are illustrative of this viewpoint:

Technical assistance and economic aid are closely related and should be treated together in all phases of preparation and execution.

Technical assistance is interwoven into all phases of the aid program here.

[They] are not separate programs but interrelated functions of a single program * * *. Technical assistance would be ineffective without economic and commodity aid to permit development to progress and the consumer needs of the population to be met. Conversely, economic and commodity aid would also be ineffective in producing a permanent improvement, without a coordinated input of technical skills.

There is a close relationship between technical assistance and the economic aid program, both in objectives and in operation * * *. The water-agriculture program illustrates the way in which economic aid and technical assistance are interrelated. The objective is to raise more food to replace imports and for export. This requires more irrigation. To attain this objective part of the economic aid funds are set aside to purchase steel for irrigation pipe. The counterpart * * * of other parts of the aid such as a purchase of wheat, is made available to finance the laying of the pipe and the expanding of the farms which additional water makes possible. Then technical assistance comes in to help * * * improve its irrigation methods and to get the proper crops growing which will reduce food imports or increase exports.

A. Importance of economic assistance

Some of the ambassadors felt that the need for economic or development assistance overshadowed the need for technical assistance.

Purely technical assistance is needed—

one ambassador reported from his post—

but it cannot be very effective unless combined with some economic aid which would permit it to be promoted and utilized.

Another one felt that—

[technical assistance] is only a marginal factor in the economy, though one which is playing a significant, pioneering role in cutting new paths for future development. * * * In essence, it can be said the United States technical assistance program provides the technical support required for the economic expansion

and improvement of essential public services fostered under other programs. The composition of the technical assistance program will vary as the composition and requirements of the other programs change.

The importance of economic assistance was put this way by a third source:

Neither can a long-range program of technical assistance be carried out nor can the capital necessary for economic development of the country be attracted unless political stability can be assured here. * * * In view of this situation it is essential that a program of immediate economic assistance be undertaken to relieve economic stresses within the country and make it possible for * * * [it] to build on a sound economic and political foundation. In other words, it is pointless to plan the eventual rehabilitation of the patient unless action is also taken to make sure that he lives.

Without such a substantial program [for economic development]—
a different post found it—
 difficult to see how the country can be opened up and the economy stabilized.

One ambassador summed up the interrelatedness of economic and technical assistance in these words:

No wholly satisfactory dividing line is possible between technical cooperation and economic assistance. * * * While neither would be as successful without the other, either program could be carried on if the other were terminated.

Two types of technical assistance programs were distinguished by an ambassador on the following basis:

In certain countries and fields this program can operate successfully with limited funds for technical assistance in the strict sense. * * * On the other hand where the United States Government has large economic and military assistance programs, technical assistance is sometimes urged upon the host government as a means of attaining economic objectives of other programs. * * * Thus, the technical assistance program has tended to develop in two directions. * * *

B. Relation to military assistance

In contrast to the intertwining of economic and technical assistance programs, the ambassadors perceived little or no connection between technical and military assistance programs. From the countries where the United States carries on programs only of technical and military aid, and not of economic aid, they described the relationship in the following words: "little direct liaison at working levels"; "no close connection"; "no direct coordination of activities." Nor did the ambassadors believe more formal coordination was necessary.

"The weekly embassy staff meetings," reported one ambassador, "have proven entirely adequate to meet local needs." Another one expressed his belief "that both the technical assistance programs and military assistance programs are proceeding satisfactorily under the present organization without the necessity of formal coordination." Indeed, "this is a good thing," remarked another ambassador, referring to the absence of formal relationships between the technical and military assistance programs.

Only one of the ambassadors believed that "the technical assistance and military aid programs are complementary." He reported that they "have been effectively coordinated via the country team."

C. Technical assistance and lending activities

An effect of technical assistance observed by one ambassador was to "create a demand for capital investment." Inasmuch as such investment "in all probability will not be forthcoming from private sources

and may or may not be available from United States public funds," this effect was of concern to him.

The relationship of technical assistance to loans was discussed also by several ambassadors to countries not receiving economic aid which have to finance their economic development by government or private funds. Under this method of financing, one ambassador observed:

the United States technical assistance programs do not tie in closely or specifically with the lending activity. * * * However, in the event specific assistance is required in connection with any United States financed loan projects, it would be feasible to provide it.

According to another:

no technical assistance on the part of FOA or on the part of any other United States agencies has in general been involved in the projects for which such loans have been made, although individual technicians employed by the * * * [local] organizations receiving the loans have in many cases been sent to the United States for technical training.

It was the opinion of one ambassador that—

Point 4 could play a more important role than it does in helping * * * countries in preparing sound loan requests to the Export-Import Bank and the International Bank for Reconstruction and Development and in helping these countries to implement the technical phases of loans after they have been granted.

One ambassador from the same area felt that—

one of the greatest hindrances to even better relationships between the United States and this country is the United States tariff in all its annual vagaries and vicissitudes.

He felt it important, therefore, that the foreign aid program—

be projected in the light of its relationships to our trade program.

VIII. THE EFFECTIVENESS OF THE ADMINISTRATION OF THE PROGRAM IN ADVANCING THE FOREIGN POLICY OF THE UNITED STATES

Most of the Americans reporting indicated their general approval of technical assistance as advancing the foreign policy of the United States. A number of them, however, pointed out particular troubles and made suggestions for changes.

The following comments were submitted by individuals who found little difficulty with the program.

The administration of the technical assistance program * * * [here] has been exceptionally effective in advancing the foreign policy of the United States * * * [This program] has been so thoroughly identified as coming from the United States that it has certainly added greatly to the conviction of the * * * people that in a grave international crisis, their interests would be best served by solidarity with the people of the United States. The eventual results of technical assistance are, of course, extremely difficult to trace and measure specifically but I am confident that * * * these programs are making a very notable contribution to the development of eventual economic and political stability, which should be reflected in important commercial and strategic advantages for the United States.

Unquestionably the technical assistance program has been highly effective in advancing United States foreign policy in [this country] * * *. Had it not been for this program * * * there would have been grave danger that * * * could not have survived as an independent nation.

As a member of the United Nations, * * * [this country] has consistently given moral and political support to the major foreign policy objectives of the United States, and may be expected to continue to do so * * *. I am convinced of the need for continued technical assistance to strengthen and accelerate the economic development of this country and to uphold the predominant position which the United States holds in this area * * *

* * * The provision of United States aid to * * * [this country] has been of critical importance in permitting this strategically and politically important nation to maintain and increase its strength in the free world.

Those critical of some aspects of the program found it of "marginal significance" or "in itself * * * inadequate" for attaining our foreign policy objectives or shaping other nations' attitudes toward the United States. In making this point the difficulties of applying, as one put it, "normal standards of measurement were stressed." The impact of technical assistance, one writer maintained, is conditioned by "the comparatively small magnitudes involved and * * * the controlling influence of other and more relevant factors." According to another, "in the last analysis it is the political leadership provided by the [recipient nations] themselves which will be decisive." The program, he went on, "however, is helpful to those leaders * * * who wish to continue the democratic framework of government." One ambassador considered the program "useful * * * in keeping * * * [this nation] oriented toward the West." Typical of several other comments from so-called "neutral" nations is the following:

For the long run, the technical assistance program * * * [here] is advancing the foreign policy of the United States admirably * * *. For the short run, the technical assistance program does not appear on the surface to be having important success in advancing our foreign policy * * *. Meanwhile, the technical assistance program tends to make the * * * people less hostile.

The effect of the cold war on the program was brought out by the same ambassador. He would be "very unhappy" if the places of American technicians "were taken by Russians or Chinese."

The role of technical assistance in United States foreign policy was viewed in the following light by one writer:

I consider our immediate goal accomplished if we establish a recognition that American methods, particularly in these technical fields are the device and pattern for future * * * development * * *. I believe that within the narrow limits in which we now operate our technical assistance program is rendering an immeasurable contribution to our foreign policy * * *.

A. Danger of overzealousness

A tendency that alarmed several observers was overzealousness in connection with the operation of the program.

It is a frequent and no doubt natural impulse on the part of our experts to advocate grandiose programs in a variety of fields simply because the experts are carried away by their enthusiasm for their own speciality—

one ambassador noted; and after citing examples remarked that—none of these projects had the slightest effect on the foreign policy of the United States.

Another felt that—

there has been a tendency not fully to examine all of the requests received for technical assistance. As a consequence they have embarked upon a number of peripheral projects which, though interesting in themselves, do not have a direct impact and, I feel, sometimes are not a faithful reflection of the wishes of the Congress. In part, however, these projects may be due to the evident desire of all or almost all, departments or agencies in Washington to participate in the program. Once their participation was established, it has remained fairly fixed and has become an integral part of long-range programs.

Similarly, the situation at another post in the same area was described as follows:

Sometimes, in their zeal for doing a good job, the FOA personnel forget about our foreign policy objectives and fail to realize that perhaps the host government

does not wish the types of assistance which is promoted * * *. It is perhaps this type of thing which caused the Foreign Minister to remark recently to one of my officers that the regular program of FOA * * * [here] was one of primary interest to the Government of the United States rather than to * * * [the local government]. I would eschew grandiose schemes for reorganizing governments and reorienting the philosophy and customs of the local populations.

One of the ambassadors felt that such situations may sometimes be traced to American personnel in the field.

On the whole—

he said—

the present group of FOA experts and administrators are typical of the good average produced by the United States. They are attached to their work and in many cases are inspired by something akin to the missionary spirit. This may detract slightly from the objectivity of their judgments * * *. Nevertheless, this dedicated spirit means that they throw themselves into their jobs with enthusiasm. This spirit is one of the finest aspects of American life for foreigners to see. At times the attempt to remake the world may cause antagonism, but dedication cannot but evoke admiration.

B. Personnel problems

Other personnel questions of various kinds were raised. Two ambassadors reported that recruiting was slow due to the size, location, isolation, or hardship nature of their posts. Another warned that—care should be taken to assure that the host government either requests or accepts fully proposals for the employment of American experts * * *. When such experts are not so accepted * * * a situation arises where the presence of numbers of American specialists can be suspect by the host government, wholly apart from the adverse propaganda value * * *.

Full acceptance of American aid and personnel was also considered important by another ambassador who described his area of assignment as “highly nationalistic”:

I would want to be sure that we do not force ourselves or our aid upon them. Particularly I think that we should begin in a year or two actually decreasing the number of Americans here officially and I also feel that the program should be decentralized so far as personnel concentrated [in the capital] is concerned. We have begun a program of putting more and more of the American personnel out into various other parts of the country.

Some of the criticisms involved the “living standards of technical assistance personnel in countries where ordinary American comforts look lavish,” and “overstaffing in elaborate offices.” Too many visits of “consultants, inspectors, and supervisors” from Washington, was the complaint of another source:

A few of these visitors make substantial contributions to the progress of the FOA program, but the rest of them are engaged in the operation known as “digging a hole and filling it up again” and, in so doing, they consume much time of the field technicians and the FOA office force. Moreover, their visits represent a duplication of effort with regard to the work already being done here.

The importance of selecting personnel as to character, adaptability, ability, and personality was stressed by a number of the ambassadors.

The frictions that arise from persons who are not well selected can neutralize the good effect of the program—

one ambassador reported; and another one stated:

* * * A factor which has sometimes tended to detract from the program has been the occasional American technician, who, though competent in his field, has lacked the gifts of personality and tact necessary to enable him to work

effectively with persons of a different nationality. This has, in some cases, led to open frictions and to the requests for withdrawal of the person in question * * *.

One final personnel question raised was that of duration of assignment. If this is too long, one ambassador sensed a danger of technicians—

becoming too identified with the local agency for which they work and being looked upon more as * * * [local] government employees than as United States technicians * * *.

C. Grass-root awareness of programs

Another area where the program encountered difficulties, a number of overseas Americans observed, was in making itself felt at the "grass roots."

In fact—
one stated—

at present the masses as a whole are more or less untouched by the program, although various groups certainly have benefited and are benefiting.

In another country, the public—

seems quite unaware of the fact that the goal of FOA is to increase their standard of living and to promote the economic development of their country. There is no gainsaying the fact that there is a marked lack of understanding of, and appreciation for, our technical assistance program.

A business group wrote—

we deplore the lack of information on the part of the * * * public * * * and recommend discreet publicity to remedy this situation, with the conviction that a more friendly feeling toward the United States can be generated thereby.

An ambassador who reported the same situation at his post believed it was—

due to the newness of most of the projects, the fact that only a small proportion of the population has had direct contact with them, and the inherent difficulty of making the less literate majority aware of what the point 4 program actually is * * *.

D. Publicity problems

In this connection several American residents abroad touched on technical assistance publicity within their countries.

United States activities in the field of technical assistance have received favorable but not extensive publicity—

reported one. He further pointed out that—

The nature of such program is essentially technical and experience has shown that it does not arouse great interest on the part of the * * * [local] press or the public.

Another, however, believed that—

the administration of the program has not * * * accomplished as much as it should have in acquainting * * * [the public] with the scope and importance to * * * [them] of United States assistance. * * * There has been inadequate recognition of the support the United States gives to * * * [this country].

He went on to report that this—

situation is now being corrected and some public opinion media have recently, even though disagreeing with United States policy, urged moderation * * *.

The difficulties in publicizing technical assistance activities were pointed up by two reports.

We have heard * * * that some * * * officials are "touchy" about publicity on the grounds that it would give too much credit to the Americans—

one group stated. It added:

We believe that if such a situation exists, it can be corrected. * * * We therefore respectfully suggest that serious consideration be given to more press and radio publicity for the program with due credit being given to American aid.

The other group also stressed that—

the question of publicizing the program is a touchy one and probably the answer as to whether it can be discreetly, yet adequately, effected will depend upon the personality and ability of a public relations officer in the United States Embassy here.

The reasons for this "touchiness" were described as follows by this group:

In addition to the nationalistic feeling which exists, to a greater or lesser degree, in practically all spheres of * * * officialdom, many officials of the * * * Government not only feel that they are entirely capable of doing a good job in their sphere of activity but many seem to be fearful that any acknowledgment that aid or advice is given them may be interpreted as a sign of weakness or lack of ability on their part. This attitude must not only be taken into account in connection with any program for publicizing the technical assistance program and its work—it is also responsible, to a great extent, for the failure on the part of the * * * Government to request assistance in specific projects in certain spheres of governmental activity.

E. Relationship to other financial needs

Once again, the causal relationship of technical assistance to private investment was pointed out by several of the ambassadors. One source pointed out:

When American technicians conduct surveys, or study projects for private investment and economic development, the host government generally looks to us to bring about the private investment or to make the indicated loans through the Export-Import Bank—

Another source suggested:

Unless investment funds, either private or public are assured technical assistance by itself may lead to false hopes by underdeveloped countries.

With this in mind, two ambassadors, from countries not receiving economic aid, suggested combining technical assistance with a small economic aid grant. One of these pointed out that the limiting factor to economic development of his area was the lack of investment capital rather than the lack of technical competence and that, while as a rule he did not favor grant aid for development—

it should be borne in mind that much needed * * * development can be financed only with difficulty by private capital, if at all, and that intergovernment loans are indicated if we are prepared to lay more emphasis on economic development assistance at this time.

According to the other—

if we offer only technical advice, we emphasize the arrogant aspect of our program whose message * * * is: "You are backward people and need our wise guidance."

F. Criteria for selecting projects

The criteria for selecting projects concerned a number of ambassadors. It was observed:

If the projects are carefully thought out and effectively administered, even though they are relatively few, they serve a more useful purpose than if the projects are many and even a small proportion are ill conceived and badly administered.

Elsewhere—

Careful tailoring to the requirements and a policy of doing first things first and not everything all at once—

was advocated. The following detailed suggestions for “careful and wise selection” of the projects were made by one post:

1. Technical assistance * * * should in general be restricted to projects in connection with which aid is needed and has been requested by government departments, government enterprises, government-sponsored associations or cooperative undertakings.

2. The extension of technical assistance to industry abroad should be handled through direct business arrangements between individual foreign manufacturers and individual United States manufacturers, with our embassies aiding in bringing the respective manufacturers into contact.

3. Our offers of technical assistance should be carefully confined to foreign countries requesting, needing, and welcoming our assistance and in those countries to projects of a constructive nature contributing to the economy, health or general well-being of the country and its people.

4. Our technical assistance program abroad should not conflict with or duplicate projects being undertaken by the United Nations and Organization of American States.

5. In considering projects for possible technical assistance, consideration should be given to the essentiality of the project and also whether the project could be handled satisfactorily without United States Government aid.

On the other hand, two ambassadors attacked the proposition that technical assistance be given only upon “request” and demonstrated “need for help.”

One pointed out that what governments request is not necessarily what they need, and that in some cases basic needs might not be fully realized by the governments concerned.

The other ambassador could—

conceive of situations where assistance extended could not even stand the test of relative need but where we would nevertheless decide that it should be extended in order to create a situation or atmosphere in the American interests.

One group, which also concerned itself with the “request” requirement because of the reluctance of the local government to make such requests for worthwhile projects, nevertheless—

believed that it would probably be ill-advised to change the rules to the point where such requests would not be requisite.

G. Cut-off date

Several sources suggested that, to use the words of one—

there should * * * be definite plans for a cut-off date and no impression created that the program is to continue indefinitely.

Continuous support, according to another source—

can only lead to continuous dependence upon our government and there should be enough trained * * * [local employees] by now to handle the program on their own. [A cut-off date would * * *] also impress the * * * [local government] with the fact that eventually we will pull out of all activities and let them run the projects themselves.

STAFF STUDY NO. 5

GOVERNMENT UTILIZATION OF PRIVATE
AGENCIES IN TECHNICAL ASSISTANCE

January 9, 1956

295

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FOREWORD

Senate Resolution 214 (83d Cong., 2d sess.), which was adopted on July 6, 1954, directed a subcommittee of the Committee on Foreign Relations to make a "full and complete study of technical assistance and related programs." Among other matters, the resolution stipulated that attention should be given to "the extent to which the programs have been able to utilize private agencies in achieving their purposes."

Two main lines of inquiry are suggested by the terms of reference under this resolution. First, how far and through what means have the agencies charged with administering technical assistance (the Technical Cooperation Administration, the Foreign Operations Administration, and its successor, the International Cooperation Administration) utilized the facilities of private organizations in accomplishing the purposes which Congress had in view when it enacted legislation on the subject? Second, in this implementation of the programs, has there been a sufficient compliance with the congressional directive that private participation be sought "to the greatest extent practicable"; and, if not, what are the deficiencies and how may they be corrected?

The present study, which was prepared by Alwyn V. Freeman of the Foreign Relations Committee staff, is designed to provide members of the subcommittee with a factual review of the experience of the various agencies which have administered the technical assistance program since 1950 in utilizing private organizations.

MIKE MANSFIELD,

Chairman, Subcommittee on Technical Assistance Programs.

JANUARY 9, 1956.

GOVERNMENT UTILIZATION OF PRIVATE AGENCIES IN TECHNICAL ASSISTANCE

I. INTRODUCTION

The role of private agencies, including private business, in technical assistance bears roughly the same relationship to the role of government as the part of an iceberg under the water bears to the part above the surface. Government technical assistance programs, like the top of the iceberg, are plainly visible and can be examined in minute detail. But, like the submerged portions of the iceberg, private technical assistance activities are difficult to measure or assess with accuracy or completeness.

This private sector has so many components, so many different avenues of approach, with so many people doing the same things in different ways, that, although individual segments may be studied in complete detail, one can only guess at the totality.

It is the purpose of this study to examine generally the degree to which the Government has been able to avail itself of the facilities of private agencies in its technical assistance programs, and the techniques which have been worked out to take advantage of such facilities.

No attempt has been made to discuss, or even to list, all of the manifold ways in which private agencies, working independently of the Government, perform services of a technical assistance character.¹ The field is as vast and as complex as all of the foreign operations of American business, churches, educational institutions, philanthropic organizations, foundations, and the variety of other miscellaneous groups which have foreign interests. Certain broad categories of these private technical assistance activities may be noted, however.

First, there are corporations which are actually engaged in large-scale development work in a particular foreign country. In these cases, the introduction of new techniques, the creation of new sources of supply, sanitation and preventive health measures, and the necessary training incident thereto may accompany the conduct of the primary operation.

Second, there are many manufacturing concerns in the United States which sell complicated mechanical or electronic equipment to foreign buyers, who must be trained in the skills required to operate it. In these cases, the American companies may furnish technicians to install the machinery abroad and train local workers in its use; or else the foreign customer may send his own technicians to the United States to receive training.

Third, there are the many nonprofit organizations with humanitarian or religious purposes, supported principally by voluntary

¹ For a useful summary of such activities, together with an exposition of the operations of various voluntary agencies (foundations, educational and religious institutions, and the like), see Survey of United States Private Technical Assistance, subcommittee print of House Foreign Affairs Committee, August 1, 1954.

contributions. This is the group of foundations and religious missions which have been active for more than a century in establishing health centers, schools, and agricultural demonstration centers in many parts of the world.

Finally, there is a growing number of private enterprises which are in the business of technical assistance or economic development per se. These firms offer for sale to foreign governments, or in some cases to foreign businesses, various types of advisory services. Their services may be of a basic, long-range character, such as comprehensive economic development plans or surveys of natural resources. Or they may be of a more limited, temporary nature, such as advice on improving customs administration.

Information concerning specific private operations has been included in this study only so far as it may serve to illuminate the general problem of government implementation through private instrumentalities.

II. THE ROLE OF GOVERNMENT IN RELATION TO PRIVATE AGENCIES

A. LEGISLATIVE BACKGROUND

The utilization of private facilities was expressly contemplated in the legislation dealing with technical assistance prior to passage of the basic statute, the Act for International Development, in 1950. The Institute of Inter-American Affairs, for example, was empowered to—

make and perform contracts with any individual, corporation, or other body of persons however designated, whether within or without the United States of America—

and to—

make advances and grants to any individual, corporation, or other body of persons, whether within or without the United States of America * * *²

Similarly, the International Aviation Facilities Act authorized the Civil Aeronautics Administration to train foreign nationals within or outside the United States, through any United States public or private agency.³ The United States Information and Educational Exchange Act of 1948,⁴ which provided not only for an international information program but also for the interchange of knowledge and skills, directed the Secretary of State—

to utilize, to the maximum extent practicable, the services and facilities of private agencies * * through contractual arrangements or otherwise.

The act further specifically stated:

It is the intent of Congress that the Secretary shall encourage participation in carrying out the purposes of this Act by the maximum number of different private agencies in each field consistent with the present or potential market for their services in each country.

The legislative history of the Act for International Development further emphasizes the congressional intent that there be a maximum utilization of private agencies..

As introduced in the Senate, section 105 of the international development measure (S. 3304, 81st Cong.) would have authorized the

² Institute of Inter-American Affairs Act, sec. 3 (c) and (l) (Public Law 369, 80th Cong., approved August 5, 1947, as amended by Public Law 283, 81st Cong., approved September 3, 1949).

³ Public Law 647, 80th Cong., June 16, 1948.

⁴ Public Law 402, 80th Cong., January 27, 1948.

President, in undertaking bilateral technical cooperation programs, "to utilize the services and facilities of private agencies and persons." This power was accompanied by a direction in section 107 of the bill that "the participation of private agencies and persons shall be sought wherever practicable." During the hearings on S. 3304 before the Committee on Foreign Relations, Secretary of State Acheson was asked why American private enterprise could not do the entire job for which the bill proposed Government action. Pointing out that many of the projects were not financially attractive to private enterprise, the Secretary said:

What this has to do with is to aid governments in underdeveloped areas to furnish them with the technical skills which they can use to set up, for example, county agents in agriculture, people who make surveys and recommend what kind of irrigation developments should be undertaken * * *. Now, it cannot be done by private business enterprise because it is not a business operation. To some extent * * * the great foundations like the Rockefeller Foundation are doing it but * * * their resources are limited.

When Senator Lodge inquired why the administration could not work through the foundations which had shown excellent results in health, sanitation, and many other fields instead of creating a large governmental overhead, the following colloquy took place:

Secretary ACHESON. This bill provides that you can, and my statement said that to the very largest extent possible the proposal is to do that. The President can make agreements and allocate funds to private foundations of that sort, and get them to agree to carry on this work in certain areas.

Senator LODGE. Then you would not object, would you, to having the bill say that he shall do that to the maximum extent possible?

Secretary ACHESON. No, not the slightest bit. He is authorized to do it. In my statement, I said we hoped to do it to the greatest extent possible.

The Secretary then added that the direction in section 107 of the bill to the effect that private agency participation shall be sought "wherever practicable" meant "to the greatest extent practicable."⁵ Such became the ultimate wording of section 407 when the act was passed:

In carrying out the programs authorized in section 405 of this title [bilateral technical-cooperation programs]—

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

With respect to this provision the Senate Foreign Relations Committee made the following comment in its report:

The committee notes with approval the plans to make extensive use of the many private organizations which have engaged in supplying technical assistance to countries abroad for a long time. Scores of business organizations, 98 colleges and universities throughout the country, and various private foundations have much to contribute both in personnel and experience.⁶

In 1954, the Act for International Development was repealed by the Mutual Security Act of 1954, which is the statute controlling today. Section 413 (a) of that act provides in part:

* * * it is declared to be the policy of the United States * * * to encourage the contribution of United States enterprise toward the economic strength of other free nations, through private trade and investment abroad, private participation in the programs carried out under this Act (including the use of private trade channels to the maximum extent practicable in carrying out such programs) * * *

⁵ Act for International Development; hearings before the Senate Committee on Foreign Relations, March 30, 1950, pp. 20-21.

⁶ S. Rept. 1371, pt. 2, 81st Cong., Mar. 24, 1950, p. 4.

Section 413 (b) then lists a number of important implementing powers to be used by the President—

in order to encourage and facilitate participation of private enterprise to the maximum extent practicable in achieving any of the purposes of this Act.

B. METHODS OF IMPLEMENTATION

There are three different, but not necessarily inconsistent, conceptions of how private agencies can participate in the technical assistance program:

1. The Government can simply contract projects out to private business firms, to universities, or to private agencies. The Government's role is then limited to negotiation of contracts and to supervision of contract performance.

2. The Government can make grants to private philanthropic agencies, which are already in the field, to enable them to expand their work. In this respect, the Government acts as a kind of super foundation.

3. The Government can seek to stimulate private business or private nonprofit agencies to perform, with their own funds, various work of an economic development or technical assistance character which the Government itself is inhibited from doing for reasons of policy (e. g., commercial development of mineral resources), foreign relations (e. g., local sensitivity to outside Government activities), or simply lack of funds. In these cases, the Government acts as a sort of catalyst, perhaps through the negotiation of commercial or tax treaties, perhaps through calling the attention of private business or philanthropy to foreign opportunities.

In point of fact, the Government has used all of these methods, as well as some variants.

III. ADMINISTRATIVE POLICIES AND PROCEDURES

A. THE TECHNICAL COOPERATION ADMINISTRATION

In the early years of the worldwide technical assistance program, the Technical Cooperation Administration emphasized measures to encourage the investment of private capital in underdeveloped countries. A circular airgram sent out to American diplomatic officers on October 23, 1952, stated:

* * * the success of our point 4 efforts in underdeveloped countries depends in large measure upon increased investments of private capital from the United States, other capital exporting countries, and from local sources. There is agreement in the executive branch that a considerable part of our total effort in the point 4 program must be directed to this end * * *.

The Congress has recently reemphasized its interest in efforts to make wider use of private enterprise in the foreign-assistance program, and DMS [Director for Mutual Security] has asked all agencies concerned to cooperate in an intensified program. TCA and the Department of Commerce will pool their resources to carry out a joint program * * *.

In the field the missions, while working with the host government, local business groups, and individual businessmen, will be responsible for * * * developing specific information on opportunities for investment. * * * To carry out this program, it is suggested that all officials of the mission, including point 4 staffs, should be instructed to keep in mind constantly the desirability of encouraging private participation in developmental activities of all kinds. * * *

Special consideration must be given to the encouragement of private capital to undertake economic development where feasible and to discourage the use of public funds, particularly United States public funds, in areas where private capital can possibly be induced to undertake the development. * * *

Consideration has also been given to the possibility of contracting with private United States firms of consulting engineers or industrial research development institutes to assist the host government in the identification and analysis of specific investment opportunities * * *.⁷

The directive also urged that opportunities for investment abroad be presented to private businessmen, both local and foreign, in the most specific terms possible. Thus, background information was to be assembled on a country basis so as to provide potential investors with data concerning the conditions under which private enterprise might be established. Such information would prove helpful, it was thought, in negotiating with the host country on a variety of matters susceptible of treatment in commercial and tax treaties and investment guaranty agreements.

B. THE FOREIGN OPERATIONS ADMINISTRATION

A policy guidance order issued by the Foreign Operations Administration August 16, 1954, dealt with detailed procedures to be followed by field offices in increasing cooperative relations between FOA and the nonprofit private organizations conducting technical assistance work overseas. The manual order expressly excludes United States colleges and commercial institutions. It provides in part:

It is the policy of FOA to increase the participation of voluntary agencies in carrying out United States technical cooperation programs to the extent practicable for FOA and desired by these agencies. FOA will accomplish this objective by strengthening its informal cooperative relationships with them and by making more extensive use of contractual arrangements between them and FOA * * *.

FOA relationships with voluntary agencies may take the form of an increased use of their resources under contractual arrangements, or * * * a closer working relationship without entering into a formal contractual relation in the development and carrying out of related projects. * * * it is FOA policy to utilize voluntary agencies to an increasing extent in the implementation of those projects or segments of projects for which their objectives, experience, resources, and status as private organizations particularly well qualify them.

The order then suggests a number of ways for the field officers to coordinate and collaborate in the programs of FOA and the voluntary agencies, otherwise than through contractual agreements, such as becoming familiar with the programs of the nonprofit agencies; arranging for regular consultations with such agencies to exchange information on program activities, methods, and techniques; profiting by the experience of the voluntary agencies in relation to the customs, traditions, and aspirations of local peoples; encouraging active joint participation of the agencies in projects of mutual interest; sharing FOA technical equipment with the voluntary agencies for demonstration purposes; and exchanging technical knowledge between personnel of both groups. These general, informational procedures are to be supplemented by efforts to probe for project opportunities and to ascertain whether the voluntary agencies might be willing to support potential projects which cannot be financed from FOA funds.

Referring to potential FOA-host country projects which could utilize the voluntary agencies under contract, the order reaffirms that—

it is FOA policy to utilize voluntary agencies as contractors to an increasing extent where this is of direct benefit to the United States technical cooperation program.⁸

Concerning contractual relationships with a voluntary agency which has a religious affiliation, the manual order declares:

⁷ For the text of the airgram, see appendix 1.

⁸ The text of the manual order is reproduced in appendix 2 hereto

* * * [The] agency shall agree not to use the contract to further any proselytizing undertakings * * *. Should FOA determine a voluntary agency's personnel are directly engaged in proselytizing in the performance of a contract, such determination shall be cause for removal from overseas assignment of such personnel or the cancellation of the contract.

C. THE VOLUNTARY FOREIGN AID DIVISION OF FOA

FOA and its predecessor agencies had, of course, utilized the services of some voluntary agencies in the past to conduct specific projects abroad. This included such institutions as the American Friends Service Committee, the Near East Foundation and the International Voluntary Services. Through contracts with FOA, these agencies have cooperated with the Governments of India, Iran, and Iraq in community development, vocational training, rural improvement, and similar projects.

But by 1954, according to FOA Director Harold E. Stassen, while the techniques used remain the same, an admitted change in emphasis had taken place:

We have turned to greater use of both volunteer organizations and universities for a number of reasons. One is that we feel there is an immediate result which is desirable and there is a greater prospect that you have established something permanent that goes on even beyond these governmental programs.⁹

Early in 1954 an FOA officer was made accountable for promoting private agency participation in foreign technical assistance, and a separate office was created in FOA charged with centralized responsibility for liaison with private voluntary organizations. In December 1953, the International Development Advisory Board had recommended to Mr. Stassen that such an office be created through which private agencies should be informed about the need for private action and about FOA activities and procedures to facilitate effective participation in projects. Appropriate action to this end having been taken, Mr. Stassen was able to observe, during a hearing on the Mutual Security Act of 1954:

I think perhaps one of the important things we have done last year is to develop what might be called a series of concentric rings of coordination. * * *

The third step was to coordinate with the various private foundations and charitable groups and voluntary groups of that kind. We have established an office for voluntary agencies in our organization which keeps constant liaison with them. We have given instructions in the field to coordinate. It is a two-way flow. It is not only a matter of the private corporations. Frequently, we learn much from their experience and they learn from what we have done. * * * Sometimes they come to us and say, "We are opening up villages in connection with our mining establishment. We are not able to establish water. How have you been able to do it?"

Then our engineers help them. It is a flow of advice back and forth. * * *

We also have encouraged the University of Chicago through a private foundation grant to do a survey of the place where technical assistance has been going on the longest and to do an analysis country by country of what is most effective, and what fails, because we have failures, too, in the things we do.¹⁰

The newly created office is known as the Voluntary Foreign Aid Division of the Office of Refugees, Migration, and Voluntary Assistance. It was intended to develop and strengthen the relations of FOA with voluntary agencies through closely coordinated action between the field missions and Washington. It acts as the central liaison office for assistance to voluntary agencies interested in developing cooperative and contractual relations between themselves

⁹ The Mutual Security Act of 1954, hearings before the House Committee on Foreign Affairs, April 5-June 8, 1954, 83d Cong., 2d sess., p. 353.

¹⁰ Hearings before the Senate Foreign Relations Committee, Mutual Security Act, 1954, pp. 357-358.

and the Government. Intelligence obtained by the area officers keeps FOA advised concerning pending private voluntary agency projects and enables the missions to make their facilities and experts available for such projects. Mission technicians have been instructed to assist small private groups, which could then fan out and spread knowledge to their own people. The central office looks for opportunities for FOA to collaborate with the voluntary charitable, humanitarian, and religious agencies either informally or on a contract basis.

Separate from this function is that of the Advisory Committee on Voluntary Foreign Aid. It maintains a central roster of approved voluntary agencies engaged in relief activities together with data on their objectives, resources, and programs. Secretarial and administrative services for the committee, which meets only once a year or so, are performed by the Voluntary Foreign Aid Division referred to above. As already indicated, the latter office has the specific task of maintaining contact with private voluntary agencies engaged in technical assistance. These agencies are thereby in a position to exchange information with FOA so that when they apply to the Government to initiate a program, the Voluntary Foreign Aid Division can steer them to the proper office. The Office of Industrial Affairs likewise maintains an informal file of American firms willing and able to perform technical assistance overseas; but compilation of an indexed, rated register has not yet been completed.

In addition to maintaining contacts with voluntary agencies interested in technical cooperation programs, the Voluntary Foreign Aid Division of FOA has consulted with representatives of those agencies in framing a new questionnaire to be sent out to organizations desirous of cooperating with FOA in technical assistance programs. Certificates of cooperation have been issued to voluntary agencies showing exceptional interest in participating in the technical cooperation program.

D. THE CONTACT CLEARING HOUSE SERVICE

Not to be confused with the foregoing media for liaison and information is the Contact Clearing House Service of the Office of Small Business. Originally provided for in legislation authorizing the European recovery program, this office was intended to ensure that American small businesses obtain a fair share of foreign aid expenditures. Its primary function was to see to it that opportunities to bid were widely publicized among United States businessmen. In the process, the Small Business Office developed extensive contacts through chambers of commerce and collected information regarding American companies engaged in various kinds of production. These contacts have made it possible for word to be sent all over the world concerning demands for capital needed for particular purposes in specific areas. It was therefore decided to make use of the mechanism as a contact clearinghouse, the local office in each country serving as the headquarters for information desired by any individual that might request it.

This service, which is free, assists in establishing direct communication between American and foreign businessmen interested in joint ventures through investment or licensing arrangements. FOA (now ICA) merely makes the contact, then withdraws. It does not investi-

304 UTILIZATION OF PRIVATE AGENCIES IN TECHNICAL ASSISTANCE

gate the activities of private businessmen, nor participate in any negotiation. The network extends to more than 7,000 industry associations, chambers of commerce, banks, and other organizations in the United States and abroad. As of March 1955, United States and foreign field counselors had gathered and disseminated nearly 2,500 specific investment proposals.¹¹

E. SPECIAL RESERVE FUND

Finally, mention should be made of a special reserve contingency fund of \$1 million which was set aside at Mr. Stassen's suggestion to further FOA policy in stimulating United States technical cooperation policies. This fund was over and beyond the program funds, not as a limitation on the use of voluntary agencies, but rather to encourage unusual and experimental projects involving those agencies. It was anticipated that many of the proposals to be financed from the fund would be integrated into the country program, and thereafter financed from regular funds whenever they continued into subsequent fiscal years. The controlling assumption was that if such a fund was established during each succeeding fiscal year, starting with fiscal 1956, a much wider participation of voluntary agencies in the technical cooperation programs would be assured; but the fund was not continued in fiscal 1956. The accompanying table illustrates the manner in which project proposals for reserve fund financing were to have been handled.

Project proposals for reserve fund financing

Country and agency	Project proposal	Amount requested	Approved
United States: American Council, New York.	Cooperative Rockefeller Endowment Fund and Voluntary Foreign Aid Division.	\$32,000	-----
Iran: Near East Foundation ¹	Pilot community development.	200,000	-----
Afghanistan: Near East Foundation ¹	Youth agrarian centers.....	75,000	-----
Iraq:			
International Voluntary Services ¹	Self-help housing.....	124,100	-----
Baghdad College ¹	Business and commerce.....	110,000	\$110,000
Women's Temperance Welfare ¹	Industrial sewing.....	46,944	-----
Israel: International ORT ¹	Vocational training centers.....	30,000-60,000	-----
Jordan: Near East Foundation ¹	Pilot Community development.	250,000	125,000
Egypt:			
Social service agencies.....	Social service assistance.....	83,000	-----
Women's Health Association.....	Vocational training.....	51,000	-----
University of Cairo.....	Educational project.....	131,000	-----
Paraguay: Mennonite Central Committee-Paraguay.	Pilot road project.....	100,000	-----
India: Boy Scouts of America.....	Village youth leadership.....	50,000	-----
Korea:			
National Catholic Welfare Conference ²	Vocational trade school.....	85,000	-----
Union Christian Service Centers ²	Rural training, rural leaders.....	120,000	-----
Taejon College ²	Educational.....	30,000	-----
Indonesia:			
University of Indonesia ³	Economic and business school.....	200,000	-----
Mennonite Central Committee.....	Agriculture mechanization project.....	12,000	-----
Formosa: ABMAC.....	Clinical pathology.....	33,200	-----
	Total of project proposals submitted.....	1,793,244	-----
	Less amounts requested by Korea (ineligible.) ²	-235,000	-----
	Grand total.....	1,558,244	235,100

¹ Project proposal approvals have been submitted for these project approvals.

² Less amounts requested by Korea (ineligible; Korean assistance funded from other appropriations)

³ Estimated amount for first year's operation. Three year contract estimated at \$650,000.

¹¹ FOA press release No. 331, March 24, 1955.

IV. CONTRACTING OPERATIONS OF TCA AND FOA

The history of the technical-assistance program is marked by increasing use of private contracts with both business and nonbusiness groups.

In fiscal 1951, the first year of the program, the Technical Cooperation Administration let contracts totaling \$3,740,542. By January 1, 1952, this figure had increased to \$7,079,901; and by March 1, 1953, it had grown to \$19,521,533.

Private technical assistance contracts

June 5, 1950-Jan. 1, 1952:		
Total private contracts.....		\$7, 079, 901
Business (56 percent).....		3, 994, 808
Nonbusiness.....		3, 085, 093
Jan. 1, 1952-Mar. 1, 1953:		
Total.....		12, 441, 632
Business (58 percent).....		7, 174, 428
Nonbusiness.....		5, 267, 204

In 1953, administration of technical assistance and other foreign economic-aid programs was consolidated in the Foreign Operations Administration and consequently, subsequent to that date, it is difficult to segregate pure technical assistance from other foreign-aid contracts.

As of April 1954, technical service contracts totaling \$27,187,000 were in force, but approximately \$3 million of this amount pertained to the escapee program. It appears, therefore, that the technical assistance program involved approximately \$24 million.

By March 1955, FOA had \$98,198,066 contracts in force and about \$45 million more under negotiation. A glance at the list of these contracts (see appendix 3B) reveals that between one-third and one-half of this dollar total is for projects which are more nearly economic than technical in nature. Some contracts combine both forms of aid.

Of the \$98 million in contracts of all kinds in force in March 1955, \$55 million were with private business firms (122 contracts), \$2 million were with voluntary agencies (15 contracts), and \$41 million were with educational institutions (61 contracts). These last two categories (see appendixes 4 and 5 for details) have a much higher component of pure technical assistance than do the private business contracts. They deal with such matters as agriculture, housing, business administration, education, industrial development, sanitation, and public health.

A glance at the subject matter of the contracts with private business organizations listed in appendix 3B reveals much concerning the kind of technical assistance work which these companies have been engaged to do. Often these contracts will relate merely to some kind of services or maintenance of machinery. For example, in Pakistan many small foundries made castings of gears or parts for farm equipment. Frequently it developed that farm machinery purchased in the United States or elsewhere lacked replacement parts and became unusable. The local foundries encountered considerable difficulty in supplying repair parts, in view of the necessity for standardization. Under a contract with the Armour Research Foundation, technicians

were sent to Pakistan to show the local manufacturers how they could standardize their work to produce uniform units. Similarly, in India technical people have been sent out to train local personnel to maintain and repair tractors which were idled for lack of repairs. Training schools were set up for that purpose. In Indonesia, the J. G. White Co. was engaged for general industrial advisory and technical work. Other projects involving such a wide range of service as aerial mapping, well drilling, dam service, marketing surveys, coal exploration, and power development are indicated in the table.

V. THE UNIVERSITY CONTRACT PROGRAM

A. NATURE AND SCOPE OF THE PROGRAM

Under the leadership of the late Dr. Henry G. Bennett, the first administrator of the technical cooperation program, a plan was developed to establish cooperative relationships between American land-grant colleges and similar institutions in other countries. The model selected was Oklahoma Agricultural and Mechanical College and a newly created college in Ethiopia, whose Government had agreed to match funds with the United States. In Ethiopia the challenge to be met was increasing food production and improving storage and distribution facilities, for lack of which large quantities of beef were regularly permitted to rot.

Similar arrangements were to be entered into with colleges in other countries with the object of producing increased reserves of specialized knowledge in central places through systematized exchanges between students and faculties. The goal was to concentrate more of the technical knowledge of a country in one college where it might be put to better use than if it were scattered among hundreds of isolated technicians. It was hoped, also, that a basis of technical cooperation would be created that would endure beyond the temporary contractual relationship for a specific project. Such was the background of the contract program, which began in 1952 with the signing of a 4-year contract under which Oklahoma A. and M. College undertook to establish an agricultural and mechanical college in Ethiopia.

By mid-1955, 62 contracts with 44 American colleges and universities had been concluded for a variety of different services in various areas. Usually, the contracts are between an American and a foreign university and are underwritten by ICA. The wide range and variety of the subjects dealt with can be discerned from the summary which appears in appendix 5. While details concerning these many projects need not be developed here, some typical illustrations may be referred to.

For more than 2 years, Cornell University has been working closely with the College of Agriculture of the University of the Philippines, whose facilities were almost completely destroyed during World War II. The Cornell team's main responsibility is to help train a teaching staff, and to develop a central agricultural experiment station for the Philippine Islands; but it has also been helping generally with rehabilitation of the Philippine institution. Local costs are defrayed by the Philippine Government, while ICA meets dollar costs on items purchased in the United States. At the same time that this has been going on, the University of Michigan, under a contract entered into in June 1952, has been helping to establish an Institution of Public

Administration to provide training for civil employees of the Manila government.

In Pakistan, Washington State College, Colorado A. and M. College, and the Wharton School of Finance of the University of Pennsylvania are linked, respectively, with the Universities of Punjab, Peshawar, and Karachi; while Texas A. and M. College is cooperating with the University of Dacca. The Punjab and Dacca contracts were signed on June 24, 1954, for a period of 3 years. Faculty members from the American institutions help to adapt courses to the needs of Pakistan and advise on improved teaching methods. Technical knowledge is being exchanged in agriculture, engineering, home economics, and business administration.

In India, the University of Illinois has contracts with the Allahabad Agricultural Institute and the Indian Institute of Technology at Kharagpur. These provide for assistance in agriculture and engineering. A third contract in force in India is between the University of Wisconsin and Bengal Engineering College at Sibpur and other schools. It provides for training in engineering and education.

Since 1951, the University of Arkansas has been cooperating with the Panama Ministry of Agriculture and the National Institute of Agriculture of Panama, to develop a long-range plan for nationwide improvements in agriculture. Farm marketing studies have been made, and specialists have been detailed to individual projects, which involve experiments in obtaining greater yields of food, improving irrigation, and adapting the use of farm machines to local needs.

In January 1955, the University of Florida undertook to strengthen agricultural research and extension in Costa Rica. Research training is to be given in the major plant and animal fields; and the university will provide for certain laboratory research studies in the United States for which Costa Rica does not have adequate facilities. Under the contract, 9 university technicians and 4 short-term specialists will be sent to aid Costa Rica during the 3-year period.

A similar contract for cooperation between the University of California and National Taiwan University on Formosa has been in effect since the fall of 1954. Under this arrangement, California is furnishing 5 professional and technical persons and over the period of 3 years, 18 faculty members and graduate students of the Formosan institution will study at Berkeley.

The university contracts have been increasing at an accelerating rate. Whereas for fiscal 1954 such contracts comprised about 7 percent of all contracting with private agencies, currently they constitute about 14 percent of the total.

A number of marked advantages have been claimed for this approach to technical assistance. It encourages the initiation of what is often a lasting relationship between the American and foreign university. This kind of an association does not carry with it some of the political overtones of direct government aid, and is less susceptible to suspicions of foreign intentions. Since there is no basis for propaganda as to outside "exploitation," it is, to a degree, less vulnerable on this score than private business projects. Moreover, because 3-year contracts are authorized, the universities can ordinarily establish their own normal programing period.

ICA does not attempt to pass upon the qualifications of the professors sent out by the American university. It is the direct respon-

sibility of the two universities to determine the job to be done, the classes of people to be exchanged, and the development of a long-range concept for their relationship.

The use of university contracts also permits ICA to tap considerable resources of technical and professional talent which would not otherwise be available to it. Many university professors, who would not be willing to leave their present positions to work for ICA, are perfectly agreeable, or even eager, to go abroad under a university contract for 2 or 3 years. In this way, their status in their home institution is protected.

Finally, but by no means least important, the university contracts contribute to developing the kind of institutional underpinning which is necessary to the growth of free societies.

On the other hand, some disadvantages have been noted of increasing reliance on university contracts. Administrative and policy control of the Government is one degree further removed. Even though the contracts are normally for a 3-year period, American faculty members sometimes do not remain at a foreign institution long enough for their innovations to take root and to stick after the Americans have returned to the United States. The contracts offer an easy way out of the Government's personnel recruiting problems, but some of the universities themselves are having increasing difficulty in meeting the personnel requirements of their contracts.

B. CONTRACTUAL CONTROLS IN THE UNIVERSITY PROGRAM

It will be seen from an inspection of the standard contract form, particularly articles I-III (appendix 7), that the instrument imposes certain obligations upon the contracting college. Among other things, the contractor must submit to the college of the host country semi-annual progress reports, commencing 6 months after the arrival of the first staff member, and a final report when the project is completed (art. II). The contractor must also permit the host college to inspect the work performed.

Article V accords to FOA (now ICA), in connection with the contract, a number of rights spelled out in the "letter of commitment/guaranty" which is reproduced in appendix 8 after the standard form. The contractor (i. e., the United States college) confers upon FOA the same rights and authority as are granted to the host college, with respect to approval of work plans, personnel, reports, assignment, inspection, and reimbursement for work performed, just as fully as if FOA were party to the contract; and agrees to terminate the employment of any individual under the contract if, in FOA's opinion, such termination is required for security reasons. Furthermore, the contractor agrees not only to require personnel working under the contract to receive orientation by FOA if requested, but also to carry out operations in the host country under the general direction of the director of the United States mission in that country on matters pertaining to the scope and nature of the project, coordination of the contractor's operations with other technical assistance activities conducted in the area, and kindred matters.

Finally, FOA reserves the right to terminate its obligation to make any payments under the contract upon giving 90 days' written notice.

VI. GOVERNMENT—PRIVATE AGENCY COOPERATION

A. PRIVATE ENTERPRISE

In addition to contracts with private organizations, ICA and its predecessor agencies have worked out a series of more informal relationships with business and philanthropic groups having foreign interests.

An example of government-business cooperation is the Saudi Arabian water-well project which was carried on jointly by TCA-FOA and the Arabian American Oil Company. Originally begun under Department of State auspices in 1950 on the suggestion of the Saudi Arabian Government, the project continued into 1954 under TCA and FOA. It contemplated a survey of water sources as well as mineral deposits. For that purpose FOA obtained an expert from the Geological Survey Division of the Department of the Interior. This expert, who was later commended by the Saudi Arabian Government, worked closely with Aramco's office in Jidda. Funds furnished by the Department of State had made aerial photography and mapping of the unexplored areas possible. In collaboration with Aramco, which helped with equipment, all possible sources of water were investigated, and test drilling finally produced what is now the principal supply for the city of Riyadh. Other sources were found in areas where all previous evidence refuted its existence. As a result, water supplies became available for nearly all the more important inhabited places from Aqaba to the Yemen border along the eastern shore of the Red Sea. This completely transformed the possibilities for development in western Arabia which formerly subsisted on the barest of quantities derived from distillation, rainfall, and camel caravans.

B. THE "PEOPLE-TO-PEOPLE" APPROACH: INTERNATIONAL VOLUNTARY SERVICES, INC.

An interesting private organizational device which has been enlisted for work in close conjunction with ICA purposes has been the people-to-people approach exemplified by the activity of International Voluntary Services, Inc. IVS grew out of the desire of private individuals to support the technical assistance program. It is a nonsectarian, corporate enterprise organized in 1953 pursuant to an earlier suggestion made by the International Development Advisory Board, and it provides a means for aligning government effort with the experience and altruistic purpose of private voluntary agencies. The moving concept of International Voluntary Services is that of local community-to-community assistance. It stresses volunteer foreign service at the village level, with nondenominational sponsorship, and cooperation with government technical assistance activities. Volunteer workers in foreign village projects receive a nominal payment of \$60 a month plus costs for tools, transportation, and living expenses. In theory, the young people who are attracted by this type of assignment make up in enthusiasm and adaptability what they lack in technical expertise. They provide a source of personnel which can be more easily utilized by private agencies than by the Government. The service groups or teams may work either independently or under contract with ICA.

While it is not many months out of what may be regarded as its experimental stage, this approach has met with approval in the areas

where it has been tried. Several projects merit notice. One involves an IVS team in Iraq, which includes specialists in health, agriculture, housing, home economics, and sanitation. Acting pursuant to a contract with ICA, the main group of American workers serves a district which includes 185 villages in the area adjacent to Turkey, Iran, and Syria. Another team of young agriculturalists, financed by a Columbus, Ohio, chapter of World Neighbors, Inc., has been working in a group of villages about 25 miles from Assiut, Egypt. FOA assisted in bringing together funds from the Ford Foundation and voluntary workers from International Voluntary Services, Inc.

A privately financed project in Jericho, Jordan, is assisting the Arab people in establishing a commercial poultry industry. The financing of this particular instance of "people-to-people" private implementation of ICA purposes constitutes a variant from the familiar type of government disbursement. A call for donation of 5,000 chicks and eggs from poultry producers in Broadway, Va., was oversubscribed within a few hours. Personnel, materials, and equipment were found during the course of a weekend. The Arabian American Oil Co. immediately offered to contribute transportation costs for freight and personnel. An Arab leader (Musa Bey Alami) visited the American poultry producers and expressed himself as favorably impressed with the Americans' desire to help.

The Jordan poultry project is supplying a growing share of the poultry supplies in Saudi Arabian oil production centers, and plans for further Middle Eastern poultry expansion are being made. It is hoped to use this new industry as a basis for village improvement programs, including better schools, better health and sanitation, improved housing, and more productive farms.

C. THE NEAR EAST FOUNDATION

In some instances the United States Government and private philanthropic foundations have contributed to a common grantee, to achieve a common objective. One interesting example of this is the Veramin Plains project of the Near East Foundation in Iran.

This project was begun by the Near East Foundation in 1946 as a kind of experimental and demonstration center for rural improvement in the broad fields of agriculture, health and sanitation, and education. The project is still operated and partly financed by the Near East Foundation, but financing now comes from three other sources as well: the United States Government, through a contract between ICA and NEF; the Ford Foundation, through grants to the Iranian Government which in turn contributes the grants to NEF; and the Iranian Government which makes additional contributions from its own funds.

Near East Foundation project officials have stated that they entered into the ICA contract with misgivings that the foundation might lose its identity as a philanthropic organization but that these misgivings turned out to be unjustified. One advantage of the contractual arrangement, as seen by these officials, is that if an experiment did not work, its failure was no reflection on the United States; whereas if it did work, it could be picked up and used elsewhere by both the United States and the Iranian Governments.

D. THE INTERNATIONAL DEVELOPMENT ADVISORY BOARD

The International Development Advisory Board, an advisory arm of TCA, FOA, and ICA, has been instrumental in stimulating the participation of private agencies in the foreign technical assistance program. As already noted, the efforts of the Board were responsible among other things, for the creation of International Voluntary Services, Inc., a privately sponsored and supported organization which provides working teams of technicians for special projects in foreign countries. IVS cooperates closely with ICA and other private organizations.

The Board's efforts to stimulate greater investment of private United States capital in the less developed countries has been based on the belief that technical and industrial training provided by American firms operating in these countries is an important adjunct of the Government's technical assistance program. It has, among other things, joined in sponsoring international investment conferences to bring together businessmen from the United States and foreign countries.

VII. CONCLUDING OBSERVATIONS

The record discloses increasing utilization of private organizations by the various agencies which have administered the technical assistance program since 1950. This trend is particularly apparent in the growth of contracting operations, but it is discernible also in the growth of cooperative relationships between Government and private agencies.

The use of contracts, as has been pointed out earlier in this study, has both advantages and disadvantages. Perhaps the major advantage is that it permits the Government to tap resources of technical and professional expertness which would otherwise remain unavailable. The major disadvantages are that it is perhaps more costly and it diminishes to some degree Government control of the project (although in some countries and on some projects, government disassociation from the work may be an important advantage).

What is more difficult to measure is the role of private business in its day-to-day foreign operations. Here we have a kind of reciprocal cause-and-effect relationship. One of the objects of technical assistance is to induce economic development through the spread of technical skills and knowledge. The introduction of fertilizer in Peru through the technical assistance program, for example, led to the investment of private capital in Peruvian fertilizer plants. On the other hand, to take a reverse example from the same country, the investment of private capital in mining enterprises in Peru has led to the diffusion of mechanical and other technical skills.

Technical assistance thus not only contributes to creating conditions attractive to private investment; it is also a byproduct of private investment.

In an appearance before the Subcommittee on Foreign Economic Policy of the House Committee on Foreign Affairs, Mr. Eric Johnston observed:

The natural resources of those areas, in my opinion, can be better developed by private funds. Private capital carries with it its own technicians. They stay longer, and have a greater incentive to produce. There are many reasons why it

312 UTILIZATION OF PRIVATE AGENCIES IN TECHNICAL ASSISTANCE

is preferable. I think we should encourage more private capital to go into these areas for industrialization and thereby promote trade, and that, of course, means less aid.¹²

Technical assistance, strictly defined, may encourage private investment indirectly over a long period through raising the general level of skills of a country or directly in a shorter time through specific projects—as, for example, elimination of rinderpest which would make a meatpacking industry feasible in Ethiopia, or elimination of malaria which would make lumbering feasible in Brazil.

The broader question of encouraging private foreign investment, however, involves a multitude of policies of both the United States and foreign governments as well as of such international agencies as the International Bank for Reconstruction and Development. These policies are beyond the scope of this study.

¹² The Mutual Security Act and Overseas Private Investment, preliminary report, House Committee on Foreign Affairs, June 3, 1953, p. 51.

APPENDIXES

APPENDIX 1

TECHNICAL COOPERATION ADMINISTRATION

Circular Airgram, October 23, 1952

To Certain American Diplomatic Officers:

1. It has become increasingly clear that the success of our point 4 efforts in underdeveloped countries depends in large measure upon increased investments of private capital from the United States, other capital exporting countries, and from local sources. There is agreement in the executive branch that a considerable part of our total effort in the point 4 program must be directed to this end. The investment of private funds from capital exporting countries, particularly from the United States, has the added advantage in most cases of providing managerial and technical know-how to industrial development and will favorably affect the world dollar situation.

The Congress has recently reemphasized its interest in efforts to make wider use of private enterprise in the foreign assistance program, and DMS [Director for Mutual Security] has asked all agencies concerned to cooperate in an intensified program. TCA and the Department of Commerce will pool their resources to carry out a joint program.

This circular airgram should of course be read in the light of activities already underway in your area, as well as in the light of local political conditions.

2. It is agreed that in the beginning this intensified program will consist, in the main, of the following three principal parts:

(a) The encouragement of conditions favorable to private investment, both local and foreign.

(b) The identification of specific opportunities for investment and location of interested investors.

(c) The assembly and dissemination of country background information necessary to foreign investors.

The various phases of the program must of course be integrated, and the closest collaboration will be required among the missions, including the point 4 staff, the Department of State, including TCA/W, and the Department of Commerce, and its field offices.

Opportunities for investment abroad must be presented to private businessmen, both local and foreign, in the most specific terms possible. The assembly of background information on a country-by-country basis will provide potential United States investors with competent and reliable data as to the conditions and circumstances under which a private enterprise can be established and conducted. This information is also useful in efforts to develop a more favorable atmosphere for private enterprise, and will help in negotiations with the host country on specific restrictions which adversely affect the investment of domestic and foreign private capital, and in negotiation of international agreements, such as treaties of friendship, commerce, and development, investment guaranty agreements, and tax treaties.

3. In the field the mission, working with the host government, local business groups, and individual businessmen, will be responsible for identifying and developing specific information on opportunities for investment, assisting in supplying background information, and in carrying out negotiations with the host government in an attempt to make the investment climate more attractive. To carry out this program, it is suggested that all officials of the mission, including point 4 staffs, should be instructed to keep in mind constantly the desirability of encouraging private participation in developmental activities of all kinds.

The economic section of the mission should intensify the work it has regularly carried on in this field. In addition, the Country Director for Technical Coopera-

tion should appoint a member of his staff who will be responsible for the private investment phase of the point 4 activities (ordinarily this will be the industrial adviser where there is such a position; where there is a definite and active interest on the part of the country, it may prove desirable to appoint a special assistant or adviser for this purpose). It is intended that the work of the point 4 staff in this field should supplement the work of the economic section, but not supplant or duplicate it. It will be the responsibility of the mission chief to work out means of coordinating the mission's total activities in this field.

In compliance with Foreign Service Economic Reporting Circular No. 31 of July 20, 1951, the economic section of the mission, with the assistance of the point 4 staff, should report the necessary details of specific opportunities for private United States investment. The cooperation of local private business groups should be solicited for the collection and exchange of information about investment opportunities. Assistance can and should be provided to officials and local businessmen in the development of effective methods for presenting investment opportunities.

Emphasis should be placed upon reporting all background information which would be valuable to United States agencies in Washington and to private businessmen in connection with the investment program. The point 4 staff should contribute to and supplement regular Foreign Service reporting with special reports covering specific items or factors affecting private investment which come to their attention in the course of their regular activities. Value of information concerning positive achievements of foreign private enterprise for dissemination in other areas should be kept in mind.

All means of furthering private enterprise through jointly agreed technical-assistance projects should be explored. Of particular long-range importance are projects designed to facilitate private investment through advice in such fields as government fiscal policies and administration, tax laws, mining and corporation laws, etc., and through advice and possibly joint action with respect to improvement of credit facilities and establishment and strengthening of institutions directed at channeling private capital into approved development enterprises.

Special consideration must be given to the encouragement of private capital to undertake economic development where feasible and to discourage the use of public funds, particularly United States public funds, in areas where private capital can possibly be induced to undertake the development.

The mission may find it possible to work with the foreign government in creating interest in increasing private investment, foreign and local, directing attention to the benefits, both social and economic, which private enterprise has brought to other areas and pointing up ways in which private enterprise could further national policy on terms consistent with the government's objectives.

4. In Washington TCA/W and the OIT [Office of International Trade] in the Department of Commerce will be responsible for making information supplied from the foreign missions available to interested business concerns, will assemble and disseminate background information regarding conditions and circumstances for investment in specific countries, and will assist in preparing for treaty and other types of negotiations in the interest of improving the investment climate. In certain cases Washington staff members may be made available for temporary work with the country missions in developing background information and other aspects of the program.

Specific information on investment opportunities and general background information will be made available to the American business community by a variety of means. The 43 Department of Commerce field offices provide a useful facility for this purpose. The various publications of the Department of Commerce and other means of communication will be fully utilized. It is intended also to arrange investment clinics and investment institutes on particular countries or regions and to carry on a substantial program of private consultation and counseling. This last is to be employed extensively not only in connection with investment opportunities reported from abroad, but also in connection with requests originating from United States businessmen for advice and assistance in establishing business abroad.

5. Plans are being made to send a small team of highly qualified experts composed of Government and private business representatives to 2 or 3 countries where it appears most feasible to especially emphasize the investment program to assist the mission in developing such a program.

Consideration has also been given to the possibility of contracting with private United States firms of consulting engineers or industrial research development institutes to assist the host government in the identification and analysis of specific investment opportunities and the preparation of brochures suitable for

serious consideration by private investors. Such private agencies might also, in a normal business fashion, bring this material to the attention of businessmen and firms likely to be interested.

6. The Department is of course aware of the delicacy of this subject in many countries. Every effort must be made to avoid giving impression that we are seeking to force United States capital on unwilling customers. We are certainly not, nor will we be, interested in doing this. On the other hand, forward steps in this field must not be suspended simply for fear of attacks from pro-Communists et cetera. In considering steps to be taken, you should bear in mind that the Congress regards this phase of the point 4 program as of equal importance with the governmental assistance phase. The possibility that no substantial success will be achieved along these lines in a particular country is not regarded as a sufficient reason for taking no action.

7. Comments by the missions on the general aspects of this proposal and on the feasibility of either suggestion in paragraph 5 are urgently requested, including an outline of plans for carrying out these activities and suggestions for the improvement of this proposed joint program.

BRUCE, *Acting.*

Sent to missions of Addis Ababa, Amman, Asunción, Baghdad, Beirut, Bogotá, Cairo, Caracas, Ciudad Trujillo, Colombo, Damascus, Djakarta, Guatemala City, Habana, Jidda, Kabul, Karachi, La Paz, Lima, Managua, Mexico D. F., Monrovia, Montevideo, New Delhi, Panama, Port-au-Prince, Quito, Rangoon, Rio de Janeiro, San Jose, San Salvador, Santiago, Tegucigalpa, Tel Aviv, Tripoli.

APPENDIX 2

FOREIGN OPERATIONS ADMINISTRATION MANUAL

Order No. 261.1.

Transmittal letter No. General-84.

Effective date: August 16, 1954.

Subject: Policy and organization for FOA relationships with United States voluntary agencies on technical cooperation programs.

Supersedes: TCA policy statement, "Relationships With Private, Nonprofit Agencies," May 1, 1953.

I. DEFINITIONS

The United States agencies which are referred to herein are those private nonprofit organizations, including the larger foundations, supported primarily by voluntary contribution, which are conducting rehabilitation and technical assistance work abroad or are interested in conducting programs of international economic and social development. Excluded from this order are United States colleges and universities and commercial organizations, and most professional groups unless they fall within the scope of the foregoing definition.

II. BACKGROUND

A. The voluntary agency—as an institutional expression of individuals acting through associations of their free choice—exemplifies one of the best traditions of western civilization. Efforts of these agencies abroad are also an expression of good will by means of their aided self-help activities on a people-to-people basis, which though distinct from official United States Government programs, can and do complement and reinforce them.

B. Many United States voluntary agencies have successfully carried on foreign technical assistance work for over a century. Lasting contributions of special interest and potential value to the United States bilateral technical cooperation program include the following: (1) Educational programs through primary and secondary schools, vocational schools, colleges and universities; and (2) village and urban development projects which raise living standards through community organization and improved agriculture, health, and sanitation techniques, and other self-help projects. During the years, voluntary agencies have established strong roots and gained the confidence of the local peoples.

C. Cooperative relationships between FOA and nonprofit, private organizations conducting technical assistance work overseas have enabled both to benefit from the experience of the other.

III. POLICY

It is the policy of FOA to increase the participation of voluntary agencies in carrying out United States technical cooperation programs to the extent practicable for FOA and desired by these agencies. FOA will accomplish this objective by strengthening its informal cooperative relationships with them and by making more extensive use of contractual arrangements between them and FOA. This policy is based on the following considerations:

A. The congressional directive that "the participation of private agencies and persons shall be sought to the greatest extent practicable."

B. It is recognized that many voluntary agencies have made significant contributions to the field of social and economic development in many countries of the world and that FOA has much to gain from the experience of these agencies.

C. An increasing number of these agencies have expressed interest in cooperating with FOA in this field.

IV. RELATIONSHIPS

FOA relationships with voluntary agencies may take the form of an increased use of their resources under contractual arrangements, or perhaps more importantly at this time, a closer working relationship without entering into a formal contractual relation in the development and carrying out of related projects. It is not anticipated that voluntary agencies would undertake, either through contract or cooperative arrangements with FOA, activities which would be coterminous with the total FOA-host government program in a functional field nor in most instances with a category of activity within a functional field. Rather it is FOA policy to utilize voluntary agencies to an increasing extent in the implementation of those projects or segments of projects for which their objectives, experience, resources, and status as private organizations particularly well qualify them.

A. *Cooperative relationships*

There are many ways to collaborate and coordinate the programs of FOA and voluntary agencies other than through formal contractual arrangements.

1. USOM's can assist in the development of such noncontractual relationships by—

(a) Acquainting themselves with the programs of private nonprofit agencies—United States, third country, and indigenous—within the country.

(b) Arranging for regular consultations with the voluntary agencies working in the country for the purpose of exchanging information on program activities, methods and techniques.

(c) Drawing upon the experience of the voluntary agencies in working with local peoples with respect to their customs, traditions, and aspirations.

(d) Encouraging active participation of voluntary agencies in projects of mutual interest. There are many instances in which FOA-host government projects can be actively participated in by voluntary agencies on a joint basis. Similarly there are numerous cases in which existing or proposed voluntary agency projects lend themselves to expansion by the active participation of FOA and increased attention by the host country government. In the development of such projects the contributions of the three parties can be determined on the basis of available resources and can include FOA financial participation as in any cooperating country-FOA undertaking. USOM's should follow existing procedures in developing, clearing, and implementing these projects.

(e) In addition to formal project participation with voluntary agencies, making FOA technical specialists available to visit and assist voluntary agency personnel at their own establishments, such as health centers, vocational schools, and the like and encouraging voluntary agency personnel to assist FOA technicians. In instances where supplies and equipment for demonstration purposes will assist a voluntary agency's activity or project of interest to FOA and the host country, USOMs can share FOA-owned equipment in cooperation with the voluntary agency. In this way the voluntary agencies can serve as multipliers of the technical knowledge provided through FOA.

(f) In a review of country needs and in programing, giving consideration to the contribution that voluntary agencies can make either independently, or with the help of other voluntary agencies in the United States. In every country, there are many good project opportunities or potential projects which, for one reason or another, cannot be financed from FOA funds but which a United States volun-

tary agency may be willing to support. In addition there may be projects requested by the host government which, due to limitations of funds allocated to the country, are not included in the country's program. In all such cases these project opportunities should be called to the attention of private agencies for their consideration.

(g) Making known to FOA/W, as well as to voluntary agencies within a country, project opportunities for dissemination to United States voluntary agency headquarters for their consideration as sole sponsor. Information thus transmitted will not necessarily imply endorsement by FOA of any projects which an agency may develop as a result.

2. FOA/W regional and technical services offices need also to keep informed about the voluntary agencies conducting programs in their regional or functional areas in order to carefully appraise their operations and to determine whether FOA projects can be strengthened through the utilization of voluntary agencies

B. Contractual relationships

There are ongoing and potential FOA-host country projects which can be effectively carried out by United States voluntary agencies under contract. For example, personnel of voluntary agencies have in numerous countries been working for years to improve the living conditions of the people living in villages remote from the capital cities.

Partly as a consequence of increased collaboration with voluntary agencies on a noncontractual basis, contractual relationships are likely to increase. It is FOA policy to utilize voluntary agencies as contractors to an increasing extent where this is of direct benefit to the United States technical cooperation program.

1. FOA contracts with private nonprofit agencies are subject to regular FOA contracting regulations and procedures. Contracts which provide for financing personal services are subject also to FOA security and orientation requirements.

2. In addition the following criteria must be satisfied:

(a) FOA and the host government have determined that the use of a voluntary agency offers an appropriate means to implement an agreed project.

(b) The proposed contracting agency is acceptable to the host government and FOA.

(c) The agency proposed has demonstrated the necessary competence and experience to perform the required services.

(d) No preferential treatment will be given to one voluntary agency or group of agencies.

(e) Funds appropriated by FOA will not be used to supplant the normal contribution to the activity by the voluntary agency. FOA funds may be used to extend or hasten an ongoing voluntary agency project or to initiate a new undertaking.

(f) The activities performed by the contracting agency will be under the general direction of the FOA mission chief.

3. In those cases in which a formal contractual arrangement with a voluntary agency sponsored by or in any way affiliated with a religious organization is determined by the USOM and FOA/W offices to be a desirable means to implement an FOA-host country project, USOM and FOA offices should ascertain with the Department of State that such formal relationship is consistent with United States policy not to influence the religious preferences of the host nation or to favor particular religious groups and that the contract will not adversely affect United States-host country relations in any foreseeable manner. In some countries, for example, there may be particular situations which are fraught with religious controversy of such sensitivity as to preclude formal contractual relationships with religious organizations for work in those countries.

While FOA recognizes that the service activities of voluntary agencies contribute in a general sense to their missionary objectives, a distinction has been made between these service activities and direct proselytizing undertakings. If a voluntary agency, to be engaged under contract, is sponsored by or in any way affiliated with a religious organization, such agency shall agree not to use the contract to further any proselytizing undertakings. The contract shall provide that the agency shall not assign to duty under the contract any personnel who will engage in direct religious proselytizing activities or internal political activity or against whom the host government interposes an objection because of such activities. Should FOA determine a voluntary agency's personnel are directly engaged in proselytizing in the performance of a contract, such determination shall be cause for the removal from overseas assignment of such personnel or the cancellation of the contract.

V. FUNCTIONAL RESPONSIBILITIES

A. The development and strengthening of FOA relationships with voluntary agencies necessarily involves carefully coordinated action by the USOMs and FOA/W.

B. FOA/W:

1. The Voluntary Foreign Aid Division (VFA) of the Office of Refugees, Migration, and Voluntary Assistance (AD/REF) has been designated the focal point within FOA/W for the implementation of this policy. VFA serves as the central liaison office for assistance to voluntary agencies having an interest in or desiring to develop cooperative relationships with the United States technical cooperation programs and for assistance to other FOA/W offices and USOMs in obtaining information about voluntary agencies or in developing cooperative or contractual arrangements with them.

The Voluntary Foreign Aid Division's functions in this respect are—

(a) To formulate policies and objectives for FOA relationships, cooperative and contractual, with voluntary agencies on technical cooperation projects for guidance of FOA/W offices and USOMs.

(b) To serve as the central FOA liaison with the voluntary agencies and to develop relationships which will enable FOA to know at an early stage the plans of these organizations in order to avoid duplication and foster supplemental activities between them and FOA.

(c) To develop and maintain a central roster of voluntary agencies which will include data on their objectives, resources, and organizations; their current programs; and their capacities to undertake projects in cooperation with FOA. An important portion of this information will be obtained by personal consultations which will provide a two-way exchange and may generate new ideas on forms of joint activities.

(d) To analyze overall programs, and procedures, methods of administration of voluntary agencies to evaluate their effectiveness in attaining basic objectives and to advise FOA/W offices and USOMs in the development of cooperative or contractual relationships with various agencies.

(e) In conjunction with DD/O and DD/S offices, to analyze FOA country programs particularly in the fields of health, agriculture, education (including vocational education), cottage industry, and community development to determine potential areas of cooperation with voluntary agencies; to advise voluntary agencies of ongoing or potential projects which lend themselves to private financing in order that they may support such projects either financially or in kind as appropriate.

(f) In consultation with the appropriate DD/O and DD/S offices, to call to the attention of USOMs voluntary agency activity in their countries and to suggest desirable forms of relationships which might be developed with these agencies.

(g) To bring to the attention of regional and technical services offices instances in which benefit may derive from closer relationships with a voluntary agency to work with the DD/S and DD/O offices having responsibility for the project or program in reaching a decision.

(h) To review inquiries from USOMs with regard to voluntary agencies involving both contracts and other forms of relationships; to coordinate with the appropriate DD/O and DD/S offices in replying.

(i) To review specific requests from USOMs for the development of contracts or other forms of relationships with voluntary agencies; to participate with the DD/S offices concerned in the development and negotiation of such contracts or other forms of relationships; and to review and evaluate the implementation of each contract or cooperative arrangement with a voluntary agency.

(j) To issue periodic reports on the status of voluntary agency contracts in being and under consideration and on other developments with respect to voluntary agencies. DD/O and DD/S offices will advise the VFA of the agencies with which contracts or cooperative arrangements are in force or contemplated; and any new developments will be reported to VFA hereafter.

(k) To arrange from time to time meetings of FOA and voluntary agency representatives to discuss mutual problems and for the exchange of information regarding technical cooperation programs.

(l) To carry out, as assigned, other duties which are necessary to the orderly and effective development of closer cooperative and contractual relationships with voluntary agencies.

In performing the above functions, the Voluntary Foreign Aid Division shall, at all times, secure the full participation and concurrence of the regular organization units listed in V-B-2 below on all aspects affecting the normal functions of such units. Other offices will similarly keep each other and the Voluntary Foreign Aid Division fully informed of any actions they propose regarding voluntary agencies and clear with the VFA prior to taking action.

2. Other FOA/W offices involved and their primary areas of concern are:

(a) The country desk and the regional program units covering the country involved. These offices will be concerned with the suitability of the proposed cooperative or contractual relationship in terms of the overall country program and the availability of funds.

(b) The technical services offices which cover the functional fields involved. These will be concerned with the scope, soundness, and suitability of the technical content of the activities to be undertaken, and the development, negotiation, and implementation of cooperative arrangements or contracts covering their respective fields.

(c) The general counsel.

(d) The controller.

(e) The FOA contract officer (if a contract is involved).

The following offices are concerned with the clearance and general orientation of contract personnel:

(f) The Office of Personnel.

(g) The Office of Personnel Security and Integrity.

C. USOMs will exercise the same responsibilities in connection with FOA-financed contracts with voluntary agencies as in other FOA contracts. In addition, USOMs should stimulate the development of noncontractual relationships with voluntary agencies by carrying out the functions set forth in section IV-A.

VI. PROCEDURES

A. Proposals originating in USOMs

In the development of cooperative or contractual arrangements between voluntary agencies and FOA, the following general procedures will be utilized to assure that any resulting proposals are given expeditious treatment; that cognizance is taken of voluntary agency activities in relation to FOA technical cooperation programs; that any agreements or contracts which may result are properly drawn and effectively implemented; and that agreements or contracts with voluntary agencies are coordinated with the FOA programs.

1. *Cooperative and contractual relationships.*—(a) Inquiries or proposals regarding cooperative or contractual relationships with a voluntary agency to implement a technical cooperation project will be transmitted to FOA/W by the mission.

(b) The inquiry or proposal will be reviewed and evaluated by the country desk and transmitted to the action office as defined herein. Where the inquiry or proposal relates to a specific functional field or several functional fields, action will be taken by the DD/S offices concerned in coordination with VFA. Where the inquiry or proposal is general, i. e., nonfunctional in character, the Voluntary Foreign Aid Division will take action in consultation with the DD/O and DD/S offices concerned. All outgoing communications on relationships with voluntary agencies will be cleared by the DD/O and DD/S offices concerned, the Voluntary Foreign Aid Division, and, where appropriate, with the general counsel, the controller, and the FOA contract officer.

(c) VFA and the DD/S offices concerned will consult (1) to determine the feasibility of the cooperative or contractual relationship proposed and (2) if the USOM requests FOA/W to suggest a voluntary agency, to review the availability of voluntary agencies qualified to perform the activity proposed.

(d) The action office will transmit to the USOM FOA/W's comments and suggestions regarding the proposed undertaking, together with a list of qualified voluntary agencies where appropriate.

(e) USOMs will follow their normal procedures in handling noncontractual mutual projects with voluntary agencies.

2. *Contractual arrangements.*—(a) On receipt of FOA/W comments referred to in 1 (d) above, USOMs will confer with representatives of the host government to select the voluntary agency with which they desire to enter into contractual negotiations, indicating alternative choices.

(b) The action office will contact the United States voluntary agency selected; draw up and clear a contract through the normal FOA/W clearance procedure and with the USOM and the voluntary agency.

320 UTILIZATION OF PRIVATE AGENCIES IN TECHNICAL ASSISTANCE

(c) The contract will be signed by the parties involved and will go into effect. The action office as defined above will be responsible within FOA/W for following the contract during its life; receiving, reviewing, and routing reports under it; hearing and adjusting problems encountered by the United States voluntary agency or other parties involved; and arranging any necessary amendments, extensions, or terminations.

B. Proposals originating with voluntary agencies

1. FOA offices receiving a written or oral inquiry or expression of interest from a voluntary agency with regard to a cooperative or contractual arrangement should consult with VFA in determining the action to be taken.

2. The action office as defined in VI-A-1 will prepare a reply to the inquiry, clearing it with appropriate offices of FOA/W.

3. The procedure outlined in VI-A-1 should then be followed from step (b) forward.

C. Proposals originating in FOA/W

1. In the review of program or project requests from the field, DD/O and DD/S offices should determine (a) whether the project could be undertaken equally or better by a voluntary agency under contract; and (b) whether the project could be supplemented to advantage from the point of view of area covered, experiment in alternative methods, or for any other reason by some noncontractual arrangement with a voluntary agency or agencies. The procedure outlined in VI-A-1 should then be followed from step (b) forward.

2. In instances in which VFA initiates consideration of a new relationship with a voluntary agency, the procedure outlined in VI-A-1 should also be followed from step (b) forward.

APPENDIX 3A

Business contracts for participation of private agencies in TCA programs¹

FROM BEGINNING OF PROGRAM THROUGH DEC. 31, 1951

Contractor and address	Amount	Country	Type of work
Adams, Harvard & Greeley, Boston, Mass.....	\$15,000	India.....	Preparation of town plan.
Aero Service Corp., Philadelphia, Pa.....	200,000	Liberia.....	Aerial photographic mapping.
	8,767	Saudi Arabia.....	Furnishing of prints, etc.
	54,348	do.....	Aerial photographic mapping of a defined area.
Armour Research Foundation of Illinois Institute of Technology, Chicago, Ill.....	48,000	Latin America.....	Survey of plans for construction materials demonstration and training center.
	160,000	Pakistan and India.....	Provision of technical advice in several industrial fields.
Architects Collaborative, Cambridge, Mass.....	15,000	Costa Rica.....	Supplying technical assistance in housing.
Aviation International Delivery Service, Inc., Washington, D. C.....	41,600	Pakistan.....	Aerial antillocust spraying.
Black Star Publishing Co., New York, N. Y.....	1,600	Liberia.....	Photographic report of projects.
Columbia Federal Savings and Loan Association, Washington, D. C.....	15,000	Latin America.....	Preparation of study on mobilization of local capital for agricultural investment.
General Railway Signal Co., Rochester, N. Y.....	11,865	Pakistan.....	Conduct of field survey and making of recommendations on railway signaling and traffic control system.
Gibbs & Hill, Inc., New York, N. Y.....	100,000	Brazil.....	Advisory and engineering services for joint commission in power development and transportation.
Haimes, Sidney S., and Associates, Washington, D. C.....	10,000	Latin America and TCA/W.....	Preparation of exhibits and graphic arts presentation.
Harland Bartholomew and Associates, St. Louis, Mo.....	20,000	Pakistan.....	Provision of technical advice on municipal water supply and sewage systems.
Knappen Tippetts Abbett Engineering Co., New York, N. Y.....	10,000	Ecuador.....	Preparation of survey of proposed port improvements.
	39,840	Jordan.....	Construction and restoration of cisterns and irrigation works.
	29,000	do.....	Additional repair of equipment.
	1,500,000	Burma.....	Services as technical secretariat to Burma Economic Council, including economic advice, consultation, engineering, supervision, and procurement.
Little, Arthur D., Inc., Cambridge, Mass.....	20,000	Egypt.....	Survey of low-cost housing materials and construction.
	3,000	Costa Rica.....	Preparation of recommendations on technical assistance in private industry development.
Mitchell, James T., Oklahoma Agricultural and Mechanical College.....	3,165	TCA/W.....	Consulting services as audiovisual specialist.
	2,940	TCA/W.....	Consulting photo editor.
	655	TCA/W.....	Do.
Richards, Louis J., Washington, D. C.....	230,000	Iran.....	Drilling of 20 water-supply wells and installation of pumps.
Roehmont, L. de, Corp., New York, N. Y.....	264,000	Burma.....	Production of motion pictures and training and advice.
Southwest Research Institute, San Antonio, Tex.....	45,818	Latin America.....	Preparation of study and recommendations on the babassu nut industry.
Springfield, Lawrence, Philadelphia, Pa.....	2,910	TCA/W.....	Consulting services on visual education in Washington.
Stryker, Roy E., New York, N. Y.....	6,000	TCA/W and all TCA countries.....	Provision of technical advice in Washington on visual education program.
United States Overseas Airlines, Wildwood, N. J.....	21,000	India.....	Aerial antillocust spraying.
White, J. G., Engineering Corp., New York, N. Y.....	1,100,000	Indonesia.....	Advice and consultation on planning of balanced economic development, design and engineering services, supervision of construction and purchasing services.
Wood Richardson & Co., New York, N. Y.....	15,000	All TCA countries.....	Report on investment opportunities for use in promoting private business participation.
Total.....	3,994,808		

¹ Exclusive of contracts for procurement of supplies and equipment and contracts with nonbusiness private agencies.

Business contracts for participation of private agencies in TCA programs—Continued

FROM JAN. 1, 1952, THROUGH FEB. 28, 1953

322 UTILIZATION OF PRIVATE AGENCIES IN TECHNICAL ASSISTANCE

Contractor and address	Amount	Country	Type of work
Aero Service Corp., Philadelphia, Pa.....	\$534,000	Liberia.....	Aerial survey of certain areas for use in planning economic development.
	38,889	Saudi Arabia.....	Furnishing of mosaics, topographic maps, and prints from existing aerial photography.
	96,359	Jordan.....	Aerial survey of river valley.
Airform International Construction Corp.....	30,000	Liberia.....	Aerial photographic mapping.
	85,000	Jordan.....	Construction and installation of grain handling and storage facilities.
Ala 'Ilima, Fay Calkins, Arlington, Va.....	1,250	TCA/W.....	Consulting services.
American Express Co., New York, N. Y.....	7,700	Saudi Arabia.....	Escorting Saudi leaders in inspection of United States reclamation, irrigation, education, and health programs.
Armour Research Foundation of Illinois Institute of Technology, Chicago, Ill.....	93,539	Pakistan and India.....	Provision of technical advice in several industrial fields.
	195,000	Burma.....	Advice in reorganization of State Industrial Research Institute, Rangoon.
Aswell, James R., Arlington, Va.....	3,000	TCA/W.....	Preparing general study on point 4 program.
	1,500	TCA/W.....	Expansion of above study.
Aviation International Delivery Service, Inc.....	13,700	Pakistan.....	Training of pilots in aerial antilocus spraying.
	1,180	Ceylon.....	Exhibit of Piper Cub plane in Ceylon exhibition, Colombo.
	27,000	Pakistan.....	Aerial antilocus spraying and training.
Bollman, Geo. W., & Co., Adamstown, Pa.....	33,750	Latin America.....	Research on recovery of kenaf fiber.
Chapelle, Anthony & Dickey, New York, N. Y.....	6,000	TCA/W.....	Photographs and report of point 4 programs.
Continental Drilling Co., Los Angeles, Calif.....	250,000	Lebanon.....	Geologic exploration of Litani River Basin.
Drobish Smith Olive Oil Co., Oroville, Calif.....	9,070	Jordan.....	Advice in olive-oil production.
Drying Plant Engineers, Inc.....	18,000	Brazil.....	Advice on storage facilities.
Edwards, Kelcey & Beck, New York, N. Y.....	154,700	Iraq.....	Advice and preparation of surveys on road-system development.
	28,050	do.....	Provision of laboratory director to roads project.
Ehasz, Frank L., and Associates, New York, N. Y.....	15,000	Egypt.....	Advice in grain storage.
Federal Reserve Bank of Dallas, Dallas, Tex.....	22,500	Pakistan.....	Provision of special adviser to State Bank of Pakistan.
	6,883	do.....	Increase to preceding contract.
Feemster, Roy F., Brookline, Mass.....	6,723	do.....	Technical advice on health and sanitation in Washington and Pakistan.
Flannelly, Walter, New York, N. Y.....	8,852	Israel.....	Technical advice and supervisory services in irrigation.
Galbraith, Dr. Douglas J., Toronto, Canada.....	16,800	Haiti.....	Consulting services in social insurance.
Gibbs & Hill, Inc., New York, N. Y.....	300,000	Brazil.....	Advisory and engineering services for joint commission on power development and transportation.
	175,000	do.....	Do.
Halmes, Sidney S., and Associates, Washington, D. C.....	15,000	Latin America and TCA/W.....	Preparation of exhibits and graphic-arts presentation.
International Engineering Co., San Francisco, Calif.....	330,000	Saudi Arabia.....	Conduct of railroad-construction survey.
Johnson, Robert, Inc., New York, N. Y.....	8,300	Burma.....	Preparation of complete plans for construction of motion-picture laboratory, recording and preview facility and sound stage.
Klemme, Randall T., Stillwater, Okla.....	6,135	Pakistan.....	Services as economic consultant and preparation of report.
	2,250	do.....	Do.

Knappen Tippetts Abbett Engineering Co.....	2,500	Jordan.....	Repair of equipment—restoration of cisterns and irrigation works.
	7,500	Paraguay.....	Provision of technical advice on hydroelectric-power develop- ment.
Litchfield, Whiting, Panero Severud and Associates.....	848,562	Burma.....	Services as architect, engineer, and consultant in hospital and health-center construction.
Little, Arthur D., Inc., Cambridge, Mass.....	35,000	Egypt.....	Testing and demonstration of construction machinery.
Richards, Louis J., Washington, D. C.....	240,000	do.....	Survey of basic economic potential.
Smith, Harold T., Inc., Washington, D. C.....	110,000	Iran.....	Drilling 10 water-supply wells.
	830,606	India.....	Drilling and equipment of tube wells for irrigation.
	1,059,023	do.....	Do.
	1,245,909	do.....	Do.
Springfield, Lawrence, Philadelphia, Pa.....	7,383	TCA/W.....	Consulting services in visual education.
United States Overseas Airlines, Wildwood, N. J.....	218,000	Iran.....	Aerial antilocus spraying.
	22,300	do.....	Instruction of Iranian personnel in spraying.
Whiting, Edmund Jay, New York, N. Y.....	6,000	do.....	Advice on hospital health-center construction.
The William Hood Dunwoody Industrial Institute, Minneapolis, Minn.....	2,505	Indonesia.....	Training of 3 technicians.
Total.....	7,174,428		

APPENDIX 3B

List of FOA-financed agricultural technical assistance contracts with American commercial organizations in operation in cooperating countries as of Mar. 1, 1955

Region and country	Contractor	Nature of work	Dollar amount
Europe:			
Portugal.....	Hydrotechnic Corp.....	Irrigation and hydroelectric survey.....	\$165,000
Do.....	World Mining Consultants, Inc.....	Underground water exploration and development.....	110,975
United Kingdom.....	C. R. Enlow.....	Nutritive qualities of various grasses study.....	17,000
Do.....	W. L. Dutton.....	Pasture production consultant.....	18,000
Near East, Africa, and South Asia:			
India.....	Ralph M. Parsons Co.....	Ground water exploration and development.....	1,010,000
Do.....	Harza Engineering Co.....	Engineering and consultation on dam construction.....	215,000
Israel.....	Walter C. Flannelly.....	Irrigation improvement and development consultant.....	15,457
Pakistan.....	Ralph M. Parsons Co.....	Engineering and technical services on various development projects.	575,250
Do.....	The Oliver Corp.....	Agriculture and construction machinery maintenance training.	8,000
Do.....	International Harvester Export Co.....	do.....	16,500
Do.....	The Massey-Harris Co.....	do.....	28,000

List of FOA-financed industrial technical assistance contracts with American commercial organizations now in operation in cooperating countries

Region and country	Contractor	Nature of work	Dollar amount
Europe:			
Belgium.....	Robert Lee Thompson.....	Shoe merchandizing consultant.....	\$11,500
Denmark.....	Alex W. Rathe.....	Labor training consultant.....	5,000
Do.....	Council for International Progress in Management (USA), Inc.	Labor methods and time and motion study.....	12,100
France.....	do.....	Vocational training in steel industry.....	12,100
Do.....	do.....	Training in cotton textiles and shoes.....	12,148
Do.....	do.....	Training in American psychology methods in industry.....	7,868
Do.....	William C. Crosby.....	Materials handling consultant.....	7,500
Do.....	Louis E. Latham.....	Industrial accounting and finance consultant.....	11,000
Do.....	Mark T. Shaw.....	Distribution and merchandizing consultant.....	15,800
Germany.....	Council for International Progress in Management (USA), Inc.	Industrial administration and cost accounting study.....	10,390
Do.....	do.....	Training in management development.....	11,955
Do.....	do.....	Training in industrial safety.....	13,735
Do.....	do.....	Industrial production simplification study.....	9,435
Do.....	do.....	Iron industry accounting methods study.....	8,035
Italy.....	John F. Ames.....	Industrial productivity consultant.....	10,000
Do.....	Domenico Andreana.....	Readymade clothing production consultant.....	11,000
Do.....	Armo International Corp.....	Engineering services on proposed steel plants.....	350,000
Do.....	Gustave E. Berger.....	Training personnel for management.....	9,000
Do.....	Osmero L. Bartelli.....	Industrial productivity consultant.....	18,300
Do.....	Lewis J. Cadwallader.....	do.....	10,600
Do.....	W. K. Mitchell & Co., Inc.....	Powerplant erection service.....	25,720
Do.....	Joseph Pendergast.....	Foundry, steel, and heavy industry consultant.....	5,700
Do.....	Henry M. Kirkpatrick.....	Industrial productivity consultant.....	12,000
Norway.....	Samuel G. Yulke Co.....	Kongsberg munitions expansion.....	59,400
Do.....	W. C. Smith Engineering Co.....	Ranfoss ammunition factory expansion.....	85,000
Do.....	Cornellus Bond.....	Industrial management and organization consultant.....	15,000
Portugal.....	Capitol Radio Engineering Institute, Inc.....	Training in radio engineering.....	1,000
Yugoslavia.....	John W. Campbell.....	Industrial time and motion study.....	16,100
Regional.....	George M. Orisman.....	Industrial productivity consultant.....	14,000
Do.....	George G. Allen.....	do.....	12,000
Do.....	Paul C. Clifford.....	Industrial statistical quality control consultant.....	14,500
Do.....	Nathan Cantor.....	Industrial training techniques consultant.....	9,600
Do.....	Francis B. Cody.....	Retail merchandizing consultant.....	15,100
Do.....	Chris Argyris.....	Production methods and control consultant.....	14,500
Do.....	Alfred B. Cummings.....	Production planning and control consultant.....	15,500
Do.....	Victor A. Bradley.....	Industrial accounting and budgeting consultant.....	15,200
Do.....	Thomas R. Byrne.....	Trade-union consultant.....	13,000
Do.....	Robert K. Behr.....	Industrial training consultant.....	7,500
Near East, Africa, and South Asia:			
Egypt.....	Arthur D. Little, Inc.....	Industrial potential survey.....	535,000
Greece.....	Ebasco Services, Inc.....	Electric power development, management, and training.....	5,866,500

Do	Pierce Management, Inc.	Coal mining management and procurement services	1,236,788
Do	do	do	123,000
India	World Mining Consultants, Inc.	Improvement of technical skills consultation	25,000
Do	Sandy Hill Iron & Brass Works	Pulp and paper plant engineering services	25,000
Do	Ramseyer & Miller, Inc.	Training in steel mill operations	95,000
Do	Ebasco Services, Inc.	Training in newsprint mill operations	170,000
Do	Frank Mayer Engineering Co.	Technical assistance in developing industrial skills	525,000
Iran	Litchfield, Whiting, Panero, Severud & Associates	Architectural services for hospitals, etc.	110,000
Iraq	Arthur D. Little, Inc.	Industrial and economic survey	100,000
Israel	Malcolm Pirnie & M. W. Lieberman	Sanitary and civil engineering consultants	45,000
Lebanon	Battelle Memorial Institute	Industrial engineering, production management, etc.	100,000
Pakistan	Armour Research Foundation	Machine tool consultation and training	63,760
Do	Rufus L. Finch	Cotton gin demonstration and training	8,325
Do	Joseph D. Varner	Cotton gin erection and operation consultant	9,800
Do	William A. Norman	do	10,550
Do	Edward V. Hodanek	do	9,325
Turkey	Joseph W. Bird	Industrial management training	19,000
Do	Carl S. Coler	do	19,000
Do	Council for International Progress in Management (USA), Inc.	do	12,750
Do	Martin R. Doring	Management training consultant	17,000
Do	Gordon Hamilton Contracting Co., Inc.	Small arms ammunition plant engineering	78,000
Do	N. A. Longee & Co.	Power management and operations improvement	80,000
Do	Raymond-Byrne Organization, Inc.	Design engineering for grain storage, construction, etc.	2,184,500
Do	Lule Edward Terrell	Cotton gin operation and maintenance consultant	20,000
Do	Thompson-Starrett Co., Inc.	Engineering and procurement for Sariyar Dam	479,669
Do	Dr. Beryl E. Warden	Industrial management training	19,000
Do	Paul Weir Co., Inc.	Engineering and construction, Zonguldak Coal Basin	1,510,000
Do	Samuel H. Beach	Management training consultant	17,000
Do	Phillip R. Kelley	Industrial management engineering and training consultant	17,000
Do	Robert J. Rodwell	do	17,000
Far East:			
Burma	Litchfield, Whiting, Panero, Severud & Associates	Hospital program architecture, engineering, consultation, etc.	848,561
China	J. G. White Engineering Co.	Civil and management engineering (various projects)	2,600,000
Do	William W. Cunningham	Petroleum production training	7,149
Do	do	do	2,450
Do	Hydrocarbon Research, Inc.	Engineering, procurement and supervising construction (urea plant)	751,400
Do	Training Within Industry, Inc.	Work-study training in rubber manufacturing	1,167
Indochina	Philco Corp.	Radio broadcasting equipment installation services	15,000
Korea	Pacific Bechtel Corp.	Engineering, procurement, and construction services (steam powerplants)	30,000,000
Do	International Engineering Co.	Engineering in relation to powerplants	287,920
Do	King Associates	Architecture and engineering services (office and hotel building)	293,000
Philippines	The Huntington Geophysics, Ltd.	Geophysical exploration	101,607
Do	World Mining Consultants, Inc.	Training in coal mining techniques	1,140
Regional	Training Within Industry, Inc.	Work-study training for productivity in industry	16,823

List of FOA-financed industrial technical assistance contracts with American commercial organizations now in operation in cooperating countries—
Continued

Region and country	Contractor	Nature of work	Dollar amount
Latin America:			
Chile.....	Council for International Progress in Management (USA), Inc.	Industrial management seminar.....	\$14,400
Do.....	Methods Engineering Council.....	Industrial training in management.....	4,235
Regional.....	Wolf Management Engineering Co.....	Production management, personnel and marketing.....	13,920
Do.....	Edmund A. Pratt.....	Industrial engineering consultant.....	4,770
Do.....	John A. Patton Management Engineers, Inc.....	Industrial management consulting services.....	10,100
Do.....	do.....	do.....	4,770
Do.....	W. T. Kearney.....	Industrial engineering consultant.....	29,450
Do.....	Methods Engineering Council.....	Industrial engineering services.....	32,340
Worldwide.....	Council for International Progress in Management (USA), Inc.	General administration of trainee program.....	109,000
Do.....	Atlantic Forwarding Co., Inc.....	Worldwide freight forwarding services.....	158,000
Do.....	Executive Services, Inc.....	Interpreter and related services to participants visiting United States.....	75,000
Do.....	National Planning Association.....	Labor management orientation and lectures.....	7,000
Do.....	Southwest Research Institute.....	Services in recruiting technicians for foreign assignment.....	5,830

List of FOA-financed public administration technical assistance contracts with American commercial organizations now in operation in cooperating countries

Region and country	Contractor	Nature of work	Dollar amount
Europe: Norway.....	Marvin Hoffenberg.....	Central statistical services consultant.....	\$14,000
Near East, Africa, and South Asia:			
Egypt.....	Booz, Allen & Hamilton.....	Customs system consultation services.....	210,000
Iran.....	George Fry & Associates.....	Study and recommendations on 7-year plan.....	240,000
Far East:			
China.....	Paul M. Green.....	Training in accountancy.....	9,528
Indonesia.....	International Police Equipment Corp.....	Police administration training.....	2,155
Philippines.....	Louis J. Kroger & Associates.....	Wage and position classification survey for the Republic.....	501,097
Do.....	Booz, Allen & Hamilton.....	Modernizing Republic's budget, accounting, and audit system.....	245,000

*List of FOA-financed transportation technical assistance contracts with American commercial organizations now in operation
in cooperating countries*

Region and country	Contractor	Nature of work	Dollar amount
Near East, Africa, and South Asia:			
Iraq.....	Edwards, Kelsey & Beck.....	Highway system development.....	\$428, 450
Do.....	International Road Federation.....	Traffic engineering and road planning training.....	7, 499
Turkey.....	Anderson-Nichols Co.....	Railways and harbors job evaluation.....	171, 000
Do.....	do.....	Railway shops improvement and training.....	266, 000
Do.....	do.....	Railway and ports administration.....	124, 375
Do.....	do.....	Ports administration, staffing and training.....	105, 000
Do.....	Norfolk & Western Ry. Co.....	Training in the United States of Turkish railway trainee.....	1, 025
Far East: Korea.....	The Utah Construction Co.....	Railroad construction advisory services.....	159, 000

328 UTILIZATION OF PRIVATE AGENCIES IN TECHNICAL ASSISTANCE

APPENDIX 4

FOREIGN OPERATIONS ADMINISTRATION

OFFICE FOR REFUGEES, MIGRATION, AND VOLUNTARY ASSISTANCE, VOLUNTARY
FOREIGN AID DIVISION

March 1955

STATUS REPORT

Voluntary agency participation in technical cooperation programs—Contractual and cooperative relationships in force, completed and under consideration

I. CONTRACTUAL RELATIONSHIPS

A. IN FORCE

Near East

1. Iran—Near East Foundation (NEF)

Veramin Plains rural improvement project including training in agriculture, health, education, and community development. Dollar amount: Original contract \$615,000, to expire October 31, 1954; amended for a 3-month extension with additional funds of \$125,000. Negotiation in process for extension of contract to October 31, 1955.

2. Iran—Near East Foundation (NEF)

Countrywide community development project. A total of 31 specialists—10 community development, 10 rural credit, 10 engineering (or 1 of each for each ostan), and 1 rural credit supervisor. Also an Iranian administrator of the increase in the tenants' share and sponsorship of the Village Councils Act. Dollar amount: Approximately \$556,000. Expiration date of contract, June 30, 1956.

3. Iraq—International Voluntary Services, Inc. (IVS)

Shaqlawah (Erbil) village improvement project. Program includes agricultural education and demonstration, home and child care, health and sanitation, and basic education at the village level. Dollar amount: Original contract executed June 30, 1953, with \$140,000; amended May 6, 1954, with additional funds of \$100,000.

(NOTE.—(TOUSFO A-483, January 19, 1955.) \$35,000 obligated for program extension (TOUSFO A-375); \$40,000 additional allocated from reprogramming savings, making a total of \$75,000. Three-year contract subject availability of funds requested (TOUSFO 375).)

4. Lebanon—Joint project, USOM-Lebanon Ministry of Social Affairs for technical assistance to eight Lebanese private institutions

(a) Young Lebanese Apprentice School: Continuation and phasing out—equipment for printing, auto mechanics, electricity, forging, and like activities.....	\$25, 000
(b) Young Women's Christian Association: Project completion and phasing out—curriculum improvement, additional equipment, assistance for teachers.....	30, 000
(c) Young Women's Moslem Association: Instructional equipment and minor percentage of building costs.....	30, 000
(d) Druz Orphanage: General shop, home economics and crafts equipment.....	10, 000
(e) Moslem Orphanage of Beirut: Printing equipment, woodworking, improvement of shoemaking, home economics, and artificial flower making.....	10, 000
(f) Moslem Orphanage of Tripoli: Woodworking, woodcarving, printing and binding.....	15, 000
(g) St. Antoine Orphanage of Tripoli: Home economics, first aid and training of village family living.....	10, 000
(h) Amelite Society of Beirut: Home economics equipment, health, visual aids, library and instruction.....	10, 000

Overall contract total..... 140, 000

Contract executed June 14, 1954; expiration date of contract June 14, 1955.

South Asia

1. *Afghanistan—Near East Foundation (NEF)*

Rural development project, to include testing methods and procedures in rural development; multiple village demonstrations in public health and sanitation, agriculture, education, small-scale industry, and to train village level workers. Dollar amount: Approximately \$300,000 for a 3-year period. Contract prepared and signed by NEF. Submitted to FOA/W for signature March 1, 1955.

2. *India—American Friends Service Committee (AFSC)*

Rural demonstration and local worker training project near Madhaya Pradesh and Orissa. Includes agriculture, health and sanitation, home economics, and rural community activities. Dollar amount: Approximately \$375,000. Contract SCC-8111 executed June 1951; expiration date June 30, 1956.

Latin America

1. *Bolivia—International Development Services, Inc. (IDS)*

Implementation of agricultural credit, a countrywide project. Dollar amount: Approximately \$262,000. Contract executed June 30, 1954; expiration date June 30, 1956.

2. *Haiti—International Development Services, Inc. (IDS)*

Artibonite Valley economic development program. IDS will provide technical services as assigned in consultation, planning, organization, and administration in collaboration with the USOM/Haiti staff. Dollar amount: Approximately \$59,200. Contract executed January 14, 1955; date of expiration, January 14, 1957.

B. COMPLETED

Near East

1. *Jordan—Near East Foundation (NEF)*

Project for countrywide survey of approximately 150 representative villages to determine needs for community development at the village level. Dollar amount: Approximately \$21,000. Contract executed October 11, 1954; contract completed December 31, 1954.

Latin America

1. *Peru—International Development Services, Inc. (IDS)*

Project for agricultural and economic survey, Mantaro region of Peru, to determine problems and feasibility of an area development project. Dollar amount: Approximately \$27,034. Contract executed June 9, 1954; contract completed November 15, 1954. Completion report submitted by IDS to FOA/W.

C. UNDER CONSIDERATION

Africa

1. *British East Africa—National Catholic Rural Life Conference (NCRLC)*

Community development project proposed, to include agriculture, techniques of cooperatives, credit unions, health education, and home economics at the village level. USOM/L referred proposal back to FOA/W on February 18, 1955, for further consideration of policy matters involved prior to presentation to Colonial Office.

2. *Ethiopia—Young Women's Christian Association (YWCA)*

Educational project; adult education center proposed for young women. USOM requested to expedite action on proposal, March 1955.

3. *Italian Somaliland—Mennonite Central Committee (MCC)*

Health and education project. Proposal by MCC discussed at exploratory conference FOA/W January 4, 1955. MCC informed FOA/W February 10, 1955, that project proposal has been referred to their field representative who has indicated preference for contractual relationship in fields of agriculture and community development.

330 UTILIZATION OF PRIVATE AGENCIES IN TECHNICAL ASSISTANCE

4. Liberia—Unitarian Service Committee, Inc. (USC)

Community health project. USC representative, on consultant basis, will make on-site survey of project requirements during March and April in cooperation with USOM and Liberian Government officials. Dollar amount: Estimated at approximately \$299,000 for a 3-year period.

South Asia

1. Pakistan—International Voluntary Services, Inc. (IVS)

Village development project. Exploratory conference FOA/W-IVS October 27, 1954; IVS representative discussed project proposal with USOM in December 1954; FOA/W-IVS conference January 14, 1955, after which CDD referred matter to USOM for consideration and comment.

Far East

1. Cambodia—Unitarian Service Committee, Inc. (USC)

Cooperative education project. Need for project confirmed by USOM in TOUSFO A-184, November 4, 1954; FOA/W-USC conference November 15, 1954. USC representative sent to Cambodia in February to develop project requirements in concurrence with USOM and host government.

2. Korea—National Catholic Welfare Conference (NCWC)

Educational project—a boys' trade school proposed for academic and vocational training at Kwanju City. School to be sponsored by the Society of St. Columban; operated on a nonsectarian basis, and staffed by the Salesian Fathers. The project is tentatively approved by the Korean Ministry of Education. Exploratory conference FOA/W-NCWC on February 23, 1955; referred to USOM/Seoul FOATO 956, February 24, 1955.

(Seoul, TOFOA 1088, March 2, 1955, requests reserve fund financing of project.)

3. Laos and Cambodia—International Voluntary Services, Inc. (IVS)

Village improvement or regional development projects proposed by IVS to include agriculture, rural health and sanitation, housing, marketing, transportation, etc. Exploratory conference FOA/W-IVS on January 21, 1955. Referred to USOMs for comment, Vientiane USFOTO A-8; Phnom Penh USFOTO A-11, January 27, 1955.

4. Thailand—International Voluntary Services, Inc. (IVS)

Proposed agricultural demonstration project. IVS would supply technical assistance in planning, management, and operation of 1 or 2 experiment stations. Exchange of airmgrams on subject matter—TOUSFO A-392; USFOTO A-435 and USFOTO A-544.

5. Vietnam—International Rescue Committee, Inc. (IRC)

Educational project—to develop on a workable basis the Popular Polytechnical Institute in Saigon. Exploratory conferences FOA/W-IRC November 15 and November 24, 1954. Reference airmgrams: USFOTO A-219; TOUSFO A-282; TOUSFO A-324. Redraft of IRC project proposal referred to USOM March 5, USFOTO A-398.

6. Vietnam—Mennonite Central Committee (MCC)

Community development project. One to three teams proposed to conduct village level programs in agriculture, education, and health. FOA/W-MCC exploratory conference on February 18, 1955. Proposal referred to USOM/Saigon USFOTO 1195 February 23, 1955; USOM to obtain host government reaction to proposal according to TOUSFO 1382, February 26, 1955.

Latin America

1. Guatemala—International Development Services, Inc. (IDS)

Cooperative technical assistance project. As requested by the Director of the Servicio Agrícola Interamericano, IDS will render technical advise and assistance to the Government of Guatemala in the establishment and administration of a program of supervised credit, land distribution, land development, and regional planning. Dollar amount estimated at \$393,000 for a 2-year period. Contract being prepared for IDS-FOA/W signatures.

II. COOPERATIVE RELATIONSHIPS

A. IN FORCE

*Near East*1. *Iran—Iran Foundation (IF)*

Nurses training program. Two USOM nurses cooperate in the training of local national nurses at the Iran Foundation Hospital, Shiraz.

2. *Iraq—American Friends of the Middle East (AFME)*

Counseling and orientation of Iraqi fellowship students, a cooperative arrangement whereby AFME will give a 3-day period of counseling and orientation of Iraqi students being sent to the USA as trainees by the USOM according to TOUSFO A-465, January 15, 1955.

3. *Jordan—American Friends Service Committee (AFSC)*

Village development in agriculture; five villages near Jerash. USOM and Jordan Ministry of Agriculture furnish technical advice, supplies, etc. Principal financing by the Ford Foundation.

*Far East*1. *Taiwan (Formosa)—Aid Refugee Chinese Intellectuals, Inc. (ARCI)*

Self-help housing projects, countrywide. ARCI finances own program, USOM provides technical advice.

2. *Taiwan (Formosa)—National Catholic Welfare Conference (NCWC)*

Self-help housing projects, countrywide. NCWC financing own program. USOM provides technical advice.

*Latin America*1. *Chile—Cooperative for American Remittances Everywhere (CARE)*

"CARE has been helpful in the area with the distribution of tool kits for farmers and carpenters. The USOM has helped this private organization in the distribution, and with the planning of other projects." Reference: USOM/Chile TOUSFO A-218, December 9, 1954.

2. *Chile—The Maryknoll Fathers*

"Informal but helpful interchange of ideas and information with the Maryknoll Fathers located in the area has broadened the scope of that mission's (agricultural) program and has brought another voluntary agency into cooperation with the point 4 mission and the servicio staff." Reference: USOM/Chile TOUSFO A-218, December 9, 1954.

3. *Chile—Rockefeller Foundation*

"The Rockefeller Foundation again visited the area in September and has agreed to work in close collaboration with the program in Chillan. It will do (agricultural) experimental work and use the facilities of the experiment station in Chillan." Reference: USOM/Chile TOUSFO A-218, December 9, 1954.

4. *Paraguay—Mennonite Central Committee (MCC)*

A cooperative arrangement facilitating assignment of MCC personnel to the USOM agricultural servicio staff.

B. UNDER CONSIDERATION

*Near East*1. *Egypt—Mission de L'Afrique Centrale*

Technical assistance for vocational training school in textile weaving at Aswan.

*Far East*1. *Vietnam—American Red Cross (ARC)*

ARC representative to discuss cooperative relationship possibilities with USOM/Saigon relative to training Vietnamese Red Cross officials brought to the United States of America by FOA according to USFOTO A-235 and A-361, February 18, 1955.

332 UTILIZATION OF PRIVATE AGENCIES IN TECHNICAL ASSISTANCE

South Asia

1. India—Boys' Town of India

Referred to USOM/India for investigation upon return of the Boys' Town director who discussed matter with FOA/W in October 1954.

2. Nepal—United Medical Mission

Health-technical assistance for hospital facilities. Referred to USOM/Nepal, USFOTO A-43. USFOTO A-98, January 19, 1955, requesting USOM to advise FOA/W of developments concerning proposal. No reply as of March 7, 1955.

3. Nepal—Father Moran's School

Assistance for educational project. Referred to USOM/Nepal, USFOTO A-43. USFOTO A-98, January 19, 1955, requesting USOM to advise FOA/W of developments concerning proposal. No reply as of March 7, 1955.

Latin America

1. Haiti—Mennonite Central Committee

A cooperative arrangement proposed by MCC for assignment of MCC personnel to USOM staff. Exploratory conference FOA/W-MCC January 4, 1955. To be referred to USOM for consideration, host government concurrence, and administrative procedures.

2. Paraguay—Mennonite Central Committee

Cooperative Asuncion-Chaco road construction project desired by MCC. Exploratory conferences held by FOA/W-MCC. Also discussed at field level by USOM/Paraguay and MCC representatives according to USFOTO A-326, December 28, 1954. USOM cooperation under consideration for engineering assistance and technical supervision of construction

(Also under consideration for special reserve fund financing.)

APPENDIX 5

Alphabetical listing by participating countries of FOA-financed university contracts in operation as of Mar. 31, 1955

Country	United States university	Field(s) of activity	Maximum authorized United States dollar cost for duration of contract
1. Afghanistan	Wyoming University	Agriculture, engineering education, and other fields	\$1,915,000
2. Afghanistan	Columbia University Teachers College	Education—teacher training	210,000
3. Brazil	Purdue University	Agriculture and home economics	118,660
4. Brazil	Michigan State College	Business administration	193,916
5. British Guiana and Surinam	University of Maryland	Agriculture, engineering, health, housing community development	900,000
6. Burma	Cornell University	Use of aerial photography (photo interpretation)	100,000
7. Burma	Armour Research Foundation	Industrial research and development	195,000
8. Chile	University of California	Agriculture	150,000
9. Colombia	University of Illinois	Housing	225,000
10. Colombia	Michigan State College	Agriculture and natural resources	749,813
11. Costa Rica	University of Florida	Agriculture	160,000
12. Ecuador	University of Idaho	do	370,000
13. Ethiopia	Oklahoma A. and M. College	Agriculture and education	2,484,368
14. India	University of Illinois	Agriculture	220,000
15. India	do	Engineering	450,000
16. India	University of Wisconsin	Engineering and education	735,000
17. Indonesia	University of California	Medicine	692,000
18. Indonesia	Tuskegee Institute	Vocational education	800,000
19. Iran	Utah State Agricultural College	Agriculture	1,800,000
20. Iran	Brigham Young University	Education	569,335
21. Iran	Syracuse University	Audio-visual education	240,000
22. Iran	University of Southern California	Public administration	710,000
23. Iraq	Bradley University	Vocational education	450,000
24. Iraq	University of Arizona	Agriculture	230,000
25. Israel	State University of New York	Public health, education, agriculture, industry	1,815,700
26. Jordan	Montana State College	Agriculture	335,000
27. Korea	University of Minnesota	Agriculture, engineering, medicine, and education	1,800,000
28. Lebanon	Issac Delgado Central Trades School (New Orleans)	Education	390,000
29. Liberia	Cornell University	Legal codification	31,000
30. Liberia	Texas A. and M. College system (Prairie View A. and M. College)	Education	1,654,400
31. Mexico	Armour Research Foundation of Illinois Institute of Technology	Industrial development	90,000
32. Mexico	University of Michigan	Vocational education	102,800
33. Mexico	University of Pennsylvania	Agriculture (veterinary)	18,000
34. Mexico	Texas Agricultural and Mechanical College system	Agriculture	751,500

Alphabetical listing by participating countries of FOA-financed university contracts in operation as of Mar. 31, 1955—Continued

Country	United States university	Field(s) of activity	Maximum authorized United States dollar cost for duration of contract
35. Mexico.....	Columbia University Teachers College.....	Education.....	\$514,000
36. Nepal.....	University of Oregon.....	do.....	220,000
37. Nicaragua.....	University of Florida.....	do.....	153,400
38. Pakistan.....	State College of Washington.....	Agriculture, engineering, education, business administration, and home economics.	1,600,000
39. Pakistan.....	Texas A. and M. College system.....	Education, business administration, agriculture, engineering, and home economics.	1,700,000
40. Pakistan.....	Colorado A. and M. College.....	Engineering, agriculture, education, and home economics.	1,500,000
41. Pakistan.....	Wharton School of Finance and Commerce, University of Pennsylvania.	Public and business administration.....	800,000
42. Panama.....	University of Arkansas.....	Agriculture and home economics.....	800,960
43. Peru.....	Harvard University.....	Public health (nutrition).....	17,000
44. Peru.....	University of North Carolina.....	Sanitary engineering.....	184,277
45. Peru.....	North Carolina State College of Agriculture and Engineering of the University of North Carolina.	Agriculture.....	526,300
46. Peru.....	do.....	Textile engineering.....	300,000
47. Philippines.....	Cornell University.....	Agriculture.....	850,500
48. Philippines.....	University of Michigan.....	Public administration.....	440,000
49. Philippines.....	Stanford University.....	Engineering, education, and business administration.....	1,000,000
50. Philippines.....	University of Connecticut.....	Labor.....	175,000
51. Taiwan.....	Purdue University.....	Engineering.....	315,000
52. Taiwan.....	Pennsylvania State University.....	Education—teacher training.....	225,000
53. Taiwan.....	University of California.....	Agriculture.....	425,250
54. Thailand.....	University of Texas.....	Engineering.....	230,000
55. Thailand.....	Oregon State College.....	Agriculture.....	290,000
56. Thailand.....	Indiana University.....	Education.....	630,000
57. Turkey.....	Georgetown University.....	Education—English language training.....	208,500
58. Turkey.....	University of Nebraska.....	Agriculture, engineering, business administration, education.	1,395,000
59. Turkey.....	New York University.....	Public administration.....	878,607
60. Regional O/NEA.....	American University of Beirut.....	Training in fields of agriculture, education, engineering, public administration, public health, and preventive medicine.	4,029,830
61. Regional O/NEA.....	University of Wisconsin.....	Agriculture (land problems survey).....	45,000

APPENDIX 6

Alphabetical listing by participating United States universities of FOA-financed university contracts in operation as of Mar. 31, 1955

United States university	Country	Field(s) of activity	Maximum authorized United States dollar cost for duration of contract
1. American University of Beirut.....	Regional O/NEA.....	Training in fields of agriculture, education, engineering, public administration, public health, and preventive medicine.	\$4,029,830
2. Arizona, University of.....	Iraq.....	Agriculture.....	230,000
3. Arkansas, University of.....	Panama.....	Agriculture and home economics.....	800,960
4. Armour Research Foundation.....	Burma.....	Industrial research and development.....	195,000
5. Armour Research Foundation of Illinois Institute of Technology.....	Mexico.....	Industrial development.....	90,000
6. Bradley University.....	Iraq.....	Vocational education.....	450,000
7. Brigham Young University.....	Iran.....	Education.....	569,335
8. California, University of.....	Chile.....	Agriculture.....	150,000
9. California, University of.....	Indonesia.....	Medicine.....	692,000
10. California, University of.....	Taiwan.....	Agriculture.....	425,250
11. Colorado A. and M. College.....	Pakistan.....	Engineering, agriculture, education, and home economics.	1,500,000
12. Columbia University Teachers College.....	Afghanistan.....	Education—teacher training.....	210,000
13. Columbia University Teachers College.....	Mexico.....	Education.....	514,000
14. Connecticut, University of.....	Philippines.....	Labor.....	175,000
15. Cornell University.....	Burma.....	Use of aerial photography (photo interpretation).....	100,000
16. Cornell University.....	Liberia.....	Legal codification.....	31,000
17. Cornell University.....	Philippines.....	Agriculture.....	850,500
18. Florida, University of.....	Costa Rica.....	do.....	160,000
19. Florida, University of.....	Nicaragua.....	Education.....	153,400
20. Georgetown University.....	Turkey.....	Education—English language training.....	208,500
21. Harvard University.....	Peru.....	Public health (nutrition).....	17,000
22. Idaho, University of.....	Ecuador.....	Agriculture.....	370,000
23. Illinois, University of.....	Colombia.....	Housing.....	225,000
24. Illinois, University of.....	India.....	Agriculture.....	220,000
25. Illinois, University of.....	do.....	Engineering.....	450,000
26. Indiana University.....	Thailand.....	Education.....	630,000
27. Isaac Delgado Central Trades School (New Orleans).....	Lebanon.....	do.....	390,000
28. Maryland, University of.....	British Guiana and Surinam.....	Agriculture, engineering, health, housing, community development.	900,000
29. Michigan, University of.....	Mexico.....	Vocational education.....	102,800
30. Michigan, University of.....	Philippines.....	Public administration.....	440,000
31. Michigan State College.....	Brazil.....	Business administration.....	193,916
32. Michigan State College.....	Columbia.....	Agriculture and natural resources.....	749,813

Alphabetical listing by participating United States universities of FOA-financed university contracts in operation as of Mar. 31, 1955—Con.

United States university	Country	Field(s) of activity	Maximum authorized United States dollar cost for duration of contract
33. Minnesota, University of.....	Korea.....	Agriculture, engineering, medicine, and education.....	\$1,800,000
34. Montana State College.....	Jordan.....	Agriculture.....	335,000
35. Nebraska, University of.....	Turkey.....	Agriculture, engineering, business administration, education.	1,395,000
36. New York University.....	do.....	Public administration.....	878,607
37. North Carolina, University of.....	Peru.....	Sanitary engineering.....	184,277
38. North Carolina State College of Agriculture and Engineering of the University of North Carolina.	do.....	Agriculture.....	526,300
39. North Carolina State College of Agriculture and Engineering of the University of North Carolina.	do.....	Textile engineering.....	300,000
40. Oklahoma A. and M. College.....	Ethiopia.....	Agriculture and education.....	2,484,368
41. Oregon, University of.....	Nepal.....	Education.....	220,000
42. Oregon State College.....	Thailand.....	Agriculture.....	290,000
43. Pennsylvania, University of.....	Mexico.....	Agriculture (veterinary).....	18,000
44. Pennsylvania State University.....	Taiwan.....	Education—teacher training.....	225,000
45. Purdue University.....	Brazil.....	Agriculture and home economics.....	118,680
46. Purdue University.....	Taiwan.....	Engineering.....	315,000
47. Southern California, University of.....	Iran.....	Public administration.....	710,000
48. Stanford University.....	Philippines.....	Engineering, education, and business administration.....	1,000,000
49. State College of Washington.....	Pakistan.....	Agriculture, engineering, education, business administration, and home economics.	1,600,000
50. State University of New York.....	Israel.....	Public health, education, agriculture, industry.....	1,815,700
51. Syracuse University.....	Iran.....	Audio-visual education.....	240,000
52. Texas, University of.....	Thailand.....	Engineering.....	230,000
53. Texas A. and M. College system.....	Pakistan.....	Education, business administration, agriculture, engineering, and home economics.	1,700,000
54. Texas Agricultural and Mechanical College system.....	Mexico.....	Agriculture.....	751,500
55. Texas A. and M. College system (Prairie View A. and M. College).	Liberia.....	Education.....	1,654,400
56. Tuskegee Institute.....	Indonesia.....	Vocational education.....	800,000
57. Utah State Agricultural College.....	Iran.....	Agriculture.....	1,800,000
58. Wharton School of Finance and Commerce, University of Pennsylvania.	Pakistan.....	Public and business administration.....	800,000
59. Wisconsin, University of.....	Regional O/NEA.....	Agriculture (land problems survey).....	45,000
60. Wisconsin, University of.....	India.....	Engineering and education.....	738,000
61. Wyoming University.....	Afghanistan.....	Agriculture, engineering, education, and other fields.....	1,915,000

APPENDIX 7

ILLUSTRATIVE CONTRACT BETWEEN A UNITED STATES COLLEGE AND A FOREIGN COLLEGE

(NOTE.—The illustration which follows is in terms of a contract between two colleges, to be financed partly by FOA and partly by the foreign government and/or foreign college. With minor adjustments in terms and supporting documents, this draft could also be utilized to cover several alternative arrangements. Thus the contract could be between the U. S. College and FOA itself, or with a joint fund or Servicio or with a foreign government or agency instead of with the foreign college. Similarly, the financing could be through any combination of FOA, Joint Fund, the foreign government, or the foreign college.)

CONTRACT

between

 and

 Contract made this _____ day of _____, 195____,
 between _____ College,
 organized and existing under the laws of _____
 (hereinafter referred to as the "Host Country"), having its principal office at
 _____ (referred to below as the
 "College" and _____ University, an educa-
 tional institution chartered by the State of _____,
 with its principal office in the City of _____,
 State of _____, U. S. A. (referred to below as
 the "Contractor").

The College and the Contractor mutually agree as follows:

ARTICLE I. SCOPE OF SERVICES TO BE PERFORMED BY CONTRACTOR

A. The College employs Contractor, and the Contractor accepts such employment, to carry out during the term of the contract projects and activities in the fields of public health, education, agriculture, veterinary medicine, engineering, public administration, labor relations, home economics, business administration, and _____ for the purpose of strengthening
 (other fields)
 the educational, research, and extension programs of the College, as Provided in Exhibit I, attached hereto and hereby made a part of this contract. It is understood that Exhibit I may be modified or supplemented from time to time by agreement of the Contractor and the College.

- B. In carrying out such projects and activities, the Contractor shall:
1. Maintain in residence in the Host Country a staff composed of a Chief Advisor who shall be the representative of the Contractor in the Host Country and who shall be responsible for the supervision of the performance of all duties undertaken by the Contractor and other staff members and short-term consultants as specified in Exhibit I.
 2. Provide such personnel in the United States as may be necessary to carry on operations in the United States as specified in Exhibit I.
 3. Furnish supervision and direction of its personnel and activities under the contract and supply additional services and materials to support operations hereunder as specified in Exhibit I.

ARTICLE II. CONDITIONS GOVERNING OPERATIONS BY CONTRACTOR

A. It is understood that the above services will be performed under the general direction of the College, pursuant to the work plans agreed to by the College and the Contractor.

B. Before commencing any project provided for under the contract or any supplement or amendment thereto, the Contractor and the College shall agree upon a general work plan, budget, and table of organization, indicating the basis upon which the Contractor proposes to carry out such project. Projects shall be carried out in accordance with such agreed work plans, budgets, and tables of organization, provided, that it is understood that appropriate modifications

of such budget estimates may be made by the Contractor in carrying out such work within the total amount specified in such budget. These documents shall be supplemented and revised as necessary whenever the College provides additional funds to the Contractor; and they may be supplemented and revised by mutual agreement at any other time.

C. Contractor agrees, if requested by the College, to submit biographical information on any of the individuals now or hereafter employed directly on the performance of the contract; provided, that in respect of personnel to be sent overseas for work on the contract, Contractor shall obtain prior approval from the College. On the written request of the Government of the Host Country (including written requests of the College made through the Government of the Host Country) transmitted to the Contractor through diplomatic channels or through the Director of USOM, the Contractor will terminate the employment on the contract of any individual or individuals serving under the contract in the Host Country.

D. Each staff member sent to the Host Country by the Contractor will serve under the contract for a period of not less than two years, including orientation time in Washington, D. C., travel to and from the Host Country, and leave taken during this period, unless otherwise stipulated in writing by the parties hereto. This provision shall not apply to consultants specifically employed for shorter terms. It is understood that Contractor will enter into written employment contracts with such staff members on terms not inconsistent with the provisions of this contract. [Final sentence may be inserted at option of U. S. university.]

E. The Contractor shall prepare and submit to the College semi-annual progress reports, the first to be submitted within six months of the arrival of the first member of the staff referred to in Section B-1 of Article I. These reports shall cover progress made, plans for the following period, and recommendations concerning current needs of the College. The Contractor shall submit a final report upon completion of activities under the contract.

ARTICLE III. FACILITIES AND SERVICES TO BE PROVIDED BY THE COLLEGE

The College, in order to assure full local benefits from the work as well as its expeditious conduct, agrees to:

A. Make a clear assignment of responsibility to the appropriate officials of the College for the development of this undertaking.

B. Provide, without charge to the Contractor, such facilities, services, and assistance in carrying out its work in the Host Country as are set forth in Exhibit II attached hereto and made a part of the contract.

C. Develop, to the extent permitted by its available resources, its own personnel, facilities, programs, and activities to permit the early and effective accomplishment of the objectives of the contract. These shall include, but not be limited to, the specific matters described in Exhibit II.

ARTICLE IV. FINANCIAL PROVISIONS

A. In consideration of the services to be performed by the Contractor, the College will pay the Contractor for the costs of services to be performed hereunder; provided, that in no event, without the prior written approval of the College, will such payments exceed the equivalent of \$—— in all currencies (of which not more than \$—— shall be U. S. dollars). For purposes of this contract the equivalent of currencies to U. S. dollars shall be determined by applying the official commercial rate of exchange or conversion factor applicable in connection with the conversion of dollars into such other currencies for the purpose of export transactions from such country prevailing on the date of this contract; provided, that in the event of any substantial change of such rates a new rate shall be agreed upon by the College and the Contractor on the basis of the foregoing formula. [NOTE.—This formula may require modification for particular countries.] Such payments shall be made at such times and in such manner as set forth in Exhibit III attached and hereby made a part of this agreement.

B. It is understood by parties hereto that the funds to be paid to the Contractor by the College are to be derived in general from the following sources in the estimated ratios and amounts indicated:

1. Upon request of the Government of the Host Country, ——% up to a maximum of \$——, or its equivalent in other currencies, are expected to be provided through the Foreign Operations Administration, an agency of the Government of the United States of America (referred to below as FOA) in accordance with relevant agreements between the Government of the United States and the Government of the Host Country.

2. _____%, up to a maximum of _____ local currency are expected to be provided by the Government of the Host Country.

3. _____%, up to a maximum of \$_____ local currency will be provided by the College from its own funds, in addition to the services and facilities provided without charge by the College as specified in Exhibit II.

ARTICLE V. RIGHTS AND OBLIGATIONS OF THE FOREIGN OPERATIONS ADMINISTRATION

In consideration of the financial participation of FOA anticipated by the parties hereto, the College and the Contractor agree that FOA shall have such rights in connection with the contract as shall be set forth in the Letter of Commitment/Guaranty referred to in Exhibit III.

ARTICLE VI. GENERAL PROVISIONS

A. *Responsibility of the Contractor.*—The Contractor assumes full responsibility for the efficient and diligent performance of all services to be rendered by it under the contract.

B. *Use of Records.*—The recommendations furnished pursuant to Article I hereof, and all notes, memoranda, and other technical data, etc., furnished by the Contractor pursuant to or developed in connection with the provisions of the contract, shall become and remain the property of the College, and the College shall have the right to use them for any beneficial purpose without any additional compensation to the Contractor. Any such data, etc., in the possession of the Contractor shall be delivered to the College whenever so requested.

C. *Taxes and Customs Duties.*—It is understood that all payments made to the Contractor by the College or by the Contractor to its employees under the contract shall be exempted to the extent permitted by the law of Host Country from any taxation which may now or hereinafter be imposed thereon by the law of the Host Country. Personnel of the Contractor shall also be exempt from all other local levies, including custom levies applying to any items imported by the Contractor personnel and their dependents for their use or consumption, to the same extent as FOA personnel of equivalent rank, or shall be reimbursed by the College for such levies. [NOTE.—To the extent the tax exemptions noted above are covered by agreements with the Host Country, reference may be made to such agreements in this section.]

D. *Title.*—Title to all equipment, materials, and supplies, the cost of which is reimbursable to the Contractor by the College, shall be in the name of the College and all such equipment, materials, and supplies shall be turned over to the College upon completion or termination of the contract.

E. *Conformity to Host Country's Regulations.*—Contractor agrees that it and its personnel, while in the Host Country, will abide by all applicable laws and regulations of the Host Country and political subdivisions, states, and municipalities thereof.

F. *Assignment.*—The Contractor shall not assign, transfer, pledge, or make other disposition of the contract without first obtaining the written consent of the College.

G. *Inspection.*—In order to assure continuous and cooperative planning and operations hereunder, the Contractor shall encourage and permit the College or its authorized representatives, at all reasonable times to visit the Contractor's facilities and to inspect the facilities, activities, and work pertinent to the contract, either in the United States or abroad, and to interview personnel engaged in the performance of the contract to the extent deemed necessary by the College.

H. *Subcontracts.*—To the extent work hereunder is subcontracted or specified in Exhibit I, Contractor shall require each subcontractor to agree to the relevant provisions of the contract as fully as if such subcontractor were a party hereto.

ARTICLE VII. DURATION AND TERMINATION

A. *Period of Contract*

1. *Effective date.*—The contract shall be effective as of _____, 19 __, upon execution by the parties hereto and upon establishment of the FOA Letter of Commitment/Guaranty referred to in Article V and Exhibit III.

2. *Term and Termination.*—The contract shall remain in force for a period of 3 years from the effective date hereof unless previously terminated in accordance with the provisions set forth below.

(1) In the event that FOA financing under said Letter of Commitment/Guaranty shall be terminated and the College does not otherwise make available

sufficient financing under the contract in a form acceptable to the Contractor the obligations of both parties hereunder shall terminate on the date of termination of FOA financing.

(2) The College may terminate the contract on 90 days' written notice to the Contractor.

(3) The Contractor shall not be liable for any delay in performing its obligations hereunder if any such delay arises from causes beyond the control and without the fault or negligence of the Contractor, provided that the Contractor gives prompt notice thereof to the College. If such causes shall prevent performance hereunder for a continuous three-month period after such notice, Contractor may terminate this contract on 90 days' notice to the College. Such causes include, but are not limited to, acts of God or of the public enemy, fires, floods, epidemics, strikes, quarantine restrictions, acts of Government, and unusually severe weather.

(4) If the College through the Government of the Host Country does not furnish the Contractor with either a Certificate of Performance as specified in the letter of commitment referred to in Exhibit III to this contract or a statement of the reasons for failure to consider satisfactory the Contractor's performance hereunder, within sixty days after receipt of the Contractor's request for such certificates, the Contractor shall have the right to terminate this contract on thirty days' notice to the College.

(5) If the College is unable or otherwise fails to fulfill its obligation as set forth in Articles III and IV above, the Contractor may terminate the contract upon sixty days' written notice to the College.

B. *Obligations upon Termination.*—In the event of any such termination, the Contractor shall make every effort to maximize the usefulness to the College of that portion of the work which has been accomplished and to minimize the College's obligations hereunder and the College:

1. Shall furnish for the Contractor's personnel and their dependents return transportation and travel allowances for their return to their homes in the U. S. and living quarters and cost of living allowances due them up to date of their departure;

2. Shall reimburse the Contractor for salaries paid to staff members performing work under the contract for the remainder of the period of their agreed period of service with Contractor to the extent Contractor is liable to make such payments under its arrangements with such employees; provided that such payment shall not extend beyond one year from the effective date of termination or beyond the original expiration date of the contract as specified in Article VII-A, whichever is earlier; and

3. Shall reimburse the Contractor for all other expenditures and obligations properly incurred by Contractor hereunder and unpaid at the effective date of such termination.

IN WITNESS WHEREOF, the parties hereto have executed this contract on the day and year first above written.

 College

 U. S. University

APPENDIX 8

ILLUSTRATIVE FOA LETTER OF COMMITMENT/GUARANTY

(NOTE.—This draft assures that the U. S. College will be reimbursed for dollar expenditures made by it under the contract with the foreign college; if appropriate, the Letter of Commitment may provide for advances to the U. S. College.)

To: U. S. College:

Re: Contract dated-----between (host country) college and (U. S. College) contractor under Project Agreement-----between the Governments of the United States of America and (host country) dated-----.

DEAR SIRs: The Director of the Foreign Operations Administration, acting for the United States of America, hereby undertakes, as herein provided, to make payments not in excess of -----, on the amounts to which you may become entitled in accordance with Article IV, B-1 and VII, B and Sections 1, 2, 3, 5, 8,

and 9, Article A of Exhibit III of said contract; provided that in no event shall any such payments be made in respect of amounts to which you may become entitled in accordance with Article III, IV, B-2 and B-3, and VI C of said contract, or Sections 4, 6, and 7 of Article A and Section 6 of Article B of Exhibit III to said contract.

In consideration of the obligation assumed by the Foreign Operations Administration to make payments to you under this Letter of Commitment/Guaranty and in accordance with the provisions of Article V of said contract it is understood that you will:

(1) obtain the prior written approval of the Foreign Operations Administration of: (a) any amendments to said contract, including the Exhibits thereto, and (b) any other action involving payment to be made to you pursuant to said contract which is subject to approval by the College;

(2) confer on the Foreign Operations Administration the same rights and authority as provided the College under Articles II-B (approval of work plans), C (personnel), and E (reports), and VI-F (assignment), and G (inspection) of said contract, and Article A and Sections 4 and 5 of Article B, Exhibit III of said contract as fully as if the Foreign Operations Administration were a party to said contract; it is also understood that you will, at the written request of the Foreign Operations Administration, terminate the employment on the contract of any individual or individuals if the Foreign Operations Administration is of the opinion that such termination is required for security reasons;

(3) require personnel assigned to work under said contract to receive orientation to be furnished by FOA, if so requested by FOA;

(4) carry out operations in the Host Country under said agreement under the general direction of the Director of the United States of America Operations Mission in the Host Country or his designee on matters relating to the general scope and nature of your activities in each project undertaken under said contract, coordination of your operations with other technical assistance activities in the Host Country, relations with the Government of the Host Country, and conduct and discipline of personnel when stationed in the Host Country;

(5) make prompt notification of any reimbursement adjustments requested by the College pursuant to paragraph B-5 of Exhibit III of said contract.

The estimated maximum value of said Agreement is ----- The Director of the Foreign Operations Administration undertakes to amend this Letter of Commitment/Guaranty to make further additional payments in accordance with the Economic Cooperation Act of 1948, as amended [Act for International Development, as amended] and the Mutual Security Act of 1951, as amended, conditional upon the appropriation by Congress of additional funds to the Foreign Operations Administration and allotment by the Foreign Operations Administration of a portion of such funds for the account of the Government of ----- and the allocation of a portion of such allotment [by program or project agreement with FOA or otherwise] by the Government of ----- to the making of dollar payments under said Agreement. [NOTE.—This paragraph is only applicable if the original FOA dollar commitment is less than the estimated dollar amount of the College contract.]

In any event, the Foreign Operations Administration reserves the right to terminate its obligation to make any or all payments to you hereunder upon 90 days notice in writing to you at the above address, in which event payment hereunder shall be limited to the items specified in Article VI-B of said Agreement; provided that the Foreign Operations Administration shall have no obligation to make payments to you hereunder after June 30, 1956, unless such date has previously been extended.

Except insofar as inconsistent herewith, all provisions of said Agreement are incorporated herein by reference.

Payments will either be made to you by the Foreign Operations Administration upon monthly submission of the documents described in Appendix B attached, or at your option, by way of advance to you under the following terms and conditions:

1. Upon your presentation to FOA of an appropriate voucher, SE-1146 in original and three copies, FOA will advance you the sum of \$----- to cover the first three months' requirement of funds. Accounts for such funds shall be separately maintained on your books and you will take such steps as may be necessary to assure that such funds shall not be subject to attachment, lien, seizure, or other legal process by any person, firm, agency, corporation or government.

342 UTILIZATION OF PRIVATE AGENCIES IN TECHNICAL ASSISTANCE

2. When the balance of funds previously made available to you hereunder falls to approximately \$----- [an amount sufficient for about one months' operation], additional advances will be made from time to time by FOA in amounts approximating \$----- each upon your submission of voucher Standard Form 1146, in original and three copies, supported by estimates of costs and expenses expected to be incurred from such advances.

3. You will use funds so advanced only at the rate required properly to perform your services in connection with said contract and will expend all funds withdrawn only in accordance with the terms and conditions of the contract and this letter of Commitment. You will be directly responsible to FOA for expenditure of all funds advanced hereunder, will account directly to FOA quarterly, the documentation described in Appendix B attached (except that SF 1146 shall be in the form of a no-pay voucher) and such other documents as may be required by FOA to substantiate costs; and will promptly refund to FOA any amounts not expended or accounted for under the terms of said contract and this letter of commitment.

4. On termination of this agreement you will promptly return to FOA that portion of any amounts advanced hereunder which are unexpended and unobligated on the date of termination of the contract.

This letter of Commitment/Guaranty shall expire June 30, 1956, unless such expiration date has previously been extended.

Your acceptance of the terms and conditions hereof shall be indicated by causing your duly authorized officer or officers to execute this Letter of Commitment/Guaranty and the enclosed counterpart hereof and by then returning such counterpart to this office. This Letter of Commitment/Guaranty shall be effective when you have so indicated your acceptance.

Very truly yours,

Director of the Foreign Operations Administration.

By -----
Authorized Representative

Accepted:

(NOTE.—This Letter of Commitment/Guaranty may be assigned only as on the form set forth in Appendix A to this letter and only to a banking institution organized under the laws of the United States, any State, Territory or Possession thereof, or the District of Columbia.)

STAFF STUDY NO. 6

ECONOMIC DEVELOPMENT IN INDIA AND
COMMUNIST CHINA

June 2, 1956

FOREWORD

India and Communist China together account for more than one-third of all the people in the world and considerably more than the Soviet Union, Western Europe, and the United States combined. They likewise have substantial natural resources.

Since World War II, both of these countries have undergone far-reaching political changes, and both have embarked on programs of economic development. These political and economic changes began against backgrounds in each country that had many common characteristics—predominantly agricultural economies, extreme poverty, low production, and maldistribution of wealth and income.

Yet the courses chosen by the two countries could hardly be more diverse. China has a Communist political system, and its economic planning, like that of the Soviet Union, has emphasized capital investment and industrialization virtually to the exclusion of any immediate increases in the standard of living. Indeed, this program, which requires large savings out of a small national product, may even result in the short term in further depressing the already low standard of living.

India, on the other hand, has a democratic political system, and its economic planning has emphasized the widespread diffusion of economic benefits among the total population.

In a word, China is proceeding along rigid totalitarian lines, India within the framework of a free society. The Chinese Communist Government operates through ironclad edict, the Indian Government through persuasion and "the consent of the governed."

Under the best of circumstances, it would be difficult to make precise comparisons of relative progress in these two countries. The differing approaches suggest China will make the greater progress initially in terms of percentage of gross national product invested, but that India will make the greater progress in terms of rising standards of living. The question remains of whether, over the long term, the greater Chinese investments will pay off more substantially than the more widely diffused efforts in India. This question cannot be answered on the basis of data now available.

These data do, however, have implications which should be disturbing to free nations everywhere. This is particularly the case in the light of the recent example of the Soviet Union which, following the same pattern of development as China, has now in the course of a single generation reached the position of having an exportable surplus of technical skills and certain types of capital equipment. If China should make comparable progress in the course of another generation, and channel that progress into aggression, the consequences for the United States and other free nations would be incalculable.

The seriousness of these consequences is likely to be compounded to the extent that India falls behind China. Despite the success of the Indian first 5-year plan, such data as are presently available are not completely reassuring on this point. The Indian Government is

making a very considerable and effective effort. Whether or not present progress is adequate to satisfy the legitimate aspirations of the Indian people, however, is a question to which the world needs to give serious thought.

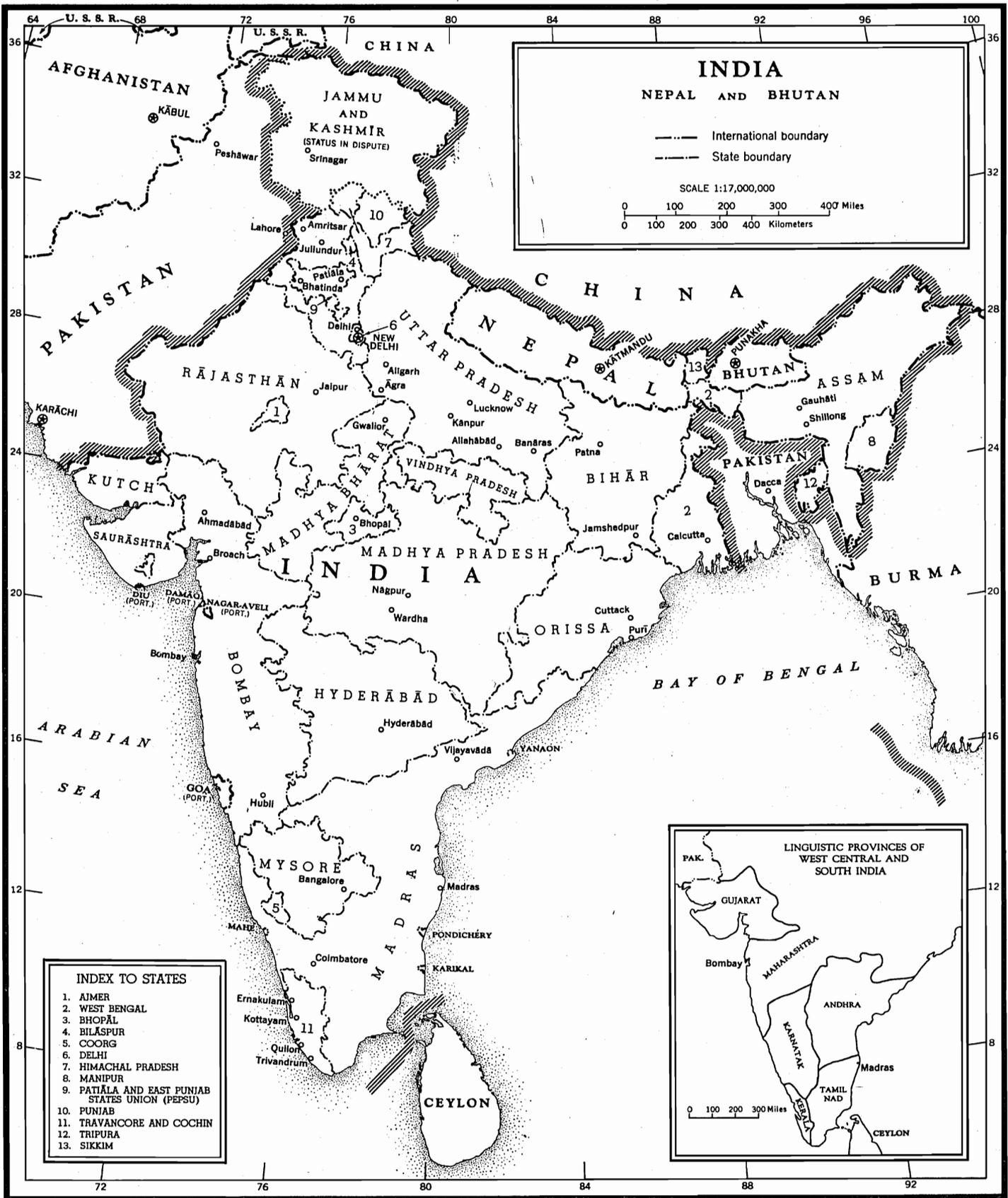
Because of the importance of the relative rates of economic development in India and Communist China, the Subcommittee on Technical Assistance Programs of the Senate Committee on Foreign Relations asked the Legislative Reference Service of the Library of Congress to make a factual study of the progress of the two countries. The results of this study are presented herewith and speak for themselves. So far as China is concerned, the study necessarily relies very heavily on Communist sources which, in addition to their other drawbacks, frequently cite economic statistics in terms of percentages. Nevertheless, the study should provide valuable information, not only for the subcommittee, but also for the Senate as a whole and for the public at large.

This study was prepared, under the supervision of the staff of the Foreign Relations Committee, by J. Clement Lapp of the Legislative Reference Service of the Library of Congress. The accompanying maps were prepared by Robert Bostick, also of the Legislative Reference Service. On behalf of the subcommittee, I express our deep appreciation to Messrs. Lapp and Bostick, both of whom took great pains to present extremely complicated data in a meaningful form. Of course, no inference as to the views of the subcommittee should be drawn from any information or conclusion herein.

MIKE MANSFIELD,

Chairman, Subcommittee on Technical Assistance Programs.

June 2, 1956.



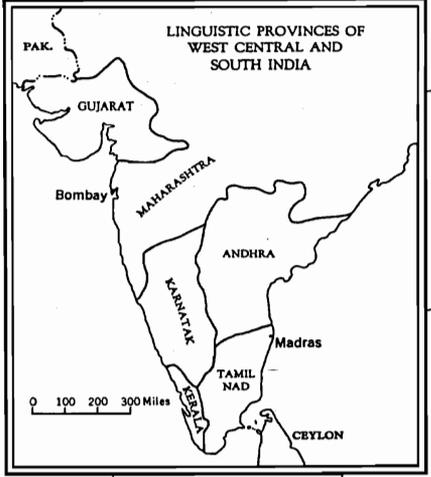
INDIA
NEPAL AND BHUTAN

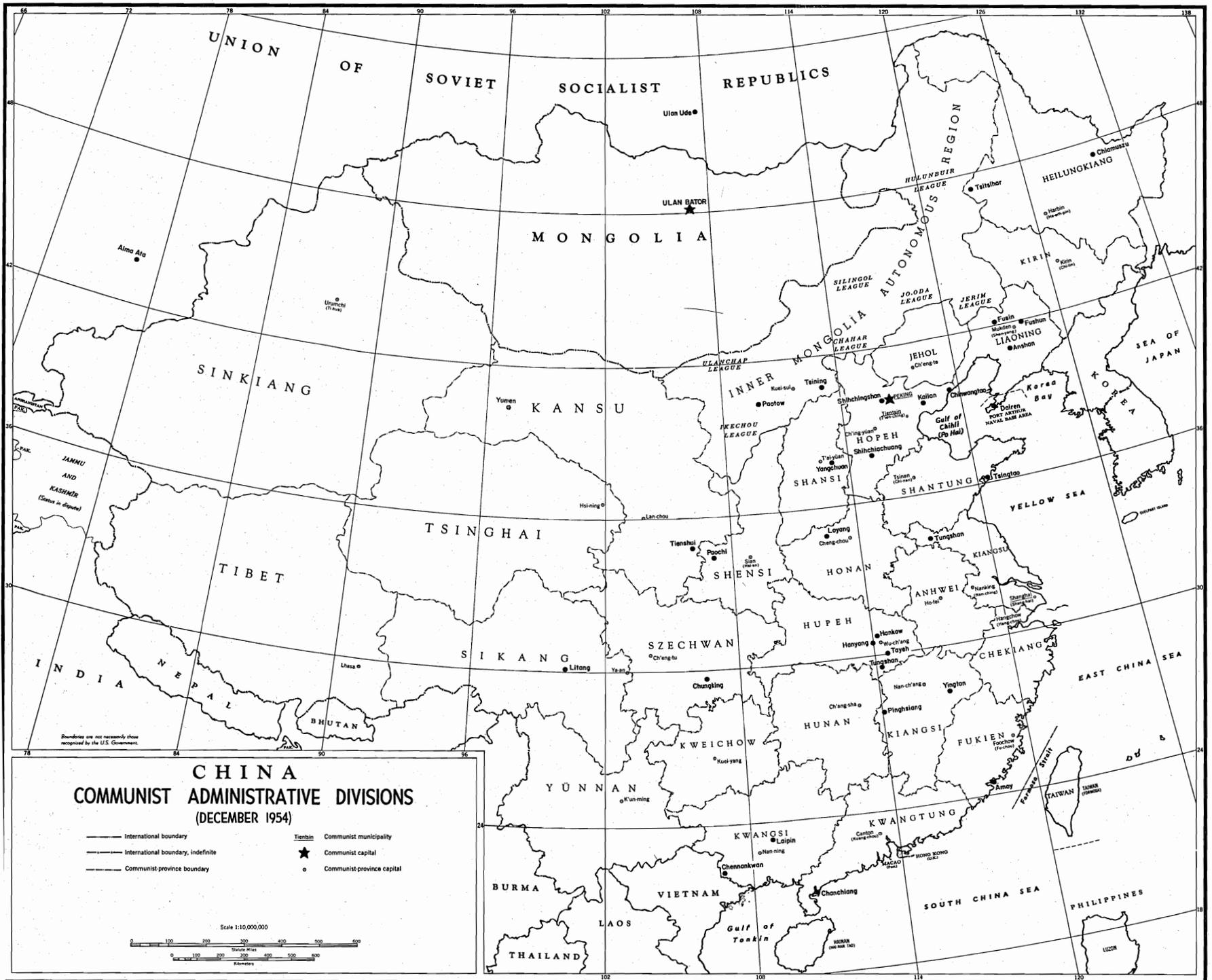
- - - - International boundary
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SCALE 1:17,000,000

0 100 200 300 400 Miles
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- INDEX TO STATES**
1. AJMER
 2. WEST BENGAL
 3. BHOPAL
 4. BILASPUR
 5. COORG
 6. DELHI
 7. HIMACHAL PRADESH
 8. MANIPUR
 9. PATIALA AND EAST PUNJAB STATES UNION (PEPSU)
 10. PUNJAB
 11. TRAVANCORE AND COCHIN
 12. TRIPURA
 13. SIKKIM





ECONOMIC DEVELOPMENT IN INDIA AND COMMUNIST CHINA

I. INTRODUCTION

India and Communist China are the giants of Asia. Their combined area (5,001,913 square miles) is greater than that of all Europe (4,955,000 square miles). The combined population (939,494,624) is greater than that of Europe, Africa, and both North and South America (920 million).

India achieved independence on August 15, 1947. The Chinese Peoples Republic was promulgated on October 1, 1949. As of those dates both countries have launched economic development programs in a determined effort to bridge the wide economic gulf between themselves and the West. While their broad economic aims have similarities, many differences exist in the detailed objectives and particularly in the means employed in achieving their goals. In the attainment of their economic goals the methods of the two countries are conditioned by divergent political, economic and social philosophies. On the one hand, India is proceeding with a view to preserving and enhancing free institutions. In contrast, China is employing the totalitarian methods and control devices of Communist dictatorship. As these two massive countries progress in their economic development many peoples, particularly in Asia, may be viewing that development as a test of the comparative merits of the two political systems. In a political sense, therefore, the implications of the economic race extend beyond the actual economic development of the two countries.

Perhaps even more important, however, are the political effects which may be expected within the two countries themselves. These effects will be of two kinds: those flowing from economic development itself and those flowing from the relative progress of the two countries in economic development. These effects, particularly those of the first category, are unpredictable. It may reasonably be assumed, though, that if either country should fall seriously behind in its development program, far-reaching political changes would ensue. This would be particularly true if the other country were making spectacular progress at the same time.

The purpose of this study is to compare some aspects of the economy and the economic development activity in the two countries. An attempt has been made to indicate the basic economic development positions of India and China and to set forth the highlights of their economic development programs. For the most part the factual information on development is taken from official records or statements by leaders of India and China.

The use of official data in some instances must be qualified. Likewise, most of the responsible studies of economic development in India and China which are quoted are replete with cautions and quali-

fications. Beyond this, there is a danger in attempting to compare separate sets of data labeled "China" and "India" which often are developed on different bases and are qualified to the extent of not being entirely comparable. Notwithstanding these limitations, a comparison of even the qualified data may serve a useful purpose in attempting to assess the extent to which the two systems are effective in achieving their goals.

II. THE INHERITED ECONOMIES: 1947-49

Many general similarities existed between the economies of India and China at the time India achieved its independence in 1947 and the Communists assumed power in China in 1949. In both countries the ancient civilizations had felt the impact of western commercial and industrial enterprise. Though both remained predominantly agricultural, each had made modest beginnings toward industrialization. In the main, the existing modern factories in both countries were devoted to the production of light consumer articles, particularly textiles. The Japanese had developed heavy industry during their occupation of Manchuria, but this did not become integrated with the Chinese economy until later and after much of the equipment had been removed by the Russians. China and India began their development programs, therefore, from a point at which neither country had made any great progress in heavy industry. In each country a large percentage of the industrial production was from cottage and handicraft industries.

In both countries primitive methods of soil cultivation were followed. Intensive cultivation, particularly in China, with high yields per acre but low output per man was characteristic. There was practically no mechanized farming. Land was fragmented into small individual holdings. Land rents were high and agricultural loans bore high interest rates. The system of landlords, intermediaries, and tenants was found both in India and China. Though railways were further developed in India, in both countries communications were inadequate, making for segmentation and a high degree of local self-sufficiency. Both relied heavily on transportation by human bearers, pack animals and small watercraft. This isolation of large areas of India and China intensified the effects of periodic famine. Although elaborate canal systems had existed from ancient times, vast areas of fertile land awaited the harnessing of the great rivers and the development of large-scale irrigation projects. Both countries suffered from periodic drought, floods and soil erosion. Both felt the burden of intense population pressure. Each country had extremely low national income and a prevailing standard of living which was impoverished by comparison with real per capita income and living standards in the Western World.

In addition, the new government in each country had to cope with extraordinary economic dislocations. In India, these dislocations resulted from the partitioning of the subcontinent at the time independence was achieved in August 1947. India's food position had been serious since the Burma Rice Bowl was separated from India in 1937. Food had been imported in quantity since about 1943. As a result of the partitioning, India retained about 82 percent of the population but received only 69 percent of the irrigated area, 65

percent of the wheat area and 68 percent of the rice area. West Punjab, Sind, and the Sylhet district of Assam, which annually produced nearly a million tons of surplus grain, became part of Pakistan.¹ India's textile industry was disrupted as a result of the inclusion of extensive jute and cotton producing areas in Pakistan while the textile mills remained in India. Immediately following partitioning the Governments of both India and Pakistan were faced with the task of feeding and housing the millions of uprooted refugees. As a result of communal disturbances in the Punjab in the late summer of 1947, some 5 million refugees had crossed into India.² India's industrial production, which had expanded during World War II, had declined in the immediate postwar period. Reconversion to peacetime production had been slow. Machinery was worn out and the replacement of capital equipment was difficult. Industrial production also had been affected by the ending of Government priorities for raw materials. Besides a shortage of raw materials, production had been further retarded by widespread labor unrest.

The deterioration of communications had an impact on the entire economic structure. As of 1947, the railway system still bore the scars of depreciation resulting from wartime usage. Many freight cars were immobilized and there was a scarcity of passenger cars, locomotives, and spare parts. The partition then split the railway system between India and Pakistan and imposed a slowdown during the transfer of railway personnel between the two countries. Rolling stock had to be diverted to handle the movement of refugees. Among other immediate difficulties arising from the partition was the division of fixed assets including railway property, post offices, and telegraph lines. There were further problems with regards to such questions as currency and coinage, Government liabilities, the sterling assets of the Reserve Bank of India, the distribution of cash balances, and the avoidance of double taxation.

In China, at the time the Communist government came into power in September 1949, all segments of the economy had been dislocated by the civil war. Apart from long-range economic needs, there was the urgent need for restoring production and the exchange of goods and services. Underlying the immediate effects of the civil war, China had made only slight gains in recovering from the effects of World War II. Among China's wartime losses (excluding Manchuria) were 90 percent of the productive capacity of the machine and light metal industries and 70 percent of the productive capacity of the coal, electric power, and iron and steel industries.³ China's installed power capacity had been cut by half. The industrial capacity of factories in the area south of the Great Wall had been damaged. In addition to the basic need for increased production and exchange of goods and services, it was necessary to reintegrate the Japanese occupied areas into China proper. There were also natural calamities. During 1945 and 1946, central and south China suffered from drought and in 1949 agricultural production was affected by floods.

As the Communist armies advanced southward, inflation, which had soared during World War II, became incredibly acute. For

¹ India, Ministry of Information, *Since Independence: August 15, 1947-August 15, 1941*. New Delhi 1952.

² Approximately 8,500,000 persons crossed the borders of the newly defined Hindu and Muslim areas during 1947. U. S. Department of Commerce, *Economic Review of India 1947*, International Reference Service, vol. 5, No. 48, July 1948.

³ ECAFE, *Economic Survey of Asia and the Far East, 1947*, Shanghai, 1948, p. 79.

example, between December 1947 and May 1948, the index of currency in circulation (based on 1937=100) rose from 2,187 to 8,437,500.⁴ The continuing hostilities with the Communists not only burdened the budget and diverted manpower from production but negated such efforts as were being made to increase production and to restore and stabilize the economy.

Thus, in both India and China, before embarking upon long-range economic development programs the new governments were confronted with the immediate need for resolving the economic dislocations which existed as result of World War II and the very circumstances under which each had come into power. The various segments of the economies of the two countries are compared as of the approximate time each came into power, i. e., as of the 1947-49 period.

A. DEMOGRAPHIC COMPARISON

A census taken in 1947 placed the population of China at 462,789,093.⁵ The Communist Government announced in November 1954 that the population of the China mainland was 582,603,000.⁶ The population of prepartition India at the 1941 census was 314,766,380. The census of 1951 placed India's population at 356,829,485. Both figures exclude Jammu and Kashmir (4,410,000) and the tribal areas of Assam (560,000).⁷

The average density of population of China has been estimated at 123 persons per square mile and of India, 280 persons per square mile as compared with 44 in the United States and 964 in Java.⁸ In China the population is most dense along the eastern seaboard, the Yellow River plain, the Yangtze and Pearl River Deltas and in the Szechuan Basin. The average density in the Yellow River plain is 647 and in the Szechuan Basin 580 per square mile.⁹ Within India the population is most dense in a belt which extends from the irrigated plains of the Punjab, down the Ganges Valley and along the eastern coast of the subcontinent around the tip to the Gulf of Cambay. Within this area representing 32 percent of the total area of India is found 69 percent of the population. The average density in the Ganges plain is 686 per square mile and in the Bengal area 829.¹⁰

In terms of the number of persons per square mile of cultivated land, the 1941 population density figure for India was 535.¹¹ For China it was 1,485.¹² Both India and China have high birth and death rates. China has a somewhat higher rate of population growth.

⁴ Huang, A. C., *Inflation in China*, Quarterly Journal of Economics, August 1948 and International Financial Statistics.

⁵ *China Handbook: 1954-55*, The China Handbook Editorial Board, Taipei, Formosa, 1954.

⁶ New China News Agency, London, June 21, 1954; New York Times, November 10, 1954. In addition to the mainland population, the population of Formosa was estimated at 7,592,298 and overseas Chinese at 11,743,320.

⁷ *The International Yearbook and Statesman's Who's Who*. Burke's Peerage Ltd., London, 1954.

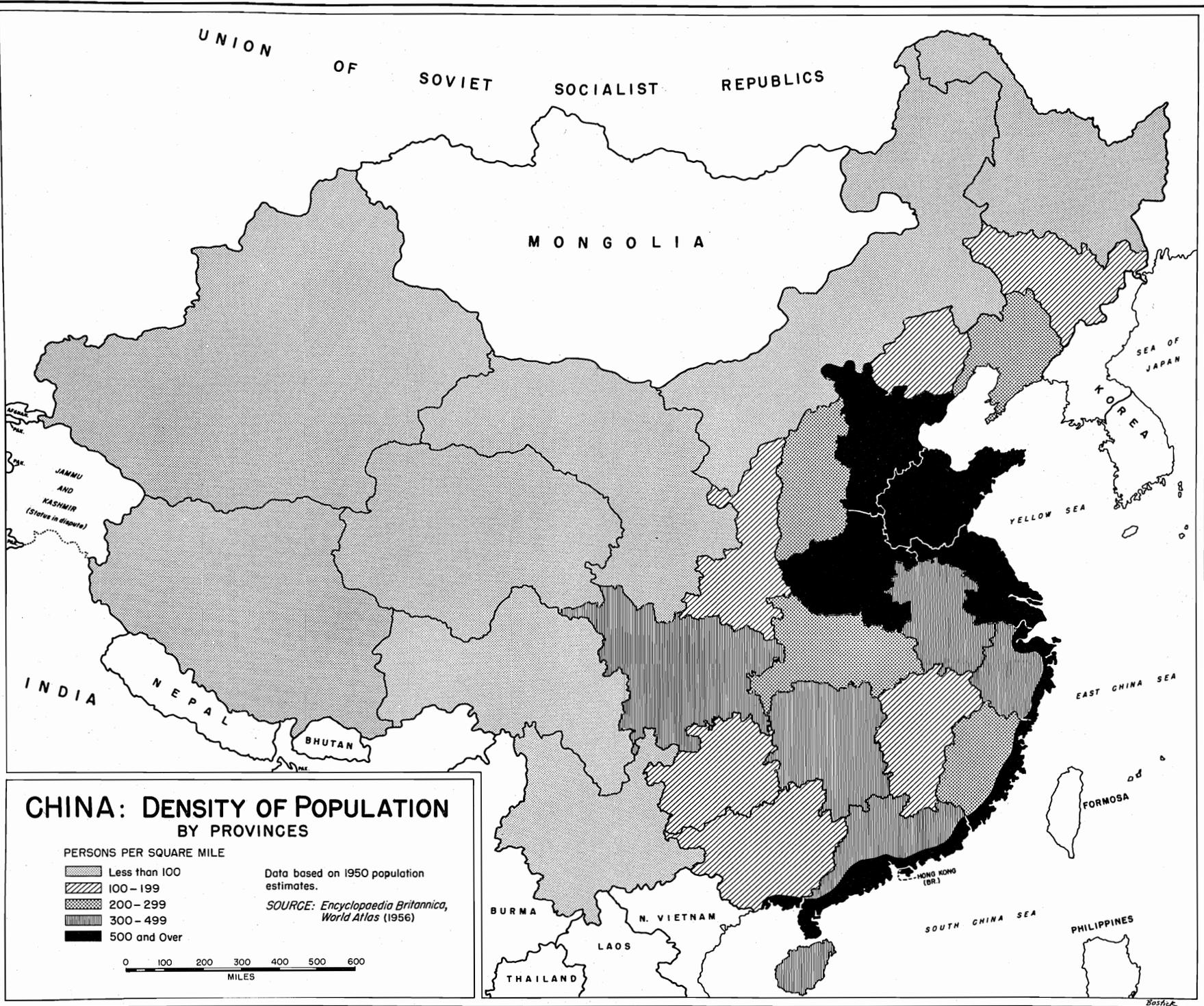
⁸ Cressey, George B., *Asia's Lands and Peoples*, New York, McGraw Hill 1951, 44 pp., and Kingsley Davis, *The population of India and Pakistan*, Princeton University Press, 1951, 18 pp. Kingsley Davis compares the 1941 average density of 245 per square mile in prepartition India with 130 per square mile in China proper.

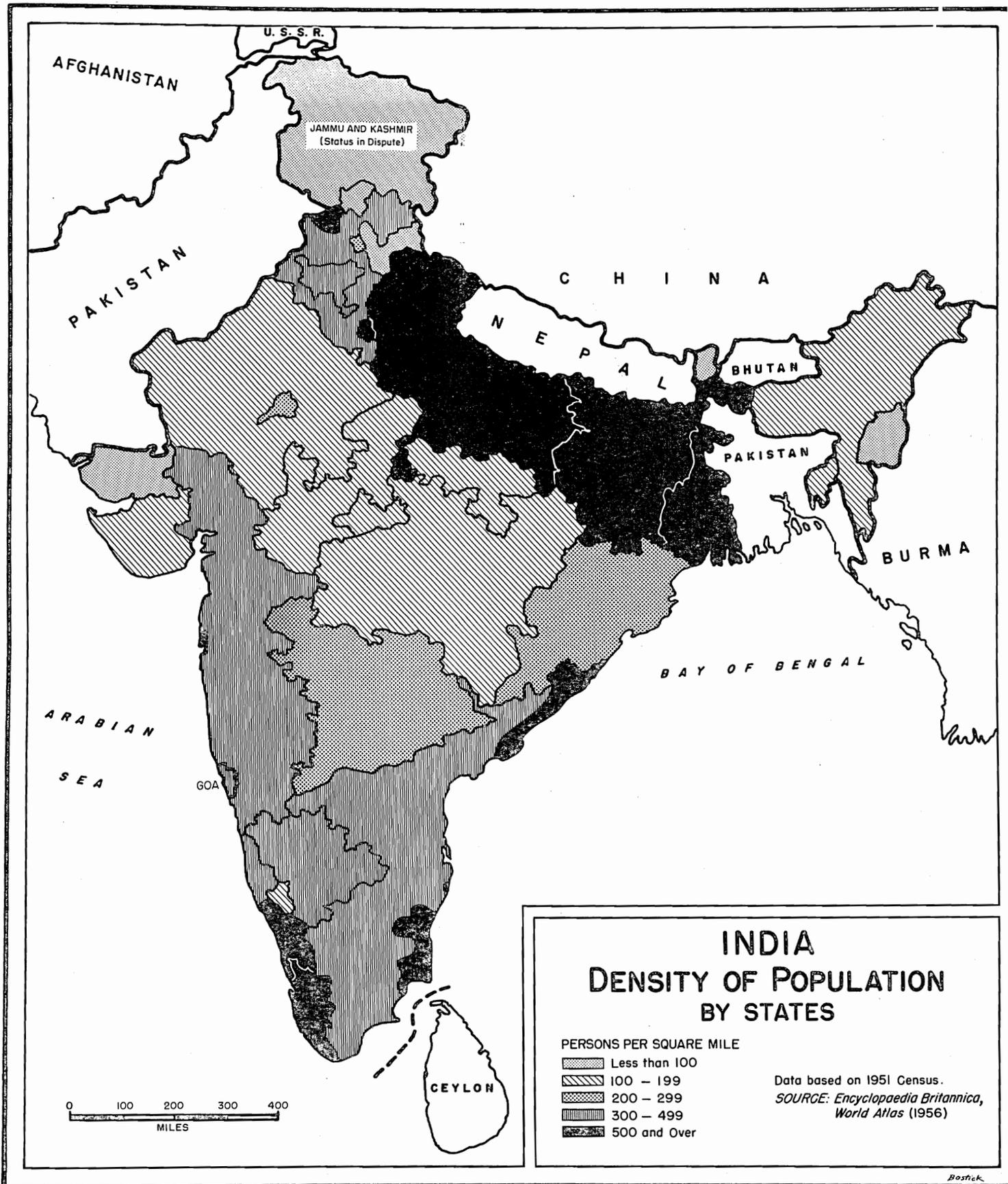
⁹ Cressey, op. cit., pp. 44, 123.

¹⁰ Kingsley Davis, op. cit., p. 18.

¹¹ *Ibid.*, p. 21.

¹² Cressey, George, op. cit., p. 44.





U. S. S. R.

AFGHANISTAN

JAMMU AND KASHMIR
(Status in Dispute)

PAKISTAN

C H I N A

N E P A L

BHUTAN

PAKISTAN

BURMA

BAY OF BENGAL

ARABIAN
SEA

GOA

CEYLON

0 100 200 300 400
MILES

INDIA DENSITY OF POPULATION BY STATES

PERSONS PER SQUARE MILE

- Less than 100
- 100 - 199
- 200 - 299
- 300 - 499
- 500 and Over

Data based on 1951 Census.
SOURCE: *Encyclopaedia Britannica, World Atlas (1956)*

Bostick

The annual rate of population growth in China in 1954 was placed at 2 percent.¹³ In India during the period 1941-51 the average annual rate was about 1.3 percent.¹⁴

For purposes of comparison, in the United States recent population growth has been at a rate of 1.7 percent, about midway between that of China and India.

B. NATIONAL INCOME COMPARED

Comparisons of national income, per capita income, and other devices for measuring the degree of poverty or prosperity in India and China do not adequately depict the misery of large segments of the population in both countries. They may serve to indicate in a general way, however, the level or standard of living which the governments in both countries are struggling to improve.

The various available estimates indicate that during the war and immediate postwar period, income in India not only exceeded that in China but also increased at a faster rate. In terms of 1936 prices, China's national income declined 9.2 percent between 1936 and 1946. By contrast, there was a real increase of 7 percent in India's national income between 1931 and 1942. The comparison is not exact because of the different periods involved, but it is indicative.

United Nations studies place per capita income for China in 1946 at U. S. \$23.13 and for India in the same year at \$42.61. The comparable figures for 1949 are U. S. \$27 in China and U. S. \$57 in India.¹⁵ Thus, while per capita income in China rose 16.3 percent, per capita income in India increased 33.8 percent. It might be noted that these are both quite high rates of increase, although computed from a very low base. In the same period—i. e., 1946-49—in the United States, per capita income rose 14.1 percent from \$1,270 to \$1,449.¹⁶

In an attempt to make a comparison of the world's comparative standards of prosperity, Colin Clark has used as a unit of comparison the amount of goods and services 1 rupee would have purchased in 1948-49 (called the Oriental Unit). On the basis of this scale India is placed above China about midway between the upper and lower limits of Asian countries. On a per capita basis Indian national income ranked about 175 oriental units as compared with 7,000 in Canada and the United States.¹⁷

When one looks at the sources of income, it is seen that China relied somewhat more heavily on farming. Agriculture accounted for 62.7 percent of China's national income in 1946 as compared to 52.1 percent of India's national income in 1942. In respect to other sources of income, the figures are more detailed for China and show, for 1946, the following percentage distribution by origin: ¹⁸

¹³ Jen-min Jih-pao (Peoples Daily) Peking, Nov. 1, 1954. Population growth at an aggregate rate of 1.2 percent a year is assumed by W. W. Rostow, *The Prospects for Communist China*, John Wiley & Son New York, 1954, 280 pp. Other estimates indicate that a rate of 1.5 percent may be more realistic.

¹⁴ *The International Yearbook*, op. cit. Alexander Eckstein places the birth rate in 1949 at 38 per 1,000 and the death rate at 24 per 1,000, Rostow, *Prospects for Communist China*, op. cit., pp. 258-259.

¹⁵ U. N. Economic Commission for Asia and the Far East: *Economic Survey of Asia and the Far East, 1947*, Shanghai, 1948, p. 17. United Nations Statistical Papers, series E, No. 1, National and Per Capita Incomes Seventy Countries, 1949, New York, October 1950.

¹⁶ Derived from statistics in *Economic Indicators*, U. S. Government Printing Office, January 1956, p. 3 and p. 6.

¹⁷ India, *Progress and Plan*. *The Economist* (London) January 22, 1955.

¹⁸ See Ou Pao-san, *The National Income of China, 1933, 1936, and 1946*, Social Sciences Study Papers, No. 1, Institute of Social Sciences, Academia Sinica, Nanking 1947, and *Revision of the National Income of China, 1933*, Quarterly Review of Social Science, v. IX, No. 2. See also Ou Pao-san, *A New Estimate of China's National Income*, *Journal of Political Economy*, December 1946.

Commerce.....	9.7	Dwelling service.....	3.6
Manufacturing.....	7.2	Professional service.....	1.2
Government service.....	7.1	Domestic service.....	0.6
Transport and communication.....	3.7	Mining and metallurgy.....	0.4
Banking and insurance.....	3.7	Construction.....	0.1

The less precise breakdown available for India, for 1942, shows, besides agriculture, the following:¹⁹

Organized industry.....	16.1
Unorganized industry.....	11.5
All other items.....	20.3

C. CURRENCY INFLATION AND COST OF LIVING COMPARED

In both China and India the strain of World War II on the financial and banking structure was reflected in currency inflation which reached extremes in China. China had a managed currency system while in India the rupee was tied to the pound sterling until 1947. In that year, an amendment to the Reserve Bank of India Act freed the bank from unlimited obligation to convert rupees and sterling and within the obligation to the International Monetary Fund permitted the bank to buy and sell foreign currencies at rates to be periodically specified. To some extent after 1947 India moved toward a "managed" currency system. In both countries budget deficits resulting from heavy military expenditures were financed in the main by inflating currency. Although expenditure in India was borne in part by the allied powers through crediting India with sterling balances abroad, this had little effect internally. Inflation in both countries was intensified not only by the high demand but by wartime factors affecting production. The problem was vastly more acute in China.

Within the limitation as to accurate statistical reporting, the following figures are illustrative of the extent of inflation. The index of note circulation in China in January 1945 was 28,289 based on 100 in June 1937. Actual notes in circulation in 1947 amounted to 35 trillion yuan as compared with 1,600 million yuan in 1936.²⁰ Money supply in India in 1947 was 13.4 billion rupees as compared with 3.4 billion rupees in 1939.²¹

During the 8 years of external war (1937-45) the cost of living in Shanghai increased by 250 times and from 1945 to the end of 1947 by 300 times. On the base of 100 in 1937 the cost-of-living index in Shanghai in 1947 was 3,290,000 as compared to an index of 265 in Bombay (on the base of 100 in 1939.)²² The index of wholesale prices in 1947 was 10,035,911 in China,²³ and 297 in India (based on 100 in 1937).²⁴

D. TRANSPORTATION COMPARED

The transportation position of India in 1947 was superior to that of China. As compared with China's total of some 5,000 miles of rail-ways in 1947, India had 24,560 miles, or a little more than 4 times as

¹⁹ U. N. ECAFE, *Economic Survey of Asia and the Far East 1947*, op. cit.

²⁰ ECAFE, Secretariat, *Economic Survey of China for 1947*, April 1948. The index figure of notes in circulation is the official index issued by the minister of finance. See also Huang, A. C., *Inflation in China*, *Quarterly Journal of Economics*, August 1948.

²¹ *International Financial Statistics*, February 1948. Figure is based on official Government reports.

²² ECAFE, *Economic Survey of Asia and the Far East, 1947*, op. cit., 150, 152. The cost of living index for India as a whole in 1947 was 250, *International Financial Statistics*, February 1948.

²³ *United Nations Monthly Bulletin of Statistics*, February 1948.

²⁴ *International Financial Statistics*, February 1948.

much. The better position of India is also seen in a comparison of railway mileage in terms of area and population served. At the beginning of World War II in China there were 594.5 square miles of area to each mile of railway compared to 38.5 square miles in India. In terms of population served for each mile of railway, in China there were 61,464 persons per mile of railway compared to 9,463 persons per mile in India.²⁵

The war had a serious effect upon both China and India's rolling stock. In the immediate post-war period UNRRA provided China with 262 locomotives and 3,445 freight cars making the position of the 2 countries in 1947:

	China	India
Locomotives.....	2,324	9,136
Freight cars.....	29,524	224,152
Passenger cars.....	3,573	17,342

Railway cargo traffic in 1947 was 3,474 million ton-miles in China compared to 27,416 million ton-miles in India.²⁶

Although inland water transport plays an important role in the transport system of both countries, statistics are not available on which a comparison might be made. At the end of 1947, China possessed 4,038 steam and motor vessels having a total of 1,042,402 gross tons.²⁷ At the end of 1946, India's merchant fleet approximated 200,000 tons.²⁸ During 1946, the net registered tonnage of vessels cleared through China's ports was 5.7 million tons compared to 4.4 million tons for India.²⁹

In China in 1949 there were 22,553 miles of major highways under the administration of the Central Government. Highways of all categories reportedly totaled 81,400 miles.³⁰ India's road mileage after partition in 1947 was reported as 244,857 miles, of which 91,857 miles were hard surfaced.³¹

In 1949 there were 9 Indian civil airlines operating scheduled services on 35 routes within India.³² One of these, Air India International, Ltd., made 4 flights weekly to London and 1 to South Africa. During 1949 a total of 15.1 million miles were flown. There were 358,000 passengers and 11,249 tons of freight carried.

In China, in 1949 the China National Aviation Corporation (CNAC), operating 16 domestic routes and 10 overseas routes, was rated the world's 12th largest aviation company. During 1945 this line had carried 19.3 million tons of freight over the "hump" from India to China. Freight carried during 1947 totaled 14.6 million tons and passengers totaled 173,317.

²⁵ ECAFE, *Economic Survey of Asia and the Far East*, 1947, p. 116. One estimate places the railway mileage of China in 1949 at about 15,000 miles. Rostow, W. W., op. cit. p. 230. The railway mileage of India in 1948 was reported as 33,984 miles, Indian Embassy, India, August 15, 1947, to August 15, 1948, Washington, D. C., August 1949. (The discrepancy with the ECAFE figure may be due to inclusion of small lines in forest areas.)

²⁶ Ibid.

²⁷ ECAFE, *Economic Survey of China*, 1947.

²⁸ U. N. Department of Economic Affairs, *Economic Report, Salient Features of the World Economic Situation, 1945-47*.

²⁹ ECAFE, *Economic Survey of Asia and the Far East*, 1947.

³⁰ China Handbook 1950, op. cit., p. 620.

³¹ U. S. Department of Commerce, World Trade Information Service, Postwar Roadbuilding Program of India. Washington, U. S. Government Printing Office.

³² Air India International, Ltd.; Air-India, Ltd.; Air Services of India, Ltd.; Airways (India), Ltd.; Himolayan Aviation, Ltd.; Indian National Airways, Ltd.; Kalinga Air Lines. India, Ministry of Communications, Report 1950-51, New Delhi, 1951.

China's other airline, the Central Air Transport Corp. (CATC), carried 116,080 passengers and 14 million tons of freight in 1947.³³

E. AGRICULTURE COMPARED

The prominence of agriculture in the economies of India and China is evident in the high percentage of the population engaged in agricultural enterprises in the two countries. In China in 1949 an estimated 75 percent of the population was engaged in agriculture³⁴ as compared to 70 percent in India (in 1951). According to the *Academia Sinica*, in 1946 agriculture contributed 62.7 percent of China's net national product. In India during 1948-49 an estimated 50 percent of the net national product was derived from agriculture.³⁵ As for area under cultivation, China's cultivated acreage in 1945 has been estimated at about 205 million acres compared to 219 million acres in India in 1947.³⁶

Four distinct regions of arable farming are found in China: (1) The spring wheat region covering the three northeastern provinces (Manchuria) and extending across north China as far south as northern Shansi and Shensi Provinces; (2) the winter wheat region extending westward from the Shantung Peninsula, almost as far south as the Yangtze River; (3) a mixed wheat and rice region extending from Chekiang Province westward on both sides of the Yangtze River; and (4) the rice region including south China as far north as a line from central Chekiang to central Kweichow and the southern part of Yunnan. Other crops in north China are barley, oats, millet, soybeans, hemp, flax, kaoliang, cotton, tobacco, peanuts, corn, and sweetpotatoes. In south China, other important crops are citrus fruit, tung seed, sugarcane, tea, bamboo, cassia, bananas, ginger, sweetpotatoes, corn, and a wide variety of fruits and vegetables. Mulberry leaves are grown for silkworms in the lower Yangtze Valley area and in Kwangtung. The staple food in the north is wheat, in the south rice. Cattle and donkeys are the principal draft animals in the north, water buffaloes in the south. Double cropping is not common in the spring and winter wheat regions but in south China 2 and 3 crops a year are grown.

Like China, India has separate rice and wheat regions. Rice is the staple crop in the lower Ganges and the east coast deltas. Wheat is grown principally in the Punjab. A third staple food, the grain sorghums which resemble Chinese kaoliang or American broom corn, is grown chiefly on the poorer soils of western India. To a lesser extent millet is a staple food. Other important food crops are sugarcane, barley, corn, chick peas, and a variety of fruits. The important commercial crops are cotton, jute, peanuts, and oil seeds including flax, castor bean, rape, and mustard. India also produces some coffee, quinine, tea, rubber, lac, and spices.

³³ The China Handbook, 1950, op. cit., p. 626.

³⁴ Ou Pao-san, National Income of China: 1933, 1936, and 1946. Social Sciences Study Paper No. 17, Nanking Institute of Social Sciences Academia Sinica, 1947, and Ou Pao-san, A New Estimate of China's National Income, Journal of Political Economy, December 1946. The earlier estimate was 59 percent. Alexander Eckstein places the pre-1949 contribution of agriculture to China's national product at 40 percent in Rostow, W. W., Prospects for Communist China, op. cit., p. 224.

³⁵ Overseas Economic Surveys: Economic and Commercial Conditions in India, London, H. M. Stationery Office, 1953, p. 166, and India, Planning Commission. The First Five Year Plan. New Delhi, December 1952, p. 102. The National Income Committee reported in 1951 that agriculture contributes a share of 47.6 percent to the national income.

³⁶ China Handbook, 1937-45, op. cit., p. 430, and Japan-Manchukuo Yearbook, 1941, and India, Ministry of Commerce, Features of India's Economic Development, New Delhi [1949]. The area sown in 1951 was 266 million acres. Economic and Commercial Conditions in India, op. cit., p. 157.

China's yields per acre were considerably greater. India's average yield of rice in 1947-48 was 739 pounds per acre compared with an average of 2,433 pounds per acre in China. India's wheat yield of 599 pounds per acre was exceeded by the average of 898 pounds in China.³⁷

In both China and India a high percentage of agricultural workers have been the victims of the combination of population pressure, low yields per man-hour expended, fragmentation of landholdings, high interest rates, the land tenancy system, illiteracy, and poverty. In neither country has the farmer been able to accumulate substantial savings. Farms were small and the tendency has been toward further fragmentation. In China in 1930, 36 percent of the farms were under 1.5 acres in size and 25 percent were between 1.5 and 3 acres. The average farm was 3.2 acres broken up into 6 separated fields.³⁸ The National Agricultural Research Bureau estimated in 1945 that the average acreage per farm household was 2.8 acres (excluding Manchuria).³⁹ The average agricultural holding in India was a little less than 5 acres.⁴⁰

Landlord systems have existed in both countries. In China in 1944, 59 percent of the farmers were either tenants or part owners of the land worked.⁴¹ In 1947, the National Agricultural Research Bureau reported that 42 percent of the farmers owned their land, 25 percent were part owners and 33 percent were tenants.⁴² In China, private land ownership was the rule with absentee and cultivator ownership intermingled throughout the country.⁴³

In India more than two-thirds of the farming population were tenant cultivators.⁴⁴ Two systems of land ownership existed: (1) The Zamindari system in which land was rented to tenants by absentee owners through intermediaries; and (2) the ryotwari system in which the owner usually cultivated his own land but occasionally secured rent from tenants.⁴⁵

In both countries rents paid by the tenants were high, approximating 50 percent of the crop produced. In China the range of rent was from 40 to 70 percent of the main crop while interest rates were usually about 30 to 35 percent.⁴⁶ In some provinces, particularly Szechwan, it was customary to collect rents for years ahead. Often the landlord was the money lender and also controlled the marketing. In addition, the landlords generally acted as intermediaries with the central and provincial governments on such matters as taxation and army recruitment. In India rents often ran as high as 75 percent of the main crop plus high interest rates on crop loans. It was originally

³⁷ Economic and Commercial Conditions in India, op. cit., p. 159.

³⁸ C. C. Chang. An estimate of China's farms and crops, Nanking, Nanking University Press, 1932, and J. L. Buck. Land Utilization in China, Chicago, University of Chicago Press, 1937.

³⁹ China Handbook, 1937-45, op. cit., p. 430.

⁴⁰ Overseas Economic Survey, op. cit., p. 157.

⁴¹ China Handbook, 1937-45, op. cit., p. 458.

⁴² China Handbook, 1950. New York, Rockport Press, 1950, pp. 581-583.

⁴³ See Economic Survey of Asia and the Far East, op. cit., p. 183, and China Handbook, 1950, op. cit., p. 578, and Rostow, W. W. Prospects for Communist China, op. cit., pp. 233-235; Chen Han-sheng, Landlord and Peasant in China, New York, International Publishers, 1936; Chen Han-sheng, The Chinese Peasant, Oxford University Press, 1947, and Tseng Hsiao, The Theory and Practice of Land Reform in China. Taipei, the Chinese Research Institute of Land Economics, 1953.

⁴⁴ Ibid.

⁴⁵ See Economic Survey of Asia and the Far East, 1950, op. cit., pp. 182-191, and R. Chatterjee. Indian Economics. Calcutta, R. H. Chatterjee & Co., 1947, pp. 104-120; and P. N. Driver, Problems of Zamindari and Land Tenure Reconstruction in India. Bombay, New Book Co., Ltd., 1940, and India National Planning Committee, Land Policy and Agricultural Labour and Insurance. Bombay, Vora Publishers, Ltd., 1948, and the Indian Society of Agricultural Economics, Land Tenures in India. Bombay, Vora Publishers, Ltd., 1946.

⁴⁶ Buck, J. L., op. cit., p. 462.

the tax collectors who became the absentee landlords (Zamindari).

Neither India nor China was self-sufficient in foods. In both countries population increases were at a faster rate than the increase in food production. One estimate places the caloric content of foods available for human consumption in 1949-50 at 2,020 calories per person per day for China and 1,702 calories for India. Food consumption in the United States in 1949 was 3,200 calories per person per day.⁴⁷

F. BASIC MINERAL RESOURCES COMPARED

Both India and China possess sufficient mineral resources to support industrialization.

Estimates of China's coal reserves have varied widely. Most of the recent estimates put these reserves in the range of 250 billion to 275 billion metric tons, though these figures may be too conservative.⁴⁸

Indian coal reserves have been estimated at 43 billion to 60 billion tons.⁴⁹ China's iron ore reserves are estimated at from 2.5 billion to 5 billion metric tons⁵⁰ compared with 10 billion metric tons for India.⁵¹

While China's coal reserves are extensive there is a relative lack of coking coal and high grade iron ore is not plentiful. For the most part, China's coal and iron deposits are not found together thereby requiring costly transportation to industrial centers. Coal deposits are widely dispersed. The largest deposits are in Shansi and Shensi, but production in these provinces has been less than in the coastal provinces (particularly Liaoning and Hopei) which have good railroad connections and ready access to ocean shipping.

Many of the iron-ore deposits have a low iron content and a high silica content requiring concentration before smelting. The largest iron-ore deposits are in Manchuria but these have a low iron content. Deposits in Fukien Province and Hainan Island are of higher grade ore. The centers of China's iron and steel industry are Anshan in the northeast (Manchuria), Shihchingshan in north China and in the Yangtze Valley. China has an adequate supply of alloy materials

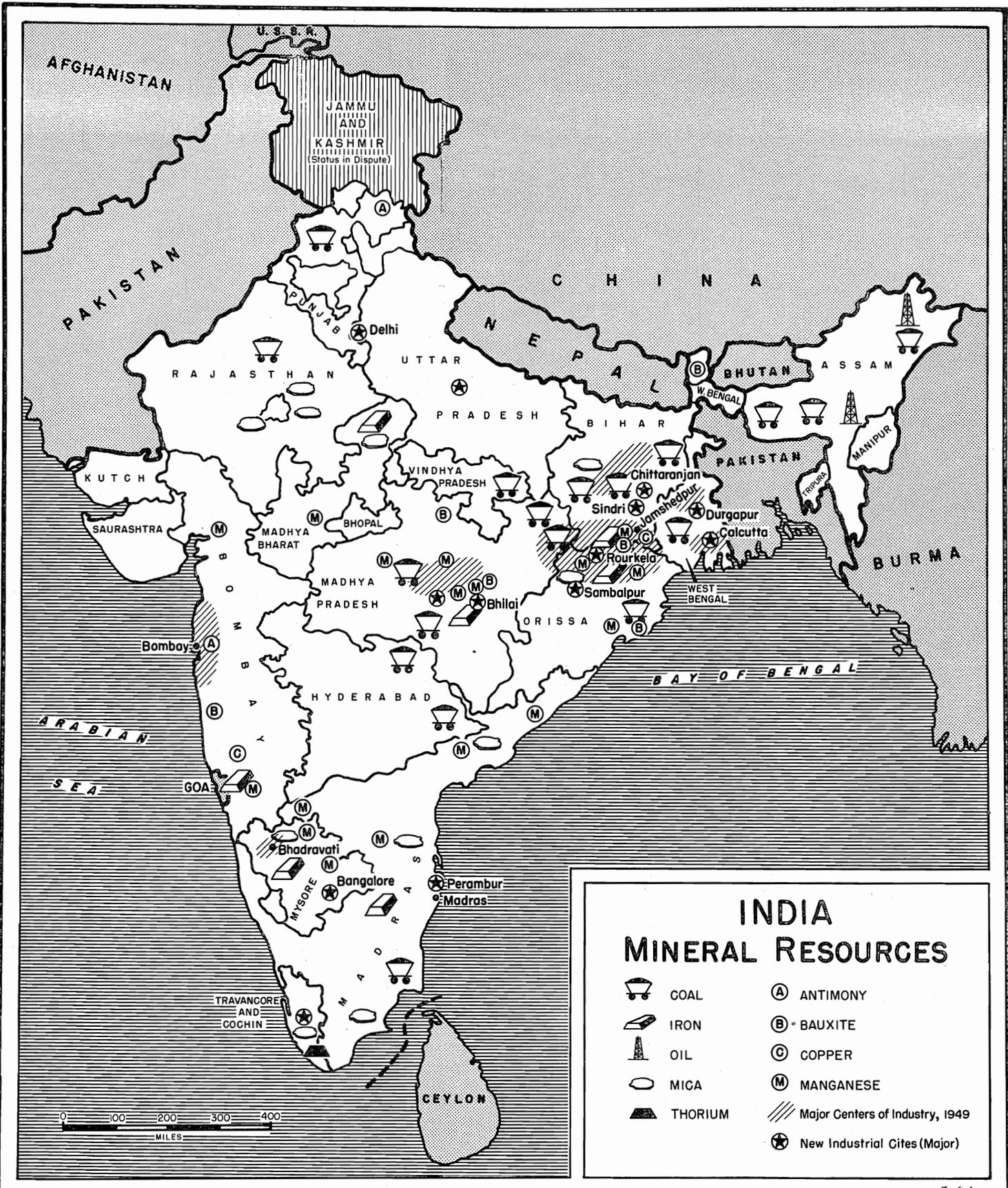
⁴⁷ Economic Survey on Asia and the Far East, 1950, op. cit., p. 203, and U. S. Department of Commerce Statistical Abstracts of the United States: 1955. United States Government Printing Office, 1955, p. 87. All estimates computed on the basis of retail prices.

⁴⁸ For a general résumé of China's mineral resource positions see H. D. Fong, The Postwar Industrialization of China, Washington National Planning Association, 1942; Condliffe, J. B., China Today: Economic, Boston, World Peace Foundation, 1932; a compendium of authoritative opinion on China's lack of many mineral resources other than coal is contained in B. P. Torgashev, The Mineral Industry of the Far East, Shanghai, Chah, Ltd., 1930, p. 37; see also H. Foster Bain, Ores and Industry in the Far East, New York, Council on Foreign Relations, 1927, and W. W. Rostow, Prospects for Communist China, op. cit. China Handbook 1937-45, New York, Macmillan, 1947. Board of Trade, report of the United Kingdom Trade Mission to China: 1946. London, H. M. Stationery Office, 1945, p. 89. China Handbook, 1950, New York, Reckport Press, 1950.

⁴⁹ P. J. Thomas, India's Basic Industries, Orient Longmans, Ltd., 1948, p. 73. See also J. C. Brown, India's Mineral Wealth, London, Oxford University Press, 1936; F. S. Fox, The Lower Gondwana Coal Fields of India, Geological Survey of India Memoirs, LIX 1934, and V. Ball and R. R. Simpson, The Coalfields of India, Geological Survey of India Memoirs, XLI, pt. 1, 1913. United Kingdom Board of Trade, Overseas Economic Surveys: Economic and Commercial Conditions in India: 1952. London, H. M. Stationery Office 1952. In 1954, M. S. Krishnan, Director of the Indian Geological Survey, estimated that coal in seams of not less than 4 feet and with an ash content not exceeding 25 percent amounted to 23 billion tons. Indian Minerals, vol. 8, No. 2, April 1954, p. 82. The Planning Commission estimates India's workable coal reserves at 20 billion tons, coking coal reserves at 2 billion tons, Planning Commission, First Five Year Plan, Peoples Edition, New Delhi, 1953, p. 165.

⁵⁰ China Handbook, 1950, p. 403. An estimate of 951.7 million metric tons of iron ore with a metallic content of 368.2 million metric tons was made in 1924. (Tegengren, F. R. The Iron Ores and Iron Industry of China. Peiping, China Geological Survey, 1921-24.) In 1936, W. H. Wong of the China Geological Survey raised the estimate to 1.1 billion metric tons. By 1940 new discoveries in Manchuria had raised the estimate to 1,514 million metric tons. Subsequent discoveries have been made including a reserve estimated at 100 million metric tons in the Luku district of Sikang Province. See also World Iron Ore Resources and their Utilization, New York, United Nations, 1950, and Report of the Subcommittee on Iron and Steel Economic Commission for Asia and the Far East, United Nations Document E/Cn.11/1 and S/Rev. 1, dated August 27, 1949.

⁵¹ Thomas, P. J. India's Basic Industries, op. cit., p. 83; and H. C. Jones, The Iron Ore Deposits of Bihar and Orissa, Geological Survey of India Memoirs, LXIII, pt. 2, 1934, p. 249-255, and Geological Survey of India. Indian Minerals, vol. VII, No. 4, October 1953, p. 208 and vol. VII, No. 2, April 1954, p. 89.



Bostick



UNION OF SOVIET SOCIALIST REPUBLICS

MONGOLIA

SINGKIANG

Urumchi

Yumen

Lanchow

TIBET

TSINGHAI

SIKANG

INDIA

NEPAL

BHUTAN

CHINA: MINERAL RESOURCES

- | | | | |
|--|------|----------------------|---------------------------------|
| | COAL | (A) ANTIMONY | (T) TUNGSTEN |
| | IRON | (B) BAUXITE | (W) WOLFRAM |
| | OIL | (C) COPPER | Major Centers of Industry, 1949 |
| | TIN | (M) MANGANESE | New Industrial Cities (Major) |

0 100 200 300 400 500 600
MILES



for steel production including manganese, nickel, tungsten, vanadium, cobalt, and the refractories. Of the nonferrous minerals and metals there is a deficiency in copper.⁵² Petroleum resources appear to be limited but their extent has not yet been clearly established. The export of tin, wolfram, and antimony from southwestern China has been important in the world's supply. The production of lead, zinc, gold, and silver has been negligible.

India's principal mineral deposits are found in the eastern States of Bihar and Orissa. This is also the center of the principal metallurgical industries. A secondary concentration is in Madhya Pradesh and Hyderabad in central India and another in Mysore in the south. While India's coal reserves are considerably less than those of China the supply of high grade iron ore is among the world's largest. India is fortunate in that the main coal deposits are in close proximity to the iron deposits eliminating the need for long and expensive transport such as is required in China.⁵³ The great bulk of India's iron ores are hematite ores having an iron content of over 60 percent. India is also well endowed with alloy metals, fluxes, and refractories essential to the iron and steel industry. She is one of the world's leading producers of manganese and has adequate reserves of chrome ore.⁵⁴

Of other important minerals, limited supplies of copper exist. Bauxite is found but the aluminum industry is not developed and production has been small. India has great quantities of lime and has supplied about three-fourths of the world's needs for mica. It is deficient in tin, lead, and zinc.

India's petroleum resources are not estimated to be great. The existing fields are in the Assam-Bengal area. Annual production is about 900 million gallons which accounts for only about 7 percent of the present domestic requirement.⁵⁵

The comparison of basic mineral resources of China and India indicates that both have sufficient reserves of coal, iron, and steel alloy and refractory metals to support heavy industry. China has the greater coal reserves but is not in a good position with respect to coking coal. India has some advantage in having large deposits of high-grade iron ore and in the proximity of coal and iron deposits. Both countries are relatively deficient in petroleum reserves. Deficiencies in the nonferrous metals appear to be negligible with the exception of the shortage of copper. Hydroelectric power (important to industrialization though not a mineral resource) was not greatly developed in either country as of the 1947-49 period but vast potentials existed in both countries.

G. INDUSTRY COMPARED

In both India and China western-type factories were introduced only near the end of the 19th century. Factory enterprise was located in the port cities and has tended to remain near the coasts making for a sharp contrast between coastal and interior economies.

⁵² Copper reserves are estimated at 1,394,370 metric tons and petroleum reserves at 778 million metric tons. China Handbook, 1950, pp. 406 and 412.

⁵³ Some analysts have considered the advantage of proximity of coal and iron to be offset by the restrictive localization of industry. See Charles H. Behre, Jr., *India's Mineral Wealth and Political Future*. Foreign Affairs, October 1943, p. 83.

⁵⁴ Chromite reserves are estimated at about 3 million tons of which 1 million is high-grade ore. Vanadium exists but reserves of molybdenum, cobalt, nickel, and other common alloys are limited. R. N. Chakranarti, *op. cit.*, p. 219. C. H. Behre, *op. cit.*, p. 86.

⁵⁵ Bhatnager, S. S. *India's Oil Potential*. Indian Minerals vol. 3, No. 4, October 1954, p. 241. See also P. J. Thomas, *India's Basic Industries*, *op. cit.*, p. 148.

The textile industry was first to develop followed by the manufacture of light consumer goods. As foreign trade expanded and as railroads were built shipyards and supporting workshops were established. In both countries the stage of industrial development was characterized by (1) the prevalence of village handicraft industries, (2) the predominance of processing industries engaged in treating mineral and agricultural products for export including textiles, (3) the presence of some factories producing consumer goods, and (4) the relative absence of heavy industries such as metallurgical and chemical works. In China there was a considerable growth in light industry during World War I continuing until around 1937. By the mid-1930's the bulk of industrial establishments were owned by Chinese, an exception being the textile industry in which more than half the looms and spindles were under Japanese control. Between 1937 and the end of World War II Japan controlled the greater part of China's industry.

Before the war, China's industrial development was confined largely to six areas (see map facing p. 11): (1) Southern Manchuria having iron and steel mills at Anshan and Penhsihu, the coal mine at Fushun in Liaoning and a concentration of railways, shipyards, a cement factory, chemical, and other light industries; (2) the Yangtze Delta triangle of Shanghai, Nanking, and Hangchow having two-thirds of the textile factories, powerhouses, flour mills and a variety of small industries; (3) northeastern Hopeh Province along the Peiping-Mukden Railway having the Kailan coal mine, the large cement factory at Tangshan, the glass factory at Chinwangtao, the port center of Tientsin and numerous factories for processing agricultural products; (4) eastern Shantung with the port of Tsingtao, coal mining and iron industries and cotton textile mills; (5) the inland triangle, comprising Hankow in Hupeh, and Pinghsiang and Changsha in Hunan, having China's largest iron and steel works (other than in Manchuria) at Hanyehping, some textile mills and refineries for nonferrous metals; and (6) the Pearl River Delta from Canton to Hongkong having light industries. During World War II there was some industrial development in China's southwest and northwest.⁵⁶

The principal center of heavy industry in Manchuria had largely been developed by the Japanese after 1931. In 1945, however, many of the Manchurian industrial installations were dismantled by the Soviet Union and removed to the U. S. S. R.⁵⁷ In addition, China's industrial establishment was weakened by war damage and deterioration both during World War II and as result of the civil war continuing until 1949. China's wartime damage (excluding Manchuria) was reported as about 90 percent of productive capacity of the machine and light-metal industries and 70 percent of the productive capacity of the coal, electric power, and steel industries.⁵⁸

At its peak China's modern industry probably employed about 3 million workers and produced about 10 percent of the national output.⁵⁹

As with China, the development of India's industries was accelerated as result of restrictions on imports during World War I. Between the wars the iron and steel, cotton, sugar, paper, and cement industries

⁵⁶ Fong, H. D. *The Postwar Industrialization of China*. National Planning Association, Washington D. C. 1942.

⁵⁷ Pauley, Edwin W. *Report on Japanese Assets in Manchuria to the President of the United States*, July 1946.

⁵⁸ U. N., ECAFE, *Economic Survey of Asia and the Far East, 1947*. Shanghai, 1948. P. 79.

⁵⁹ Rostow, W. W., *The Prospects for Communist China*, op. cit., p. 223.

were expanded. Large war orders during World War II provided a further boon to industrial development. In addition to the expansion of existing indigenous industries, armaments and munitions were produced in quantity. A shipbuilding industry was begun and advances were made in the production of chemicals.⁶⁰

India's jute industry was centered in Bengal, the cotton mills in Bombay and the iron and steel industry in Jamshedpur (see map facing p. 11). Mining and associated light metal industries were in Orissa, Bihar, and Bengal. Sugar processing was centered in Uttar Pradesh and Bihar. In the environs of Bombay, Calcutta and other principal ports there were work shops and installations essential to the support of these shipping and transportation centers. A variety of small factories producing consumer goods were also located in the port areas.

At the peak of India's wartime production (1944), it was reported that for seven important industries (iron and steel, cotton, jute, sugar, cement, paper, and glass) there were 887 factories employing 1,110,407 workers.⁶¹

Industrial development in both India and China had been uneven, largely unplanned and had tended to be restricted to safe and easy forms of investment. In neither country was the development commensurate with the size of the country, its population and its natural resources. In assaying the industrial development of China as of 1949, W. W. Rostow places it on a par with that of postwar India and with Japan in 1920-25, Russia in 1913 and the United States in 1870.⁶²

H. PRODUCTION COMPARED

The relative position of China and India just prior to the launching of their economic development programs is reflected in the following:⁶³

	Year	Unit	China	India ²
Wheat.....	1947-48	1,000 metric tons.....	23,647	4,821
Rice (paddy).....	1947-48	do.....	46,507	28,590
Millet ¹	1947	do.....	8,364	9,347
Matze ¹	1947	do.....	7,607	2,235
Barley ¹	1947	do.....	7,901	2,435
Soybean ¹	1947	do.....	4,689	-----
Cotton (ginned).....	1948	do.....	498	739
Wool.....	1948-49	do.....	-----	26
Natural rubber.....	1948	do.....	-----	16
Sugar.....	1947-48	do.....	345	1,202
Coal.....	1947	do.....	19,487	30,556
Crude petroleum.....	1947	do.....	63	308
Iron ore.....	1943	do.....	1,363	1,727
Do.....	1946	do.....	12	1,565
Pig iron and ferroalloys.....	1947	do.....	36	1,547
Steel ¹	1947	do.....	44	1,224
Cement.....	1947	do.....	726	2,048
Electric power.....	1948	Million kilowatt-hours.....	-----	4,534
Do ⁴	1947	do.....	3,652	3,585
Cotton cloth ⁴	-----	Million meters.....	769	3,464
Cotton yarn ⁴	-----	1,000 metric tons.....	384	587

¹ U. N. ECAFE, Economic Survey of Asia and the Far East, 1947, Shanghai, 1948.

² Excluding Manchuria and Formosa.

³ U. N. ECAFE, Economic Survey of Asia and the Far East, 1947, places India's petroleum production at 334,000 metric tons.

⁴ U. N. ECAFE, Economic Survey of Asia and the Far East, 1947, Shanghai, 1948.

⁶⁰ See Chatterjee, R. Indian Economics. N. Chatterjee & Co., Ltd., Calcutta 1947; Vakil, C. M., and S. C. Bose, Growth of Trade and Industry in Modern India. Longmans Green, Toronto, 1931; Bannerjer, P., A Study of Indian Economics. Macmillan, London, 1940.

⁶¹ U. N. ECAFE, Economic Survey of Asia, op. cit., 1946, p. 96.

⁶² The comparisons were made in terms of estimated aggregate net industrial product. W. W. Rostow, The Prospects for Communist China, op. cit., p. 230.

⁶³ Unless otherwise indicated statistics are taken from United Nations Statistical Yearbook, 1948.

III. ECONOMIC PLANNING: INDIA

The Indian Planning Commission was created in March 1950, with Prime Minister Jawaharlal Nehru as its chairman. The commission, assisted by the Government departments and its own technical staff, undertook to assess the material, capital, and human resources of the country; to formulate a plan for the most effective and balanced utilization of India's resources; to fix priorities, and to determine the nature of machinery necessary to implement the plan.⁶⁴ A draft plan completed in July 1951 was circulated in the Indian States for the purpose of securing "the widest possible public discussion." Views on the draft plan were expressed by the state governments and by organizations representing industries, commerce, labor, and agriculture. Many educational institutions set up seminars of teachers and students to study and comment on the plan. Within the districts and municipalities local government officials examined the plan in relation to their local problems. On the basis of these recommendations the 5-year plan which was finally adopted set more ambitious goals than had been envisaged in the draft outline. Total outlay for the period 1951-56 was increased from 14,930 million rupees to 20,690 million rupees (equivalent to \$3,135 million to \$4,345 million⁶⁵). Although this increased outlay was spread over all the major fields of development, the percentage increase was greatest for agriculture and community-development programs and for the expansion of industry. While the draft plan had dealt separately with those programs which would be undertaken only if foreign aid was received, this distinction was not incorporated in the final plan.

A. INDIA'S APPROACH TO PLANNING

Throughout the development of the 5-year plan, democratic objectives and procedures were stressed. The plan itself emphasizes democratic control.

The Government resolution outlining the scope of the work of the planning commission stated the general context in which planning was to be undertaken and set forth the underlying political and economic premises.

The constitution of India has guaranteed certain fundamental rights to the citizens of India and enunciated certain directive principles of state policy, in particular, that the state shall strive to promote the welfare of the people by securing and protecting as effectively as it may a social order in which justice, social, economic, and political, shall inform all the institutions of the national life, and shall direct its policy toward securing, among other things:

1. That the citizens, men and women equally, have the right to an adequate means of livelihood;
2. That the ownership and control of the material resources of the community are so distributed as best to subserve the common good; and
3. That the operation of the economic system does not result in the concentration of wealth and means of production to the common detriment.

Having regard to these rights and in furtherance of these principles as well as of the declared objective of the Government to promote a rapid rise in the standard of living of the people by efficient exploitation of the resources of the country,

⁶⁴ Government of India, Ministry of Information and Broadcasting. The 5-year plan, a short introduction, New Delhi, 1951. During World War II prior to independence, an ambitious plan had been developed known as the Bombay plan. Almost immediately following independence preliminary economic planning was undertaken by the various ministries.

⁶⁵ Rs. 4.75 equals \$1.00; 1 rupee equals about 21 cents.

increasing production, and offering opportunities to all for employment in the service of the community.⁶⁶

Upon completion of the draft plan, the planning commission referred its plan to the people. The commission said:

Planning in a democratic state is a social process in which, in some part, every citizen should have the opportunity to participate. To set the patterns of future development is a task of such magnitude and significance that it should embody the impact of public opinion and the needs of the community. We have, therefore, felt it necessary, before presenting our proposals in complete detail, to offer a draft outline of the plan. The draft is intended to be a document for the widest possible public discussion. We hope to have further consultation with the central ministries, state governments and our own advisory board and panels, and also to obtain the views of members of Parliament before we finalize the plan.⁶⁷

The draft outline set forth in broad terms India's goals.

The last half-century has witnessed a widening of social ideals. The economic system is now expected to provide, in increasing measure, freedom from want and insecurity, not to a few but to all * * *. Firstly, there is a greater awareness of an insistence on certain basic values. Economic progress is, therefore, interpreted to mean much more than the building up of an efficient apparatus for production of material goods; it means also the provision of social services, the widening of opportunities for the common man and social equality and justice. Such all-around progress cannot be attained without planning.⁶⁸

The present Ambassador of India to the United States, Mr. G. L. Mehta, who previously served as a member of the planning commission, has summarized India's approach to planning:

Our aim, therefore, is to plan for the fullest utilization of our resources—natural, technical, human—within the framework of the democratic constitution. We desire to build up an economic and social order which combines initiative and enterprise while ensuring social justice and security.⁶⁹

Commenting upon the fact that state planning is often associated with a totalitarian regime in which control resides with an all-powerful central authority, the commission has stated:

Planning in a democratic setup implies the minimum use of compulsion or coercion for bringing about realignment of productive forces. The resources available to the public sector have, at this stage, to be utilized for investment along new lines rather than in acquisition of existing productive capacity. Public ownership of the means of production may be necessary in certain cases; public regulation and control in certain others. The private sector has, however, to continue to play an important part in production as well as in distribution. Planning under present conditions, thus means, in practice, an economy guided and directed by the state and operated partly through direct state action and partly through private initiative and effort.

In making a distinction between revolution and fast evolution, the planning commission sets forth as a basic premise—

* * * that society can develop as an integral whole and that the position which particular classes occupy at any given time—a product of various historical forces for which no individual or class as such can be held responsible—can be altered without reliance on class hatreds or the use of violence. The need is to secure that the change is effected quickly and it is the positive duty of the state to promote this through all the measures at its command.

⁶⁶ Government of India, Planning Commission, *The First Five Year Plan. A Draft Outline*. New Delhi, 1951.

⁶⁷ Government of India, Planning Commission. *The First Five Year Plan. A Summary*. New Delhi, December 1952.

⁶⁸ Government of India, Planning Commission. *The First Year Plan. A draft outline*. New Delhi, 1951.

⁶⁹ An address at the Waldorf Astoria, New York City, October 22, 1952.

And finally, the comments of the planning commission on reconciling the need for urgent action with popular consent and participation may be noted:

The techniques for planning link up directly with the basic approach that a community decides to adopt for the realization of its objectives. The approach to be adopted in India has been defined in the directive principles of state policy laid down in the constitution. Democratic planning, it must be admitted, presents special difficulties. Democratic processes are complex, and the conflicting pulls from different political parties are apt to generate frictions and to slow down the pace of change. And, yet, it is only through democratic processes and methods that a vigorous creative political life is possible. For democratic planning to succeed, it will have to energize the entire community and to place before it a goal of endeavor which will call forth all its latent creative urges. The crucial factor here is leadership, not merely leadership at the top but at all levels.⁷⁰

B. INDIA'S FIRST 5-YEAR PLAN

At the time of its adoption the 5-year plan provided for a total outlay of Rs.20,690 million (US\$4,345 million) for development by public authorities over the period 1951-56. This expenditure was distributed as follows:⁷¹

	Millions of rupees	Percent
Agriculture and community development.....	3,610	17.5
Irrigation.....	1,680	8.1
Multipurpose irrigation and power projects.....	2,660	12.9
Power.....	1,270	6.1
Transport and communications.....	4,970	24.0
Industry.....	1,730	8.4
Social services.....	3,400	16.4
Rehabilitation.....	850	4.1
Miscellaneous.....	520	2.5

During the period of the first 5-year plan, the target figure for aggregate development expenditures in the public sector was increased from Rs.20,690 million to a total of Rs.23,210 million. Of this total outlay, approximately 60 percent was for capital investments owned by the central or state governments. The remaining 40 percent was to add productive equipment to the private sector, maintain and expand social services and provide incentives for community development.

In its broad features, the plan envisaged that the national income would be increased from Rs.90 billion in 1950-51 to Rs.100 billion in 1955-56, an increase of about 11 percent. About 20 percent of the annual increase in national income would go to capital formation. By the end of the 5-year period, the rate of investment would have risen from 5 percent to 6.75 percent of the national income. Domestic investible surpluses would be raised from the level of Rs.450 million in 1950-51 to Rs.675 million in 1955-56. The volume of exports would increase 30 percent during the period. These increases were recognized as a modest beginning in comparison with the rate of investment and capital formation in some other countries. Though admittedly inadequate, these objectives were adopted as the most feasible rate of development which could be attained "without im-

⁷⁰ Government of India, Planning Commission, *The First Five-Year Plan, A Summary*, New Delhi, 1952.

⁷¹ Unless otherwise indicated, the facts contained in this summary of the 5-year plan are taken from the following publications of the Indian Planning Commission: *The First Five Year Plan, a Summary*, 1952; *the Progress of the Plan*, January 1954; and *Five Year Plan, Progress Report for 1953-54*, September 1954.

posing on the people excessive privation and subjecting the whole economy to dangerous strain.”⁷² The plan recognized that rapid and spectacular progress could not be made in the initial period, but, it treated the first 5-year program as basic to support a sustained advance. Development schemes which had previously been inaugurated by the central and state governments were incorporated in the overall plans. The plan provided for nondiscrimination toward foreign capital, reasonable facilities for repatriation of profits, and fair compensation in the event of nationalization.

The scheme adopted for financing the plan envisaged financing from the following sources:

	<i>Millions of rupees</i>
1. Savings from the current revenues of the central and state governments (including railways) after meeting nondevelopment expenditure.....	7, 380
2. Internal loans, small savings, etc., to be raised by the central and state governments.....	5, 200
3. Deficit financing against the release of sterling balances.....	2, 900
4. External assistance committed, as of 1951.....	1, 560
5. Further external assistance or alternatively additional internal taxation, borrowing or larger deficit financing.....	3, 650
Total.....	20, 690

In apportioning capital among the various sectors of the economy, the Indian Government gave high priority to agricultural production and rural community development. Programs in all sectors represented a concerted effort to bring change and growth to the static rural life of about 70 percent of India's population. The plan assumed that Government expenditure would be supplemented by private initiative and investment which would generate an economic dynamism not susceptible of measurement solely in terms of production targets. For this reason production targets, though indicated for the various sectors, appear to have been given less emphasis than the intangible goals.

External assistance

At the time the plan was first drafted, the financing scheme estimated that Rs.1,560 million (equivalent to US\$327.6 million) would be secured through external assistance in the form of grants and loans. By the end of 1954, external assistance had been increased to Rs.2,420 million (equivalent to US\$508.2 million) representing about 12 percent of the total estimated expenditure. As of the end of 1954, 14.9 percent of the total outlay had been financed through external assistance.⁷³

Since the end of 1954, agreements have been reached on additional loans. In February 1955, India and the Soviet Union concluded an agreement for Soviet material and technical assistance in the erection of a steel mill. This loan will amount to 434 million rupees payable in 12 annual installments with interest at 2½ percent on the unpaid balance. In March 1955, the International Bank for Reconstruction and Development approved a loan of \$10 million for the newly organized Industrial Credit and Investment Corporation of India, Ltd. Including preplan loans, this was the seventh International Bank loan

⁷² Government of India, Planning Commission, First Five Year Plan, Peoples edition, New Delhi, 1953

p. 16.

⁷³ Five Year Plan, Progress Report for 1953-54, pp. 13, 25.

to India bringing the total principal to \$126 million (Rs. 6,048 million).⁷⁴ Also during 1955, negotiations with Great Britain were in progress in connection with a loan and technical assistance for the construction of an additional steel mill.

In presenting the budget to Parliament February 29, 1956, Finance Minister C. D. Deshmukh said that the total aid authorized to date from all sources was of the order of Rs3 billion of which Rs2 billion were expected to be utilized by the end of March 1956.⁷⁵

The source and extent of external assistance as of the end of 1955 are shown in the following table:

India: External assistance

(Million rupees)

Loans:	<i>Amount authorized</i>
U. S. Government (wheat loan)-----	904
U. S. S. R. Government (Bhilai steel mill)-----	434
International Bank:	
Balance preplan loans-----	71
Steel project-----	150
Damodar Valley project-----	50
Bombay electric power project-----	78
Industrial Credit Corporation-----	48
Grants:	
U. S. Government-----	1, 420
Colombo plan (from Canada, Australia, New Zealand)-----	450
Ford Foundation-----	24
Norwegian Government-----	3
Total loans and grants-----	3, 632

Sources: Government of India, Five Year Plan, Progress Report for 1953-54; U. S. Foreign Operations Administration, Mutual Security Program: Fiscal Year 1955-56. Indigram, March 8, 1956.

United States aid under the technical cooperation program, during the first 2 years, placed emphasis upon assistance in increasing food supply and improving health standards. Since then the emphasis increasingly has been placed upon speeding up industrialization. United States technicians have worked with Indian officials and specialists in India, and Indian leaders and technicians have been brought to the United States for training. The United States has assisted in the community development program, in the drilling of deep tube wells and in the multipurpose hydroelectric and irrigation projects. Steel has been provided in support of industrial development projects, for the manufacture of farm implements, and for fabricating railway rolling stock. Fertilizer is being provided to meet the needs until new factories are completed. Railway locomotives and freight cars have been provided. Other projects have been undertaken to control malaria, to improve educational standards, and to improve sanitation and public health facilities. Total obligations for the period including fiscal years 1951 through 1956 amount to \$358.4 million. The expenditure estimated for fiscal year 1955-56 is \$85 million.⁷⁶

⁷⁴ The IBRD loans made prior to the first 5-year plan were for railway rehabilitation (August 1949), agricultural machinery (September 1949) and electric power development (April 1950). International Bank for Reconstruction and Development, Fifth Annual Report, 1949-50, and Indigram December 24, 1954.

⁷⁵ Indigram, March 2, 1956, p. 6. Information Service of India, Washington, D. C.

⁷⁶ For summary of United States economic assistance to India see: FOA, Mutual Security Program: Fiscal year 1955, 1956; India, the FOA Program in FOA. Monthly operations report, January 31, 1954; Foreign Service Despatch, American Embassy, New Delhi, No. 793, dated January 21, 1955.

The Commonwealth Countries, through the Colombo plan, have made a total of \$70 million of supplies and equipment available to India. Both Australia and Canada have provided wheat and flour with agreement that counterpart funds be applied to various economic development programs. Additional direct grants have been made for agricultural development, the multipurpose water and power projects, the provision of railway locomotives, trucks and buses, and the provision of equipment for a variety of new industries. New Zealand has aided in financing the All-India Medical Institute and other public-health projects rather than by contributing capital goods. All three countries have provided technicians and have scholarship programs for technical training of Indian students.⁷⁷ The United Kingdom has provided technical assistance and has aided economic development through the release of sterling balances.

The Norwegian Government is providing equipment, technical assistance and scholarships for Indian students in connection with programs for expanding fishing fleets.

The United Nations and its specialized agencies also are extending assistance under the U. N. expanded program of technical assistance.

Of the assistance provided by private organizations the most extensive program is that of the Ford Foundation. Over a period of 3 years the foundation has granted a total of \$8,265,735 for assistance in rural development, education, public administration research and training and cultural exchange.⁷⁸

C. DEVELOPMENT PROGRAMS

The objectives of the major development programs and progress made toward attaining the objectives are summarized.⁷⁹

Agriculture

Approximately 44 percent of the total planned expenditure in the first 5-year plan was allocated to agriculture (including the community development program) and power development. The plan set goals for an increase of 7.6 million tons in food grain production.⁸⁰ In setting these goals the planning commission cautioned that unpredictable seasonal variations might alter the average production by as much as 10 percent. In the achievement of this increase the construction of irrigation works would account for 3.8 million tons, land reclamation 1.5 million tons and improved fertilization and seeds 1.2 million tons. Related measures to increase agricultural production included the application of scientific methods to horticulture, dairying and fisheries. Agricultural diversification and soil conservation measures were also projected.

These goals were exceeded. During 1955 food-grain production totaled 65.8 million tons, or 4.2 million tons more than the plan target. Deducting for increases due to favorable weather conditions, it was

⁷⁷ The Colombo Plan, Current Affairs for the Canadian Forces, September 1, 1954; and the Colombo Plan, Progress Report by the Consultative Committee, Karachi, March 1952, and FOA mutual security program, fiscal 1955-56.

⁷⁸ The Ford Foundation in India. The Eastern Economist, February 18, 1955, p. 243.

⁷⁹ Summary of accomplishments is based on the Government of India Planning Commission progress report for 1953-54 and progress report for April-September 1954. Op. cit. and United States Embassy New Delhi Foreign Service Despatch 722 dated January 5, 1956, and 1955-56 issues of the March of India, India-gram and ISI Feature Service releases, the Embassy of India, Washington, D. C.

⁸⁰ This was composed of increases of 4 million tons of rice, 2 million tons of wheat, 1 million tons of grams and pulses and 0.5 million tons of millet. Cotton production would be increased 42 percent, jute 63 percent, sugarcane 12 percent and oil seeds 8 percent.

estimated at the end of 1955 that by March 1956 the adjusted increase in food-grain production would be around 8 million tons as against the plan target of 7.6 million tons. As a result of increased food production, food imports were reduced from 4.7 million tons in 1950-51 to 0.77 million tons in 1954-55. The production of cotton increased from 2.9 million bales to 4.3 million bales; jute from 2 million to over 3 million bales.

Making the increase in food production possible was (1) the land-reclamation program, (2) expansion of the irrigated area through the river-development and deep tube-well programs, (3) the increased production of fertilizers, (4) the community-development program, (5) the intensive effort of the "grow more food" campaign coupled with improved seeds and practices, and (6) the expanded agriculture extension services.

By the end of 1955, 806,000 acres of land had been reclaimed by the central government. It was reported that 7 million acres had been brought under irrigation through the multipurpose schemes and 10 million acres through minor irrigation schemes. The 17 million acres which were added brought the total irrigated area to 68 million acres. During the period 5,600 deep tube wells were drilled.

Community development

Perhaps the most ambitious aspect of India's 5-year plans is the community development program which is expected to bring what amounts to a social revolution to 500,000 villages. Under the program, villages are divided into blocks of about 100 villages and 50,000 people to each block. Since the program affects the activities of most Government departments, a Central Community Projects Administration has been created as a coordinating agency. In each state there is a development commissioner to coordinate activities within the state. In administrative areas within the states the program is coordinated by the collectors of internal revenue. A project area consisting of three development blocks is under a project administrator who supervises the village workers. The village workers in turn maintain a direct contact with the villagers. In 1953, the Government organized another agency, the National Extension Service, to organize the expansion of the program to new blocks.

It was expected that by the end of 1956, about 120,000 villages with one-quarter of India's rural population would be affected by this integrated program. Here again the goal was exceeded. As of February 1956 there were 1,140 community project blocks throughout India comprising 124,957 villages with a total population of 81.1 million persons.

Earlier figures show that by the end of 1954, 167,000 demonstrations had been held; over 2 million head of cattle had been vaccinated; 383 breeding centers established; 14,693 acres of land had been brought under fruits and 28,799 acres under vegetables. Under this program improved seeds, fertilizers, agricultural implements, water pumps and other agricultural supplies had been distributed. Drinking water wells were constructed on a vast scale and many measures taken to improve rural sanitation. By September 1955, 895,000 acres of land had been reclaimed in community development blocks. Thirty thousand adult education centers were functioning and about 605,000 adults had received training. A total of 12,000 new schools and 5,727 recreation

centers had been opened in development areas. New roads built by villagers totaled 28,631 miles.

Forty-three training centers have given 18-month courses in basic agriculture and related subjects to over 4,000 village workers who in turn are educating villagers. Other training centers train village workers in public health and social education. Among the specific projects which are being undertaken in the villages are the construction of minor irrigation works, land reclamation, the promotion of improved cultivation techniques and seed selection, the improvement of livestock strains, road construction, vocational and technical training, the expansion and improvement of primary and secondary education, housing construction and measures to improve health. The plan estimated that the minor irrigation works and tube-well projects would bring an additional 11 million acres under irrigation. Final figures are not available, but by March 1954 (the end of the third year of the 5-year plan) 4.2 million acres had been put under cultivation by these means.⁸¹ The community development irrigation projects depend greatly on local voluntary labor and are intended to yield quick results.

Since the tube-well program began in July 1953, 1,700 deep wells have been drilled of the 2,000 originally planned. Under a second program commenced in November 1954, 291 tube-wells have been drilled of 650 scheduled for completion by January 1956. Of those completed, pumps have been installed in 1,515. In addition to these two projects under the Indo-American technical assistance program, the Indian Government is drilling 700 deep wells as part of a campaign known as the grow-more-food program.⁸²

In the area of public health the primary objectives have been to improve environmental health through protection of water supply, proper disposal of human and animal wastes and other measures to control epidemic diseases. Under the technical cooperation agreement the United States is aiding the community-development program, particularly in the construction of deep tube-wells and in providing fertilizer and iron and steel for agricultural implements. The Ford Foundation is also providing financial and technical assistance to this program.

A special community project has been undertaken with the assistance of Norway for the development of a fishing community in Travancore-Cochin. In a project area of some 10 square miles having a population of 12,000 (and a fishing fleet of 400 vessels), an attempt is being made to develop fish production further and to improve the standard of living and health conditions.

Multi-purpose river valley projects

Viewed against a background of periodic famine in India resulting in part from lack of water storage facilities, the multi-purpose river valley projects are a dramatic element of the 5-year plan. It was estimated that by 1956, these projects would bring an additional 8.5 million acres under irrigation and would add 1.1 million kilowatts of additional electric power capacity. Several of the projects were commenced prior to the adoption of the plan and few will be entirely completed by 1956.

⁸¹ The Economist (London), India, Progress and Plan, January 22, 1955, p. 13.

⁸² The Indragram, July 1, 1955.

Where possible, priority has been given to developing the irrigation rather than the power provisions of the plans for each project. As of March 1955, the larger irrigation schemes had brought an estimated 4.9 million acres under irrigation. It was reported at the end of 1955 that during the period of the first plan the total installed capacity for electric power had increased from 2.3 million to 3.6 million kilowatts, an increase of 1.3 million kilowatts compared with the goal of 1.1 million.

Some of the more important projects are:⁸³

Bhakra-Nagal project.—Located on the Sutlej River in the Punjab, this project, which is scheduled for completion in 1958–59, will bring nearly 4 million acres under irrigation and will generate 400,000 kilowatts of power for the cities of northern India including New Delhi. One of the two canal systems, consisting of 677 miles of main canals, was opened in July 1954, and large tracts of arid land in the Punjab and Pepsu are now receiving water. One of two powerhouses has been completed, and is supplying 48,000 kilowatts. The other powerhouse is expected to be commissioned by the middle of 1956. A total of 1,245 miles of transmission lines have been erected.

Damodar Valley project.—This is a comprehensive river-valley-development project on the Damodar River and its tributaries—a principal river system which lies south of the Ganges River and serves the area to the northwest of Calcutta. It envisages land reclamation, irrigation, soil and forest conservation, resettlement, and industrial development. The plan calls for a total of eight dams with an aggregate water storage capacity of 2,440,000 acre-feet and an installed power generating capacity of about 124,000 kilowatts. An additional 150,000 kilowatts will be supplied by a thermal generating plant. A diversion barrage and canal system will irrigate 1,300,000 acres in West Bengal and will also provide an all-water transportation route between Calcutta and the Raniganj coalfields about 120 miles inland.

The Damodar Valley Corp. has been created as a public agency to build and operate the project, and the International Bank has made two loans totaling \$38 million for construction.

The thermal generating plant and one of the hydro plants were commissioned in 1953. A second dam was completed late in 1955, and a third is nearing completion. The project is already providing power and irrigation to areas in Bihar and West Bengal.

Hirakud project.—This is one of three projects (the others to be built later) for the development of the Mahanadi Valley on the eastern side of peninsular India south of the Damodar Valley. The project is designed to control floods in the delta area of the valley, irrigate 1.9 million acres of land, and provide power generating capacity of 200,000 kilowatts. Work on the main dam is expected to be completed ahead of schedule in August 1956. This dam, which is 3 miles long and which will provide storage for 6.75 million acre-feet of water, will supply power for a new steel mill to be built at Rourekela, for an aluminum factory, and other industries. The project also includes a subsidiary dam and power channel, canals, dikes, bridges, a cement factory, and thermal power station. A coastal port is ultimately to be constructed.

⁸³ Summaries are based primarily on reports of the Planning Commission; *The Progress of the Plan*, a short survey of the working of the 5-year plan from April 1951, to September 1953, and 5-year plan, progress report for 1953–54. A summary of the multipurpose projects to March 1954 is in *British Information Services, Central Office of Information, Economic Development in South and Southeast Asia, some important projects*, bulletin No. R 2826 dated March 30, 1954.

INDIA PRINCIPAL RIVER DEVELOPMENT PROJECTS



Tungabhadra project.—The Tungabhadra masonry dam, 160 feet high and nearly 8,000 feet long, was completed across the Tungabhadra River in southern India in 1955 and is providing irrigation to 820,000 acres in States of Hyderabad, Andhra, and Mysore. It will also generate 45,000 kilowatts of electric power. The project, built with Australian assistance, includes 342 miles of main canals.

Ghataprabha project.—As the first phase of a longer-range project to develop the Ghataprabha Valley south of Bombay, a 44-mile canal providing seasonal irrigation to about 100,000 acres will be completed in 1956.

Nagarjunasagar project.—Construction of this river valley project in south India began in December 1955. Upon completion, it will have a storage capacity of 9.3 million acre-feet of water, will provide irrigation for 3.2 million acres of land, and will generate 75,000 kilowatts of power.

Mayurakshi project.—This project envisages the construction of a system of diversion barrages, weirs, storage dams, and canals on five rivers in west Bengal. It will irrigate 600,000 acres. There will be a generating station having an installed capacity of 4,000 kilowatts. Canada is assisting in this project in the amount of \$3 million plus Indian counterpart funds resulting from wheat grants amounting to \$10 million.

Land reclamation

The first 5-year plan set a goal of 1.5 million acres of land to be reclaimed by the Central Government and 4 million acres by state governments by 1956. This included forested lands, deserts, and land infested by the deep-growing Kans weed. The Central Government's reclamation operations are conducted by the Central Tractor Organization which employs some 279 heavy tractors. There are 1,268 state-owned tractors employed in the 6 major states engaged in land reclamation. By the end of 1955, 895,000 acres had been reclaimed by the Central Government. The state government programs are behind schedule. As a first step toward developing the Rajasthan desert a research station has been established at Jodhpur and a pilot scheme has been initiated for the improvement of land use and creation of vegetation belts.

Land reform

The first Five Year Plan stated that—

the land policy should be such as will reduce disparities in wealth and income, eliminate exploitation, provide security for tenant and worker, and finally, promise equality of status and opportunity to different sections of rural population.⁸⁴

It was proposed that all states take a land census and enact remedial legislation in accord with broad principles laid down by the Central Government. The Government of India has established a Central Committee for Land Reform to evaluate land-reform programs and to investigate land problems. While the measures taken by the state governments vary in detail, the following is representative of the remedial action:

1. The abolition of the system of intermediary landlords (Zamindars, Jagirdars, and Inamdars) is accepted policy by all state governments. Although only five states have actually abolished landlordism, most of the large estates have been taken over. Intermediary landlords

⁸⁴ Op. cit., Five Year Plan, summary p. 49.

are being paid compensation in the form of bonds and have been allowed to retain their home-farm lands. Tenants have been granted security of tenure although access to title to the land and method of purchase varies between states.

2. In most states, security of tenure has been extended in the form of guaranteeing occupancy rights to tenants combined with provisions for purchase. Land price is fixed as a multiple of rental value and various schemes for payment in installments are in effect.

3. In most states legislation has been enacted scaling rents down to one-fourth or one-fifth of the gross crop produced.

4. A few states have implemented the Planning Commission's recommendation to set limits on future acquisitions of land.

Accompanying the official action, a private voluntary movement known as Bhoodan (land gift) has gained momentum. This movement which peaceably seeks to persuade owners of large estates to give up their holdings has already collected enough land for about three-quarters of a million families.⁸⁵

Industry

Although the first 5-year plan gave more urgent priority to the development of agriculture, industrial development was recognized as basic to the long-range problem of raising the standard of living. The second 5-year plan calls for steel capacity of 6 million tons by 1961. As of early 1956, the following projects existed for meeting the goals of both the first and second 5-year plans:

	<i>Increased capacity (tons)</i>
Tata Iron & Steel Co., capacity being increased from 750,000 tons to 931,000 tons-----	181, 000
Indian Iron & Steel Co., capacity being increased from 225,000 tons to 624,000 tons with help of International Bank loan of \$31.5 million--	399, 000
Hindustan Steel, Ltd., new plant being built for Indian Government at Rourkela in State of Orissa by West German firm of Krupp & Demag. Initial capacity, 500,000 tons, designed for ultimate expansion to 1 million tons ¹ -----	1, 000, 000
Indo-Soviet agreement of 1954 calling for Soviet assistance in building a 1 million-ton plant in Bhilai region of Madhya Pradesh ² -----	1, 000, 000
Durgapur (West Bengal) plant to be built with British aid-----	1, 000, 000
Total increased capacity now provided for-----	3, 580, 000

¹ Indigram, September 27, 1954 and Business Week, October 2, 1954, p. 150.

² For account of this steel mill agreement see U. S. Senate, Committee on Foreign Relations, Subcommittee on Technical Assistance Programs, Soviet Technical Assistance in Non-Communist Asia, June 10, 1955, p. 12.

In general, industrialization progress is on schedule.⁸⁶ The index of industrial production, based on 1949, rose to 146.6 in 1954 and to 159 in 1955, an increase of 11 percent in 1 year and of 59 percent over 6 years. By way of comparison, the index of industrial production in the United States, based on the 1947-49 average, stood at 125 in 1954 and at 139 in 1955. The greatest increases in manufacturing capacity made between 1951 and 1954 were ammonium sulfate (441 percent), bicycles (265 percent), sheet glass (256 percent), diesel engines (189 percent), rayon filament (180 percent), and cables and wire (156 percent). Cotton textile production reached an all-time

⁸⁵ The Economist, London, January 22, 1955, p. 14.

⁸⁶ For summary evaluations of industrialization progress see U. N. Economic Commission for Asia and the Far East. Economic Survey of Asia and the Far East, 1954, Bangkok 1955, p. 120 and the Economist (London) The Plan in Action 1951-54. January 22, 1955, p. 14.

high of 5,045 million yards in 1955—in excess of the 1956 target. Production of vegetable oils likewise exceeded the target. It has been noted, however, that total capital formation has amounted to only about 9 percent of the national income, leaving over half of the original estimate (20 percent) still to be invested. Steel expansion has amounted to only 14.9 percent, electric power 42 percent, and railway locomotives 55 percent of the planned goal. The more important industrial programs are summarized:

Iron and steel

In 1950-51, India produced 1,570,000 tons of pig iron and 980,000 tons of finished steel. The goal for 1955-56 was a production of 1,950,000 tons of pig iron and 1,280,000 tons of finished steel. In 1955, steel production amounted to 1,263,782 tons, and in March 1956 India's first steel-tube plant was commissioned at Jamshedpur.

As distinct from production, the first 5-year plan foresaw an increase in installed capacity from 1,015,000 tons of finished steel in 1951 to 1,650,000 tons in 1957-58. Most programs in progress will take longer than the 5-year period for completion.

Goals and accomplishments in other major industrial fields are summarized below:

Aluminum.—Goal: Increase in installed capacity from 4,000 tons to 20,000 tons a year. Accomplishment: Expansion of 2 plants, completed in 1954, added 10,000 tons. A new 10,000-ton capacity smelter at Sambalpur (Orissa) is scheduled to commence production in 1956.

Textiles—Cotton.—Goal: Increase in existing cotton-textile mills from 10.9 million spindles in 1951 to 11.3 million by 1956, plus 50,000 additional spindles to be added through expansion of the industry. Accomplishment: By January 1954, total spindles had increased to 11.64 million.

Goal: Annual production of 4,700 million yards of mill cloth by 1956. Accomplishment: 4,906 million yards produced in 1953-54 and 5,045 million yards in 1955. Hand-loom cloth production increased from 742 million yards in 1950-51 to 1,200 million yards in 1953-54. The consumption of Indian cotton in the industry increased from 2.7 million bales in 1951 to 3.7 million bales in 1953.

Jute.—Goal: No increase in rated capacity, but an increase in production from 892,000 tons to 1,200,000 tons by 1956. Accomplishment: 15 mills modernized, but production short of target figure largely due to declining foreign market demand.

Rayon.—Installed capacity for producing rayon filament, increased from 4 million pounds per annum in 1951 to 11.2 million pounds in 1954. Expected to be 26.4 million pounds by 1956, exceeding target estimate.

Wool.—52,000 additional spindles are being installed to increase production from 18 million pounds to 25 million pounds by 1956. In 1953-54, 19.6 million pounds were produced.

Petroleum refineries.—The Standard Vacuum Oil Company of New York, under contract with the Indian Government, in July 1954 completed construction of a refinery in Bombay having a capacity for treating 1.2 million tons of crude petroleum annually. The Burmah-Shell group of London is also constructing a refinery in Bombay having a capacity of 2 million tons a year. This refinery is scheduled for completion in 1956. Under the agreement the Burmah-

Shell group is providing the capital investment but will train and employ Indian nationals throughout. The Caltex Company of New York is building a refinery of 500,000 ton annual capacity at Visakhapatnam. The total production target for 1955-56 is 403 million gallons of refined petroleum.⁸⁷

Fertilizer.—Goal: Increase in production of ammonium sulfate from 46,500 tons in 1951 to 450,000 tons in 1956, and of superphosphate from 58,100 tons to 180,000 tons. Accomplishment: Sindri Fertilizer Factory, completed in November 1951, produced more than 320,000 tons of ammonium sulfate in 1955. In August 1954, coke ovens were completed at Sindri with a daily capacity of 600 tons, enough to meet requirements of coke for manufacture of ammonium sulfate.⁸⁸

Cement.—Goal: Increase in production from 2,690,000 tons in 1950-51 to 4,500,000 in 1956.⁸⁹ Accomplishment: 1953-54 production was 4,020,000 tons; 3 new cement factories commissioned; 2 others are near completion, making a total of 26 in India. Expansion and modernization programs affecting seven existing plants have been completed.

Power alcohol.—Goal: Increase in production from 4.7 million gallons in 1951 to 18 million gallons by 1956. Accomplishment: 10.5 million gallons produced in 1955. Rated capacity, which amounted to 14.9 million gallons in 1951, being increased by 6.3 million gallons. Additional expansion under consideration.

Other industrial developments.—Production increases have occurred in machine tools (new state-owned factory completed, with technical assistance from a Swiss firm, in 1954), agricultural implements and machinery, automobiles (from 14,462 in 1954 to 22,528 in 1955), diesel engines (from 8,654 in 1954 to 10,193 in 1955), sewing machines (100,000 in 1955, an increase of 20 percent), typewriters, penicillin and other pharmaceuticals, motorcycles, textile machinery, precision instruments, newsprint, porcelain and ceramics, and many other fields.

Transport and communications

The program for transport and communications development emphasized rehabilitation of railways. In 1954 the target for locomotives was raised from 1,038 to 2,062. Of these 727 would be constructed in India, 1,335 procured from abroad. The new Chittaranjan Locomotive Factory exceeded its 5-year target of 268 units by producing its 320th locomotive by the end of 1955. The Tata Locomotive & Engineering Co. produced 62 locomotives during the first 3 years.⁹⁰ Production of railway cars increased from 3,707 in 1951-52 to 6,892 in 1953-54. A railway coach factory at Perambur commenced production in October 1955. The factory, which is the largest of its kind in Asia, will reach full production of 350 coaches per year in 1960.⁹¹ In addition, by the beginning of 1955, 14 new railway lines had been opened and 11 dismantled lines restored. A total of 1,863 miles of track had been laid or renewed.

In the program for shipping development there has been slow progress in adding overseas tonnage. The plan proposed an increase of

⁸⁷ The First Five Year Plan, p. 91.

⁸⁸ Indigram, December 1, 1954.

⁸⁹ Indigram, December 6, 1954.

⁹⁰ Five Year Plan, Progress Report for 1953-54, and Progress Report for April-September 1954.

⁹¹ Indigram, October 4, 1955.

70,000 gross registered tons bringing total tonnage to 600,000 by 1956. By the end of 1955, 24,260 gross registered tons had been added. By the end of the third year only 12 percent of the amount estimated for development of the four major ports had been expended. A new port is being developed at Kandla, and port and shipyard improvements have been undertaken at Calcutta, Bombay, Madras and Cochin. The plan provides for expansion of civil aviation, postal facilities, and for the construction and repair of roads and bridges.

The original target calling for a production of 25,000 telephones and 20,000 exchange lines per annum was raised to 60,000 and 40,000 respectively. Present production exceeds the original target figure.

Social services and employment

The 5-year plan extended beyond economic development in its provisions for social services. In the field of public health an expenditure of Rs990 million (US\$207.9 million) was planned for improved sanitation, malaria and tuberculosis control, preventive health in rural areas, maternity and child care, self-sufficiency in drug production, health education and population control. Health-education programs aimed at an 11 percent increase in the number of doctors and a 36 percent increase in the number of nurses. An expenditure of Rs1,510 million (US\$317.1 million) was estimated for educational programs, covering an expansion of facilities ranging from preschool to university levels. Estimates for housing development totaled about Rs490 million (US\$102.9 million). The measures envisaged in the area of social welfare included social-work training, women and child-welfare programs, correctional administration, programs for the development of backward frontier areas and for the resettlement of displaced persons.

As of the beginning of 1955 the 125 malaria control units had treated 10.6 million persons with antimalaria drugs and 63 million had been protected. During the first 4 years of the plan 65 million persons were examined for tuberculosis and over 12 million had been vaccinated. In addition to the 1,790 maternal and child health centers a central training center in maternal and child health was opened. During the period 20 hospitals, 152 urban dispensaries, 209 rural dispensaries and 4,792 hospital beds were added. Advances were made in enlarging the corps of doctors, nurses, and public health personnel. Among measures taken to expand the facilities for higher medical education was the establishment of the All India Medical Institute.

By 1955 more than 20,000 new primary schools and 5,700 new secondary schools had been opened. Progress was also reported in schemes for expanding technical and vocational education; literacy programs; higher scientific education and research and social education. As of the end of 1955 over 34,000 housing units had been built under the Government subsidized industrial housing scheme. Progress also was reported in land reform, the expansion of social-security benefits, the stabilization of wages and the improvements of industrial working conditions.

Summary

India's total financial outlay in the public sector as of the end of 1954-55 was Rs13 billion (equivalent to US\$2.73 billion). The amount budgeted for 1955-56 was Rs7.1 billion (US\$1,491 million). This would bring total expenditure by the central and state governments to Rs21.1 billion (US\$4,431 million) as against Rs23.2 billion

(US\$4,872 million) originally estimated in the plan. Total external aid received from April 1951 to March 1956 amounted to about Rs3 billion (US\$630 million) or one-seventh of the total outlay.

India's national income (in 1948-49 prices) increased from Rs88.5 billion (US\$18.6 billion) in 1950-51 to Rs99.5 billion (US\$20.9 billion) in 1953-54. Per capita income had reportedly reached a level of Rs261 (US\$54.81) in 1952-53 which was the plan target for 1955-56. As of March 1955 it was estimated that with allowances made for favorable monsoons the real increase in national income by March 1956 would be about 15 percent.

By way of comparison, it may be noted that in the United States, real per capita disposable income (i. e., income less taxes in terms of constant prices) increased 7.7 percent between 1950 and 1955.

D. INDIA'S SECOND FIVE-YEAR PLAN

The second 5-year plan covers the period from April 1956 through March 1961. The draft plan or frame for a plan known as the Mahalanobis plan has been under consideration since April 1955. Actually, the various ministries and the planning commission have been working on segments of the second plan throughout the period of the first plan. The planning process for the second plan has been slightly altered from that followed previously. Advisory councils of representatives of various segments of industry, agriculture, and commerce have been created. A shift of greater responsibility has been made to localities for the detailed planning of local programs and there has been greater centralization of responsibility at the center for national programs.

During the planning process, the plan was revised upward several times. As of early March 1956, it was reported to call for total expenditures of Rs.71.5 billion (equivalent to US\$15 billion). Of this amount, Rs.48 billion (US\$10.1 billion) would be in the public sector, compared with Rs.21.1 billion spent in this sector in the first 5-year plan, and Rs.23.5 billion (US\$4.9 billion) would be in the private sector.⁹²

The plan calls for the national income to increase at the rate of 5 percent a year (as compared to 2 percent under the first 5-year plan). This would represent an increase in real per capita income of 19 percent during the period based on a 7-percent increase in population. To implement this primary objective of raising the standard of living through an increase in the national income, the plan envisions a more rapid industrialization, particularly in the development of heavy industries. Investment in industry and mining would account for 25 percent of the total planned expenditure. (Of the balance, 17.1 percent is for agriculture and community development; 8.9 percent for power; 16.1 percent for transport and communications; 24 percent for construction; and 8.9 percent miscellaneous.) Production of consumer goods would be increased by 20 percent and producer goods by 150 to 175 percent. Of the total amount allocated for industrial

⁹² U. S. Department of Commerce, *Foreign Commerce Weekly*, March 5, 1956, p. 4, see also *The Mahalanobis Plan*; the *Eastern Economist*, April 22, 1955, p. 651; the *Economist* (London) September 17, 1955, p. 934, July 30, 1955, p. 400; the *Times* (London) September 3, 1955, p. 5; *Christian Science Monitor*, May 23, 1955, sec. II, October 11, 1955, p. 12; *New York Times*, September 2, 1955, p. 5; United States President, Report to Congress on the Mutual Security Program for the 6 months ended June 30, 1955, Washington U. S. Government Printing Office 1955, p. 21; U. S. Foreign Service Despatch, American Embassy, New Delhi, No. 793, dated January 21, 1955, No. 861, dated February 10, 1955, No. 1127, dated April 19, 1955; Indragram, February 11, 1954, May 12, 1954, September 3, 1954, November 15, 1954, January 17, 1955, July 27, 1955, October 7, 1955; Balogh T., *India's Second Five Year Plan, a critical appraisal*. *The Banker* (London) August 1955, pp. 111-118. *The Eastern Economist*, July 29, 1955, and August 12, 1955.

investment, 30.4 percent (Rs.4.2 billion—US\$882 million) is for increasing iron and steel production capacity, and 10.7 percent (Rs.1.5 billion—US\$315 million) for heavy machinery. Steel production is to be increased from 1.5 million tons to 6 million tons by 1961. Cement production would be increased from 4.5 million tons to about 10 million tons. Noteworthy is the allocation of 21.4 percent (Rs.3 billion—US\$630 million) of the industrial investment for consumer goods factories and small-scale industries.

It is foreseen that overall agricultural output would be increased by 20 percent with an increase of 15 percent in the production of food grains.

Under the second 5-year plan there would be a shift from the construction of large-scale river development projects to smaller irrigation works. Present power projects would be continued and further development of transportation facilities, particularly railroads, would be undertaken. The community development program would be continued. A goal of 11 million new jobs to be created by 1961 has since been considered overly optimistic by some officials of the Indian Government.

Although the final financing scheme had not been announced as of March 1956, it was anticipated that Government receipts from taxes, railroad profits, and savings would be Rs.24 billion (US\$5 billion), or precisely half of the planned public outlay. Deficit financing of Rs.12 billion (US\$2.5 billion) was projected, along with anticipated foreign assistance from all sources of Rs.8 billion (US\$1.7 billion). This would leave a gap of Rs.4 billion (US\$840 million).⁹³ To meet at least a portion of this deficit, a proposal is under consideration for increasing taxation from the present scale of 7 percent of the national income to 9 percent.⁹⁴

IV. ECONOMIC PLANNING: CHINA

Economic planning in Communist China was prescribed in the Common Program enunciated by the Chinese Peoples Consultative Conference in September 1949.⁹⁵ Article 33 of this document provided that the Central Government—

shall as early as possible draw up a general plan for rehabilitating and developing the branches of public and private economy of the entire country, determine the division of work and cooperation between the central and local government in economic construction and carry out unified coordination of the mutual relations between the economic departments of the central and local governments.⁹⁶

Prior to the end of 1952, only limited planning was undertaken. This was conducted by the planning board of the Committee on Financial and Economic Affairs and by the various Government ministries and economic agencies. In January 1952, "Tentative regulations governing capital construction" were issued.⁹⁷ These defined the procedure for planning and defined the role and relationships of

⁹³ Foreign Commerce Weekly, Mar. 5, 1956, p. 4.

⁹⁴ The financial plan was based on the formula that capital formation would increase from 5.9 percent of national income in 1955-56 to 11 percent in 1960-61. Assuming that 30 percent of the increment were saved the resources for economic development would be Rs.56 billion. Discussion now hinges on the reality of the estimate that 30 percent could be saved. See India's Marginal Rate of Capital Formation, the Eastern Economist, August 5, 1955, and Financing the Second Plan, The Eastern Economist, August 12, 1955.

⁹⁵ For a detailed study see Ronald Hsia, Economic Planning in Communist China. New York, International Secretariat, Institute of Pacific Relations, 1955.

⁹⁶ Chung-Yang Tsai-Ching Cheng-tse Fa-ling hui-pien (Compendium of laws and regulations regarding financial and economic policies of the Central Peoples Government) Peking Series I, 1950, p. 4, quoted in Ronald Hsia op. cit.

⁹⁷ Text of document in Chieh-fang jih-pao (Emancipation Daily) Shanghai, January 19, 1953.

the central planning agency and the decentralized planning units. The period until the end of 1952 was referred to as the reconstruction period. By the end of this period it was reported that the state had obtained control over 80 percent of the heavy industry and 55 percent of total industrial output. At this point preparations were made for longer range planning.

During the last half of 1952, six new ministries were created to administer the 5-year plan which was announced but not made public at the end of 1952.⁹⁸ A State Planning Commission was also created to supervise planning and the execution of the plan. Special departments for capital construction were established within the existing Government ministries and economic agencies. Although the first 5-year plan was put into operation in 1953, during 1953 and 1954 numerous changes were made in the original plan targets. The work of making the plan was completed in February 1955. Immediately prior to its final approval and publication there was evidence of an internal political struggle which resulted in a down-scaling of some targets. It was finally approved by the national conference of the Communist Party of China in March 1955 and by the State Council in July 1955.

A. CHINA'S FIRST 5-YEAR PLAN

China's first 5-year plan covers the period 1953-57 inclusive. It provides for a total outlay during the period of 76,640 million yuan.⁹⁹ This would be equivalent to US\$32.6 billion.¹ Of this total expenditure, 42,740 million yuan (US\$18.1 billion) or 55.8 percent is for investment in capital construction. The remaining 33,900 million yuan (US\$14,425 million) or 44.2 percent is to be allocated for activities in support of capital construction. These include engineering, surveying, stockpiling, the development of industrial production, transport, and posts and communications. It also would include the capital required for current operations of the various economic cultural and educational departments including the training of specialized personnel.

The distribution plan allocates the total outlay as follows:²

	Total outlay billions (yuan)	Percent of total	For capital construction billions (yuan)	Percent of capital con- struction outlay
Industrial departments.....	31.32	40.0	24.85	58.2
Agriculture.....	6.10	8.0	3.26	7.6
Transport posts and communications.....	8.99	11.7	8.21	19.2
Trade and stockpiling.....	2.16	2.8	1.28	3.0
Cultural education, health.....	14.27	18.6	3.08	7.2
Urban public utilities.....	2.12	2.8	1.60	3.7
Circulating capital.....	6.90	9.0		
Large-scale repair.....	3.60	4.7		
Other.....	1.18	1.5	.46	1.1
Total.....	76.64	100	42.74	100

⁹⁸ The ministries of First Machine Building, Second Machine Building, Building Construction, Geology, Food, and Higher Education. In addition, the Ministry of Foreign Trade and the Ministry of Commerce.

⁹⁹ The First Five-Year Plan of the Peoples Republic of China for the Development of the National Economy: 1953-57. Peking, Peoples Publishers and Li Fu-chun, Report on the First Five-Year Plan for Development of the National Economy, supplement to "Peoples China," August 16, 1955.

¹ Dollar equivalent calculations are based on the exchange rate of 2.355 yuan to the dollar. This is midway between the 1953 buying and selling rate. First Five-Year Plan of the Peoples Republic of China for the Development of National Economy: 1953-57, Peking, Peoples Publishers, August 1955 (translation and summary, U. S. Consulate General, Hong Kong, Foreign Service Despatch 387, 1955, and Li Fu-chun, Report on the First Five-Year Plan, supplement to Peoples China, August 16, 1955.

² Ibid.

The main effort under the plan is centered on industrial construction. This is because, in the words of Wang Kuang-wei, Secretary General of the State Planning Commission—

the continued growth of the national economy can be assured only if priority is given to development of heavy industry. Only this can bring about a steady rise in the material well-being of the people and their cultural growth.³

Of the total investment in industrial capital construction (24.85 billion yuan plus 1.77 billion yuan to be provided for agencies other than the Central Government Ministries, equivalent to US\$11.2 billion) 88.8 percent will go to heavy industry and 11.2 percent to light industry producing consumer goods.

This is even greater emphasis than the Soviet Union put on heavy industry during its first 5-year plan. Reportedly, the Soviet ratio was 85.9 percent in industries manufacturing means of production to 14.1 percent in consumer goods industries.⁴

This has been explained on grounds that (1) systematic planning of light industry can only follow development of heavy industry, (2) existing light industry still has many latent possibilities, (3) considerable quantities can still be supplied by existing handicraft industries, and (4) agricultural production must be further raised before an adequate supply of raw materials for new light industries is assured.⁵

The lack of emphasis upon agricultural development (7.6 percent of the total expenditure) has been justified by the Chairman of the Planning Commission in that "agriculture cannot yet be extensively mechanized and it is not yet possible to undertake bigger projects in water conservancy and forestry in this 5-year period on a large scale."⁶

No overall plan for financing over the entire 5-year period has been promulgated. Rather, the financial plan is contained in the annual state budgets. The published state budget for 1955 indicates revenue as follows:⁷

	Billion yuan	Percent
Economic construction.....	14.2	47.7
Social, cultural, and educational projects.....	3.9	13.0
National defense.....	7.2	24.2
Administration.....	2.2	7.5
Loans and insurance.....	1.2	4.2
Reserves.....	1.0	3.4
Estimated surplus.....	1.4	-----
Total.....	31.1	-----

Expenditures are apportioned as follows:⁸

	Billion yuan	Percent
From taxes.....	13.7	49.2
From state enterprises.....	11.1	39.6
From credits, loans, and other sources.....	3.2	11.2
Balance from 1954.....	3.1	-----
Total.....	31.1	-----

³ Peoples China, No. 15, August 1, 1955, p. 5.

⁴ Li Fu-chun report, op. cit., p. 20.

⁵ Wang, Kuang-wei, A Great Plan. Peoples China, No. 15, August 1, 1955, p. 8.

⁶ Ibid.

⁷ Wang Ching-Chih, China's 1955 Budget, Peoples China, August 1, 1955, p. 11.

⁸ Ibid., p. 13.

The expenditure on economic construction breaks down further as follows:

	Million yuan	Percent
Industry.....	6,345	45.0
Heavy industry.....	5,660	89.2
Light industry.....	685	10.8
Agriculture, forestry, and water conservation.....	1,207	9.2
Communications and transport.....	2,129	15.1
Commercial enterprises.....	2,820	20.0
Other construction.....	1,481	10.5

Among the distinctions between the 1954 and 1955 state budgets, the expenditure on economic construction during 1955 is 14.8 percent more than in 1954. On the revenue side, receipts from private enterprises dropped from 13.3 percent of the budget income in 1954 to 10.7 percent in 1955. Revenue from state enterprises reportedly increased from 70.5 percent in 1954 to 76.2 percent in 1955.⁹

External assistance

The Sino-Soviet treaty of friendship, alliance, and mutual assistance of February 14, 1950, provided for the transfer of the Chinese Eastern Railway (Changchun Railway) to China and for the return of the naval base at Port Arthur by the end of 1952. The Soviet Union granted China credits of \$300 million to be repaid over a 5-year period. The outlay between 1950-53 has been estimated at between 60 and 100 million dollars per annum at 1 percent interest.¹⁰

In September 1953, an economic aid agreement was announced under which the Soviet Union would provide financial and technical assistance for 141 enterprises (91 new projects and 50 reconstruction projects). These were for the most part projects for development in mining, electric power, chemicals, fertilizer plants, textile plants, and producers goods industries, particularly metals and engineering. Although the total amount of aid under the agreement was not divulged, one unofficial report places it at \$1 billion over a 10-year period retroactive to 1950.¹¹ On October 12, 1954, an increase of \$100 million in the original loan was announced and further long-term credits amounting to \$130 million were provided for 15 additional industrial projects. These agreements provide that in exchange for machine tools, oil drilling equipment, tractors, petroleum products, and material for industry and transport, China will provide the Soviet Union with tungsten, molybdenum, jute, wool, lead, raw silk, leather, soybeans, rice, vegetable oils, tea, citrus fruit, and cork.

The Soviet Union has sent an estimated 15,000 technicians and military, economic, and administrative advisers to China. These have been reported as operating in the following fields: Metallurgy, coal, oil, chemicals, power, machinery, geology, telecommunications, water conservation, agriculture, education, forestry, communications, transport, public health, finance, trade, and cooperatives.

Four Sino-Soviet joint stock companies were formed in 1950 and 1951: (1) A company to extract nonferrous and rare metals in Sinki-

⁹ *Ibid.*, pp. 12-13.

¹⁰ Rostow, W. W., *Prospects for Communist China*, op. cit., p. 192. In 1953, the Soviet outlay represented only about 2½ percent of the total Chinese capital formation which approximated \$4 billion in aggregate terms.

¹¹ Schwartz, Harry, *New York Times*, October 5, 1953, quoted in W. W. Rostow, *Prospects for Communist China*, op. cit., p. 276. Rostow estimates that on this basis aid for the period 1954-59 would be \$117 million annually or about double the 1950-53 rate.

ang Province; (2) a company to extract and refine petroleum in Sinkiang; (3) a company to build and repair ships in Dairen; and (4) a company to operate a civil airline between North China and the Soviet Union.¹² By an agreement of October 12, 1954, the Soviet interest in these companies was transferred to China commencing January 1, 1955. Also on October 12, 1954, agreements were concluded for joint participation in the construction of a railway from Lanchow in China through Urumchi to Alma Ata in the Soviet Union and for the construction of a railway from Tsining, China, to Ulan Bator in Outer Mongolia, linking with the railway from Ulan Bator to the Soviet Union. On the same date an agreement was concluded on scientific and technical cooperation. This provided for the exchange of technical data and specialists.¹³ In addition to the technical assistance which the Soviet Union has provided within China, Chinese students and technicians have been trained in the Soviet Union.

The report of the State Planning Commission on the first 5-year plan¹⁴ made in July 1955, states that of the 694 major industrial construction projects, the Soviet Union was designing and supervising construction of the 156 projects which form the nucleus of China's industrial development. Soviet participation is described as "beginning with geological surveys, selecting construction sites, collecting basic data for designing, supplying equipment, directing the work of construction, installation, and getting into production, and supplying technical information on new types of products, and ending with directing manufacture of the new products."¹⁵

The 1955 official report states that economic and technical assistance is also being received from Poland, Czechoslovakia, Hungary, Rumania, and East Germany.¹⁶ These countries are supplying installations for generating electric power, for the chemical industry, mining, textile manufacture, sugar processing, and equipment for photography and printing.¹⁷

Development programs

The objectives of the major development programs and progress made toward attaining the objectives are summarized:

Industry.—The growth in industrial output was scheduled to reach an index of 198.3 by 1957 (based on 100 in 1952) or an annual average increase of 14.7 percent. Output would increase from 27 billion yuan (equivalent to US\$11.4 billion) in 1952 to 53.6 billion yuan (US\$22.8 billion) in 1957. The production of state-owned industry would increase more rapidly than that of private industry, so that between 1952 and 1957 private industrial production would decrease from 39 percent to 12.2 percent of the total.

The following increases in rated capacity for selected industrial products are projected in the plan:¹⁸

¹² For an account of the four joint stock companies see Chang Feng, *A New Kind of Economic Cooperation*, Peoples China, Feb. 16, 1955.

¹³ For agreements of October 12, 1954, see *Communique on Negotiations Between China and the Soviet Union and Other Documents*, supplement to Peoples China, Nov. 1, 1954.

¹⁴ Li Fu-chun, *Report on the First Five-Year Plan for Development of the National Economy*, Supplement to Peoples China, August 16, 1955. See also Li Che-jen, *Fraternal Aid Speeds the Five-Year Plan*, Peoples China, September 1, 1955.

¹⁵ *Ibid.*

¹⁶ Li Fu-chun, *op. cit.*, p. 47.

¹⁷ Li Che-jen, *op. cit.*, p. 3.

¹⁸ Wang, Kuang-wei, *op. cit.*, pp. 7-8.

	Ultimate increase	By end of 1st 5-year plan (1957)
Iron (annual capacity).....	5,750,000	2,800,000
Steel (annual capacity).....	6,100,000	2,530,000
Electric power (capacity).....	4,060,000	2,050,000
Coal (annual capacity).....	93,100,000	53,850,000
Metallurgical and mining machinery (annual capacity).....	190,000	70,000
Power generating equipment (annual capacity).....	190,000	800,000
Motor vehicles (annual capacity).....	90,000	30,000
Tractors (annual capacity).....	115,000	30,000
Cotton mills (spindles).....	1,890,000	1,650,000

¹ By 1959.

The plan envisages the reconstruction and expansion of existing industrial areas in northeast China; the development of 2 new industrial areas, 1 in the Inner Mongolia autonomous region and 1 around Wuhan in central China; the beginning of industrial construction in southwest China; and the establishment of conditions for further industrialization throughout other areas of the country. In the field of light industry, beginning steps would be taken to move the textile industry from coastal areas into the interior.¹⁹

The Chinese are prone to report industrial production in terms of percentages or of plants completed, and it is difficult, therefore, to make absolute measurements. The percentage increases are substantial.

During the first 2 years of China's first 5-year plan (1953 and 1954), the Communists claim that the total output value of agriculture and industry increased at the average annual rate of 11.9 percent and that the total output value of industry in 1954 had increased 53.7 percent over 1952. Other increases claimed in production capacity for important industries were reported as: Steel, 427,000 tons; electric power, 530,000 kilowatts; coal, 13 million tons; cement, 650,000 tons; cotton spindles, 700,000. Production increases during the first 2 years were reported as: Pig iron, 65 percent; steel, 65 percent; electric power, 51 percent; cement, 61 percent; and cotton piece goods by 37 percent. Reflecting the shift from private to state-owned industry, the output of state and combined state-private industries rose from 61 percent of the total in 1952 to 75.1 percent in 1954.

Capital goods accounted for 40 percent of all industrial production in 1952 and for 43.8 percent in the first 6 months of 1955.

China's investment during the first 2 years was reported as amounting to 32 percent of the total planned investment for the 5-year period. The amount of external aid utilized has not been reported. The total amount of wages paid throughout China in 1954 was reportedly 56 percent higher than in 1952 while wages of factory and office workers had increased by 14 percent. Peasants' income from agricultural production was reported to have increased 7 percent. Retail sales reportedly increased by 41.7 percent.

In the area of capital construction it was reported that 39 major projects were completed during 1954 while 67 were scheduled for completion during 1955. As of July 1955 a total of 136 major enter-

¹⁹ The First Five-Year Plan of the People's Republic of China for the Development of the National Economy: 1953-57; op cit., ch. III.

prises classified as industrial capital construction had been completed.²⁰

The State Statistical Bureau has reported many technological improvements in industry.²¹ Among these, new automatic equipment has been installed in 20.6 percent (in terms of capacity) of the power industry; cotton selecting devices and pneumatic cotton absorbers have been extensively installed in the textile industry; the proportion of mechanically cut coal went up 8.2 percent in 1954 over 1953, and numerous advanced methods have been introduced in the steel industry and in the machine-building industry. A résumé is made of the goals and developments in the major industries.

Iron and steel.—China's steel production in 1952 was reported as 1,350,000 tons. The plan calls for a production of 4,120,000 tons by 1957. It is expected that over the period of the first and second 5-year plans (by 1962) steel production will increase to about 10 million tons annually or an increase of 640 percent in 10 years. The ultimate increase in annual capacity is stated as 5,750,000 tons for pig iron and 6,100,000 tons for steel. During the 5-year period ending in 1957, annual capacity in pig-iron production would increase by 2,800,000 tons and steel capacity by 2,530,000 tons.

The plan calls for the reconstruction of the Anshan Iron & Steel Works in Manchuria during the period, the development of a new steel center at Paotow, and for expansion of the steel center at Wuhan by 1962. Paotow in the Inner Mongolian autonomous region is to become the heart of an industrial area in north central China. Wuhan is the tri-city area on the Yangtze in Hupeh Province which at present is the manufacturing and trade center and the transportation hub of central China. It is comprised of the cities of Hankow, Hanyang (where steelworks already exist), and Wuchang. The first-phase projects are to be completed at Paotow in 1962 and at Wuhan in 1961.²² In addition to the 3 major bases, 4 high-grade steel works and a number of small works will be renovated. Upon completion Anshan will produce annually 2.5 million tons of pig iron, 3.2 million tons of steel, and 2.5 million tons of rolled steel. It is estimated that Anshan alone will produce enough rolled steel to meet the needs for locomotive-building works, shipyards, and motor and tractor works throughout the first 5-year plan and the early part of the second. The output of rails will be sufficient to lay 1,800 miles of railway annually.²³ As of July 1955, 17 of the projects planned at the Anshan Iron & Steel Works reportedly had been completed. These included a heavy rolling mill, a seamless-steel-tubing mill, a sheet-steel mill, 4 automatic-blast furnaces, 8 batteries of coke ovens, an ore-dressing plant, and a sintering plant.²⁴

At Paotow the surveying has been completed and construction started on the auxiliary structures around the main site of the integrated plant, while preliminary construction has commenced at Wuhan (Tayeh). Upon completion these 2 plants are expected to increase the output of structural steel by 150 percent and steel ingots by about 300 percent over 1952.²⁵

²⁰ Chi-hsin, Chu, *The First Two Years of the Five-Year Plan*, op. cit., p. 13.

²¹ State Statistical Bureau, *communiqué*, op. cit., p. 3.

²² Wei Yi, *The Rate of China's Industrial Growth*. Peoples China, October 1, 1955, p. 15, and Li Fu-chun, *Report on the First Five-Year Plan for Development of the National Economy*, op. cit., p. 11.

²³ Kuang-wei, Wang, *A Great Plan*. Peoples China, August 1, 1955, p. 7.

²⁴ Chi-hsin, Chu, *The First Two Years of the Five-Year Plan*. Peoples China, October 1, 1955, p. 13.

²⁵ Peoples China, October 1, 1955, and September 1, 1955, and Pravda, September 28, 1953. Li Fu-chun, *Report*, op. cit., p. 12.

Heavy machinery and engineering.—In emphasizing development of the engineering industry the plan calls for the construction of 9 new major plants and for the renovation or expansion of 15 existing plants. Two heavy-machinery plants are to be built, one at Taiyuan and the other at a location as yet not disclosed. Upon completion these two plants are to have a capacity for producing annually sufficient ironsmelting, steelmaking, rolling-mill, and coke-oven equipment to equip an integrated steel works having an annual capacity of 1,600,000 tons.²⁶

In addition to the two heavy-machinery-building plants there is to be a mining-machinery plant, a petroleum-machinery plant, and a pneumatic-tools plant. In all there are 80 important projects designed to establish a foundation for China's machine-building industry. During the first 5 years primary emphasis is laid on the development of the manufacture of metallurgical equipment, electric-generating equipment, mining equipment, transportation and agricultural machinery and metal-cutting machines.

Work has been completed on the Harbin Measuring Instrument & Cutting Tools Works, the Northeast Electrical Equipment Plant at Harbin, the Shenyang Low Voltage Switch Gear Factory, and the Shenyang Pneumatic Tool Factory. Progress is reported on other machine-tool plants, a motorcar works, a factory for making tele-communications cables, and a shipyard. A tractor plant having an annual capacity of 15,000 tractors of 54 horsepower is being constructed but will not go into operation during the period.²⁷

Coal mining.—The ultimate increase in annual capacity for coal production is set at 93,100,000 tons, with an increase of 53,850,000 tons by 1957. Actual production of coal would increase from 63.5 million tons in 1952 to 113 million tons in 1957 (1.8 times). During the period 194 major construction projects are to be undertaken, and 31 new coal-mining enterprises are to be built. The annual capacity of the 5 largest enterprises are to reach the following level by 1957: (1) Fushin Mining Administration (8,450,000 tons), (2) Kailan Mining Administration (9,680,000 tons), (3) Tatung Mining Administration (6,450,000 tons), (4) Huainan Mining Administration (6,850,000 tons), and (5) Fushun Mining Administration (9,300,000 tons)²⁸—a total of 40,730,000 tons.

Textiles.—During the 5-year period 39 textile mills are to be built. The ultimate increase in cotton spindles is set at 1,890,000 spindles, of which 1,650,000 spindles are to be added by 1957. The production of cotton piece goods is expected to increase from 111,630,000 bolts in 1952 to 163,720,000 bolts in 1957. During the 5-year period construction will commence on 19 mills under the Ministry of Textile Industry and 19 mills by local enterprises or joint state-private enterprises. The principal new cotton mills are being built in Chengchow, Shihchiachuang, Peking, and Sian. With the exception of the Peking mill, all are being equipped with machinery produced in China. Machinery for the Peking mill, which will have 80,000 spindles and 3,600 looms, is being secured from East Germany.

The new flax mills, having a combined annual capacity of about 1,800 tons, went into operation early in 1955. The mills, equipped

²⁶ Li Fu-chun. Report op. cit., p. 12; and Ronald Hsia, op. cit., pp. 30-41.

²⁷ Peoples China, September 1, 1955, p. 23. Li Fu-chun. Report, op. cit., p. 13. State Statistical Bureau Communiqué, op. cit., p. 3. Li Fu-chun report, op. cit., p. 12. Ronald Hsia, op. cit., p. 41.

²⁸ Ibid. (Li Fu-chun), p. 12; and The First Five-Year Plan, op. cit., pp. 17-18.

with Soviet automatic machinery, are located at Hulan and Yacheng near Harbin.²⁹

Electric power.—The plan sets a target of an ultimate increase in annual capacity of 4,060,000 kilowatts, with an increase of 2,050,000 kilowatts by the end of the 5-year period. Production would increase from 7,260 million kilowatt-hours in 1952 to 15,900 million kilowatt-hours in 1957. During the 5-year period the plan calls for the construction of 107 major power industry construction projects. These consist of 92 powerplants and 15 power-transmission projects. Among the plants to be built during the period are 76 thermal power stations, of which 15 reportedly have a capacity of more than 50,000 kilowatts each.

A total of 16 hydroelectric projects are ultimately envisaged. During the 5-year period work will commence on the powerful hydroelectric plant at Sanmenhsia in the Sanmen Gorge. Also during the period the Fengman hydroelectric plant, China's largest existing plant, is to be renovated and automatic equipment installed with Soviet assistance. Upon completion, it will have a capacity of more than 560,000 kilowatts. In addition to the powerplants the establishment of 10 high-tension power networks is planned.

Important projects under construction or recently completed include 9 thermal powerplants, the reconstruction of 4 thermal powerplants, and 3 hydroelectric plants. New powerplants are being built in Sian, Lanchow, Tihwa, Chengchow, Taiyuan, Paotow, Chungking, Tayeh, and Tsitsihar. Existing thermal plants in Fushun, Fuhsin, Harbin, and Dairen are being renovated and expanded. The Sian plant is expected to increase power supply in the northwest by 50 percent.³⁰

An ultimate increase of 800,000 kilowatts is planned in power-generating equipment, with all projects to be completed by the end of the 5-year period. The production of generators would increase from 30,000 kilowatts in 1952 to 227,000 kilowatts in 1957. Production of electric motors would increase from 640,000 kilowatts in 1952 to 1,050,000 kilowatts in 1957.

Other industries.—The increases in annual capacity for some other industries to be accomplished by the end of the first 5-year plan have been stated as follows:³¹

Metallurgical and mining machinery: Ultimate increase in capacity 190,000 tons; by the end of the 5-year period, 70,000 tons.

Chemical fertilizers.—Ultimate increase 910,000 tons. By the end of the 5-year period, 280,000 tons. During the 5-year period, 5 nitrogen fertilizer factories to be established. The chemical factory at Dairen being equipped with Soviet machinery is reported to have a capacity for producing potash three times that of China's other chemical plants.

Cement.—Ultimate increase in capacity, 3,600,000 tons. By the end of the 5-year period, 2,360,000 tons. Production to increase from 2,860,000 tons in 1952 to 6 million tons in 1957.

²⁹ Li Fu-chun. Report, op. cit., p. 12; Ta Kung Pao Hongkong, May 11, 22, 1953, cited in Ronald Hsia op. cit., p. 42; and American Consulate General Hong Kong, economic report, May 26, 1955, p. 10. Construction was begun on the state-owned cotton mill at Shihkiang early in 1955. The mill will have 100,000 spindles; work also has commenced on a new joint public-private cotton mill having 50,000 spindles. The factory buildings for the 100,000-spindle northwest No. 4 cotton-spinning and weaving mill at Sian were completed early in 1955.

³⁰ Li Fu-chun, op. cit., p. 13; Ronald Hsia, op. cit., p. 39; and The First Five-Year Plan, op. cit. pp. 14-17.

³¹ Li Fu-chun. Report on the First Five-Year Plan for Development of the National Economy, op. cit., p. 13, and Soviet Weekly, July 9, 1953; and Ronald Hsia, op. cit., pp. 42-43.

Nonferrous Metals.—While specific goals are not stated, the redevelopment of aluminum production in Fushun and doubling the capacity of the Kochiu Tin Co. in Yunnan are reported.

Petroleum.—The target for added crude oil production capacity during the 5-year period is stated as 1,520,000 tons or an increase of 4.2 times the 1952 level. In the 5-year period crude oil production is expected to show an average annual increase of 35.8 percent while production of gasoline would show an average annual increase of 30.6 percent. There are 13 major construction projects of which 9 are to be completed during the 5-year period. Two are designed by the Soviet Union. China's efforts to increase petroleum production are centered on geological surveys and drilling in Kansu, Sinkiang, Szechuan, and Tsinghai, expansion of production in the existing Yumen and Sinkiang oil fields and increasing production of shale oil at Fushun.

Rubber.—Goals are not stated. It is reported, however, that two new plants are being built, one for the manufacture of automobile tires, the other for manufacture of other rubber products. The capacity of the two existing plants is to be doubled.

Machine-made paper.—Ultimate increase in capacity 560,000 tons. By the end of the 5-year period, 95,000 tons. Production to increase from 370,000 tons in 1952 to 650,000 tons in 1957. The two new paper mills are located in Hupeh and at Kiamusze. Twelve existing paper mills are being renovated, including the large Canton Paper Manufacturing Co.

Machine-processed sugar.—Production to increase from 249,000 tons in 1952 to 686,000 tons in 1957. A large modernized sugar factory in Kweih sien in Kwangsi Province will be capable of processing 1,500 tons of sugarcane daily. Another plant is located in Suihsi in Kwangsi and four new refineries are being built in Kwangtung Province.

Transport and communications.—Under the plan investment in transport and communications is second only to investment in industry. Of the total amount allocated for capital construction (42,740 million yuan) 19.2 percent or 8,206 million yuan (equivalent to US \$3,491 million) is earmarked for transport, ports, and communications.³² This is supplemented by a portion of the 33,900 million yuan (US\$14,426 million) allocated for activities in support of capital construction. The total amount allocated for transport alone has been stated as 7,849 million yuan (US\$3,467 million).³³ It was reported that under the 1953 budget the expenditure on development of communications and transportation increased 65 percent over that of 1952³⁴ and in 1954 was 43 percent over that of 1953.³⁵

Of the initial goal of 124,274 miles of railway announced early in 1953, 6,214 miles were to be constructed by 1957.³⁶ Low efficiency lines being rebuilt would total 430 miles.³⁷ Other targets for the

³² Li Fu-chu, Report on the First Five-Year Plan, op. cit. p. 10, and the First Five-Year Plan, op. cit. p. 30-32.

³³ Shou-tao, Wang. How China Is Modernizing Her Transport. Peoples China, September 16, 1955. Under the Sino-Soviet agreement of 1950, providing for a credit of \$300 million to China, there was included a credit for "railway and other transport equipment, rails and other material for the restoration and development of the national economy of China."

³⁴ New York Times, July 27, 1953, quoted in E. Tu Zen Sun, The Pattern of Railway Development in China, The Far Eastern Quarterly, February 1955.

³⁵ China Peoples Government State Statistical Bureau. Communiqué on National Economic Development and Fulfillment of the State Plan in 1954, September 21, 1955. Supplement to Peoples China, November 20, 1955.

³⁶ E. Tu Zen Sun, The Pattern of Railway Development in China, op. cit. p. 095; Li Chang, Railway Construction in China, The Far Eastern Survey, March 25, 1953 and Wan Shou-tao, How China Is Modernizing Her Transport, op. cit. p. 15.

³⁷ The First Five-Year Plan, op. cit. p. 31.

period are the construction of 6,200 miles of new roads, the acquisition of 400,000 metric tons of new shipping and the extension of civil airlines by 10,700 miles. By 1957 rail freight handled would be increased 101 percent, inland shipping 321 percent, coastal shipping 190 percent, motor freight 373 percent and civil air freight 231 percent over 1952. Capacity for the manufacture of motor vehicles would be increased to 30,000 vehicles annually by 1957.³⁸ By 1957 the Peking-Chengchow Railway, the railway from Shihchiachuong to Yangchuan, the railway from Chengchow to Loyang, and from Chengchow to Hankow would be double tracked.

A conspicuous element of the railway construction program is the priority being given to the economic development of China's deep interior in the northwest and southwest (see map, facing p. 1). Elsewhere the construction of new rail links is closely tied in with industrial development plans. The present rail link with the Soviet Union through Manchuria is being augmented by two new railways, one through Outer Mongolia and the other through Central Asia. One line connects with the Tientsin-Paotow line at Tsining (or Chining near Kweisui) and extends to Ulan Bator in Outer Mongolia. Here it links with the established line which forms a connection between Ulan Bator in Outer Mongolia and Ulan Ude on the Trans-Siberian Railway in the Soviet Union. By the end of 1954 track had been laid on the Chinese section of this line between Tsining and Ehlien and the entire line was reported completed in September 1955. The other projected connection with the Soviet Union will extend a distance of 1,692 miles from Lanchow in north central China westward through Sinkiang Province to connect with the Turkestan-Siberia Railway at Alma-Ata in the Soviet Union. Track on this line has been laid beyond Chiupa and is expected to reach the Yumen oilfields in 1956.³⁹ Lanchow is also the centrum for other important lines under construction or recently completed. A 680 mile line between Lanchow and Paotow will provide a rail outlet to the south for the heavy industry center of Paotow and will bring the provinces of Suiyuan, Ninghsia, and Kansu into closer economic contact with the rest of China. A line linking Lanchow with the Lunghai Railway at Tienshui was completed in September 1952.

Another important line which will link northwest and southwest China is that from Paochi on the Lunghai Railway southward to Chengtu. This is expected to be open to traffic by the end of 1956. From Chengtu one line is projected to Kunming where it will link with the Yunnan-Indochina Railway. Another line will run from Chengtu to Kweiyang via Chungking. This line will connect in Kweiyang with the Canton-Hankow Railway upon completion of the projected Hunan-Kweichow Railway. It will also connect with the line which was completed in November 1951, between Laipim and Chennankwan on the Indochina border. Elsewhere, railway lines from Litang in Kwangsi Province to Chanchiang in the Leichow Peninsula opposite Hainan Island and from Fengtai to Shacheng in Hopei Province were opened to traffic during 1955. Construction is in progress on a line from Yingtan in Kiangsi to Amoy in Fukien

³⁸ Wang, Shou-Tao, *op. cit.* p. 15, and Li Fu-chun. Report on the First Five-Year Plan for Development of the National Economy, *op. cit.* p. 16. See also Peoples China August 16, 1956, p. 24.

³⁹ In December 1955 it was reported that tracks were laid to a point of 378 miles west of Lanchow. Yumen is 180 miles further northwest. See Henry R. Lieberman, *New York Times*, December 28, 1955, p. 8.

Province and on the Peking-Chengteh line which will link Peking with the northeast. Work has started on the Yangtze River Railway and highway bridge at Wuhan which will link the Peking-Hankow Railway with the Hankow-Canton Railway. Two important highways, the Sikang-Tibet (1,400 miles) and the Chinghai-Tibet (1,300 miles) were opened to traffic during 1954.

By 1954, a total of 870 miles of railway had been laid. A total of 3,621 miles of roads were built during 1954. Targets were reported exceeded in rail freight tonnage, turnaround rate, and coastal and river shipping. Air freight increased by 31 percent over 1953 and the volume of post and telecommunications services by 9 percent.⁴⁰ Percentage increases during 1954 over 1952 have been reported as: rail freight (ton-miles) 55 percent; passenger transport (passenger miles) 45 percent; motor freight (ton-miles) 175 percent; inland and coastal shipping (ton-nautical miles) 85 percent.⁴¹

Agriculture

The comparative lack of emphasis upon agriculture under the first 5-year plan is reflected in the allocation to agriculture, water conservancy, and forestry departments of only 7.6 percent (3,260 million yuan—equivalent to US\$1,344 million) of the total outlay for capital construction. Nevertheless, under the plan, the total output value of agriculture and subsidiary rural production would increase by 23.3 percent over 1952, an average of 4.3 percent per year, to a total of 59,660 million yuan (US\$25,451 million) in 1957. Grain production in 1957 would be 192.8 million metric tons (an increase of 17.6 percent). The 1957 target for production of cotton was set at 1,635,000 metric tons (an increase of 25.4 percent); cured tobacco 390,000 metric tons (76.6 percent); jute 365,000 metric tons (19.7 percent); sugar beets 4,707 million pounds (346.4 percent), and oil-bearing seeds by 37.8 percent in sown acreage.

Actual production is behind this schedule, due at least in part to floods in the Yangtze and Huai River Valleys in 1954. The harvest in 1954 was claimed to be 3.4 percent higher than in 1952.

Although the plan calls for expansion of the area under cultivation by 6,447,000 acres by 1957, large-scale reclamation is not to be undertaken until the second 5-year plan. During the present period some 16.6 million acres of uncultivated wasteland are being surveyed and plans developed for the reclamation of 6.6 to 8.3 million acres of uncultivated land. The area of irrigated land would be extended by 6,370,000 acres during the period.

Technical improvements in agriculture include the introduction of improved implements and seeds and measures for the elimination of plant diseases and insect pests. Efforts are to be made to increase the acreage under high yield crops and double croppings to be expanded where conditions permit.⁴² Centers for instruction in scientific agriculture would be established in each district (Chu). It was reported that by 1955 instruction centers had been established in 11 percent of the districts.⁴³ Among the objectives of the plan, the incorporation

⁴⁰ Peoples Republic of China, State Statistical Bureau. Communiqué on National Economic Development and Fulfillment of the State Plan in 1954, April 21, 1955. Supplement to Peoples China, No. 20, 1955.

⁴¹ Chu Chi-hsin. The First Two Years of the Five-Year Plan. Peoples China, October 1, 1955, p. 14.

⁴² Li, Fu-chun, report op. cit., p. 14, 26-30, and Peoples China, August 1, 1955, p. 9, and The First Five Year Plan, op. cit., pp. 26-29.

⁴³ Chang, Lin-chin, A Five-Year Plan for Increasing Agricultural Output. Peoples China, September 16, 1955, p. 7.

of about one-third of China's 110 million peasant households into agricultural producers cooperatives has been described as—

A first step toward Socialist transformation of agriculture, one of tremendous significance for development of agricultural production, for restriction and gradual elimination of rich-peasant economy and the drawing of agriculture into the orbit of the state plan.⁴⁴

The plan does not set a timetable for collectivization but Communist leaders have outlined the objectives. In his report to the First National Peoples Congress, Premier Chou En-lai stated:⁴⁵

The growth of agriculture obviously falls behind the needs of the people and the state for agricultural produce. In order that agriculture may develop more quickly and in a more planned manner, we must gradually carry out the Socialist transformation of agriculture. That is, to change backward individual farming step by step to collective farming by organizing the peasants into mutual-aid teams and cooperatives on a voluntary basis.

Chou estimated that in August 1954 some 60 percent of all peasant households were members of the mutual-aid teams and that producers cooperatives (the more advanced stage of collectivization) had 100,000 members. Half of the peasant population would be members by the end of the first 5-year plan.

The Vice Premier, Teng Tzu-hui, has described the collectivization process as falling into two stages:⁴⁶ In the first agricultural producers cooperatives would be formed which are described as partial collective ownership in which the peasant invests his land as a share. He retains title to the land even though control is relinquished to central management. In the second stage there would be complete relinquishment of land to collective ownership.

Among the accomplishments claimed, it is reported that by 1954 more than 50 million acres under grain and oil-bearing crops had been sown with better strains. More than 8 million acres had been sown to high-grade cottonseed.

At the end of 1954, there were 2,400 state farms of which 97 were mechanized. A year later there were 117 mechanized state farms with 713,000 acres under cultivation. A total of more than 1,900,000 additional acres of land had been brought under cultivation. At the end of 1954, there were 89 tractor stations; at the end of 1955 there were 106. During the winter of 1954 and spring of 1955 more than 500,000 farming cooperatives were formed. It was reported in September 1955 that a total of 650,000 farming cooperatives had been formed embracing 14 percent of all peasant households. Wasteland reclaimed during 1955 totaled 1,647,000 acres; almost 3 million acres had been afforested and 2,305,800 additional acres had been brought under irrigation.⁴⁷

It was reported that as a result of the organization of farming cooperatives the average annual per capita expenditure of the rural population on consumer goods increased from 31.1 yuan (equivalent to US\$13.23) in 1952 to 42.8 yuan (US\$18.21) in 1954.

Notwithstanding the reported increases in agricultural production, as of the middle of 1953 food remained scarce with the Communist

⁴⁴ Wang, Kuang-wei, Peoples China No. 15, August 1, 1955, p. 9; see also same issue, p. 3.

⁴⁵ Chou, En-lai, report on government work (presented at the first session of the First National Peoples Congress, September 23, 1954), Peking New China News Agency, September 24, 1954.

⁴⁶ Teng, Tzu-hui. Report on the Socialist transformation of agriculture made to the First National Peoples Congress. Peking New China News Agency, September 23, 1954.

⁴⁷ Wang, Ching-chih, China's 1955 budget, Peoples China, August 1, 1955, and statistical bureau communique, September 21, 1955; and Chang Lin-chih, a Five-Year Plan for Increasing Agricultural Output, op. cit., p. 7.

government admitting that nearly 150 million peasants were short of grain in varying degrees. During 1955 grain production quotas were increased, marketing controls tightened, and the people exhorted to produce more and consume less.

River developments

Plans for river development including water conservation, flood control, irrigation projects, and the development of hydroelectric power are projected beyond the period of the first 5-year plan. As a result of the disastrous floods in 1954 an initial emphasis has been placed upon flood control. Dikes have been reinforced and raised along the middle and lower reaches of the Yangtze, Huai, and Yellow River systems. Five reservoirs on the Huai River system have been completed, another is scheduled for completion in 1956, and work is in progress on a seventh. Together, these 7 reservoirs will store an estimated 26 billion cubic yards of water.⁴⁸ During the period of the first 5-year plan, plans are to be developed for long-range projects on the Yangtze and Han Rivers. To date about 9,000 miles of the Yangtze and its tributaries including the Han River system have been surveyed.⁴⁹

The Yellow River flows for more than 2,980 miles through 7 provinces. In the past its floods have caused more damage than those of any other river in China. The multipurpose plan for controlling the Yellow River and for the development of its resources, which will begin during the period of the present plan, is expected to take 50 years for completion, but the first phase is scheduled to be finished by 1961. The plan, which was completed in 1954 with the aid of Soviet technicians, proposes to control the waterflow, remove silt, and eliminate the traditional shifting of the main channel of the Yellow River. Forty-six dams on the main river and 24 reservoirs on its tributaries will retard the flow of silt and will permit the release of water in controlled quantities for irrigation and the generation of electric power. The total area to be irrigated by the Yellow River system will be increased from 2.7 million acres to 19.1 million acres. The distance navigable by steamships will be extended to 1,115 miles. Hydroelectric power capacity will total 23 million kilowatts with annual output of electricity estimated at 110 billion kilowatt-hours. The two principal hydroelectric stations are to be located in the Liukai Gorge west of Lanchow and the Sanmen Gorge above Loyang. The flood-control project at Sanmen Gorge is scheduled for completion by 1960 and the hydropower station by 1961. It is expected that the Sanmen power station will supply all of the electricity needed by the industrial cities of Honan, Shensi, and Shansi Provinces.

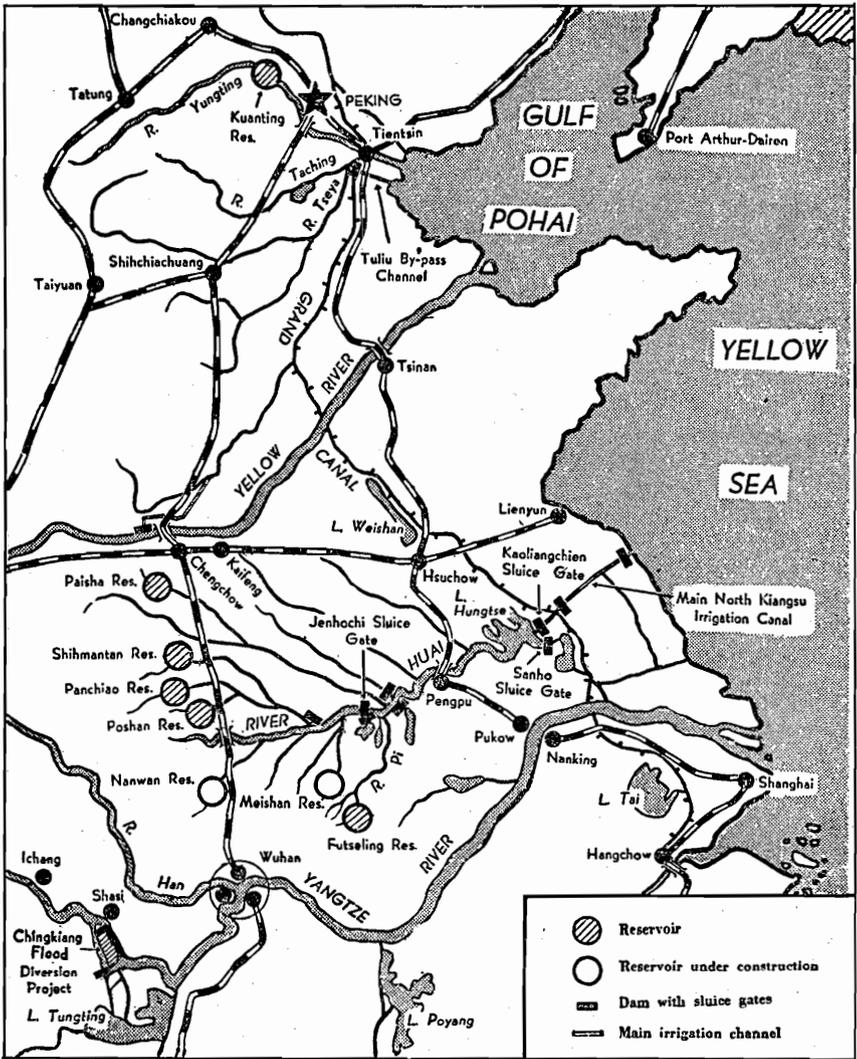
The Kuanting Reservoir, which was completed in 1954, has a water storage capacity of 2,300 million cubic meters and is expected to play an important role in preventing floods in the lower reaches of the Yungting River.⁵⁰

⁴⁸ Hung Ya. To Prevent Floods. Peoples China, September 1, 1955, p. 24, and Liao Chien. Meishan Reservoir. Peoples China, September 16, 1955, p. 19.

⁴⁹ Wang Kuong-wel: A Great Plan. Peoples China, August 1, 1955, p. 10.

⁵⁰ Teng, Tse-hui. Report on the multipurpose plan for permanently controlling the Yellow River and exploiting its water resources. Supplement to Peoples China, September 1, 1955, and Li Jui, China's Sorrow Will Be No More—The Taming and Exploiting of the Yellow River, Peoples China, August 16, 1955, p. 9, and Li Fu-Chun, report, op. cit., p. 13.

CHINA PRINCIPAL RIVER DEVELOPMENT PROJECTS



SOURCE: *People's China*, Jan. 16, 1955

Public health and education

Among the goals in the social fields the plan calls for a 77-percent increase in hospital beds and for 74 percent more doctors. In the first 2 years, there was an increase of 34 percent in hospital beds. The total hospital beds in 1954 numbered 190,000.

The plan calls for enrollment in higher educational institutions to increase 127 percent from 1952 to 1957 to a total of 434,000 students. By 1954, the increase amounted to 33 percent. Of 47,000 university graduates in that year, 33 percent were engineering students.

In secondary schools, the goal for 1957 is 724,000 senior middle students (an increase of 178 percent over 1952) and 3,983,000 junior middle students (an increase of 78.6 percent). The reported figures for 1954 are not precisely comparable. They show 608,000 students in secondary trade schools and 3,580,000 in other secondary schools. The latter figure was said to represent an increase of 22 percent over 1953.

The plan's goal for elementary schools is an enrollment of 60,230,000 by 1957, an increase of 18 percent over 1952. In 1954, elementary enrollment was 51,200,000.⁵¹ Overall, the plan contemplated that more than 70 percent of school age children will be attending school by 1957. Provision is also made for an expansion of scientific research. Twenty-three new research establishments would be added to the Academia Sinica and an additional 3,400 research staff members would be added.

During the 5-year period 4.2 million additional people would be added to employment rolls. Average wages for factory and office workers would be raised 33 percent. Funds disbursed by State enterprises for employment insurance, medical care, welfare, cultural and education facilities for their personnel would exceed 5,000 million yuan (equivalent to U. S. \$1,760 million). State housing programs for office and factory workers call for the construction of 495,144,000 square feet of housing.⁵²

B. CHINA'S SECOND 5-YEAR PLAN

No comprehensive official statements or reports have been made on China's second 5-year plan. On the basis of the long delay in announcing the first 5-year plan and the continuing changes in both the organization for planning and plan targets, unofficial pronouncement on the second 5-year plan are considered speculative at present.

V. SUMMARY COMPARISONS

A. THE INHERITED ECONOMY

A comparison of the economies of India and China at the time the two countries embarked upon their economic development programs reveals many basic likenesses. They shared large populations, high population density and the pressure of increasing population. Agriculture accounted for a high percentage of the national output. Agricultural production, however, was insufficient to meet domestic needs. Although intensive methods of cultivation were used, both

⁵¹ Statistical Bureau Communique, September 21, 1955.

⁵² Li Fu-chun, Report, op. cit., p. 17, and The First 5-Year Plan, op. cit. p. 35-38.

countries felt the need for such scientific improvements as seed selection, improved fertilizers and improved farming methods. Both recognized the need for bringing new land under cultivation and for large scale irrigation and water storage projects. In both countries the lot of the farmer was hard. The percentage of absentee land-owners was high, land rents were high, and interest rates on loans to farmers were exorbitant.

An imbalance existed between agriculture and industry. For the most part industrial development had hardly progressed beyond the stage of agricultural processing plants, light consumer goods factories and establishments along the coast identified with western trade and commerce. The outstanding exception in both countries was the comparatively advanced development of the textile industry. Some slight beginnings had been made in the development of heavy industry. In China the existing iron and steel industry had been mainly developed by Japan and was centered in Manchuria.

In both countries railway and highway communication were underdeveloped with consequent segmentation and a high degree of local self-sufficiency. Although this inadequacy of communications intensified the effects of periodic famine in isolated areas of both countries. On comparison, railway communications were much more highly developed in India than in China.

The low level of national and per capita income in both countries was evident in the prevailing poverty. There existed in both countries persistent inequalities in the distribution of wealth and income. Reflecting the state of stagnation of the economy, the rate of capital formation in both countries was extremely low.

B. BASIC RESOURCES

Not only did India and China share these many likenesses in their economic position, but at the time they embarked upon their economic development programs they had a near equal resource base for industrialization. Both possess adequate supplies of coal, iron, and alloy minerals. India has some slight advantage perhaps in having a higher grade of iron ore than does China and in having iron deposits located close to the coal deposits. There is little evidence of any distinction between the two countries in terms of such intangible factors as a national will for economic development, the degree of technical and managerial ability, or human capacity for coping with the myriad problems to be faced.

C. THE INSTITUTIONAL SETTING

Economic development in both countries is being undertaken concurrently with the development of new political and social institutions. The immediate historical background in India is that of independence from colonial status gained by peaceful means; in China, the violent overthrow of the preexisting government. The method in India has been that of evolution, while China has relied on the processes of revolution. India's political institutions reflect a synthesis of the political heritage of the western democracies while those of China represent a transitional form of Communist totalitarianism.

The diverse institutional settings of the two countries have a direct impact upon economic development. China's stated aim is state socialism involving the scheduled expansion of state ownership and reduction of private ownership in all areas of production and distribution. In agriculture the aim is to supplant private ownership through collectivization. India's stated aim is to develop the economy on the basis of private ownership but with state ownership of enterprises beyond the capacity of private industry or vested with an overriding public interest. In China, both economic planning and the execution of the plan are highly centralized. In India the Central Government assumes the leadership but relies heavily upon the states, the people and upon private industry both in planning and in operations. While both governments have taken extensive measures for the education of the people, in China the government since attaining power has utilized mass indoctrination media, mass shock treatment, mass re-education or "brainwashing," purges and mass liquidations, all of which have been on the basis of fiat, ordinance, or decree from the top down. The method in India has been through presentation of the facts, free discussion and persuasive leadership. As applied to economic development the distinction has been one of enforced decree in China compared with the patient eliciting of cooperation in India. In contrast to India the political and social philosophy of Chinese communism permits a greater disregard of the immediate welfare of the population in the interest of attaining long-range objectives. In economic development this is reflected in China's great emphasis upon the development of heavy industry to the comparative neglect of consumer goods, agriculture and community development. India's development program places a greater emphasis upon immediate benefits to the people at the sacrifice of more rapid industrialization. This basic philosophical difference is further evident in the mass requisitioning of human labor and the use of political prisoners in China for public works as compared with the use of free labor in India. This distinction makes possible the more rapid rate of industrial development envisaged by China.

In comparing economic development in the two countries, then, the differences stem not so much from the preexisting economic situation as from the sociopolitical context in which economic development has been conceived by each. This is reflected in distinctions in goals and objectives, priorities, tempo of development, and in the means by which the objectives are to be attained.

D. DISTINCTIONS IN ECONOMIC GOALS

While India is trying to achieve a balanced development, China has placed the predominant emphasis during the first 5-year plan upon industrialization. Further, India's industrialization programs are balanced as between light and heavy industries while the bulk of China's investment is in heavy industry. India is investing new capital in selected consumer goods industries while China for the time being is only modestly expanding these industries. The Indian Planning Commission is attempting to bring about a gradual but continuous rise in real per capita income or average standard of living simultaneously with the development of the industrial base. China, on the other hand, has sacrificed an immediate rise in the standard of

living in the interest of more rapidly developing heavy industry which is considered basic to later development of the consumer-goods industries.

This basic distinction between India's balanced development and China's concentration on industrial development poses difficulties in making across-the-board comparisons. For example, there is no exact counterpart in China to India's community development program with its many benefits to the rural population. Likewise in India there is no counterpart to China's organization of producers cooperatives and other measures precedent to collectivization. India has already made great advances in the large multipurpose river-development schemes while China for the most part has only conducted surveys and developed blueprints. While India has made great progress in land reclamation and irrigation China proposes to embark upon its large-scale irrigation and land-reclamation programs at a later date. China's interim effort to control floods on the Huai, Yangtze, and Yellow Rivers by reinforcing dikes does not readily lend itself to comparison with India's development of multipurpose dams and canal systems.

Among other pitfalls confronting any attempt to make precise and detailed comparisons of economic development programs are: (1) Both countries have some programs which are unique. (2) Goals are stated in different terms. (3) India's plan is reasonably firm for the 5-year period while China's plan has been undergoing constant revision. China apparently places a greater emphasis upon 1-year plans within the 5-year plan than does India. At the same time China states more goals in 10-year or even 50-year terms. (4) While both countries include development programs commenced prior to the first 5-year plan, it is difficult, particularly in the case of China, to discern from published reports and statistics that portion of the accomplishment completed during a given period. (5) Both in the stated plans and in the state budgets differences in the grouping of programs and functions make for noncomparability. (6) Those statistics which might be comparable (i. e., miles of railway track laid), often give little indication of actual accomplishment (in this instance comparison of terrain, bridges per mile, supporting developments making the achievement possible, parallel social factors such as free labor versus slave labor, wages paid, housing, health measures etc.). (7) Apart from factors affecting comparability, differences often exist in the statistical reporting of accomplishments, i. e., absolute figures as compared to percentage of a goal. Prior to 1954 China's statistics were not quoted in absolute terms but as percentages. (8) In view of China's greater population absolute achievements are placed in a different perspective when translated to a per capita figure. For the most part then, comparisons which have been made note differences in objectives and achievements rather than relative progress in comparable areas of development.

Distinctions in the broad economic objectives of the two countries are reflected in a comparison of the percentage distribution of expenditures for development among the various sectors of the economy as shown in the following table:

ECONOMIC DEVELOPMENT IN INDIA AND COMMUNIST CHINA 395

Percentage distribution of expenditures for economic development—India and China

INDIA (1951-56)	Percent	CHINA (1953-57)	Percent
Agriculture and community development.....	17.5	Agriculture.....	7.6
Irrigation.....	8.1		
Multipurpose irrigation and power projects.....	12.9		
Power.....	6.1		
Transport and communications.....	24.0	Transport, posts, and communications.....	19.2
Industry.....	8.4	Industry.....	58.2
		Urban public utilities.....	3.7
		Trade and stockpiling.....	3.0
Social services.....	16.4	Culture, education, and health...	7.2
Rehabilitation.....	4.1		
Miscellaneous.....	2.5	Other items.....	1.1

Source: India: Planning Commission, *The First Five-Year Plan, A Summary*, New Delhi, 1952. China: Li Fu-chun, *Report on the First Five-Year Plan for Development of the National Economy*. Supplement to Peoples China, August 16, 1955. NOTE.—The percentage distribution for India applies to the entire investment. The distribution for China applies only to outlay for capital construction or 55.8 percent of the total investment. The remaining 44.2 percent is to be expended for activities in support of capital construction.

E. RATE OF DEVELOPMENT COMPARED

India's total expenditure on economic development during the first 5-year plan was Rs21.1 billion or US\$4.4 billion. China's total expenditure for the 5-year period is planned at 76,640 million yuan or US\$32.6 billion.⁵³

While estimates vary with respect to the percentage of the national income invested in economic development, the ratio is higher in China than in India. The Indian Planning Commission goal was investment of 6.75 percent of the national income by the end of the first 5-year plan.⁵⁴ Indian Government figures indicate capital formation amounted to 5.9 percent of the national income in 1955-56. Other estimates of Indian investment vary from less than 3 percent⁵⁵ to 8 percent.⁵⁶

China's official reports make no mention of the ratio of investment to income. Wu and North estimate 7 percent. Rostow and associates place it at 12 percent in 1952, increasing to 20 percent in 1962. Mr. T. Bologh, a British economist who is guest lecturer at the University of Delhi, has estimated that China had surpassed an investment rate of 8 percent of the national product and should approach 12 percent during 1955.⁵⁷ While these analysts have used different bases for comparison and while there are many statistical obstacles to precise international comparison, the estimates nevertheless seem to indicate the somewhat higher rate of investment in China.

Economic analysts and commentators have concluded that this higher rate is made possible by a variety of reasons. One author states that—

⁵³ The dollar equivalent of China's expenditure is based on the exchange rate of 2.355 yuan to the dollar, a midway rate between the 1953 buying and selling rate.

⁵⁴ Planning Commission, *First Five-Year Plan*, New Delhi, 1953, p. 15.

⁵⁵ Wu, Yuan-li and Robert C. North. *China and India: Two Paths to Industrialization*. Problems of Communism, May-June, 1955, p. 13-18.

⁵⁶ W. W. Rostow, *Prospects for Communist China*, op. cit. pp. 279, 284. The figure for India relating to the share of gross investment to gross national product is quoted from Mukharjee and Ghosh, *The Pattern of Income and Expenditure in the Indian Union*, a Tentative Study, Bulletin of the International Statistical Institute, 1951.

⁵⁷ Bologh, T., *Which Way Asia, India's Way or China's?* *The Nation*, March 19, 1955, p. 237.

in the best of circumstances, India can hardly hope to equal the rate of development in China. The ruthless liquidation of the upper class; the capacity to disregard or to overcome by police action or by massive indoctrination, customs and traditions which hamper progress; an incentive mechanism which does not stop at the "sack" or promotion, all these give China immense material advantages.⁵⁸

In China the entire machinery of the state has been geared to the mobilization of economic resources. China's extensive use of prison and other forced labor as compared to India's free labor has been cited as an important factor making China's higher investment rate possible.⁵⁹ China's taxes and the many controls over production, distribution, and consumption, including rationing and enforced grain collections, have been noted. The 1955 reconversion of currency has been mentioned as a device through which the Chinese Communist government was able to enforce a higher scale of personal savings. But perhaps the most often cited explanation is that China's greater investment is made possible simply on the basis that investment in capital construction is at the expense of expanded production of consumer goods; that while the Chinese consumer is forced to submit to austerity standards, in India there has in fact been a gradual increase in per capita consumption.⁶⁰

To determine in fact the extent of the deprivations to the consumer in China would appear to be a matter of judgment in the acceptance of conflicting reports. On the one hand there are periodic reports of resistance to government decrees and enforcement measures. The downscaling of production targets in the 5-year plan as it was finally promulgated has been interpreted as a partial concession to the consumer and recognition of the dangers of enforced austerity. The numerous exhortations of party and government officials for greater production and more sacrifices have been interpreted as revealing resistance to austerity. Countering these conclusions are statements by the Chinese Communists claiming that the average annual per capita expenditure of the rural population on consumer goods increased from 31.1 yuan in 1952 to 42.8 yuan in 1954;⁶¹ that the average wages of workers and staff would be raised by 3.3 percent during 1955;⁶² that wages of government cooperative and joint state-private enterprises employees will be raised by an average of 33 percent by 1957;⁶³ that "the tremendous achievements of the state in balancing revenue and expenditure and stabilizing commodity prices had a marked influence on the rapid rehabilitation of the national economy and improvement of the people's life;"⁶⁴ and, that the total value of retail sales of commodities of all kinds will reach 40,800 million yuan in 1957, about 80 percent more than in 1952.⁶⁵

The problem for India is how to increase capital investment without sacrificing democratic processes or the small gains that have been made in the standard of living.

⁵⁸ Bologh, T., op. cit., p. 238.

⁵⁹ Wu and North, op. cit., p. 16.

⁶⁰ Wu and North, op. cit., pp. 14-15.

⁶¹ Chang Lin Chin, A Five-Year Plan for Increasing Agricultural Output, op. cit., p. 8.

⁶² Wang Ching-Chih, China's 1955 Budget, op. cit., p. 14.

⁶³ The Five-Year Plan, op. cit., ch. 9.

⁶⁴ Li Fu-chun, Report, op. cit., p. 4.

⁶⁵ Ibid., p. 16.

Comparison of production and targets for selected products, India and China

Item	Unit	India, 1950-51	India, 1953-54	India target, 1955-56	China, 1952	China, 1954	China target, 1957	Footnote, India	Footnote, China
Pig iron.....	Million tons.....	1.57	1.65	2.83	1.90	3.03	4.67	5	1, 4
Steel.....	do.....	.976	1.08	1.65	1.35	2.17	4.12	5, 6	1, 4, 2
Electric power.....	Million kilowatt-hours.....				7,260	10,800	15,900		1, 4
Do.....	Million kilowatts.....	5,688		1, 3.38				11, 12	
Coal.....	Million tons.....	34.43			63.52	81.99	112.98	10	1, 2, 4
Metalworking machines.....	Units.....	1,100		4,600		13,513		11	1
Cement.....	Million tons.....	2.69	4.02	4,800	2.86	4.73	6.00	5	1, 4
Paper.....	Thousand tons.....	114	137	200	372	480	655	5	1, 4
Petroleum.....	Million tons.....				436		2.01		4
Do.....	Million gallons.....			403				5	
Coke.....	Thousand tons.....				2,860		6,685		4
Caustic soda.....	do.....	11	25	33	79		154	5	4
Sulfate of ammonium.....	do.....	46	307	450	151		504	5	4
Locomotives.....	Units.....		83	438	20		200	5, 6	4
Passenger cars (rail).....	do.....	479	786	4,380	6		300	5, 6	4
Freight cars (rail).....	do.....	1,095	6,892	30,000	5,792		8,500	5, 6	4
Automobiles and trucks.....	do.....	16,519	12,629	30,000			4,000	5, 7	1, 2
Glass plate.....	Thousand square meters.....				21,320		40,000		4
Do.....	Tons.....	5,850	11,250	26,000				5	
Cotton yarn.....	Million bales.....				3.61	4.6	5.0		1, 1
Do.....	Million pounds.....	1,179	1,520	1,640				5	
Cotton cloth.....	Thousand bolts.....				111,634		163,721		1, 3
Do.....	Million yards.....	3,718	4,906	4,700				5, 9	
Sugar.....	Thousand tons.....	1,120	1,001	1,500	249		656	5	4
Food grains.....	Million tons.....	54.0	60.1	58.1				10, 13	
Do.....	Billion catties.....				327.93		385.62		1, 4
Cotton.....	10,000 bales.....	29.7		33.4				10	
Do.....	Billion catties.....				2.61		3.27		1, 4

¹ Capacity.

SOURCES

1. Chou En-lai, Report on Government Work to the National Peoples Congress, Sept. 23, 1954. Reported in Hsinhua News Agency, Daily News Release, Sept. 24, 1954.
2. Li Fu-chun, Report on the First Five-Year Plan for Development of the National Economy. Supplement to Peoples China, August 16, 1955.
3. 1952 and 1957 production excludes native cotton cloth produced from native cotton yarn.
4. The First Five-Year Plan of the People's Republic of China for the Development of the National Economy Peking, August 1955. (Summary, U. S. Consulate General, Hong Kong, Despatch 378, 1955.)
5. Government of India, Planning Commission Five-Year Plan. Progress Report for April-September 1954. New Delhi, 1955.
6. Steel production figure for 1950-51 excludes secondary producers.

7. Automobiles manufactured excluding those assembled in India. The Planning Commission Progress Report for 1953-54 states that production in 1951-52 was 23,576 automobiles; in 1953-54, 12,629 automobiles.
8. During 9-month period, April-December 1954, 103 locomotives and 8,455 freight cars were built.
9. Mill-made cloth only. Hand-loom cloth target for 1957 is 1,700 million yards.
10. Government of India, Planning Commission, Five-Year Plan, Progress report for 1953-54. New Delhi, 1954.
11. Planning Commission, the First Five-Year Plan, a summary, New Delhi, 1952.
12. Production target for electric power is not given. Capacity would increase from 2.3 million kilowatts in 1950 to 3.38 million kilowatts in 1956.

STAFF STUDY NO. 7

SOVIET TECHNICAL ASSISTANCE

July 12, 1956

399

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FOREWORD

In June 1955 the Subcommittee on Technical Assistance Programs of the Committee on Foreign Relations published its staff study No. 3, Soviet Technical Assistance in Non-Communist Asia. Public demand for that document far exceeded the subcommittee's expectations, and it has been out of print for several months. Further, in the 13 months since staff study No. 3 was published, Soviet technical assistance has been greatly expanded.

The subcommittee therefore has had the earlier study brought up to date, and the revision is now published as staff study No. 7, Soviet Technical Assistance.

The shortened title is significant. A year ago, I could write in the foreword to staff study No. 3 that Soviet technical assistance "has been mainly limited to Afghanistan and India, with peripheral activity in Burma and Indonesia." That is no longer the case. There has been a steady increase in Soviet activities in Asia. They have spread also to the Near East and Africa, and a beginning has been made even in Latin America. According to Secretary of State Dulles, the Soviet program is of a magnitude comparable to our own.

One cannot read the revisions made in the earlier study without being impressed with the marked increase in Soviet technical assistance activities in the last year. A year ago, for example, these activities in the Near East could be described in four paragraphs. Today, such a description requires 13 pages of manuscript.

A year ago, there were grounds for some skepticism as to precisely how much the Soviets would actually deliver. Although there remains, today, a gap between Soviet promises and Soviet performance, this gap is very much smaller than might have been anticipated. Soviet technical and economic assistance is a fact—and a fact of enormous significance to the United States and the rest of the free world.

The Soviet program continues to be characterized by loans (there is little grant aid in the Soviet scheme of things) and by emphasis on the businesslike, nonpolitical nature of the transaction.

Staff study No. 3 was based on a report prepared by Dr. Sergius Yakobson, senior specialist in Russian affairs, and J. Clement Lapp, Foreign Affairs Division, Legislative Reference Service, Library of Congress, under the direction of the subcommittee staff. The new material which has been added was prepared by Mr. Lapp.

MIKE MANSFIELD,

Chairman, Subcommittee on Technical Assistance Programs.

JULY 12, 1956.

SOVIET TECHNICAL ASSISTANCE

I. INTRODUCTION

As applied by the Soviet Union to its own activities, the term "technical assistance" means the rendering of assistance by Soviet technicians in return for compensation from a contracting government. The services of the technicians are usually supplied in connection with the assembly of equipment which the contracting government has bought from the Soviet Union.

The term "technical assistance" is also applied to the training of technicians in the U. S. S. R. for compensation from a contracting government, usually in conjunction with the sale of Soviet equipment.

The Soviet technical assistance program, therefore, is something very much different from the technical assistance program carried on by the United States.

It is not, however, irrelevant to a consideration of the problems of policy and operations involved in the United States activities. In their scope and character, Soviet technical assistance activities reflect Soviet economic and political foreign policy and serve as a guide to Soviet efforts to bring additional nations into the Soviet economic and political orbit. There is also evidence to suggest that these activities have been inspired, in part, by Soviet concern over the impact of United States and United Nations technical assistance programs.

It is impossible to estimate with any accuracy the cost of what even the Soviets themselves refer to as "technical assistance." The amount of bilateral Soviet assistance in the American understanding of the term is zero. And under the Soviet definition, technical assistance is so much a part of a business transaction that one cannot, with any assurance, segregate an amount.

An incomplete compilation by the Department of Commerce of Soviet credits to non-Soviet bloc countries shows specific items totaling \$436.6 million. (See table, p. 402.) These are, of course, economic development loans and are, therefore, very much broader than "technical assistance" in its strict sense. Secretary of State Dulles has estimated Soviet economic and technical assistance projects to free countries at approximately \$600 million. Unconfirmed reports of additional offers would push the total beyond \$1 billion.¹

¹ U. S. Congress, Senate, Mutual Security Act of 1956. Hearings before the Committee on Foreign Relations, p. 32 and p. 60.

Foreign grants and credits of the U. S. S. R. to non-Soviet bloc countries

Commodity and country	Date of agreement	Amount	Interest rate	Duration	Brief description
A. Grants: None.					
B. Credits:					
1. Afghanistan:		Millions	Percent	Years	
(a) Grainelevators, flour-milling and baking plants.	Jan. 27, 1954	\$3.5	3	5	Credit to cover Soviet equipment and services of technicians.
(b) Oil storage tanks.	July 1954	1.0	-----	-----	Credit to cover Soviet equipment and services of technicians.
(c) Asphalt plant and paving project.	Oct. 5, 1954	2.1	-----	-----	Credit to cover Soviet equipment and services of technicians.
(d) Economic Development loan.	Jan. 28, 1956	100.0	2	30	Credit to finance several economic projects.
2. India:					
(a) Steel mill project.	Feb. 2, 1955 ¹	115.0	2.5	12	Credit to pay for Soviet equipment and technicians.
(b) Industrial diamond mining project.	June 19, 1956	10.0	-----	-----	Soviet machinery to be supplied on credit to owners.
(c) Plant for files and rasps.	Oct. 24, 1955	-----	-----	-----	Contract with private firm for Soviet equipment.
3. Finland:					
(a) Gold (or free exchange loan).	Feb. 7, 1954	10.0	-----	-----	
(b) Gold (or free exchange loan).	Jan. 1955	10.0	-----	-----	
4. Yugoslavia:					
(a) Fertilizer production project.	Jan. 13, 1956	110.0	2	10	Soviet equipment on credit for 2 plants, 1 power station.
(b) Raw materials credit.	Feb. 2, 1956	54.0	-----	² 10	Short-term credit to cover Soviet shipment of industrial material.
(c) Gold (or free exchange) loan.	-----do-----	30.0	2	10	For use during 1956-58, repaid in 10 years, beginning Jan. 1, 1959.
(d) Atomic energy reactor.	Jan. 28, 1956	-----	-----	-----	
5. Burma:					
(a) Technological Institute.	Dec. 6, 1955	-----	-----	-----	Soviet assistance in construction to be paid in rice.
(b) Hospital, theater, sports stadium.	Apr. 1, 1956	-----	-----	-----	Soviet assistance in construction to be paid in rice.
(c) Broad program of technical assistance.	Dec. 6, 1955	-----	-----	-----	Announced in general terms; agreement still to come.
6. Egypt:					
(a) Laboratory nuclear physics.	Feb. 10, 1956	-----	-----	-----	Covers Soviet equipment and exchange of technical personnel.
7. United Nations Technical Assistance Program.	-----	1.0	-----	1	Annual Soviet contribution since July 1953.
8. Other reported offers of aid made to:					
Indonesia, Pakistan					
Egypt					
Syria, Saudi Arabia					
Lebanon, Sudan,					
Ceylon					
Liberia					
Yemen					
Cambodia					

¹ Indian Government accepted Soviet project study on Mar. 8, 1956.² Goods to be delivered during 1956-58.

Source: From the files of the U. S. Department of Commerce.

It is the purpose of this study to examine the Soviet technical assistance activities in non-Communist states, to describe the Soviet organization for administration of these activities, and to attempt to fit these activities into the larger context of Soviet policy. Soviet

participation in the United Nations technical assistance programs is also treated.

The study does not deal with technical or economic assistance, or other activities related to economic development, in the Soviet captive states of Eastern Europe, in Communist China, North Vietnam, North Korea, or Tibet. The U. S. S. R. has extended large credits to other members of the Soviet bloc, including Poland, Czechoslovakia, Hungary, Communist China, and North Korea. On balance, however, so far as Eastern Europe is concerned, the net flow of capital has probably been from the captives to the U. S. S. R. Indeed, some of the Eastern European captives, notably Czechoslovakia and the Soviet Zone of Germany, were no doubt at a higher level of economic development than the Soviet Union itself at the time they fell within the Soviet grasp. In regard to Communist China, Soviet assistance has been dealt with in this subcommittee's staff study No. 6, *Economic Development in India and Communist China*. (See, especially, pp. 379-380.)

It is known that the Chinese Communists themselves are carrying on reconstruction work in North Korea and North Vietnam. They have also engaged in roadbuilding in Tibet. It is not clear how much of this has been done with an eye to economic development and how much with an eye to military operations.

II. BACKGROUND

Soviet offers of technical assistance to non-Communist states have been a comparatively recent development and must be viewed in the light of an evolving Soviet trade policy which became most pronounced after the death of Stalin but which appears to have been going on in fact for some time previously.

The old Soviet conception was that exports were justified solely by the need to pay for a minimum of imports required for the fulfillment of planned domestic goals. In 1940, the Soviet Ministry of Foreign Trade voiced official approval of the fact that whereas the Soviet Union ranked 2d among the nations of the world with respect to industrial production, it stood 19th with respect to foreign trade.²

This conception was first challenged in 1948 by the prominent Soviet economist, V. E. Motylev. He agreed that internal economic requirements make a certain level of imports necessary, and that these have to be covered by exports; but he insisted that it is also true that specific foreign policy objectives may dictate additional exports. In line with the political objectives of the U. S. S. R., he asserted, Soviet foreign trade is—

a means of developing and strengthening friendly ties and close collaboration with a number of countries, and a means of facilitating their development in directions which correspond both to the interests of those countries and to the interests of the Soviet Union.³

² Leon M. Herman: "The New Soviet Posture in World Trade," in *Problems of Communism*, November-December 1954, p. 9.

³ Sergius Yakobson: "Soviet Concept of Point Four," *The Annals of the American Academy of Political and Social Science*, March 1950, p. 134.

The current official Soviet view is that foreign trade is both an "organic part of the Socialist economic system" and an "integral element of the Soviet foreign policy."⁴

This change has been interpreted as a shift from military to economic pressure in the Soviet's anti-Western campaign.⁵ The new tactics, involving a limited employment of technical aid, particularly for propagandistic purposes, have gradually come into focus together with increased reliance on the peace offensive, economic pressure, and the trade offensive.

EVOLUTION OF SOVIET TACTICS

In this postwar evolution of Soviet tactics, three phases may be noted:

1. Until the death of Stalin, Soviet policy attempted to create an impression of support for the economic well-being of Asian states, while in fact no actual contribution was made toward economic development. Soviet policy was mainly engaged in denouncing the United States technical assistance program and holding—

before the underdeveloped countries visions of Soviet bounty ready to pour forth on the world if it rejected American efforts to exploit impoverished colonial peoples.⁶

2. After the Malenkov government came into power, the Soviets began to make a financial contribution to United Nations technical assistance programs and rather modest offers of technical assistance to non-Communist Asian states.

3. Since the advent of the Bulganin government the earlier overtures toward south Asia have culminated in concrete arrangements. Since the end of 1955 new offers have been made in south Asia and the Soviet offensive has extended to the Near East, Africa, and Latin America.

CHARACTERISTICS OF SOVIET TECHNICAL ASSISTANCE

From Soviet words and actions in regard to its technical assistance programs, certain general characteristics of those programs and of the Soviet approach to them can be defined:

1. The programs are trade arrangements and emphasis is placed on their businesslike nature. This provides assurance, so the Soviets say, that their trade and technical assistance are "disinterested," and a contrast is drawn with United States aid which is pictured as being invariably accompanied by American political pressure and as being contingent upon support of American "aggressive militarism." The Soviets also use the trade argument to capitalize upon the sensitivity of Asian states toward being recipients of charity.

2. The Soviets view trade as "disinterested," however, only when it is conducted on a government-to-government basis. They attempt to discredit Western private investment as an extension of 19th century colonialism.

3. The Soviets offer long-term, low-interest loans with deferred payments which may be made in local currencies or which may be made through barter deals or other mercantilistic arrangements.

⁴ Vneshniaya Torgovlia (Foreign Trade), Moscow, November 1954, p. 1.

⁵ Leon M. Herman, *op. cit.*, p. 12.

⁶ Michael L. Hoffman, in *New York Times*, July 27, 1949, p. 7.

(In practice, although some Soviet loans bear interest at 2½ or 3 percent, most of them are payable in 10 to 15 years, or even less. Under the mutual security program, the United States makes 40-year loans with interest at 3 percent if repaid in dollars or 4 percent if repaid in local currency.) The Soviets likewise offer to buy raw materials, including those which are a glut on the market, on the basis of firm prices fixed for a period of 1 year or longer. Thus, they attempt to meet the shortage of international exchange, particularly dollar and sterling shortages; to satisfy the need of undeveloped states for dependable export markets, and to appeal to the desire for low interest rates. Thus, also, do they attempt to draw these states into arrangements which, if accepted, would tend to remove them from the Western trading system and place them within the Communist economic orbit.

4. The Soviets offer machine tools and industrial equipment to satisfy the demand for rapid industrialization and economic development evident in most of the underdeveloped states. Propaganda is developed on the theme of helping states on the road to political and economic independence. At the same time, to satisfy the demand for consumer goods, Soviet exhibits at trade fairs have created an impression that the vast array of items ranging from household gadgets to refrigerators and automobiles would be available from the Soviet Union if political and trade ties were established.

5. Although most Soviet technical assistance is linked with equipment purchased from the Soviet Union, there are an increasing number of instances in which Soviet experts are provided without equipment. Sometimes recipient countries have accepted Soviet offers for buildings but refused the services of Soviet technicians. Soviet projects include those which make an immediate impact, such as roads in Kabul, as well as those which are less immediately noticeable, such as rural education work in Cambodia.

U. S. S. R. ECONOMIC CAPABILITIES

The Soviet Union itself is a shortage economy with needs for capital goods and unfilled demands among its own people for consumer goods. Foreign deliveries of goods of this kind tend to intensify Soviet domestic economic problems, but at the same time the goods which the Soviets receive in return, especially agricultural commodities, have a countervailing effect.

The U. S. S. R. has been producing a large volume of machinery products and plans to increase output still further. Even though domestic demand for such goods remains high, Soviet planners could undoubtedly increase their exports without serious damage to Soviet industry if they felt it was in their own interests to do so.

It is not at all certain that the Soviet economic offensive is not at least in part motivated by economic considerations. Although the principal motivation seems clearly to be political, there seems to be no doubt that the Soviet Union has the capability to carry on a substantial foreign economic program of the type undertaken in the last 2 years. In this connection, it is worth noting that the Soviets have developed quite a large pool of scientific and technical personnel.⁷

⁷ Senate hearings on Mutual Security Act of 1956, op. cit., p. 60.

PROPAGANDA THEMES

Within this context, Soviet offers of technical assistance appear to be motivated by the objective of developing receptivity to trade and hence to the broader motive of bringing the states concerned within the Soviet sphere of economic and political influence and control.

While the Soviet trade and technical assistance offensive has been based on this general strategy, tactics have been accommodated to the peculiarities of the individual states with recognition given to political factors affecting resistance. These include the degree of industrial development and other internal economic peculiarities of the state. Thus, while the lure of rapid industrialization and basic economic development is held out to the lesser developed areas, the prospect of a vast market in the Soviet Union and Communist China is extended to an industrialized Japan, thirsting for markets.

Certain themes, however, appear in Soviet statements on the subject. The following is typical:

Striving to expand international economic cooperation, the countries in the socialist camp are giving considerable technical aid to countries which are economically underdeveloped, and granting this aid on conditions radically different from those imposed by capitalist countries. The democratic [i. e., Soviet bloc] states do not pursue the goal of economically subordinating underdeveloped countries. They grant loans on more favorable terms. Rendering assistance to economically backward states, the democratic countries export to them only such materials as are difficult for them to produce domestically. Capitalistic firms, on the other hand, try to flood every market with their own goods. The aid of the democratic camp to countries poorly developed economically is based on the principle of mutual advantage, recognition of the equality of both sides and non-interference in internal affairs. * * * It is becoming increasingly clear that the policy of international cooperation conducted by countries in the socialist system is prevailing over the policy of United States ruling circles which is aimed at disrupting this cooperation.⁹

III. ADMINISTRATION

Soviet technical assistance is administered by a subordinate organization of the Soviet Ministry of Foreign Trade, the agency V/O Technoexport. The function of this agency is to furnish equipment for Soviet projects outside the U. S. S. R., to supervise plant construction, and to provide technical consultants for the planning of industrial development projects and other Soviet technical assistance programs abroad. This agency sends engineers and other Soviet technicians to the recipient country and supervises the training in the U. S. S. R. of workers, engineers, and technicians from the contracting country. While the projects are supervised by V/O Technoexport, this agency, when operating outside the U. S. S. R., administers its program as a part of the Soviet Trade Organization, another arm of the Ministry of Foreign Trade.

⁹ *Kommunist* (Moscow), No. 15, October 1954, pp. 44-60.

The operations of V/O Technoexport have been primarily in the East European captive countries, China, and North Korea. In the non-Communist countries of Asia V/O Technoexport has undertaken projects in Afghanistan, India, and Burma.

While this agency has the central responsibility for planning and administering technical assistance programs, insofar as Soviet technical assistance activities have developed to date, other agencies have played an important role. These include the various state organs concerned with agriculture and industry; the State Bank; the organs of propaganda including foreign broadcasts; the various organizations which sponsor the visits of nongovernmental delegations to the Soviet Union; the Chamber of Commerce of the U. S. S. R., which plays a prominent part in the organization of Soviet participation in foreign trade fairs; and export-import organizations of the Ministry of Foreign Trade other than V/O Technoexport.¹⁰

In July 1955, the Soviet press mentioned for the first time a Main Administration for Economic Relations, which is an autonomous organization directly subordinate to the U. S. S. R. Council of Ministers and which apparently has responsibility for overall coordination and direction of Soviet economic and technical assistance policies. The establishment of this administration may reflect the new importance attributed to economic assistance programs by the Soviet Government.

IV. AFGHANISTAN

Soviet technical aid activities in Afghanistan have followed and have been identified with a drive for expanded trade. The trade drive would appear to have a basis in long-range strategic interests of the U. S. S. R. rather than in any immediate advantage to be gained from imports from Afghanistan.

Afghanistan is predominantly an agricultural country. Its more important exports include karakul furs and cotton. Afghanistan has copper, coal, lead, iron, and some oil deposits. Geographically, Afghanistan borders the Soviet Union. Long considered to be a barrier between Russia and the subcontinent, it flanks both India and Pakistan on the one side and the Near East on the other. Politically Afghanistan was long considered as being anti-Russian and an opponent of communism.

A Moslem state, it has a close identity of interest with the other Moslem states of the Near East. In 1937 a friendship and non-aggression treaty (the Pact of Saadabad) was signed linking Afghanistan with Iraq, Iran, and Turkey. In 1949 official announcements were made in Kabul and Tehran that the 1937 pact still existed "in spirit." The treaty was interpreted by some as being the nucleus of a possible Middle East defense alliance. Turkey has subsequently become a member of the North Atlantic Treaty Organization and has joined Pakistan, Iraq, and Iran in the Baghdad Pact, while the United States has signed military assistance agreements with these countries. Following Pakistan's independence in 1947, Afghanistan's relations with its Moslem neighbor to the southeast were

¹⁰ Article by N. I. Metnikov, president of V/O Technoexport in Soviet Union, (Moscow) November 1954; see also the Russo-British Chamber of Commerce Information Circular, January 7, 1955, and Trade Organizations of the U. S. S. R., published by Trade Agency of the U. S. S. R. in India, Calcutta.

strained by a dispute over the area inhabited by the Pathan tribesmen in the regions bordering the Khyber Pass.¹¹ During the period in which relations remained tense the traditional trade of Afghanistan with the outside world through Pakistan was adversely affected, due to Afghanistan's geographical position. In this context the Soviet Union moved to penetrate Afghanistan.

Early in 1950 the U. S. S. R. brought pressure on both Afghanistan and Iran for increased trade. Concurrently charges were made against Afghanistan in connection with the work of the American firm, Morrison Knudsen Co., engaged in the construction of irrigation canals and other projects for the Government of Afghanistan.¹² In an effort to discredit United States technical assistance the Soviet Union charged that American specialists were building military roads, making maps, and engaging in espionage near the U. S. S. R. frontier.

In July 1950 a 4-year Soviet-Afghan trade agreement was concluded. It provided for Soviet delivery of machinery and transportation equipment and for Soviet credits linked to the future export of Afghan minerals to the Soviet Union. Press reports at the time indicated that the Soviet Union had offered the services of oil-prospecting technicians in conjunction with the export of drilling equipment.¹³

At the beginning of 1952 it was reported that Afghan-Soviet trade had doubled and that the Soviet Union had opened a trade office in Kabul.¹⁴ This office was staffed with experts to stimulate trade and further Soviet aims in Afghanistan. Efforts to gain an economic foothold in Afghanistan were accompanied by propaganda and diplomatic pressure directed against United Nations and United States technical aid programs in Afghanistan.¹⁵

Commenting on technical assistance given to Afghanistan prior to 1953 the official Soviet foreign trade journal states:

Together with the successful development of mutually profitable trade between the Soviet Union and Afghanistan, the Soviet Union gives real help in the development of Afghan economy. To this end repeatedly Soviet specialists in the field of entomology, veterinary medicine, in the exploitation of oil wells, etc., have been sent to Afghanistan. In the city of Kunduze, Soviet specialists have built the largest cotton-cleaning plant in the country. The Soviet Union had delivered to Afghanistan metal poles and wires which permitted the establishment of about 1,500 kilometers of telegraph and telephone lines. In 1952 the construction of four oil tanks having a general capacity of about 1,200 cubic meters was started. The construction by Soviet specialists of these reservoirs for holding oil products, with pumping and distributing mechanism, has received high praise from the Afghan people.¹⁶

¹¹ New York Times, January 23, 1950, p. 11; February 4, 1950, p. 4; April 24, 1950, p. 24; New York Herald Tribune, January 29, 1950, p. 16; February 4, 1950, p. 25; and the Times (London), September 11, 1953, p. 9.

¹² New York Herald Tribune, May 17, 1950, p. 7.

¹³ Christian Science Monitor, September 2, 1950, p. 2; January 21, 1952, p. 4. Prior to 1950, trade between the two countries was conducted on the basis of agreements between the Soviet trade agency, Vostokintorg, and the National Bank of Afghanistan.

¹⁴ Christian Science Monitor, January 21, 1952, p. 4.

¹⁵ New York Times, September 19, 1952, p. 2; September 20, 1952, p. 2; November 20, 1952; Christian Science Monitor, October 13, 1952, p. 2.

¹⁶ A Semin: Soviet-Afghan Economic Relations, in Vneshnliala Torgovlia, 1954, No. 5, p. 3.

DEVELOPMENTS SINCE 1953

In April 1953 a five-man Russian technical mission arrived in Kabul to supervise the construction of air-conditioned storage houses for wheat.¹⁷ Ten months later, on January 27, 1954, an agreement was signed in Kabul for a loan of \$3.5 million to Afghanistan at 3 percent interest to be applied to the construction of 2 large grain elevators, a flour mill, and a bread-baking plant. The two elevators, one in Kabul and one in Pul-i-Khumri, would cost about \$4 million each. The loan, to be spent on Soviet equipment and technical services, would be payable in dollars, karakul, cotton, or other commodities at the rate of \$1 million a year. Radio Moscow made the following comment on the agreement:

An agreement has been signed between the U. S. S. R. and Afghanistan on January 27, 1954, for opening credit to Afghanistan for the building of 2 silos and 1 bread factory. In accordance with this agreement, the Soviet Union is assisting Afghanistan by carrying out the technical work, giving necessary materials and equipment, setting up the equipment, and putting the installations into operation. The Afghanistan Government will pay all the expenses from the credit opened by the Soviet Union which has extended this credit under more favorable conditions than those received by Afghanistan from other countries.¹⁸

The commentator then quoted from an unidentified Afghan newspaper indicating that the credit with the Soviet Union was at 3 percent interest as compared with 3½ percent charged by the United States for the Helmand River Valley development project. It was reported that each of the elevators would store 20,000 tons of cereals and that the electric grinding mill would grind 60 tons of wheat a day. It was further announced that—

Afghanistan had placed an order with the Soviet Union for equipment for the construction of new oil tanks with a capacity of 3,800 cubic meters. Preparations in the construction area have been almost completed, Soviet workers setting them up quickly. The tanks will be put in service before the end of the year.¹⁹

A broadcast in Persian 2 days later carried substantially the same information but added that Soviet technicians in Afghanistan were also installing cotton-cleaning machinery, oil pumps, and three furnaces.²⁰ Construction of the elevators, the bakery, and the mill in Kabul commenced in April 1954 under the supervision of Soviet technical workers. In May the Soviet Union supplied equipment for the hospital at Jalalabad.²¹

¹⁷ Bombay, Press Trust of India in English Morse to Tokyo, April 5, 1953.

¹⁸ Radio broadcast, Moscow, Near Eastern Service in Turkish, September 17, 1954, 1800 G.m.t.

¹⁹ *Ibid.*

²⁰ Moscow, Near Eastern Services in Persian, September 19, 1954, 0930 G. m. t.

²¹ Radio broadcast, Paris A. F. P. radioteletype in English to the Americas, November 7, 1954. 1926 G. m. t.; announcement made in Karachi by the Foreign Minister and Deputy Prime Minister of Afghanistan, Sardar Na'im Khan; earlier reports, Paris A. F. P., January 28, 1954, G. m. t.; Moscow home service, April 30, 1954, and Moscow, English language to southeast Asia, July 21, 1954, 1400 G. m. t.; Afghan News Agency Baktari release, July 23, 1954; the Times (London) February 11, 1955.

During the summer of 1954 the Soviet Union commenced construction of a 60-mile pipeline from Termez in the Uzbek Soviet Socialist Republic across the Amu Darya River to the Afghan city of Mazare Sharif. Reportedly the pipeline would have an annual capacity of 30 million gallons of gasoline and would be paid for through the barter of cotton and other commodities.²²

In addition to 8 oil depots (storage tanks) assembled by Soviet specialists between 1951-54, in 1954-55 surveys were conducted for 3 additional oil depots along the oil line from Kelif to Mazar-i-sharif. A survey was made of reserves of industrial sulfur in the Mazar-i-sharif area.

A delegation of Afghan physicians visited the Soviet Union early in 1954 and at the end of 1954 a Soviet cultural delegation visited Afghanistan at the invitation of the rector of Kabul University. During 1955 Afghan journalists and a sports delegation visited the U. S. S. R.²³

It was unofficially reported in November 1955 that Soviet technicians in Afghanistan numbered 500.²⁴

On October 5, 1954, the Afghan Ministry of Finance announced the signing of an agreement for credit by the U. S. S. R. of over \$2 million for paving the streets of the city of Kabul. The Soviet Union would provide bitumen and roadbuilding machinery and would send Soviet technicians to supervise the construction. The Soviet Union also would provide laboratory equipment and equipment for the Kabul public works department. The agreement permitted the Soviet Union to commence exploration of the sulfur deposits in southeast Afghanistan.²⁵

During 1954 there were unconfirmed rumors that the Soviet Union had offered Afghanistan \$250 million in economic aid, purportedly as a counter to United States economic and military aid to Pakistan. It was reported that this aid would be principally for roadbuilding, the construction of multipurpose hydroelectric plants, and in mining development. No official announcements were made concerning this rumored loan, and it appears to have been an exaggerated version of an agreement reported to have been reached in 1954 for the sale of \$250,000 of Russian consumer goods to be paid for by Afghanistan in local currency for use by the Soviet Embassy in Kabul.

In May 1955 the Ambassador of Afghanistan to the United States asserted that the only form of assistance provided by the Soviet Union was an \$8 million loan made during 1954 to establish a credit for barter arrangements between the two countries. This amount presumably included all agreements made during 1954.²⁶

²² New York Times, June 3, June 7, and July 30, 1954; the Times (London), February 11, 1955; radio broadcast Paris in French to the Americas, October 26, 1954, 1750 G. m. t.

²³ International Affairs, Moscow, No. 1 1956 p. 41-49.

²⁴ Washington Star November 23, 1955 p. A3.

²⁵ Radio broadcast, Moscow, Tass, Russian to Far East, October 9, 1954, 1600 G. m. t.; Radioteletype Paris to Americas, October 26, 1954, 1750 G. m. t.; Izvestia, October 10, 1954; New York Times, October 11, 1954; New York Herald Tribune, January 14, 1955. On November 11, 1954, the Deputy Prime Minister of Afghanistan announced in Karachi that the loan was for \$3 million and that Afghanistan was negotiating a \$4 million loan with Czechoslovakia for industrial equipment; Broadcast Paris Radioteletype to the Americas, November 7, 1954, 1926 G. m. t. In February 1955 it was unofficially reported that a total of \$25 million had been loaned for roadbuilding and equipment for the Kabul municipality; the Times (London), February 11, 1955.

²⁶ New York Times, July 30, 1954. According to radio broadcasts on September 10, 1954, a Soviet loan of \$200 million had been granted. This was identified as the "third loan within 15 months." See also New York Times, May 4, 1955.

According to a Soviet report, however, in 1954 an agreement was concluded providing for Soviet credits of \$5,600,000 to Afghanistan to be repaid by deliveries of cotton and wool over a 5-year period beginning in 1957. These credits reportedly are being used to buy equipment and materials for the construction of the two grain elevators (in Kabul and Pul-i-Khumri), the flour mill, the mechanized bakery, and for asphaltting the streets of Kabul.²⁷

The peak of Soviet efforts to date to increase their economic influence in Afghanistan was reached at the end of the Bulganin-Khrushchev visit in December 1955, with the offer to grant a long-term loan equivalent to \$100 million to Afghanistan. Prior to the state visit several Soviet-Afghan agreements were concluded to strengthen their economic relations. On August 8, 1955, an agreement on transit shipping was signed, followed on August 27 by a protocol on commodity exchange. In September a plant quarantine conference was held in Moscow. Industrial equipment reported shipped to Afghanistan at the end of 1955 included an electric installation fixture plant, a special lathe for pipe turning, a heating and ventilation equipment plant, water-heating installations, industrial radiators, steam installations, and road-building equipment.²⁸

During the visit of Premier Bulganin and Mr. Khrushchev (December 15-18, 1955) the Soviet leaders presented a 100-bed hospital as a gift to Afghanistan and 15 buses to the city of Kabul.²⁹ The joint Soviet-Afghan communique at the conclusion of the Bulganin-Khrushchev visit stated that the two governments had—

Arrived at an unanimous conclusion on the necessity of further developing and expanding [economic] relations in the interests of both countries.

Among specific programs, the development of agriculture, the construction of hydroelectric stations, irrigation installations, motor repair workshops and the reconstruction of the Kabul airport were mentioned. The Soviet Union pledged a loan of \$100 million to Afghanistan.³⁰

In addition to the loan agreement, Afghanistan and the Soviet Union decided to extend their neutrality and mutual nonaggression pact. A joint declaration was signed calling for general disarmament and a ban on atomic weapons.

In a press conference held immediately following the departure of the two Soviet leaders, Premier Doud asserted that the agreements would not affect Afghanistan's neutrality and were not directed against any country. In clarifying the terms of the economic aid agreement he said that there were "no strings attached;" that the Afghan Government was free to spend however and wherever it chose. He said that representatives of the two countries would soon meet to work out details of projects for agricultural development, hydroelectric power stations, irrigation, automobile repair shops, and expansion of the Kabul airport.³¹

Following negotiations which commenced on December 18, 1955, on January 28, 1956, a Soviet-Afghan credit agreement was signed in

²⁷ International Affairs (Moscow), No. 1, 1956, pp. 41-49.

²⁸ Radio Kiev, December 15, 1955, 0500 G. m. t., M.

²⁹ Reported by Radio Moscow in English to South Asia on January 27, 1956 as 155 buses.

³⁰ Pravda, December 19, 1955 and New York Times, December 19, 1955, p. 3.

³¹ New York Times, December 20, 1955, p. 6 and Pravda, December 19, 1955.

Kabul. The official communique stipulated that the two governments—

basing themselves on the friendly relations which have existed between the two countries for a long time, and with the aim of a further extension and development of mutually advantageous economic links between the U. S. S. R. and Afghanistan, shall cooperate in the development of the Afghan economy, notably in the development of agriculture, the building of irrigation projects, power engineering, and transport installations.

Under the agreement the Soviet Government, as noted above, granted a long-term credit in the amount of \$100 million (expressed in United States dollars) for a period of 30 years at 2-percent interest. Repayment would commence after 8 years and would be made in 22 equal annual installments. Repayment would be made in Afghan export goods with payment clearances through the U. S. S. R. and Afghan state banks.³²

On March 1, 1956, an implementing agreement was signed in Kabul under which the Soviet Union would supply materials, equipment and technical aid for the construction of 2 hydroelectric stations, 3 vehicle repair factories, irrigation works, a physics and chemistry laboratory, reconstruction of the airport at Kabul, construction of a new airport at Bagram and a highway across the Hindu Kush. The agreement provided that Soviet specialists and technicians would supervise the construction and would train local labor. These projects would be provided under the \$100 million Soviet credit extended to Afghanistan in December 1955.³³

On March 24, 1956 an agreement was reached for establishing airline service between Moscow and Kabul.³⁴

As for Afghan relations with other members of the Communist bloc, diplomatic relations were established with Communist China in January 1956. Also in January trade negotiations were commenced in Prague. On April 3, 1956 it was announced that the Prime Minister of Afghanistan would visit Czechoslovakia.³⁵ In September 1954 an agreement was reported under which Czechoslovakia would grant a credit of \$5 million for Czech equipment and would provide technical assistance in the construction of a cement plant, leather-processing plant, textile mill and for roadbuilding equipment and agricultural machinery. Repayment would be in Afghan products over a 5-year period starting in 1957 with interest at 3 percent. In March 1956 the Czech Minister of Foreign Trade reported that Czechoslovakia would provide technical assistance in the construction of a sugar refinery and meat processing plant.³⁶

V. INDIA

As in Afghanistan, Soviet overtures for providing technical assistance to India have been closely identified with the efforts of the U. S. S. R. to develop Indo-Soviet trade. On January 10, 1952, Mik-

³² Radio Moscow, Soviet Home Service, January 31, 1956, 1930. G. M. T. L.

³³ Keesings Contemporary Archives, 1956, p. 14791 and Pravda, March 4, 1956.

³⁴ Izvestia March 27, 1956.

³⁵ Izvestia April 3, 1956.

³⁶ Economic Defense Advisory Committee report on The Soviet Bloc Role in Free World Economic Enterprises and Development Projects, Washington, May 2, 1956, p. 3.

hail V. Nesterov, chairman of the Soviet Chamber of Commerce, told a press conference in Bombay that since the Soviet Union had not "launched an armaments drive" it could provide India with grain, locomotives, streetcars, buses, machine tools, automobiles, chemicals, dyes, fertilizers, agricultural machinery, printing equipment, and weaving machinery in exchange for jute, tobacco, shellac, textiles, copra, and spices.³⁷ The offer to supply industrial equipment with payment in rupees was made on the eve of the opening of the International Industries Fair at Bombay at which the Soviet Union, for the first time, placed its goods on display to the Indian public.³⁸ At the official opening of the trade fair Soviet Ambassador to India K. V. Novikov assured India that the Soviet Union was prepared to give technical assistance for India's development projects.³⁹ While the offer stirred a certain amount of enthusiasm in Indian commercial circles, the Government remained unresponsive, and the offer was not immediately followed up. The Indian Government also appeared reluctant to engage in barter agreements with Communist powers. In August 1953 trade negotiations, which meanwhile had opened in New Delhi, broke down as a result of disagreement over the price India would pay for Russian wheat and also as a result of Soviet insistence upon government-to-government accounts while India favored private trade.

The appointment of Mikhail A. Menshikov, former Minister of Foreign Trade, as Soviet Ambassador to India on September 1, 1953, indicated the importance which the Soviet Union placed upon developing closer economic relations with India.⁴⁰ The new Ambassador made an opening move by offering to send Soviet technicians to aid in Indian development programs. This offer, however, was made in conjunction with an expanded trade program. Various reasons made the offer unacceptable. The presence of great numbers of Soviet citizens in India ran counter to the policy and practice of the Indian Government, dating from independence, of suppressing communism and Communist activity within India. In particular, the prospect of Soviet agents being at large in India was not appealing to the Indian Government nor to the Congress Party at a time when elections were to be held in sensitive Travancore-Cochin and in other states.⁴¹

SOVIET-INDIAN TRADE AGREEMENT

Ambassador Menshikov subsequently offered to supply India with heavy industrial equipment, farm machinery, and machine tools at prices lower than those prevailing in Western Europe and the United States. The Soviet Union would grant long-term, low-interest credits payable in rupees. Indian shipping would be used to the maximum extent. The Soviet Union purportedly had no interest in such Indian raw materials as manganese and other strategic ores but would purchase such products as jute, cinchona, tea, and oil seed, which were then a glut on the market. A 5-year trade agreement was signed on December 2, 1953.⁴²

³⁷ New York Times, January 11, 1952, p. 9 and January 14, p. 3.

³⁸ Soviet account of the trade fair in U. S. S. R. Information Bulletin (Washington, D. C.), vol. XII, No. 3, February 11, 1952, and Pravda, January 13, 1952.

³⁹ U. S. S. R. Information Bulletin, vol. XII, No. 3, February 11, 1952, p. 86 and New York Times, January 10, 1952, p. 2.

⁴⁰ New York Times, September 3, 1953, p. 3.

⁴¹ New York Times, November 14, 1953, p. 2.

⁴² Foreign Service Dispatch, Amcongeng New Delhi No. 928, December 3, 1953.

Although the Indo-Soviet trade agreement contained no provisions with respect to technical assistance, the arrangements for such assistance were clarified in an exchange of letters between Ambassador Menshikov and H. V. R. Iengar, Secretary of the Indian Ministry of Commerce and Industry. Mr. Iengar's letter, dated December 2, 1953, stated:

During the course of the negotiations for the conclusion of the trade agreement between India and the U. S. S. R. the question of assistance and cooperation on technical, scientific, and cultural matters between the two countries was discussed.

The representatives of the U. S. S. R. said that the U. S. S. R. Government was prepared to render technical assistance that may be necessary in the installation and operation of equipment that will be supplied by the U. S. S. R. to India under the said agreement. The U. S. S. R. Government also expressed willingness to render technical assistance for the planning and execution of various projects in India. The representatives of the Government of India expressed the Government of India's appreciation of the offer made by the U. S. S. R.

As the nature and extent of such assistance will necessarily vary in each individual case, they will have to be settled as and when occasions arise for that purpose, by negotiations between the Indian parties with the approval of the Government of India on the one hand and the Soviet trade organizations on the other.⁴³

The Soviet press and some Indian newspapers regarded the agreements as a major cold-war victory. The Indian trade journal, *The Eastern Economist*, concluded:

It is obvious that there is a determination on the part of both countries to extend the range and scope of articles in international trade and to buttress it with a technical aid and shipping agreement * * *. While the free world has, therefore, no political cause for concern, some countries in the free world will certainly have another economic warning to observe * * *. So long as hard currencies continue to exist, a preference will invariably be made in favor of countries willing to trade in our currency.⁴⁴

In summarizing Indian press reaction, the Soviet *New Times* dwelt upon comments regarding the effect of the agreement upon relations with the United States:

The Bengal Ananda Bazar Patrika, which speaks for influential business circles, said editorially that "the Indian-Soviet trade agreement is of vast importance for many reasons: India today needs capital equipment for its industries, and experts to organize those industries."

The conclusion of the trade agreement with the Soviet Union is regarded by the Indian public as an important step toward normalizing international relations and as a mani-

⁴³ Ibid.

⁴⁴ *The Eastern Economist*, December 4, 1953, p. 908.

festation of India's independence in international affairs. The National Herald declares in an editorial that India is opposed to American-dictated restrictions in international trade. Swadhinata describes as a highly important development the fact that the Indian Government ignored American bullying and concluded a trade agreement with the Soviet Union.

The Indian press emphasizes that the Soviet Union was the first great power to recognize the Indian rupee. "This will raise the prestige of Indian currency," the Tej remarks. Enumerating the advantages of trade with the Soviet Union, the newspaper says: "What Russia's enemies will think of the agreement does not bother us in the least."

Another point the Indian press makes is that the new agreement will do much to lessen India's dependence on the United States and Britain for capital equipment. The Nav Bharat Times remarks in this connection that after many years of futile attempts to obtain much-needed capital equipment in the U. S. A. and Britain, India will now receive such equipment from the Soviet Union. Indian papers also believe that the new agreement will make for larger markets for Indian goods. * * * The trade agreement with the Soviet Union, Indian papers say, will help overcome India's foreign exchange difficulties, inasmuch as all transactions with the U. S. S. R. will be in rupees. Another positive feature of the agreement commented on is the Soviet undertaking to render India technical assistance.⁴⁵

The official Soviet publication on foreign trade praised the trade agreement for furthering foreign trade, developing and strengthening relations between the two countries, developing the mechanization of Indian agriculture, and contributing to India's industrialization and achievement of real economic independence. It stressed that the agreement was based on the principle of equality and mutual advantage and that the price of Soviet goods would not exceed the prices on the world market. It noted that payment by India in rupees would make Indo-Soviet trade independent of American dollars or other foreign currency. It emphasized that the agreement provided not only for trade in the usual sense but for the provision of complete industrial establishments to be constructed by Soviet technicians. Lastly, after charging that American technical and financial aid constituted interference in India's internal affairs, the journal concluded that the agreement would have a "normalizing" effect on international trade.⁴⁶

Similarly commenting on the technical assistance aspects of the trade agreement, Ambassador Menshikov stated in a public address on December 22, 1953, that—

Technical assistance which was being offered by the Soviet Union was entirely different in character from the aid received from some other countries. Russian aid was rendered only when it was desired and requested by a country and solely

⁴⁵ Spandaryan, V.: *Soviet-Indian Economic Relations*, New Times (Moscow), No. 50, December 12, 1952, p. 6.

⁴⁶ A. M. Smirnov, *Vneshniala Torgovlia U. S. S. R.* Moscow, 1954, p. 275 (official publication of the Ministry of Foreign Trade).

in the interests of that country. In such a case, the assisted country alone was the complete owner of new enterprises built and equipped with the assistance of the Soviet Union and of the products resulting from those new enterprises. The technical assistance was given on a friendly basis without any selfish aim on the part of the donor for a very moderate payment and in some cases without any payment at all.⁴⁷

On May 4, 1954, the Indian Minister of Commerce, D. P. Kar-marker, speaking on the technical assistance side of the agreement, told Parliament:

According to the letters exchanged between the U. S. S. R. and India, the former was to render technical assistance in the installation and operation of equipment to be supplied under the agreement and in the planning and execution of various projects. It has not been found necessary so far to seek such assistance.⁴⁸

STEEL MILL NEGOTIATIONS

The next major move of the Soviet Union involving technical assistance was an offer to provide India with a steel mill. This followed an announcement by India's Minister of Commerce that under the second 5-year plan the target for steel production would be a capacity of 6 million tons by 1961. India had already entered into an agreement with West Germany for the construction of a new steel mill at Rourkela (Orissa) by the firms Krupp and Demag.⁴⁹ It was, however, evident that even with this new mill, capacity would still fall short of 3 million tons. A group of Indian industrialists headed by two brothers, G. and B. M. Birla, had commenced negotiations to secure capital in Great Britain and the United States for additional steel mills. Significantly the Soviet offer was announced in the midst of these negotiations. Press reports in September 1954 intimated that the Soviet Union had offered to provide \$75 million worth of equipment on a credit that India would repay over a 15-year period; interest would be between 2 and 2½ percent (the Indian press emphasized that this was approximately one-half the amount charged by the United States and the World Bank); ownership and management of the mill would be Indian; the Soviet Union would not possess stock in the mill nor require that a percentage of the production be sent to the U. S. S. R.; the mill would be placed in operation in approximately 3 years, and the Soviet Union would provide technicians to supervise construction and operation.⁵⁰

On September 24, 1954, K. C. Reddy, India's Minister of Production, announced that the Government of India had decided to invite a team of Soviet specialists to visit India to study the technical aspects of the new steel project and that the Indian Planning Commission had begun studies on the type of steel to be produced.⁵¹ In

⁴⁷ Hindustan Times, December 22, 1953.

⁴⁸ Radio broadcast—Bombay, Press Trust of India, May 4, 1954.

⁴⁹ 180 Indian technicians were under training in West Germany for the planned \$152 million Hindustan Steel Works. The German constructed mill would have a 500,000-ton capacity. Indigram, September 27, 1954. See also Business Week, October 2, 1954, p. 150.

⁵⁰ New York Times, September 12, 1954, p. 2; Business Week, September 18, 1954, p. 164 and October 2, 1954, p. 150; and Foreign Service Dispatch, American Embassy New Delhi, No. 1478, March 18, 1954, and No. 357, September 16, 1954.

⁵¹ Foreign Service dispatch, American consul, Calcutta, No. 191, September 27, 1954.

October, Dr. C. A. Mehta, director of the Bombay metals firm of Kamani, while visiting Japan, stated that the Soviet offer was obviously a part of its policy of "trying to gain a foothold in India." He pointed out, however, that India would only accept the offer free of political conditions; that the number of technicians would be limited to 25, and that the Government-operated mill would raise the standard of living in India and thus "help prevent the spread of communism."⁵² While earlier reports had mentioned a credit of \$75 million, Dr. Mehta used a figure of \$150 million, to be repaid with 2½ percent interest over 15 years.

On November 17 a team of 16 Russian steel experts headed by A. A. Trusov arrived in India. Six additional steel experts arrived on the following day. It was announced that they would remain in India for about 2 months to engage in planning for the erection of the steel mill.⁵³ Six weeks later, in January 1955, it was reported that the ingot capacity of the proposed mill would be increased to about 850,000 tons; that the types of products to be made had been determined; and that these included railroad rails, wheels, and structural steel.⁵⁴ A short time later, it became known that India had accepted the technical recommendations of the Soviet steel mission for a 1-million-ton-capacity plant.⁵⁵ During these negotiations India refused to accept a Soviet offer of a dismantled steel mill from Czechoslovakia and another offer of a second-rate mill which had previously been rejected by Communist China.⁵⁶

The Soviet-Indian agreement, finally signed on February 2, 1955, provided for the construction of a steel plant having an original capacity of 1 million tons of steel ingots and 750,000 tons of rolled products. Eventual expansion of the plant to produce 1 million tons of rolled products was envisaged. The Soviet Union undertook to provide the plant and equipment, and Soviet technicians were to supervise the construction, to be completed by December 31, 1959. The total cost of the plant was not announced, but the cost of the equipment to be provided by the Soviet Union was estimated at 434 million rupees or about \$91,140,000 f. o. b. Black Sea and Baltic Sea ports. In addition, India promised to pay the Soviet Union 25 million rupees for preparing the detailed project report, drawing designs, and performing other technical services. Payments were to be made in Indian rupees (of present value) in 12 equal annual installments with interest at 2½ percent on the unpaid balance. These payments were to be deposited in a special account in the Reserve Bank of India to be used by the Soviet authorities for the purchase of Indian commodities. Final agreement on construction of the plant was made contingent upon Indian acceptance of the project report, to be submitted within 9 months after selection of the site. If India rejected the project report, the Soviet Union was to be paid up to 8 million rupees for its expenses in preparing the report. India reserved the right to find other means of completing construction of the plant in the event of war or embargo. The agreement provided for a maximum use of Indian metallurgical, engineering, and other industries and for a close association of Indian personnel in the project

⁵² Washington Post, October 2, 1954.

⁵³ Bombay, Press Trust of India, radio broadcast, November 17, 1954, 0130 GMT.

⁵⁴ New York Times, January 2, 1955, p. 7.

⁵⁵ New York Times, January 28, 1955. The increase to 1-million-ton capacity had been previously reported, the Financial Times (London), January 11, 1955.

⁵⁶ U. S. News & World Report, March 18, 1955, p. 44.

in connection with the construction as well as for training purposes. The Soviet Union agreed to receive in the U. S. S. R. two or more Indian delegations to observe the operations of a plant similar to the type to be built in India. Although the agreement did not specify the location, it was reported that the Bhilai region of Madhya Pradesh had been selected as the site of the new plant.⁵⁷

In announcing the agreement Radio Moscow stated:

The agreement provides that Soviet organizations will complete blueprints, will manufacture and supply to India necessary equipment, and will carry out technical supervision of the project, including assembly work and the actual putting into operation of the equipment. In order to carry out the work connected with the design, building, and the activation of the plant, Soviet organizations will send to India the necessary number of experts and will train Indian personnel in India and in the Soviet Union. Apart from this, Indian experts will have the opportunity to study in the U. S. S. R. the metallurgical plants and enterprises producing metallurgical equipment.

The first shops including 3 coke batteries, 2 blast furnaces, and 2 open-hearth furnaces will be put into operation by the end of 1958 and the remaining shops by the end of 1959.⁵⁸

Under the terms of the Indo-Soviet agreement of February 2, 1955, the Soviet Union was to submit detailed plans to the Government of India. India would then have 3 months in which either to accept or reject the plans. On December 5, 1955, a Soviet delegation of metallurgical experts arrived in India to present the plans. These were accepted by the Government of India March 8, 1956. On the same date letters were exchanged between the two Governments providing for changes from the original plans. Among these:

(1) It was agreed that the steel mill would have 3 blast furnaces instead of 2.

(2) In addition to the capacity for producing 300,000 tons of salable pigiron the plant also would produce 1 million tons of ingots expected to yield about 770,000 tons of rails, structural steels, sleeper bars, and billets.

(3) Provision was made for increasing the capacity to 1,300,000 tons of ingots by the addition of an open hearth and soaking pits. The plant layout was modified to provide for expansion to produce up to 2,500,000 tons of ingots.

On April 2, 1956, a contract was signed in New Delhi for Soviet equipment for the plant costing 550 million rupees (\$105 million—earlier estimates placed the cost at \$91 million).⁵⁹

It was reported that the plant equipment is under construction at the Lenin Neva Machinery Co. in the U. S. S. R.⁶⁰ In India preliminary work has commenced at the site of the steel mill in Bhilai. Actual construction is scheduled to commence in 1956 for completion

⁵⁷ Foreign Service dispatch, American Embassy New Delhi, No. 835, February 3, 1955; New York Times, February 3, 1955; Washington Post February 3, 1955; and United States News & World Report, February 11, 1955, p. 119.

⁵⁸ Moscow, Soviet Home Service, February 2, 1955, 1930 GMT.

⁵⁹ Keesings Contemporary Archives 1956, p. 14792; Izvestia, March 10, 1956. For details of subordinate metals agreement see Pravda, April 6, 1956.

⁶⁰ Foreign Service dispatch, No. 476, October 20, 1955, American Embassy, New Delhi.

in 1960.⁶¹ In March 1956 an additional offer of equipment and technical assistance for development of the steel industry was reportedly under consideration.⁶² On March 23 a training agreement was signed (in connection with the steel mill). It provided that 300 Indian skilled workers and 135 engineers and technicians would be trained in the Soviet Union, Soviet specialists would train 4,500 unskilled workers and 500 engineers in India.⁶³

The agreement with the Soviet Union was only part of India's effort to increase steel production. The addition of the German and Russian mills would still not meet the projected steel production requirements under the second 5-year plan. On January 18, 1955, India agreed to accept British bids for expansion of the Tata mill and the German mill by 500,000 tons each. Negotiations were continued with Britain⁶⁴ for the construction of an additional mill and a Japanese offer was also reportedly under consideration. Further, in September 1954 a firm of United States consultants had been invited to advise the Indian Government on expansion of the Bhadravati Iron and Steel Works.⁶⁵ And in May 1955 a group from Tata Industries, headed by the chairman, J. R. D. Tata, came to the United States for discussions on American participation in Tata's plan to expand its steel capacity.

In November 1955 an agreement was concluded between the Tata Iron & Steel Co., Ltd. and Henry J. Kaiser for expansion of the Tata works 150 miles west of Calcutta. The expansion would increase production from 1.8 to 2 million long tons annually. On April 4, 1956, agreement was reached with Britain on the terms for the construction of a steel mill at Duragpur in the Damodar Valley of West Bengal. This mill would have an initial annual capacity of 1 million tons with facilities for expansion to 2 million tons. The mill would be constructed by a consortium of British firms.⁶⁶

OTHER SOVIET OFFERS

Construction of a steel mill has been only one aspect of Soviet efforts to penetrate India. Since the conclusion of the 1953 trade agreement Soviet technical assistance has been made available in other fields. In July 1954 the U. S. S. R. provided India with the services of three diamond-mining experts (headed by V. I. Tikhonov) to survey the possibilities of large-scale mechanization of the mines of the Panna diamond mining syndicate. An optimistic report was made in October. Although no official announcement was made at the time, the Indian press reported that the Soviet Government would supply the heavy equipment needed for full mechanization of the mines and would provide technicians to install the equipment.⁶⁷ Also in July 1954 Prof. P. C. Mahalanobis, Director of the Indian Statistical Institute, announced (while in Moscow as guest of the Soviet Academy of Sciences) that agreement had been reached in

⁶¹ Foreign Service dispatch, No. 781, January 19, 1956, American Embassy, New Delhi, and Radio Moscow Tass, Russian, October 5, 1955, 2350 g. m. t., L.

⁶² The Soviet Bloc Role, op. cit.

⁶³ Izvestia, March 23, 1956.

⁶⁴ See The Times of India, October 9, 1954, p. 1; the London Times, November 29, 1954, p. 8; Christian Science Monitor, December 6, 1954, p. 12; New York Times, January 6, 1955, p. 3; the Financial Times (London), January 12, 1955, and January 19, 1955.

⁶⁵ Indigram, September 29, 1954.

⁶⁶ Quoted in Keesings Contemporary Archives, 1956, p. 14702.

⁶⁷ Indian Express (Bombay), October 14, 1954; Foreign Service Despatch, Amcoengen Bombay, No. 296, October 28, 1954.

principle for Soviet experts to go to India to give technical advice and for Indian students to train in Russia. He indicated that arrangements had been made for about three Soviet experts to work at the Indian statistical institute on planning electronic computers.⁶⁸

During 1954 Soviet lightweight tractors imported by India were assembled by Soviet mechanics.⁶⁹ In a radio broadcast in January 1955, Ivan Efanov, Assistant Chief of the Southeast Asia and Middle East Department of the Soviet Ministry of Foreign Trade, announced that a contract had been signed under which the U. S. S. R. would send India the full equipment for a tool factory and would give technical assistance in its construction.⁷⁰ A report by the Russo-British Chamber of Commerce identifies this tool factory as one for the manufacture of files.⁷¹ It was reported in Pravda October 28, 1955, that all Soviet equipment for this factory had been delivered to Calcutta. These programs negotiated directly between the Soviet Union and India are additional to the equivalent of \$709,394 of Russian technical aid (commitment as of December 31, 1955) to be provided through the United Nations program.⁷²

As a part of its trade offensive in India, the Soviet Government has sponsored numerous tours of the U. S. S. R. by Indian groups. A delegation of Indian railwaymen, for example, toured the Soviet Union in June-July 1954 at the invitation of the Soviet Ministry of Railways.⁷³ In September 1954 five Indian agriculture specialists headed by Dr. S. R. Sen, economic and statistical adviser to the Ministry of Food and Agriculture, visited the Soviet Union.⁷⁴ A delegation of the Indo-Soviet Cultural Society headed by Tedja Singh spent a month in the Soviet Union in October-November 1954.⁷⁵ Another agricultural delegation headed by M. V. Krishnappa, Deputy Minister of Food and Agriculture, left for Moscow at the end of 1954.⁷⁶ A group of Indian industrialists visited the Soviet Union during September and October 1954. On January 19, 1955, it was announced in New Delhi that the Indian Government was preparing to send a working mission to the U. S. S. R. to study the Soviet steel industry.

A delegation of Indian officials and specialists headed by Kanwar Sain, chairman of the Central Water and Power Commission of the Government of India visited the U. S. S. R. in June-July 1955. This tour of scientific research centers and technical institutions was arranged under auspices of the U. N. Technical Assistance Administration.⁷⁷

During the last half of 1955 there were further excursions of Indian delegations to the U. S. S. R. and more Soviet experts arrived in India. In August 1955 there was an exhibition of Indian handicrafts in Moscow and a delegation of Indian specialists headed by S. S. Khara made a study of Soviet iron and steel works.⁷⁸ In September

⁶⁸ Reuters, London, radioteletype to New York, July 18, 1954.

⁶⁹ New York Times, May 26, 1954; Foreign Service Despatch, American Embassy New Delhi, No. 1818, May 20, 1954; New York Times, September 12, 1954.

⁷⁰ Moscow, English language broadcast to Southeast Asia, January 21, 1955, 1400 G. m. t.

⁷¹ Russo-British Chamber of Commerce Information Bulletin for Members, January 7, 1955.

⁷² See section on Soviet participation in U. N. technical assistance programs below.

⁷³ Moscow, Tass releases, July 11 and 23, 1954.

⁷⁴ Radio broadcast, Press Trust of India, August 24, 1954.

⁷⁵ News (Moscow), No. 23, December 1, 1954.

⁷⁶ Moscow, English language broadcasts to Southeast Asia, January 20, 1955.

⁷⁷ New Times, Moscow, No. 28, 1955.

⁷⁸ Radio Moscow, Tass, English, August 28, 1955. O 115 G.m.t.

1955 a delegation of Indian aeronautics personnel visited the U. S. S. R.⁷⁹

In November 1955, in addition to the Soviet steel experts in India, 9 more Soviet technicians arrived at the invitation of the Indian Ministry of natural resources. They were to make surveys for the development of various oil-producing sites, the Panna and other diamond mines and nonferrous metal sites through India, and were to make recommendations on the manufacture of oil-drilling equipment in India.⁸⁰ Following their arrival, India agreed on December 23 to purchase 20 sets of drilling rigs from the Soviet Union, valued at \$451,000.⁸¹ In a preliminary report issued in March 1956 the experts reported that India has large oil reserves. Following the interim report by the Russian experts it was reported that India would place an order for 3 oil drills from the Soviet Union; that 70 Russian oil technicians would come to India; that 14 Indian technicians were departing to the Soviet Union to receive advanced training in oil technology for periods from 8 months to 2 years; that 25 Rumanian oil experts would soon arrive in India to operate a drill which had been received from Rumania; and that between 175 and 200 foreign technicians would be recruited in connection with Indian programs for exploration of mineral resources.⁸²

Following upon the preliminary negotiations conducted while Prof. P. C. Mahalanobis, Director of the Indian Statistical Institute was in Moscow in July 1954,⁸³ in September 1955 an Indian technical mission visited the Soviet Union in connection with the establishment of a technological institute in India.⁸⁴ On November 28, 1955, India accepted Soviet assistance in the establishment of the technological institute in Bombay. The Soviet Union would provide 15 technical experts to serve as professors at the institute, 3 translators, and would provide laboratory equipment. Also 20 Indians would receive advanced training in Russian institutions of higher learning. This project would utilize Soviet rubles contributed to the United Nations technical assistance fund.⁸⁵

On December 13, 1955, N. A. Mikhailov, U. S. S. R. Minister of Culture, made a presentation of microfilms and historical documents to India. Agreement was reached for Soviet cameramen to make a documentary film on India and for other cultural exchanges.⁸⁶

THE BULGANIN-KHRUSHCHEV VISIT

The apex of Soviet efforts to nurture India to date was reached with the Bulganin-Khrushchev visit to India from November 18, to December 14, 1956 (interrupted by visit to Burma from December 1 to December 7). The presence of the Soviet leaders in India ostensibly was a return visit following the visit of Prime Minister Nehru to the U. S. S. R. from June 7 to June 23, 1955. Apart from the political

⁷⁹ Radio Moscow, Tass, September 20, 1955. 2250 G.m.t, L.

⁸⁰ Foreign Service Despatch, No. 781, January 19, 1956, American Embassy, New Delhi; and Radio Delhi, Indinfo, November 25, 1955. 1030 G. m. T., B.

⁸¹ New York Times, December 30, 1955.

⁸² New York Times, March 20, 1956, p. 26; and Times of India, New Delhi, April 24, 1956.

⁸³ Reuters, London, radioteletype to New York, July 18, 1954.

⁸⁴ New York Times, September 8, 1955.

⁸⁵ New York Times, November 29, 1955; and Indigram, February 20, 1956.

⁸⁶ Pravda, December 14, 1955.

implications, the Soviet leaders repeatedly professed the desire of the Soviet Union to aid in the economic development of India. In a typical statement, on November 19, 1955, Marshal Bulganin said in New Delhi:

Of course you have to overcome a few difficulties but we are confident that the industrious and talented Indian people will be able to achieve their set goal. On our part we are prepared to share our experiences in the construction of industrial enterprises, electric power stations, hydro projects and the utilization of atomic power for peaceful purposes.⁸⁷

Three days later Mr. Khrushchev stated that India needs industry and the Soviet Union was ready to help; that India needed technical knowledge and the Soviet Union was ready to share its experience; that if India wanted to train her young people in the technical fields she has only to "send them to us;" that they would "share their last piece of bread" with India.⁸⁸

Notwithstanding the impression given of impending large-scale Soviet aid, no gratis aid was given. Rather, an understanding was reached on expanded trade.

The joint Indo-Soviet communique issued on December 13, 1955, at the end of the visit, stated in part:

[The two governments] are of the view that it will be of mutual benefit to increase the volume of trade to as high a level as possible. As a first step in this direction the following understanding has been reached:

A. The U. S. S. R. will supply and India will purchase 1 million tons of steel during the next 3 years beginning from 1956, including 300,000 tons in the first year and 350,000 tons per year in the 2 subsequent years * * *.

B. During these 3 years the U. S. S. R. will sell and India will purchase such equipment for the production of oil, mining, and other equipment and goods as may be agreed upon between the parties * * *.

C. The U. S. S. R. will increase substantially its purchases from India, both of raw materials and manufactured goods, on terms and conditions which will be agreed upon by negotiations. * * *

Both countries would engage in the shipping, and delegations would immediately commence discussions on terms and conditions for implementing the agreement.⁸⁹

It was unofficially reported that the Soviet Union had offered to supply India with some \$10 million worth of farm machinery without compensation but that India requested time to consider whether this machinery could be used in India.⁹⁰

Commenting on the Indo-Soviet Economic Cooperation Agreement an American observer in New Delhi stated:

The Soviet offer of 1 million tons of finished steel over a 3-year period was well calculated to arouse Indian interest,

⁸⁷ New York Times, November 20, 1955, p. 1.

⁸⁸ New York Times, November 23, 1955, p. 4.

⁸⁹ Foreign Service Despatch, No. 682, December 22, 1955, and No. 781, January 19, 1956. American Embassy, New Delhi; see also New York Times, December 14, 1955, p. 1; and Times (London), December 14, 1955, p. 11. (In Soviet reports the term "rolled metal" was used rather than "steel".)

⁹⁰ New York Times, December 17, 1955, p. 22.

both official and private, and received much highly favorable publicity. The Minister of Commerce and Industry has often stated in recent months that it is essential to India's 5-year plans that increasing amounts of steel be imported until domestic production can be expanded some years hence. Steel is in short supply, controls on its use having been reinstated * * * India is not only finding it difficult to procure steel abroad, but foreign quotations are often higher than India can afford. The Government is particularly "steel conscious" at this time, especially so because of the ambitious second 5-year plan industrialization programs soon to be undertaken. The Soviet steel offer was, therefore, advanced at the precise moment when it could have a most favorable psychological effect.

The Times of India (Bombay) commented on the Bulganin-Khrushchev visit:

There can be no doubt that what Moscow is now engaged in is a maneuver to undermine, isolate, and outflank western influence in Asia.⁹¹

As for activity since the Bulganin-Khrushchev visit, it was unofficially reported in January 1956 that the Soviet Union had offered to provide equipment and technical assistance for expansion of the Machkund power project in Andhra in southern India. According to the reports, the power capacity would be increased by 100,000 kilowatts at an estimated cost of \$20 million. At the same time, the Soviet Union reportedly offered to provide equipment and technical aid for the development of the aluminum industry in southern India. This would include mining equipment, smelters, and equipment for a finishing plant.⁹² No official announcement has been made of these offers or of Indian acceptance.

It was also unofficially reported in January 1956 that within 2 years a direct New Delhi-Moscow air service would be opened using four-engined Russian jet planes.⁹³

On March 28, 1956, Anastas I. Mikoyan, a Soviet First Deputy Premier, told the Indian Minister of Commerce that the Soviet Union would aid in the development of India's oil industry by supplying equipment and training personnel. He reiterated the willingness of the U. S. S. R. to take Indian goods and raw materials in exchange for Soviet manufactures.⁹⁴

During the visit of Prime Minister Nehru to the U. S. S. R. a gift of agricultural machinery had been made amounting to 5 million rupees. In March 1956 it was reported that the first shipment of equipment had arrived for a 40,000-acre mechanized farm. This would include 60 tractor ploughs, 50 cultivators, 80 seed drills, 42 couplers, 3 seed loaders, 15 stubble removers, 2 jeeps, 2 motorcycles, 5 mobile workshop trucks, 2 trench excavators, a complete electric station and an automatic telephone station.⁹⁵

On April 16, 1956, India and the Soviet Union signed a shipping agreement. It provided for direct cargo service between Indian

⁹¹ Quoted in Keatings Contemporary Archives, 1955, p. 14614.

⁹² New York Times, January 12, 1956, p. 1, and January 16, 1956, p. 32.

⁹³ C. L. Sulzberger, New York Times, January 30, 1956, p. 26.

⁹⁴ New York Times, March 29, 1956, p. 54.

⁹⁵ New York Times, April 7, 1956, p. 38; and The Soviet bloc role, op. cit., p. 30, Pravda, February 2, 1956.

and Black Sea ports (Bombay, Calcutta—Odessa, Novorossiisk). Each country would provide 6 vessels with an aggregate tonnage of 55,000 tons. Freight would be distributed on a parity basis. Most-favored-nation treatment would be mutually accorded. It was reported that the Soviet Union agreed to purchase Indian goods valued at \$126,000, in order to open new markets for India's export trade.⁹⁶

The Indian Minister of Industry announced March 17, 1956, that the Soviet Union had offered assistance in the development of the pharmaceutical industry and that a group of Soviet specialists arriving in India would evolve a plan for its development. The seven-man Soviet pharmaceutical delegation was headed by D. H. Skalaban of the Soviet Ministry of Health.⁹⁷

On July 9, 1956, four Soviet experts arrived in New Delhi to advise the Indian Government on the establishment of plants for manufacturing heavy machinery. The delegation was headed by B. K. Pridhodiko, Soviet Vice Minister for the Heavy Machine Building Industry.⁹⁸

As for other members of the Communist bloc, in November 1955 Czechoslovakia offered a credit of 1 million rupees, equipment, and technical assistance in the construction of a steel mill of 1-million-ton capacity. In November 1955 the Czech Deputy Minister of Foreign Trade offered India equipment and technical assistance in the construction of a motor coachfactory, rayon factory, sugar mill, structural workshop, cement factory, wagon factory, and for road and bridge construction in Assam. Contracts were signed in February 1956 for the construction of the sugar refinery in the Punjab and cement plants in Assam. In February and March 1956 Poland offered to provide equipment and technical assistance in the manufacture of chemicals, textile mills, and in the manufacture of railway rolling stock. In March 1956 an agreement was concluded with Rumania for oil-well equipment and technical assistance in its installation and operation. Since December 1955 East Germany has made offers to provide equipment and technical assistance in the manufacture of optical products, film, and an automobile factory in Madras. An East German survey team is studying the possibilities for the development of lignite deposits in Madras.⁹⁹

As for grant aid to India, on October 28, 1953, Ambassador Menshikov presented Prime Minister Nehru with a check for 296,560 rupees on behalf of the Red Cross and Red Crescent societies of the U. S. S. R. for the relief of flood victims in India.¹

In a résumé of Soviet relations with its neighbors, presented to the Soviet Supreme Council and the Soviet people on February 9, 1955, Foreign Minister V. M. Molotov stated:

The further strengthening of friendly relations between the Soviet Union and India must be noted with great satisfaction. Political and economic as well as cultural ties are developing successfully which help the peoples of our countries, who cherish mutual respect and sincere sympathy for each other, to come closer together.

⁹⁶ New York Times, April 7, 1956, p. 38. Pravda, April 6, 1956.

⁹⁷ Radio Moscow Tass, dictation of quote from Hindustan Times, March 17, 1956, 1743 G. m. t. * * * L; and Radio Bombay PTI English March 19, 1956, 1822 G. m. t. * * * B. Pravda, March 19, 1956.

⁹⁸ New York Times, July 10, 1956.

⁹⁹ Reported in: The Soviet bloc role, op. cit., pp. 32-36.

¹ New Times (Moscow), No. 44, October 31, 1953.

A few days ago an important economic agreement was concluded. According to this agreement, the Soviet Union has taken upon itself to build in India, under the terms of advantageous long-term credit, a large steel mill which will produce more than 1 million tons of steel and a respective quantity of rolled metal. The Soviet Union will deliver all the equipment and will give the necessary technical assistance, including the dispatch of highly qualified experts. We met this request with great willingness as the development of metallurgy in India must further the preservation of the national independence and the economic improvement of this ancient and great country, to whom the peoples of the U. S. S. R. extend their wholehearted sympathy.

During the summer of this year the Soviet Union is to be visited by the Prime Minister of India, Jawaharlal Nehru. The announced visit of Mr. Nehru has found the most friendly response among the peoples of the Soviet Union.

Our relations with two other Asian countries, Burma and Indonesia, are continuing to be strengthened also.²

INDIAN ATTITUDE

While the Indian Government has apparently moved carefully in its acceptance of Soviet offers to provide industrial equipment and technical assistance, some Indian industrialists have opposed the trend. Upon returning from a tour of the Soviet Union late in 1954 the Indian textile manufacturer Kasturbhai Lalbhai warned that the Soviet offer to send technicians and equipment to India should be "taken with caution." Soviet engineers, he said, are "out of touch with world developments in industry" and Soviet machinery is of "poor quality." Lalbhai declared that, after visiting 25 factories in the Soviet Union, it was clear that the Russians did not help Indian industry—

the handling of machinery in factories showed a lack of expert knowledge—there is no question of the Russian delegations being able to help Indian industries in any way—there are no original machinery factory designs in Russia, they are all copies of German, British, Japanese, or American plants.³

This criticism, coming during the steel plant negotiations and threatening to obstruct Soviet plans for India, evoked a response from the Soviet Union. In an English language broadcast on December 15, 1954, a Soviet commentator made a point of the fact that the statement was published by the Hindustan Times which belongs to Birla, who is "closely connected with the British and American monopolies." This was taken as evidence that these monopolies "have not yet dropped their efforts to discredit by any and every means India's desire for strong economic connections with the U. S. S. R."⁴ The Soviet press alleged that Lalbhai's opposition was part of a general campaign to hamper the attempt of the Soviet Union to comply with the Indo-Soviet agreement on technical assistance concluded at the close of 1953.⁵

² U. S. S. R. Home Service, February 9, 1955.

³ Tokyo, Panasia News Agency releases, December 15, 1954; Hindustan Times, December 10 and December 11, 1954; Daily News Record (New York), January 10, 1955.

⁴ Moscow, English language broadcast, December 15, 1954, 1400 G. m. t.

⁵ Izvestia, Tass release, article by K. Petrov, December 24, 1954.

In its own public pronouncements, the Indian Government has been anxious to stress its independent position. On November 3, 1954, the Indian Minister for Commerce and Industry told foreign press correspondents that India would "accept aid from whatever quarter it comes provided there are no strings attached." He declared that the industrial development of India could conform neither to the totalitarian pattern nor the American pattern; that each country had to develop in its own way.⁶ On the following day Prime Minister Nehru said that "help is welcome but ultimately any nation rises by its own efforts only."⁷ Speaking in Parliament on December 21, the Prime Minister asserted that "in India there would be no departure from the chosen middle of the road." At the conference of the U. N. Economic Commission for Asia and the Far East, in Kandy, Ceylon, in February 1954, the Indian delegate declared that India would accept aid from any country without prejudice or distinction.⁸ Finally, the Indian Ambassador to the United States has outlined India's approach to foreign aid as follows:

Foreign aid can be acceptable to India if it is given with the object of furthering her economic development and not as an instrument of cold war. In order to produce the best results, it is important that economic aid and technical advice be given without creating a sense of inferiority in the recipient country or engendering any suspicions about the motives and objectives of such programs.⁹

VI. BURMA

Although the Soviet Union has directed its usual trade propaganda toward Burma it was not until the latter part of 1955 that concrete offers to provide technical assistance were made and accepted.

Since achieving independence, Burma has waged a continuous campaign to subdue two Communist insurrectionist groups within the country and at the same time has attempted to maintain amicable relations with both the free world and the Soviet bloc. The Burmese Government's problems have been further complicated by the militant activities of the Karen minority and by the presence in Burma of remnants of the Chinese Nationalist forces under General Li Mi.

On March 28, 1953, the Government of Burma announced that it desired to cancel the United States economic-aid agreement effective at the end of June. This action was variously interpreted as a move to emphasize Burmese neutrality, as a maneuver by the Government to retain the support of factions fearful of offending the Soviet Union and Communist China, and as an action in protest of alleged United States support of the Chinese Nationalist forces in Burma.¹⁰

On April 22, 1954, a 3-year trade agreement was signed with Communist China providing a market for a small part of Burma's surplus rice. China undertook to provide Burma with coal, silk, textiles, paper, agricultural implements, light industrial products, handicraft goods, enamelware, porcelain, tea, and pharmaceutical and medical

⁶ Indiagram, November 5, 1954.

⁷ Indiagram, November 8, 1954.

⁸ New York Times, February 11, 1954.

⁹ The Annals of the American Academy of Political and Social Science, July 1954, p. 126.

¹⁰ New York Times, Mar. 29, 1953, p. 1; June 12, 1953, p. 3; June 16, 1953, p. 6; June 14, 1953, p. 4; Oct. 22, 1954, p. 5.

preparations in exchange for rice, beans, mineral ores, timber, and raw cotton.¹¹ In November 1954, the Burmese Government announced that arrangements had been made for the sale of 150,000 tons of rice to Communist China within the terms of this agreement. In July and August 1955 China delivered 15,000 tons of industrial goods including steel.¹²

In September 1954, a Burmese delegation headed by the Minister of Agriculture and Forestry visited the Soviet Union¹³ and in November it was announced that a Burmese trade mission was departing to the Soviet Union to negotiate the sale of additional amounts of Burmese rice. The delegation, which was headed by the Minister of Nationalization, arrived in Moscow at the end of December.¹⁴

On February 22, 1955, Burmese Premier U Nu announced that the Soviet Union would soon buy 200,000 tons of Burmese rice and would supply Burma with industrial equipment in exchange. He said that the Soviet Union had shown a "sincere desire to help Burma in her present rice crisis."¹⁵ Burma now also has rice agreements with China, Poland, Czechoslovakia, Rumania, Hungary, and East Germany.¹⁶

BURMESE RICE SURPLUS DISPOSAL

Burmese efforts to dispose of surplus rice were not confined to the Soviet bloc. In October 1954, Burma proposed that the United States buy Burmese rice for distribution to countries in Asia. Burma would buy United States industrial equipment and would engage the services of United States technicians with the dollars earned through the sale. In setting forth this proposal, Premier U Nu said that—

Burma is willing to accept United States economic aid but we prefer to pay for it, as this forms a more solid basis of friendship than acceptance of gifts.¹⁷

Soviet-Burmese economic relations during the period have been against this backdrop of Burma's surplus of rice. At the time of the visit of Premier U Nu to the United States at the end of July 1955, it was reported that Burma asked the United States to purchase some of its surplus rice. Under Burma's suggestion the rice purchased by the United States would either be distributed as United States aid to other countries in Asia or be stored in Burma as a reserve. With the proceeds from the sale of rice, Burma would purchase needed industrial and other equipment and would secure technicians from the United States. The United States did not enter into such an agreement at that time in view of the existing surplus of rice already held by the United States. (On September 30, 1955 the United States rice surplus was valued at \$164,462,098.)¹⁸ Subsequently, however, an agreement was reached whereby the United States is to furnish \$1.1 million in technical services in return for about 10,000 tons of

¹¹ New York Times, April 25, 1954.

¹² New York Times, November 4, 1954, p. 6; December 13, 1954, p. 3; The Soviet Trade Journal (Vneshnia Torgovlia), Moscow, No. 2, 1956, p. 27.

¹³ Pravda, September 12, 1954; September 26, 1954.

¹⁴ Pravda and Izvestia, December 31, 1954.

¹⁵ New York Herald Tribune, February 23, 1955, p. 3.

¹⁶ Pravda, April 2, 1956.

¹⁷ New York Times, October 15, 1954, p. 5.

¹⁸ New York Times, July 3, 1955, p. 1; and November 28, 1955, p. 1. In 1955 30 percent of Burma's rice went to the Soviet bloc, with more than 50 percent estimated for the near future. See Pravda April 2, 1956, and the Soviet Trade Journal No. 1, 1956, p. 5.

Burmese rice, which will be used in meeting a critical food shortage in East Pakistan.

Prior to the visit of Premier U Nu to the United States, Burma on July 1, 1955, had concluded a trade agreement with the Soviet Union. This agreement provided that Burma would provide rice, (150,000 to 200,000 tons during 1955) nonferrous metals, hardwoods, rubber, and other commodities in exchange for machinery from the Soviet Union. This would include equipment for rice cleaning, cotton cleaning mills, textile machinery, hydroelectric stations, tractors and agricultural machinery, excavators, pumps and compressors, printing machinery, lathes, tools and other goods.¹⁹

On November 15, 1955, Premier U Nu invited Soviet agricultural experts to Burma to experiment with the diversification of crops.²⁰

Premier U Nu made a state visit to the Soviet Union from October 20 to November 3, 1955. While in Moscow he spoke of the benefits to Burma accruing from the recent Burmese-Soviet trade agreement and announced that Soviet technicians and architects would be engaged for several projects. These would include a large conference hall for international conferences in Rangoon and a stadium with a capacity for handling 100,000 people. He added, "we are now in a position to purchase from the Soviet Union machinery and equipment and utilize the services of Soviet technicians commensurate with purchases made from us by the Soviet Union." Upon departing from Moscow Premier U Nu told a press conference that the Soviet Union was the first of the great powers to accept Burmese rice in exchange for technical aid. He indicated that Burma was trying to negotiate similar arrangements with other countries including Britain and the United States.²¹ While in Moscow, Premier U Nu was presented with a bulletproof car.²²

A Burmese Government purchasing mission headed by the Minister of Supply, Bo Min Gaung, had been negotiating in Moscow during October and early November 1955. On November 18, it was announced that under the trade agreement of July 1955, the Soviet trade organizations had completed contracts for the delivery of equipment and machinery to Burma amounting to 20 million rubles. This included trucks and motorcars, road building machinery, pumps, compressors, transformers, rolled ferrous metal, cables, cement, ammonium sulphate and other goods. Agreement was also reportedly reached on the delivery of complex equipment for industrial enterprises. In addition to the completed contracts, for which delivery would be made during 1955, the Soviet trade agencies made offers to deliver automobiles and trucks valued at about \$3,250,000.²³ This contract for the supply of about \$5 million worth of Russian goods would be only a first installment against the value of 300,000 tons of Burmese rice amounting to about \$20 million.²⁴

SOVIET-BURMESE ECONOMIC AGREEMENT

At the conclusion of the visit of Premier Bulganin and Mr. Khrushchev to Burma (December 1-7, 1955) a Soviet-Burmese economic agreement was announced on December 7.

¹⁹ Pravda, July 5, 1955.

²⁰ Radio Delhi, Indian home service. November 15, 1955. 1530 Gmt. B.

²¹ New York Times, October 23, 1955, p. 3.

²² The Times (London) November 18, 1955, p. 8.

²³ Radio Moscow, Tass, in Russian to Europe, November 18, 1955, 2200 Gmt, L; and Pravda November 19, 1955.

²⁴ Foreign Service despatch, No. 242, November 24, 1955, American Embassy, Rangoon.

The joint Soviet-Burmese communique stated in part:

The Government of the Soviet Union has agreed to give the Government of the Burmese Union assistance and cooperation in preparing the agricultural development program, in carrying out the basic irrigation works and in setting up certain industrial enterprises.

The Government of the Soviet Union has also agreed to take surplus quantities of rice in payment for the materials and services needed for carrying out the agreed projects, and to the proposal that the payment in kind be spread out over a number of years, if the quantities [of rice] available are not sufficient * * *

The [U. S. S. R.] have further offered to build and to equip a technological institute in Rangoon with labor and funds supplied by the U. S. S. R. as a gift to the people of the Burmese Union * * *

* * * Burma in turn offered an appropriate quantity of rice and other goods produced in Burma as a gift to the people of the Soviet Union.²⁵

Upon departing from Burma Marshal Bulganin presented Premier U Nu with 1 of the 5 Soviet planes, an Ilyushin-14, as a token of friendship from the Soviet people. The pilot of the plane was instructed to remain in Burma as long as necessary to instruct Burmese pilots in the technical details they might need.²⁶

Since the Bulganin-Khrushchev visit it has been announced that the technological institute, to be situated in Rangoon, will provide living accommodations for 1,000 students. Apartment housing will be built for the faculty and staff. There is to be a 500-seat assembly hall, a 100,000-volume library, reading rooms, a restaurant, sports grounds, a swimming pool, and 18 laboratories. The laboratories, reportedly, are to be fully equipped including electronic equipment.²⁷

Agreements to exchange Burma's rice for industrial and other equipment have been concluded with Communist China, Poland, Hungary, East Germany, Czechoslovakia, and Rumania. An agreement was reached during the visit of Marshal Tito to Burma in 1955 for the exchange of 20,000 tons of Burmese rice for arms from Yugoslavia.²⁸

Some Indian newspapers have discounted the importance of the Soviet-Burmese rice agreement. Under the reparations agreement between Burma and Japan, Burma is to receive quantities of industrial equipment from Japan. One newspaper states:

It is almost certain that the Russian influence in Burma will also be less than the influence of the Japanese who are older and bigger customers of Burmese rice.

It was pointed out that India's 200 million rupee loan to Burma was greater than aid offered by the Soviet Union.²⁹

On June 5, 1956, Premier U Nu resigned the Premiership for a 1-year period. He expressed a desire to strengthen his party follow-

²⁵ Joint Press Reading Service, December 8, 1955 and Foreign Service dispatch, No. 254, December 8, 1955. American Embassy, Rangoon.

²⁶ The Times (London), December 8, 1955, p. 10, and Pravda, December 8, 1955.

²⁷ Robert Alden in New York Times, May 3, 1956, p. 9, Izvestia, February 19, 1956.

²⁸ New York Times, November 28, 1955, p. 1, and November 8, 1955, p. 8.

²⁹ The Indian Express, Bombay, New Delhi, Madras, reported by Radio Bombay in English Morse to Tokyo, December 9, 1955, 0930 G. m. t., B.

ing Communist gains in Burma. Indicating a belief that the neutralist policy had failed, Premier U Nu stated that the activities of the Soviet and Chinese Communist Embassies in Rangoon were embarrassing the Burmese Government.³⁰

VII. OTHER NON-COMMUNIST STATES OF ASIA

In the non-Communist states of Asia other than Afghanistan, Burma, and India, Soviet propaganda has sought to discredit United States technical assistance and to induce receptivity to Soviet trade and technical aid. Generalized statements directed to the region as a whole have emphasized the eagerness of the Soviets to trade and the benefits to be derived by Asian countries participating in such trade.

In this connection, the following statement by the Malayan delegate to the 1953 meeting of the U. N. Economic Commission for Asia and the Far East is an illuminating reaction:

Memories must be short indeed if regular delegates to the Economic Commission for Asia and the Far East have forgotten the welcome change in the Soviet attitude which first blossomed during the first trade-promotion conference in Singapore in October 1951, and seemed to be fruiting at Rangoon 3 months later.

At both of these conferences, just as at the close of their delegate's speech here yesterday, the U. S. S. R. offered capital goods with, we understand, early delivery. In Singapore we welcomed this change of heart in the one great manufacturing country which up till then had apparently been unable to help relieve our postwar shortages. * * * Malayan importers were genuinely interested in these capital goods and endeavored to place trial orders. The Malayan Government were prepared to allow the import of such goods, provided, of course, that they were competitive with those of other manufacturing countries. Most of us will remember that, in Rangoon, the Soviet delegate made a special point of the reliability and promptness of the U. S. S. R. in the execution of orders. So let us turn to the latest Malayan import figures for 1952.

During the 11 months covered by this volume in front of me, the entire imports of Malaya * * * from the U. S. S. R. have been as follows: 9 tons of asbestos, 24 cameras, \$1,800 worth of proprietary medicines, 500 pounds of canned fish, 400 pounds of caviar. Total value—\$47,129, of which caviar accounted for \$16,772. During the same 11 months, the U. S. S. R.'s direct imports of Malayan rubber came to 28.7 million Malayan dollars. Last year, therefore—despite the very considerable fall in the world price of rubber—Russian imports from Malaya were still over 1,500 times the volume of their exports to Malaya. The ratio was in fact, 1,560 to 1.

If, therefore, the committee agrees with the Soviet delegate in a general condemnation of the exploitation of this region by manufacturing countries, they are thereby accept-

³⁰ New York Times, June 5, 1956, p. 10; Washington Post, June 6, 1956, p. 6.

ing the fact that the U. S. S. R. is far and away the greatest exploiter of the peoples of Malaya. Here then, Mr. Chairman and gentlemen, is the fulfillment, so far as Malaya is concerned, of the Soviet promise—made both in Singapore and Rangoon—for “numerous types of capital goods in exchange for raw materials”³¹ * * *.

A. INDONESIA

In Indonesia, Communist propaganda has emphasized the contribution of the Soviet Union to Afghanistan and India. In a broadcast to Indonesia on December 15, 1954, for example, the Soviet commentator said:

A tremendous increase was witnessed in this year's barter trade between India and the Soviet Union. Soviet organizations will also give aid to Indonesian firms in building industrial factories. * * * Mr. Senusi, chairman of the Indonesian delegation [which visited the U. S. S. R. in September] said that his delegation saw in the Soviet Union many things which can be used by Indonesia right now.³²

In another Indonesian language broadcast in January 1955, the chief of the Southeast Asia and Middle East Department of the Soviet Ministry of Foreign Trade lauded the benefits of Soviet trade and condemned United States trade discrimination and purported refusal to sell machinery and capital goods to underdeveloped countries. He said:

Soviet willingness to send technical aid to build a metal factory in India was hailed all over Asia. A team of Soviet metal experts is currently in India to discuss the building of the metal factory with Indian experts. Soviet trade organizations also trade with Burma and Pakistan, while preparations are underway for trade with Indonesia.³³

The Communist trade offensive in Indonesia was actually begun by the European satellite states and Communist China.

In February 1954, Czechoslovakia offered equipment and technical assistance in training Indonesian workers to operate a ceramics plant and a rubber plant. In July 1954, the Czech consul general in Djakarta offered technical assistance in connection with the construction of a fully automatic textile mill and in October 1954, Czechoslovakia offered to train factory workers. In August 1954, Indonesia reached an agreement with Rumania under which Rumania was to provide technical assistance in building a cement mill, opening new oil wells, and exploiting Indonesian mineral deposits. In November 1954, Hungary provided technical assistance in the construction of hydroelectric and diesel stations. During the first 3 months of 1955 it was reported that Poland had offered Indonesia a credit for industrial equipment and ships; Rumania technical assistance in drilling oil wells and building cement plants.

³¹ United Nations, Economic Commission for Asia and the Far East, Ninth Session, February 6-14, 1953, Bandung, Indonesia, Summary Records (quoted in United States News & World Report, Mar. 27, 1953, p. 22).

³² Moscow, Indonesian language broadcast to southeast Asia, December 15, 1954, 11:30 G. m. t.

³³ Moscow, Indonesia language broadcast to southeast Asia, January 24, 1955, 11:30 G. m. t.

In February 1955, the Soviet Zone of Germany extended a credit of \$7 million to cover equipment and the services of 50 technicians for a sugar mill at Padokan. The first consignment of machinery arrived in October 1955.³⁴

In August 1954, Indonesia concluded a trade agreement with Communist China covering an exchange of goods valued at 6 million pounds sterling. China was to provide textiles, machinery, and electrical equipment while Indonesia would deliver coffee, paper, copper, and other minerals.³⁵

Accelerated Soviet activity

In September 1954, the Soviet Union appointed its first Ambassador to Indonesia. The appointment signaled accelerated Soviet activity in Indonesia.³⁶ It coincided with a shakeup in the Indonesian Communist Party in which many influential Chinese were removed from controlling positions. It also coincided with the visit of an official Indonesian trade delegation to the Soviet Union,³⁷ and followed visits during the summer of 1954 by Indonesian railway, medical, agricultural, industrial, and women's delegations.³⁸

Upon returning to Indonesia, the head of the trade delegation, Dr. A. Senusi, Acting Chief of the Department of Industry, reported that the U. S. S. R. was prepared to set up factories in Indonesia and to supply the equipment and technicians needed to place them in operation. He also said that the Soviet Union would supply specialists to train native personnel to take over management of the factories, and that long-term credits would be granted at an interest rate of 2 percent.³⁹ To date, however, no Soviet-sponsored industrial projects have been announced although some may be under consideration in connection with the current trade negotiations.

The Soviet Union assumed a prominent role in the International Trade Fair held in Djakarta during August and September 1954.⁴⁰ Pravda reported that the Soviet pavilion was visited by "over 1 million persons including President Sukarno and Vice President Hatta, numerous ministers, and delegations of peasants and workers from all parts of Indonesia."⁴¹ It stated that:

The Chairman of the [Indonesian] Government Committee for the Organization of the Fair, Laikhad, declared in a conversation with correspondents in the Soviet pavilion: "The participation of the Soviet Union in the fair has an enormous

³⁴ New York Times, August 25, 1954, p. 10; Kommunist (Moscow) October 1954, No. 15, p. 59, and The Soviet Bloc Role, op. cit. pp. 38-42.

³⁵ Izvestia, August 27, 1954.

³⁶ Christian Science Monitor, September 24, 1954, p. 2. The Soviet Union had requested 40 buildings to house its staff being sent to Indonesia. In response to the protest of Indonesia, the Soviet Ambassador announced upon his arrival on September 14 that his staff of 30 persons had been reduced to 8 persons. For an analysis of the political shift in Indonesia evident around August 1954 in which the President and Government inclined toward closer relations with the Communist bloc, see: Dennis Warner, Indonesian Intrigue in Wall Street Journal, December 10, 1954, p. 8; Tillman Durdin, Report on Indonesia, in New York Times, December 12, 1954, p. 4-E; and Mochtar Lubis, The Indonesian Communist Movement Today, in Far Eastern Survey, November 1954, p. 161.

³⁷ Izvestia, September 10, 1954.

³⁸ New York Times, September 25, 1954, p. 5; Izvestia, August 5 and 9, 1954; Pravda, July 31, 1954.

³⁹ Izvestia, September 17 and October 27, 1954; New York Times, November 7, 1954, p. E9. Although the Soviet Union had previously offered in general terms to provide Asian states with industrial equipment at the ECAFE Conference in Bandung, Java, in February 1953, and on other occasions, it was not until the middle of 1954 that specific offers were made to individual states and the first indication given of long-term low-interest credits and the provision of Soviet technical assistance.

⁴⁰ For a résumé of Soviet participation in trade fairs see: Literaturnaya Gazeta, September 18, 1954, p. 4; News (Moscow), No. 19, October 1954, p. 20; News, February 1954, No. 3, p. 27; Pravda, August 27, 1954; U. S. S. R. Information Bulletin, February 11, 1952. During the period since the end of World War II, the U. S. S. R. has participated in 47 foreign trade exhibitions. In Asia the Soviet Union has had exhibits in trade fairs in Peking (China), Bombay (India), Djakarta (Indonesia), Bangkok (Thailand), Damascus (Syria), and Izmir (Turkey).

⁴¹ Pravda, October 4, 1954.

significance. For the first time the Indonesians can acquaint themselves with the achievements of Soviet industry and culture. But its significance goes beyond this. The fair will contribute to the establishment of free and broad trade relations. As is known, Indonesia desires to end forever the policy of discrimination dictated by the Western Powers."

The press agencies Antara and Aneta [Indonesian organizations] issue detailed descriptions about the Soviet pavilion, stressing that the participation of the Soviet Union in the fair "will contribute to the strengthening of the friendship between the peoples of the Soviet Union and Indonesia and to the expansion of commercial links between the two countries."⁴²

The success of the Soviet exhibition was described by one American correspondent in the following terms:

The United States is taking a propaganda beating—by default—and the Russians are making propaganda hay at the Indonesian Trade Fair here. * * * Tens of thousands of Indonesians have come from all over the country to gaze with wonder on Russian-made automobiles, farm implements, machine tools, surgical instruments, and other "triumphs" of the Communist revolution. * * *

When Indonesians ask questions of Russian attendants they are answered in their own language. * * * [The Russians] put up a huge pavilion to house an exhibit that some sources have estimated to be worth a million dollars. They sent 40 technicians to staff it. * * * Because the fair has been a big success [U. S.] Embassy officials have recommended that the State Department take a "second look" at its policy of nonparticipation. * * *⁴³

At the close of the trade fair the Soviet Ambassador called on the Prime Minister of Indonesia and presented the pavilion which had housed the Soviet exhibit as a gift on behalf of the Russian people and as a "mark of respect and friendship of the Soviet Union for the people of Indonesia." The building was reportedly to be used as a hospital.

On April 10, 1956, Soviet Ambassador Zhukov stated in Djakarta that he had submitted a concrete proposal of economic aid to the Indonesian Government. He would not reveal the details of the proposal since it was a matter for the Indonesian Government to accept or reject but added:

Russia is prepared to grant economic aid to all countries which need it and, in this context, Russia, like other countries, has also already presented such an offer of aid to Indonesia * * * the offer is effective for any fields including agriculture and industry.⁴⁴

B. CEYLON

Ceylon's economic relations with the Soviet bloc have revolved mainly around the 5-year trade agreement concluded with Communist

⁴² Pravda, August 21, 1954.

⁴³ Keyes Beech in Washington Post, October 13, 1954, p. 4.

⁴⁴ Radio Jakarta, Indonesian, April 10, 1956, 0530 G. m. t., B.

China December 18, 1952. This agreement provided for the annual shipment of 270,000 metric tons of rice to Ceylon and the purchase of 50,000 tons of rubber by China. Prices were to be revised yearly. The agreement had no technical assistance aspects.

Coming as it did during the Korean war, the agreement was widely interpreted among the members of the United Nations with armed forces in Korea as a violation of the spirit of the General Assembly resolution of May 18, 1951, against the shipment of strategic materials to Communist China. Ceylon is not a member of the United Nations, its admission having been vetoed by the Soviet Union, but on March 23, 1953, Ceylon did prohibit private Ceylonese businessmen from importing strategic goods for transshipment to Communist China.

At the time the rubber agreement was signed, the Ceylonese Government contended that it was nonpolitical and was necessitated by the falling price of rubber and the rising price of rice on the world market. W. Averell Harriman, then United States Mutual Security Director, told Congress in his final report that Ceylon had refused to sell the rubber to the United States because the United States had offered only the world market price, had offered rice at a price Ceylon was unwilling to pay, and had refused to promise Ceylon \$50 million in economic aid. Communist China was paying 40 percent above the world market price for the rubber.

While visiting the United States in December 1954, Ceylonese Prime Minister Sir John Kotelawala said that Ceylon would have no further need of rubber deals with Communist China if it received assistance from the United States. He suggested that the most effective way to combat communism in Asia would be through economic assistance "in abundance * * * in the right place and in the right manner and at the right time * * *."

As for Ceylon, the Prime Minister said:

We want financial aid and this is the right time to give it. It must also be given in the right manner and the right spirit without being tied up in strings.⁴⁵

On April 28, 1956, a United States-Ceylon aid agreement was signed. For fiscal 1956, United States aid was planned at \$5 million, and for fiscal 1957 at \$6 million. During the period 1952-56 Ceylon received the equivalent of \$14 million in economic aid and \$2.2 million in technical assistance from Great Britain, Canada, and other participants in the Colombo plan. In addition the U. N. technical assistance program furnished \$2.5 million in technical aid during the period 1950-55.

The Soviet Union itself has made no specific offers to Ceylon beyond its general offers to help in industrialization and to provide technical assistance to countries of South Asia. During 1954 the Soviet Union invited the Ceylon Rubber Commission to visit the U. S. S. R. In February 1955 it was announced that Ceylon had rejected this invitation and that instead of an official delegation, a group of Ceylonese trade union officials and industrialists were privately negotiating with Soviet and Ceylonese authorities for a delegation to visit the U. S. S. R. during the summer of 1955.⁴⁶

Meanwhile, the Ceylonese Government has seized a number of opportunities to record its firm opposition to Communist expansionism,

⁴⁵ New York Herald Tribune, December 2, 1954, p. 3.

⁴⁶ Broadcast, Vienna, Interreport-Ost, February 3, 1955.

and has taken steps to impede economic and other relations—except for the rubber agreement with Communist China—with Soviet bloc nations. In January 1954 foreign exchange and other controls were tightened to prevent foreign Communists from entering Ceylon and to prevent foreign subsidization of Communist propaganda in Ceylon. A month later, the Government banned diplomatic relations with any Communist nation.

As a result of the elections of April 1956, the government of Sir John Kotelawala was replaced by a United Front government headed by S. W. R. D. Bandaranaike who had campaigned on a nationalist platform and who avowed a policy of neutralism. In London in July, Prime Minister Bandaranaike said diplomatic relations would be established with the Soviet Union and Communist China "very soon" and that such relations might also be established with other Soviet-bloc countries.

At a press conference in June, Bandaranaike said he had received an invitation, through the Ceylonese Embassy in Washington, to visit the Soviet Union and that he had accepted in principle but no date had been set.

C. PAKISTAN

Since achieving independence Pakistan has remained aloof from close economic ties with the Soviet Union. During 1953 however, the two countries had exchanged Pakistan cotton for Russia wheat on a barter basis. During 1954 an eight-man Pakistani team headed by Said Hussain, Secretary to the Ministry of Economic Affairs, had visited the U. S. S. R.

During 1954 and early 1955 as the Soviet economic offensive toward south Asia was beginning to unfold, Soviet propaganda was beamed toward Pakistan and Pakistani delegations were invited to visit the U. S. S. R. In its specific offers of aid and technical assistance however, the Soviet Union appeared to be outflanking Pakistan by its offers to India and Afghanistan. Premier Bulganin, at the December 1955 session of the Supreme Soviet, expressed a hope that relations with Pakistan might be improved but did not elaborate on the means.⁴⁷

The Soviet Union and Communist China were prominent participants in the Third Pakistan International Industrial Fair September 16–October 15, 1955). Both the Soviet and the Chinese exhibits heavily emphasized technical and industrial equipment, but they also displayed a variety of consumer goods.

During the Bulganin-Khrushchev visits to India, Burma, and Afghanistan at the end of 1955 the Soviet leaders had sided with India in its dispute with Pakistan over Kashmir: sided with Afghanistan in its controversy with Pakistan over the disputed border area inhabited by Pathan tribesmen; condemned military blocs in general and in particular Pakistan's participation in the Baghdad and SEATO pacts. The Soviet Union did not make direct offers to Pakistan.

While the Soviet leaders were outflanking Pakistan with trade and technical assistance to India and Afghanistan, members of the Communist bloc were making overtures toward Pakistan. In January 1956 it was reported that during a visit to Prague by Ghalam Aziz Ahmad, Pakistan's trade representative, Czechoslovakia offered large-scale economic and technical aid to Pakistan. It was reported

⁴⁷ Radio Moscow, Tass, British to Europe, February 6, 1956. 1959 G. m. t., L.

that such assistance might be contingent upon Pakistan's withdrawal from the Baghdad pact although this was later denied by Czech officials. In February 1956, Madame Sun Yat-sen, Deputy Chairman of the National Peoples Congress of Communist China, visited Pakistan. A trade agreement was concluded with Poland at the beginning of February 1956.

In response to a letter from Kutubadin Aziz, editor of the United Press of Pakistan, Premier Bulganin on February 6, 1956, made a direct offer for trade and offered technical aid to Pakistan. He said that—

The Soviet Union would like to have with Pakistan relations no less friendly than those with India, Burma, and Afghanistan.

He expressed sorrow that Pakistan's participation in the Baghdad and SEATO pacts had brought it to "difficult internal and foreign political straits." He said that there were "sufficient possibilities" for mutually profitable economic relations between Pakistan and the Soviet Union and recalled that the Soviet Union was furnishing technical assistance to other countries; that such assistance was being rendered without "political, military, or other demands that would infringe on the sovereignty of any country." He concluded with the statement that "all this is fully applicable to Pakistan."⁴⁸

In response to the Soviet intimation that technical assistance would be contingent upon the withdrawal of Pakistan from the SEATO and Baghdad pacts, Foreign Minister Hamidul Huq Choudhury stated that Pakistan had no intention of quitting these alliances which were "aimed purely at consolidating our independence, insuring the welfare of our country, and stabilizing the political conditions of the region." He added that Pakistan would strive to improve relations with the Soviet Union.⁴⁹

While apparently rejecting the offer for technical assistance, Pakistan's Cabinet on February 8, 1956, accepted the Soviet bid to commence negotiations for a 1-year trade pact. In announcing Pakistan's acceptance on February 10, S. Osman Ali, Minister of Commerce, said that Pakistan would probably ask for steel and heavy machinery in exchange for cotton, jute, and hides.⁵⁰

A further offer of technical assistance was made by Foreign Minister Molotov to Mahmoud Ahmad, Pakistan chargé d' affaires in Moscow on March 23, 1956. Amplifying a report earlier in the day in *Izvestia* that economic aid and atomic knowledge would be offered, Molotov said that the Soviet Union could play an important role in bettering relations between Pakistan and her neighbors; that Pakistan could benefit a great deal from good friendly relations with the Soviet Union, that the Soviet Union was helping India build a steel mill and would also be prepared to cooperate with Pakistan in her economic development. At the same time, Anastas I. Mikoyan, a Soviet First Deputy Premier, while attending Republic Day ceremonies in Karachi, made an offer termed "substantial industrial aid with no strings attached." In rejecting the offers, Pakistan officials stated that the offers had been explored but that Pakistan would shun Soviet aid.⁵¹

⁴⁸ New York Times, January 22, 1956, p. 1; February 7, 1956.

⁴⁹ New York Times, February 8, 1956, p. 6.

⁵⁰ New York Times, February 9, 1956, p. 1; February 11, 1956, p. 2.

⁵¹ New York Times, March 24, 1956, p. 1; March 25, 1956, p. 2; March 27, 1956, p. 11.

It was announced in February 1956, that the Soviet Union was shipping 200 tons of tubing, 3 mobile electric stations for drilling rigs, and other equipment to Pakistan under the United Nations technical assistance program.⁵² In May 1956, the Soviet Union made a gift and Pakistan accepted 20,000 tons of wheat and 20,000 tons of rice for East Pakistan.⁵³

D. JAPAN

Japan, having a highly developed industrial plant, has not been in great need of Soviet technical assistance. To the contrary Japan has made offers to provide technical assistance to the countries of south and southeast Asia. Perhaps for this reason offers of economic aid and technical assistance have not been evident in Soviet policy toward Japan. Rather, the Soviet Union has attempted to appeal to existing pressures within Japan for expanded trade and for "normal" relations with the Communist bloc. Communist China independently has exerted pressure upon Japan for expanded trade relations.

The Soviet Union failed to ratify the Japanese Peace Treaty concluded at San Francisco in 1951. No diplomatic relations have existed between the two countries; however an unrecognized Soviet Mission has been maintained in Azabu, a suburb of Tokyo, since the end of the war. This mission has served as agent for Soviet activities within Japan. At the end of 1954 Soviet policy toward Japan appeared to change with an official announcement that the conclusion of a peace treaty was not dependent upon Japan's renunciation of the San Francisco Peace Treaty nor the severance of relations with the United States.⁵⁴ The government of Premier Ichiro Hatoyama, upon succeeding the Yoshida government in 1955 advocated a policy of "normalizing" relations with the Soviet Union. Accordingly, negotiations on a peace treaty were opened in London June 1, 1955. Since then the Soviet Union has pressed the "peace offensive" to broaden the informal contacts with Japan. Some Soviet activities have been summarized by Alvin D. Coox, visiting professor of history at Shiga National University in Nikone, Japan.⁵⁵

A spectacular example of the calculated change in the superficialities of Soviet-Japanese relations occurred in August 1955, when Andrei Domnitsky, chief of the unrecognized and long-isolated Soviet mission in Tokyo, unexpectedly invited several dozen Japanese Dietmen—and the press—to attend a social function in their honor. The occasion was the departure of the parliamentary group for a Soviet-invited tour of the U. S. S. R. Those who attended the party reported that all was sweetness and light in Azabu; that fruits and wines were served, and that many enthusiastic toasts were exchanged * * *. The theme was further developed in reports received from Moscow after the Diet group arrived in the Soviet capital in September 1955. Leaders of the Supreme Soviet received the "distinguished" Japanese and stated that they were "certain the visit would contribute to the establishment of friendly

⁵² New York Times, February 29, 1956, p. 3; and Pravda, February 23, 1956.

⁵³ Radio Karachi Pakistan Home Service, in English, May 23, 1956, 1445 G. M. T., B. It was also reported that 5,000 tons of Indian rice and 9,000 tons of Burmese rice had been accepted.

⁵⁴ Izvestia, December 22, 1954.

⁵⁵ Coox, Alvin D. Japanese attitudes toward the Soviet Union. World Affairs Quarterly. January 1956, p. 354.

mutual relations between the peoples of the U. S. S. R. and of Japan."

Earlier Domnitsky had created something of a sensation in Japan by broaching Hatoyama directly concerning the U. S. S. R.'s peace overtures. Then in July 1955 the Russian had gone to see Ishibashi, Minister of International Trade and Industry, to propose new measures to step up Soviet-Japan trade, including Russian offers of oil, coal and lumber. In addition Domnitsky wanted authorization for Soviet shipbuilding technicians to enter Japan, ostensibly to inspect various Soviet merchant ships undergoing repairs in Japanese dockyards. Trade and industry in fact have been a major feature of the informal relationships burgeoning between the two countries. Thus in July 1955, the "All-Soviet Chamber of Commerce" invited a Japanese trade mission to visit the U. S. S. R. The Japanese Government later approved an application for the journey of an 11-man team under the sponsorship of the "Japan-Soviet Trade Association." Another Japanese delegation attended the assembly of the International Whaling Committee held in Moscow in July 1955. From the U. S. S. R., an increasing number of Russians have sought authorization to visit Japan in a commercial capacity. For instance, the Soviet Union dispatched a trade team under the leadership of the director-general of the "All-Soviet Industrial Raw Material Export-Import Corporation." The Japanese General Council of Trade Unions invited a member of the Soviet "Central Trade Union Presidium" to visit Japan in August 1955, an invitation which was promptly accepted.

The proliferation of contacts between the two countries has been accompanied by the formation of various committees and fronts in Japan, including such verbose examples as the "National Council for the Restoration of Diplomatic Relations Between Japan and the Soviet Union," the "Japan-Soviet Amity Association," and the "International Trade Promotion Society." In scarred Hiroshima, an "Anti-Atom and Hydrogen Bomb World Meeting" was recently scheduled. On the other side of the world Japanese track and field athletes were invited to attend the "World Youth Friendship Sports Festival" held in Warsaw in August 1955. Earlier strong teams of Soviet wrestlers and ice skaters had visited Japan. Meanwhile there were reports that the U. S. S. R. was seeking to export "cultural and informational" movies to Japan, on the premise that understanding on the public level must precede solution of larger issues. The Japanese "Scientific Publication Promotion Association" has already honored a request from the Soviet Union (and Red China) to send a large exhibit of scientific and artistic materials for display all the way from Peiping and Shanghai to Moscow, Leningrad, and Kiev. In September 1955, for the first time since the war, the Peiping regime arranged to purchase some Japanese films through the agency of the "Communist Chinese Motion Picture Public Corporation." A Japanese kabuki troupe is going to visit the Red bloc, while in Japan

the Soviet violinist David Oistrakh was enthusiastically received in 1954. On a more sobering note Japanese delegations have recently been allowed to visit detainees still languishing in Siberian and Manchurian prison camps.

Soviet overtures for "normalized" relations to a large extent have been countered by frictions between the two countries. The London Peace Treaty negotiations have not resulted in agreement. The Soviet Union has made no concessions with respect to Japan's claims for the return of the southern Kuriles, and the Habomai and Shikotan Islands, now occupied by Russian forces. The Soviet Union has been reluctant to return Japanese prisoners of war. The Soviet Union again vetoed Japan's membership in the United Nations last December.

The Soviet Union and Communist China, in a joint declaration, have stated their aims toward Japan as the—

development on mutually beneficial terms, of broad trade relations and the establishment of close cultural ties with Japan.⁵⁶

Japanese business delegations have been invited to China, and in the fall of 1954 a delegation of the Japanese Diet spent a month in China.⁵⁷

In addition, among other things, China has offered to settle outstanding controversies over fishing rights off the China coast,⁵⁸ and the Soviet Union has sold Japan coking coal, allegedly at a loss, in the interest of developing trade.⁵⁹

E. THAILAND AND CAMBODIA

In Thailand, the Minister of Economic Affairs announced in August 1953 that his government had been officially approached by the Soviet Union in regard to the conclusion of a bilateral trade agreement. The Thai Government stated that its ban on shipment of raw materials to the Soviet bloc would not be lifted but that the trade proposal would be considered on its merits.⁶⁰

On December 8, 1953, an International Trade Fair opened at Bangkok at which the U. S. S. R. exhibition (according to the Soviet press) was awarded first prize. The further claim was made that the Soviet pavilion contained more than 5,000 separate items of manufactured goods and was visited by 800,000 persons.⁶¹

The U. S. S. R.'s plans to participate in the 1954 International Trade Fair at Bangkok were somewhat frustrated by Thai restrictions which are reported to have prevented the Russians from bringing a circus and a ballet corps. This would have confined the Soviet exhibit to an industrial display, and the U. S. S. R. withdrew from participation in the fair at the last minute.

In May 1956 the Soviet Union proposed a trade treaty with Thailand following a decision of both governments to raise their diplomatic missions to embassy status. The Thailand Ministry of Economic Affairs reported on May 24, that the proposal which the Thai Govern-

⁵⁶ Communiqué on negotiations between China and the Soviet Union, Supplement to People's China (Peking), November 1, 1954.

⁵⁷ New York Times, October 26, 1954, p. 13.

⁵⁸ The Times (London), October 13, 1954, p. 6.

⁵⁹ New York Times, December 16, 1954, p. 6.

⁶⁰ New York Times, August 23, 1953, p. 6.

⁶¹ News (Moscow), January 1954, No. 1, p. 22, and February 1954, No. 3, p. 27.

ment was considering, was for a barter agreement under which the Soviet Union would provide fuel oil, coal, automobiles, trucks, tractors, textiles, newsprint, and machinery in exchange for rice, timber, rubber, and tin.⁶²

Prince Norodom Sihanouk, of Cambodia, stated in May 1956 that Cambodia had received \$22,400,000 from Communist China for aid in Cambodia's economic development program; that Cambodia had signed a trade agreement with Communist China and that Cambodia was receiving an unspecified amount of economic aid from the Soviet Union and Poland. A further agreement was signed in Peiping June 21 under the terms of which Communist China will invest \$22.4 million in Cambodia to build textile, cement, paper, and plywood, factories. Cambodian Secretary of State for Planning, Phlek Phouen, said there were no strings attached to the aid.⁶³

On a visit to Moscow in July, Prince Norodom signed an agreement with the Soviet Union for economic and industrial assistance. A joint statement said that Soviet experts would go to Cambodia in the near future to consider questions of assistance in building industrial and other enterprises and in training technicians. The communique added:

The Soviet Government expressed willingness to render assistance without any selfish conditions, respecting fully the sovereignty and independence and national dignity of Cambodia.

Cambodian sources in Moscow were quoted as saying that no direct financial assistance was involved, but that, besides training technicians, the Soviet Union would provide important industrial equipment on a commercial basis. Prince Norodon declared the hope of the Cambodian people "rests in the Soviet Union for the realization of our desires for peace and prosperity." At the same time it was announced that Soviet Premier Bulganin, Communist Party Chief Khrushchev, and Soviet Foreign Minister Shepilov had accepted an invitation to visit Cambodia, with the date to be set later.^{63a}

While understandably no Soviet technical assistance offers have been made to the Republic of Korea and the Republic of China on Formosa, propaganda has magnified Soviet technical aid to Communist North Korea and Communist China. Similarly there have been no Soviet technical assistance or economic aid offers to the Philippines nor to South Vietnam and Laos.

VIII. THE NEAR EAST AND EGYPT

Prior to the latter part of 1955 the Soviet Union attempted to achieve its aims in the Near East (except Afghanistan) by means other than technical aid. Although trade agreements had been concluded with Iran, Israel, and Lebanon, these contained no provisions for technical assistance. The only instance of Soviet technical assistance of any significance in this area prior to 1955 was the provision of aircraft, pilots, and Soviet specialists to aid Iran in combating the annual invasion of locusts which cause severe losses to Iranian agriculture. According to the Soviet foreign trade journal—

⁶² Radio Bombay, pt. I, English, May 24, 1956. 1250 G. m. t. B.

⁶³ New York Times, May 22, 1956, and Washington Post, June 28, 1956.

^{63a} New York Times, July 7 and 8, 1956, and Washington Post and Times Herald, July 8, 1956.

more than 72,000 hectares [177,912 acres] of crops affected by the locusts have been treated by the Soviet expeditions during the last 3 years.⁶⁴

The last half of 1954 and early 1955 was marked by stepped-up economic and cultural gestures. These assumed some of the traits which were evident earlier in south Asia. Soviet exhibits were sent to the international trade fairs at Damascus and Izmir (Smyrna). The Near Eastern states were invited to attend the agriculture exhibition in Moscow. An Egyptian economic delegation visited the Soviet Union in March 1954. An Israeli women's delegation visited the Soviet Union and at the end of 1954 a delegation of the Syrian Academy of Sciences visited the Soviet Union upon invitation of the Academy of Sciences of the U. S. S. R. Even Soviet hostility toward Turkey was toned down and an official Soviet delegation visited Turkey for the first time in many years in connection with the International Civil Aviation Conference held in Turkey at the end of 1954. Czechoslovakia and Hungary contracted to supply industrial equipment to Turkey. A more conciliatory Soviet attitude was adopted toward the government of Premier Zahedi in Iran in negotiations which led to a settlement of the longstanding border dispute. Native language broadcasts to the Near East began to mention Soviet technical aid, particularly descriptions of the aid to Afghanistan and India. In general, this propaganda placed more stress upon agricultural aid which might be available than upon the industrialization theme used in south Asia. Notwithstanding the propaganda, specific offers of technical assistance were not being made to the countries of the Near East.

Since the autumn of 1955 however the entire Communist bloc appears to have concentrated upon winning the Near East. The offensive, which has extended into north Africa, has included military aid, economic aid, technical assistance, and cultural exchanges.

One analyst has described this offensive:

Ever since the Communist-Egyptian arms deal in the autumn of 1955, there has been an unaccustomed, busy traffic of delegations to and from the Soviet bloc and the Arab countries, pledging undying friendship and (from the Soviet side) all kinds of economic aid. The Soviet Union has agreed to install Egypt's first nuclear laboratory; Hungary is going to build new bridges across the Nile; Bulgaria will carry out construction work in Alexandria Harbor. The East Germans will be drilling for water in the Sudan, the Czechs are going to construct oil refineries in Syria, the Poles a new railroad in Saudi Arabia. Soviet engineers are already busy in Yemen and Lebanon, and the Poles have received a bid to build steel plants in Egypt. In the last few months, China has become the single most important buyer of Egyptian cotton. This list could be prolonged indefinitely.

On the political level, the Soviet Union has established relations with Libya and the Sudan, renewed her ties with Yemen, and considerably strengthened her diplomatic repre-

⁶⁴ D. Beloshapkin, *The Economic Relations Between the Soviet Union and Iran*. Vneshniala Torgovlia (Moscow) 1954, No. 9, pp. 1-9.

sentation throughout the Middle East. The other Communist countries are following suit.⁶⁵

In July 1956, a United Nations survey reported a "conspicuous shift" toward the Soviet bloc in the trade of all Middle Eastern nations except Israel. Egypt in particular showed growing export surpluses with the bloc, and Turkey, Iran, Iraq, Lebanon, and Syria were also increasing their trade with Communist countries.^{65a}

SOVIET OFFERS TO EGYPT

In response to Soviet overtures toward Egypt, Prime Minister Gamel Abdul Nasser has stated on several occasions that Egypt would accept trade, economic aid, and technical assistance from Communist countries if it were in the national interest. On July 19, 1955, Egypt concluded a trade and payments agreement with Czechoslovakia. On August 22 a 3-year trade pact was concluded with Communist China. A barter transaction was concluded with the U. S. S. R. for the exchange of Egyptian cotton for petroleum and in November Egypt and East Germany signed a trade agreement.⁶⁶ In August 1955 an invitation was extended to Premier Nasser to visit the U. S. S. R.

Following the conclusion of an arms agreement between Egypt and Czechoslovakia, September 27, 1955, the Soviet Union offered material and technical assistance to Egypt for the construction of the Aswan Dam. The Soviet offer was reported by the Egyptian Minister for National Production, Hassan Ibrahim, as being \$300 million reimbursable over a 25-year period.⁶⁷

On October 17, 1955, Dr. Ahmed Hussein, Egyptian Ambassador in Washington, announced that the Soviet Union had offered Egypt a loan of \$200 million toward the cost of building the Aswan Dam. He stated that under the terms of the offer the loan would be repayable in Egyptian cotton and rice supplies over 30 years at 2 percent interest. It was estimated that the loan would represent about one-third of the estimated cost of the dam.

In August 1955 the International Bank for Reconstruction and Development had informed Egypt that the plan for the Aswan Dam was technically sound and economically feasible. In December the World Bank offered to lend Egypt up to \$200 million for the first phase of the project. On December 17, 1955, the United States offered to grant \$56 million and Britain offered a grant of \$14 million. It was implicit in the United States and British offers that the Soviet Union be excluded from the project.⁶⁸ Finally, on February 8, 1956, Egypt announced that substantive agreement had been reached with the International Bank for Reconstruction and Development. The World Bank would grant a loan of \$200 million toward financing the project (the total cost over a 15-year period was estimated at \$1,300,000,000).⁶⁹

⁶⁵ Laqueur, Walter Z. *The Moscow-Cairo Axis. Commentary* May 1956, pp. 409-417.

^{65a} *Washington Post and Times Herald*, July 7, 1956.

⁶⁶ *American Embassy, Cairo, Foreign Service Despatch No. 448, October 22, 1955, and Soviet Trade Journal, No. 2, 1956, and Jen Min Jih Pao, November 9, 1955.*

⁶⁷ *Radio Paris AFP, January 1, 1956, 1636 G. m. t., L.* Upon completion the Aswan Dam will bring about 2 million additional acres under irrigation, increasing the present area of arable land by about one-third. Power facilities will generate an estimated 9 million kilowatt-hours of electric power annually. The lake created would be 330 miles long.

⁶⁸ *New York Times, December 19, 1955.*

⁶⁹ *New York Times, February 9, 1956, p. 37, and February 13, 1956, p. 3.*

An announcement was made in Moscow February 10, 1956, that the Soviet Government would assist in the establishment of a nuclear laboratory in Cairo; that Soviet specialists would advise on the planning and construction of the laboratory; and that Egyptian specialists would be trained in the Soviet Union. At the same time it was announced that the Soviet Union would also supply Egypt with instruments and equipment for geological research.⁷⁰

During March 1956 it was reported that an Egyptian trade mission had arrived in Prague for negotiations.⁷¹ Nikolai Melnikov, chairman of the Soviet Technoexport Agency, stated in Cairo at the end of March that the U. S. S. R. would provide Egypt with uranium and that Egyptian scientists already were being trained in Moscow in connection with the nuclear laboratory to be built in Egypt. He offered Soviet technical assistance on either a cash or barter basis for the establishment of any industry.⁷²

The British Foreign Office reported on March 23 that Egyptian officers and noncommissioned officers were being trained in Czechoslovakia and by Soviet instructors in Poland.⁷³

In March 1956 negotiations with Bulgaria were reported in progress for the construction of oil-processing plants, and preserved food plants. Czechoslovakia offered to provide a rubber processing plant and shoe factory in June 1955. On December 1955 a contract was signed for Czech equipment and technical assistance for a ceramics plant and in March 1956 for a cement plant of 700 tons capacity. In June 1955 Hungary reported an agreement for the construction of seven bridges in Egypt and in December it was reported that Hungary would provide equipment and technical assistance for the construction of an electric powerplant near Al-Quadim having a 45,000-kilowatt capacity. It was reported in January 1956 that a credit of \$2.87 million had been extended for the powerplant repayable in cotton exports and Egyptian currency. At the end of 1955 Poland contracted to provide equipment and technical assistance for the construction of an enamelware factory in Alexandria. During February and March 1956 East German representatives negotiated with Egyptian officials for the construction of a shipyard in Alexandria, chemical factories, a sugar refinery, a power station, and a motor vehicle factory.⁷⁴

In April 1956 an East German technical mission composed of engineers consulted with engineers of the Egyptian National Production Council in Cairo. Following the visit of Wing Commander Hassan Ibrahim, Minister of National Production, to East Germany in April 1956, an East German trade delegation headed by Heinrich Rau, Minister of Trade, visited Egypt in May. At the same time another East German trade group was in Cairo to consider the investment of East German capital in various economic projects being planned by Egypt's Ministry of Works. Also in April 1956 Communist China held an industrial exhibition in Cairo.⁷⁵

⁷⁰ Keesing's Contemporary Archives, 1956, p. 14697. Pravda, March 9, and Washington Post, February 11, 1956.

⁷¹ Izvestia, March 6, 1956.

⁷² Pravda, March 6, 1956, and New York Times, March 29, 1956, p. 16; and Izvestia, April 12, 1956; Radio Cairo, A NA, March 28, 1956, 0736 G. m. t.

⁷³ London Times, March 24, 1956.

⁷⁴ Soviet bloc role, op. cit. p. 7-9.

⁷⁵ Izvestia, April 3, 1956 and Foreign Service Despatch no. 1169, Cairo, May 16, 1956 and the Soviet Bloc role, op. cit., pp. 3-9.

ACTIVITY IN SYRIA

While the spearhead of the Soviet activity seemed to be in Egypt, overtures concurrently were being made throughout the Near East. On October 10, 1955, Mr. Daniel Solod, Soviet Ambassador to Egypt, announced that his Government had decided to offer industrial and agricultural equipment and technical assistance to any Arab or Asian country wanting it. He said:

We will send economic missions, agricultural missions, scientific missions, meteorological missions, and any other kind of mission you can imagine that will help these countries.⁷⁶

In September 1955, the Soviet Union had displayed their industrial products at the International Trade Fair in Damascus. This was followed by the conclusion of a Soviet-Syrian trade and payments agreement on November 16, 1955. Syria would export cotton, oil seeds, vegetable oils, dried fruits, vegetables, wool, tobacco, skins, hides, hemp, silk and rayon textiles in exchange for industrial machinery and equipment, passenger cars, trucks, tractors, agricultural implements, steel, mineral products, chemicals, medicines, lumber, paper and other goods.⁷⁷

On December 6, 1955, a Soviet offer to provide Syria with an oil refinery was reported. It was stated that this refinery was immediately available for shipment and would be sold at a price lower than the international market price.⁷⁸ On January 1, 1956, the Soviet Minister in Damascus again informed the Syrian Premier that the U. S. S. R. would be prepared to establish oil refineries in Syria.⁷⁹

On February 28, 1956, it was reported that Syria had concluded agreements with Czechoslovakia for Czech aid in constructing an international airport in Damascus and in building a new oil refinery.⁸⁰ On March 27, 1956, N. I. Melnikov, head of the Soviet technical mission visiting Arab States, said that agreements had been reached to build grain stores, oil reservoirs, and a cement factory in Syria.⁸¹ During the visit of the Melinkov mission the U. S. S. R. reportedly had offered to construct a dam at Rastan, to build a petroleum refinery and to conduct a survey of natural gas and mineral resources.

The mission departed March 15 after spending 2 weeks in Syria studying various projects including the establishment of an oil refinery and a railway network connecting Al-Jazira province in northern Syria with Latakia Harbor.

In March 1956 arrangements were completed for Czech assistance in the construction of a sugar refinery, starch factory, and factory to produce alcohol and glucose. East Germany made a general offer to provide technical assistance in a trade agreement concluded in January 1956.

In May 1956 it was reported that Soviet road-paving experts were making surveys in Syria for the construction of a "network of roads."

⁷⁶ New York Times, October 11, 1955, p. 1 and London Times, October 11, 1955, p. 8.

⁷⁷ Foreign Service Despatch no. 167, December 5, 1955, American Embassy, Damascus.

⁷⁸ Radio Beirut ANA, Arabic Code to Near East, December 6, 1955, 0910 G. m. t., M and Washington Post, December 7, 1955, p. 1.

⁷⁹ Radio Damascus, Hebrew, January 1, 1956, 1430 G. m. t., M.

⁸⁰ Reported in Al Tahrir, weekly organ of the government-controlled Liberation Rally. See New York Times, February 29, 1956, p. 3.

⁸¹ N. Y. Times, March 28, 1956, p. 3, and Radio Beirut, Arabic, March 15, 1956, 1725 G. m. t., M.

It was also announced that an agreement had been reached with Poland under which Poland would build a railroad from Damascus, Syria, to Medina in Saudi Arabia.⁸² A Polish bid for engineering surveys for this railroad had been accepted in January, but was subsequently canceled (after Polish engineers were in the area) and new bids called for.

YEMEN AND SAUDI ARABIA

As for other specific Soviet offers in the Near East, a Soviet delegation left Cairo on January 29, 1956 for trade talks with Yemen. The Soviet Union offered to erect complete factories and to supply agricultural machinery in exchange for Yemen coffee and other commodities.⁸³

The Legation of Yemen in Cairo announced on March 8, 1956, that a trade agreement had been concluded with the Soviet Union. Yemen would export coffee, dried fruit, hides, and other commodities in exchange for Soviet industrial and agricultural machinery, building equipment, oil products, wheat, flour, sugar and rice. The report stated that the Soviet Union had offered to build complete factories in Yemen and to give technical assistance.⁸⁴ Diplomatic relations between the U. S. S. R. and Yemen were established in April 1956.

There was an offer made at the end of 1955 to establish diplomatic relations with Saudi Arabia. Although diplomatic relations have not been established as yet, in March 1956 Saudi Arabia announced that diplomatic relations would be opened with Communist China.⁸⁵

LEBANON

In November 1955 the Soviet Union reportedly offered Lebanon assistance amounting to \$50,000 for the Litani River development project. In February 1956 a team of Soviet experts visiting Lebanon reportedly offered Soviet aid and technical assistance in the construction of highways, hydroelectric dams, and irrigation projects, railway development, development of seaports, and offered a nuclear reactor. Following the Melnikov visit, in March 1956 projects reported to be under consideration included cement factories, food processing plants, a textile factory, and an ink and printing material factory. Soviet experts were to submit a technical report on the establishment of a metallurgical plant. Also in March 1956 the Czech Minister of Foreign Trade reported an agreement for the construction of a cement plant and an automobile repair shop. In April the mission of Soviet technicians headed by Nikolai Melnikov, of the Technoexport, had negotiations in Lebanon. While there, offers were made for mineral prospecting equipment; a metallurgical plant; a spinning and weaving factory, an ink and printing material factory, a canning factory and a cement factory. The offers are to be studied before agreement might be reached.⁸⁶ The Government of Lebanon has given no indication that it would accept the offer.

It was reported May 5, 1956, that the Soviet Ambassador in Beirut, had informed the Minister of Public Works that the Soviet Union was prepared to provide Lebanon with the free services of Russian

⁸² The Socialist Courier (New York) May 1956, p. 85.

⁸³ Radio London, Reuters, January 29, 1956. *Izvestia*, February 23, 1956.

⁸⁴ Keating's Contemporary Archives, 1956, p. 14779, and *Pravda*, March 10, 1956.

⁸⁵ Washington Post, December 3, 1955, p. 7 and New York Times, March 17, 1956, p. 3.

⁸⁶ Le Commerce du Levant, Beirut, March 31, 1956, and New York Times, February 23, 1956, p. 1.

engineers to rebuild the villages destroyed by the earthquake of March 16.⁸⁷ On March 23 the Soviet Red Cross had contributed 100,000 rubles in aid to those who had suffered the earthquake.⁸⁸

IRAN

Official Soviet protests against the formation of the Baghdad Pact (among Britain, Turkey, Iraq, Iran, and Pakistan) have been intermingled with proposals for improving relations. Soviet economic overtures have met with little response however in Turkey, Iraq, and Iran while relations with Israel appear to have cooled as result of Communist arms agreements with Arab states.

Soviet relations with Iran had improved with the signing of the Soviet-Iranian agreement on frontier and financial questions December 2, 1955. The Soviet Union reacted strongly however to the adherence of Iran to the Baghdad pact. An editorial in Pravda of October 13, 1955, declared that "by its adherence to the Baghdad military pact Iran enters a dangerous path * * * the course does not hold any promise of good."

In November 1955, Foreign Minister Molotov told the Iranian Ambassador in Moscow that the act is—

incompatible with the interests of peace and security in the Near and Middle East and is in contradiction to the good-neighbor relations between Iran and the Soviet Union and the well-known treaty obligations of Iran.⁸⁹

The tension gradually has lessened since a new Iranian Ambassador was appointed to Moscow December 23, 1955. At that time Klement Voroshilov, Chairman of the Presidium of the U. S. S. R., said that only the Baghdad pact stood in the way of continuing Soviet concession to Iran.⁹⁰

The Soviet press gave a cordial reception to a 12-member delegation of the Parliament of Iran visiting the U. S. S. R. at the beginning of 1956. A Moscow near eastern broadcast in the Iranian language on January 10 gave evidence of a change in Soviet technique, "the peoples of the Soviet Union and of Iran sincerely strive to strengthen the foundations of Iran-Soviet friendship."⁹¹

The Shah of Iran agreed on April 9 to make a state visit to Moscow sometime in June 1956. The announcement followed a statement made by Mr. Lavrentiev, Soviet Ambassador in Teheran, that Iranian membership in the Baghdad Pact need not be a barrier to amicable relations between the two countries. The Shah and Queen Saraya arrived in Moscow June 25 for a 3-week visit and were given a lavish reception.

Following the general offer of technical assistance in mid-1955, in February 1956 the U. S. S. R. made Iran a specific offer to construct 8 sugar mills, a sugar refinery, 2 powerplants, a refrigerator plant, and bridges.⁹²

On June 23, 1956, the Soviet Embassy in Teheran issued a statement proposing aid, with no "military or political" strings, for Iranian

⁸⁷ New York Times, May 6, 1956, p. 26.

⁸⁸ Izvestia, March 23, 1956.

⁸⁹ Dallin, D. J. Soviet Policy in the Middle East. Middle Eastern Affairs, November 1955, p. 339.

⁹⁰ Christian Science Monitor, January 26, 1956, p. 1.

⁹¹ Moscow, Near Eastern Service, Iranian, January 10, 1956.

⁹² Reported in The Soviet Bloc Role, op. cit., p. 11. See also the London Times, April 10, 1956, p. 8.

development and construction projects. At the same time, the Embassy appealed for closer commercial and social ties between the two countries.^{92a}

TURKEY AND ISRAEL

As for overtures toward Turkey, reportedly at the festivities in Karachi marking the establishment of the Republic of Pakistan, Anastas Mikoyan proposed to Prime Minister Adnan Menderes of Turkey that economic and cultural relations be established as a first step toward "dispelling the fog." Turkey has remained cool to Soviet overtures.⁹³

In April 1956 the Soviet Union accepted a request of Israel through the United Nations Technical Assistance Administration for expert advice on the production of superphosphates from deposits in the Negev Desert.⁹⁴

IX. AFRICA

The extension of Soviet overtures to the independent states of Africa has followed closely upon the Soviet activity in Egypt and the Near East. Egypt has been termed the springboard for the penetration of Africa. One commentator states that—

the recent moves are part of a concerted plan to follow up the Soviet thrust in the Middle East and to penetrate south using Egypt as a bridge to establish contact with Communist networks in French North Africa as a preliminary to the main objective. The main objective is to achieve political and commercial predominance in Africa by nonmilitary means.⁹⁵

As evidence of a long-term Soviet interest in Africa it has been noted that within recent months the Institute for the Study of Contemporary Capitalism at Moscow's Academy of Sciences has intensified its studies of Central and South African languages, literature and economics. A new section has been established within the Academy of Sciences to compile dictionaries of African Languages.⁹⁶ On the surface recent Soviet activity has been confined to expanding its diplomatic relations and expanding trade relations.

Specific offers to provide technical assistance have been made to Liberia, Libya, Ethiopia, and the Sudan.

Within the past year the Soviet Union has established diplomatic relations with Libya, Liberia, and the Sudan. It had previously carried on diplomatic relations with Egypt and Ethiopia.⁹⁷ The Soviets were quick to recognize the independence of the Sudan, and diplomatic relations were opened on March 15, 1956. Leonid Teplov, a senior official of the Soviet Foreign Ministry and a former member

^{92a} New York Times, June 24, 1956.

⁹³ Washington Evening Star, April 11, 1956, p. A15.

⁹⁴ New York Times, April 4, 1956, p. 3, and Radio London, English Morse, April 4, 1956, 1745 G. m. t.

⁹⁵ Kenneth Love. Moscow spurs Africa Drive with Diplomacy and Trade. New York Times, May 26, 1956, p. 1.

⁹⁶ *Ibid.*

⁹⁷ Poland has diplomatic missions in Egypt and the Sudan and will open an Embassy in Ethiopia in the near future. Hungary has diplomatic relations with Egypt and the Sudan; Bulgaria and Rumania with Egypt; Czechoslovakia with Egypt and Ethiopia, as well as a consulate in the Belgian Congo; East Germany has trade missions in Egypt and the Sudan. Egypt also has diplomatic relations with Communist China.

of the London Embassy, was named the first Soviet Ambassador in Khartoum.⁹⁸

SUDAN

It was unofficially reported on March 11, 1956 that the Soviet Union had offered the Sudan an important long-term loan for financing its essential projects; that cotton and other products would be accepted in payment.⁹⁹

In April 1956 it was reported that the Sudan had accepted a Soviet offer of general economic and technical assistance coupled with a long-term loan repayable in Sudanese products.¹

A group of water-supply experts from East Germany have worked in the Sudan since the autumn of 1955 searching for water and building water-supply installations. Henrich Rau, East German Minister of Foreign Trade, visited the Sudan in May 1956. Over a 10-day period consultations were held in Khartoum with Premier Al-Aznari and the Ministry of Trade on an expansion of contracts between the German Democratic Republic and the Sudan.²

Indicative of increased Communist-bloc economic activity in the Sudan, the Indian textile bulletin *Texprocil* spoke with concern in May 1956 of the increasing competition in the Sudan from Bulgaria and Russia to this market for Indian grey sheeting materials.³

LIBYA

Since his appointment in December 1955 as the first Soviet Ambassador to Libya Nikolai I. Generalnov has been active in offering loans and technical assistance to Libya. On March 7, 1956, a written offer was made (the terms of which have not been publicized), reported as an offer to lend 15 million rubles. Other reports stated that the Soviet Union had offered to match United States aid. The loan offer was reported as a 20-year loan at 2 percent interest payable in goods or currency with the first payment at the end of 5 years.

In response to the Soviet offers Premier Mustafa Ben Halim of Libya told the Soviet Ambassador that "Libya is entirely satisfied with the aid she has received from the United States and does not desire to replace it with Soviet aid."

On March 29 Premier Ben Halim informed parliament that the Soviet offers had been rejected.

On March 30, 1956, the Libyan Parliament, in a vote of confidence, supported the Government's rejection of Soviet aid and at the same time gave its full approval to Premier Halim's program of economic development utilizing aid from the United States and Britain.⁴

In response to questions concerning an increase in United States aid (an additional \$5 million during the current fiscal year) announced April 7, Premier Halim said—

There was no relation between one offer and the other, we rejected the Russian offer on its merits. It was a question of principle, we continued to talk with our friends, we do not like to change friends.⁵

⁹⁸ Reported in Keesings Contemporary Archives, 1956, p. 1479.

⁹⁹ Radio Paris, APF March 11, 1956 1737 G. m. t., E.

¹ Reported in *The Soviet Bloc Role*, op. cit., p. 20.

² Radio Berlin, ADN in German to East Germany, May 9, 1956, 0840 G. m. t., L.

³ Radio Bombay in English Morse to Tokyo, May 16, 1956, 1840 G. m. t., B.

⁴ New York Times, January 7, 1956, p. 3; March 31, 1956.

⁵ New York Times, April 8, 1956, p. 1.

LIBERIA AND ETHIOPIA

In January 1956 the Soviet Union accepted the invitation to attend the inauguration of President William Tubman, of Liberia (the invitation in 1952 had been rejected).

While in Liberia members of the Soviet delegation informally offered to provide economic and technical assistance. In a public statement on January 7 Alexander P. Volkov, Chairman of the Council of the Union of the Supreme Soviet, announced the offer. He said that he believed Liberia could develop rapidly into a strong nation if she had the technical knowledge and assistance that the Soviet Union is prepared to offer; that the establishment of diplomatic relations would afford the opportunity to reach agreements on trade, technical assistance and cultural cooperation.⁶

Two weeks following the inauguration (January 19) the Department of State of Liberia announced that diplomatic relations would be established with the Soviet Union and that Liberia had endorsed the five principles of peaceful coexistence.⁷

While in Liberia the Soviet delegation held conversations with representatives from the neighboring Gold Coast.

In Ethiopia Czechoslovakia has offered to construct a sugar factory and an alcohol distillery. Poland has also offered technical assistance and equipment. The equipment offer consists of vehicles for the locust control program, and is being accepted by the Ethiopian Government.

GREECE

On July 9, 1956, a week after a visit to Athens by Soviet Foreign Minister Dmitri T. Shepilov, Pravda announced that:

The Soviet Union is prepared to give sympathetic, disinterested consideration to cooperation in the development of the Greek national economy, to the exchange of scientific and technical experience and to the training of specialists, including student exchange.

Pravda said further that:

Increased economic contacts would meet the interests of the Soviet Union as well as the basic interests of development of the Greek national economy. Greek workers, tobacco, and winegrowers, and business circles would feel it tangibly.

Again, the Soviet "no strings" policy was emphasized. "True to its principles," said Pravda—

the Soviet Union does not, naturally, present any terms to Greece that could affect her sovereignty and national dignity.

Pravda said that Shepilov's visit to Greece had shown "all the conditions are available" for building up sound Soviet-Greek relations. It emphasized the potentialities of cultural exchange and said that a Greek parliamentary delegation had accepted an invitation to visit the Soviet Union.^{7a}

⁶ Reported in Keesing's Contemporary Archives, 1956, p. 14666.

⁷ The 5 principles to which India and Communist China agreed in 1954: Mutual respect for territorial integrity and sovereignty; nonaggression; noninterference in internal affairs; equality, and mutual benefit. New York Times, January 20, 1956, p. 14.

^{7a} New York Times, July 10, 1956.

SOUTH AFRICAN ATTITUDE

The official reaction of the Government of South Africa to Soviet activities on the African continent was expressed by Prime Minister Johannes Strijdom in an interview with Reuters correspondent, December 14, 1955. He said that the South African Government took a serious view of the interest Russia was now showing in Africa; that Soviet arms deals in Egypt and the Middle East exposed the African continent to the danger that Russian influence will spread through adjacent territories. With reference to South Africa's initiative in seeking a Pan-African defense plan he stated:

We have taken active steps to obtain the cooperation of all countries with an interest in Africa south of the Sahara to act in coordination in matters of defense.

Returning from defense talks in London and Washington South Africa's Minister of Defense, François Erasmus, said:

We have taken definite measures to outlaw communism in South Africa. Even if an evil may never be eradicated completely, we are satisfied that the measures we have taken can successfully curb and control communism here.⁸

At the beginning of February 1956 the Government of South Africa requested the Soviet Union to close all its consulates in South Africa by March 1, 1956. The note stated that the Soviet officials in South Africa had maintained subversive contacts with the Bantu peoples and with the Indian population and that radio broadcasts had incited the Bantus and non-European peoples to resist the Government.⁹

X. LATIN AMERICA

Diplomatic relations with the Soviet Union have been maintained by only three Latin American Republics, Argentina, Uruguay, and Mexico, though several others maintain relations with various of the other Soviet bloc countries. Trade with the Soviet Union has represented only a small fraction of Latin America's total trade. Since 1953 however, the efforts of the Soviet Union to increase its trade with Latin America have met with some success. There are now 19 trade agreements between Latin American Republics and Soviet-bloc countries in Europe. These call for an exchange of about \$500 million worth of goods annually. Actual trade in 1954 has been valued at about \$200 million. This compares with an exchange approximating \$7 billion annually between the United States and Latin America.¹⁰ Indicative of the extent to which trade has increased, the combined exports of 3 Latin American countries (Argentina, Uruguay, and Brazil) to the Sino-Soviet bloc in 1954 represented 17.8 percent of their total exports, as compared to 3.2 percent in 1953.¹¹ In August 1953 the U. S. S. R. extended Argentina a credit of \$30 million for the purchase of capital equipment.

As the peace offensive developed during 1954 and 1955 Latin America was exposed to the general Soviet pressures for coexistence and for

⁸ Astley Hawkins, in Washington Post and Times Herald, December 15, 1955, p. 12.

⁹ Reported in Keesing's Contemporary Archives, 1956, p. 14716.

¹⁰ Dana Adams Schmlidt, New York Times, January 17, 1956, p. 1.

¹¹ U. S. Government. International Cooperation Administration. Mutual Defense Assistance Control Act of 1951, Seventh Report to Congress, 1955, p. 78.

closer economic and cultural relations; however no direct offers of technical aid were made. In December 1955 Anatoli G. Kulazhenkov, Soviet Ambassador to Mexico, visited Ecuador where he was received by the President and Foreign Minister at an official luncheon. Since the visit the Government of Ecuador has denied published rumors that a technical assistance agreement and offer to provide Ecuador with arms was discussed.

The first major bid to Latin America on the pattern of Soviet offers in South Asia and the Near East was made by Premier Bulganin January 16, 1956. The offers to establish diplomatic relations, expand trade and to provide technical assistance were made in an interview conducted by *Vision*, a news magazine published in New York for circulation in Latin America. Premier Bulganin said:¹²

Naturally, the Soviet Union is ready to establish diplomatic relations also with those Latin American countries where such relations do not yet exist. We stand for the development of international relations and cooperation with all countries, including Latin American countries * * *.

The relations which exist between the U. S. S. R. and Argentina, Mexico, and Uruguay are, it seems to us, of benefit to both parties. They make cooperation of these states easier on questions relating to the maintenance and strengthening of peace. They promote the development of economic, cultural, and other relations between the U. S. S. R. and these countries. Thus, the trade between the Soviet Union and Argentina has substantially expanded during the recent period. One can hope that in the future also our relations with the countries of Latin America will develop to the mutual advantage of the parties, in the interests of strengthening international cooperation * * *.

The U. S. S. R. does not interfere in the internal affairs of other states and considers as well that other states should not interfere in the internal affairs of the Soviet Union. The foreign policy of the Soviet Union is based upon respect for the sovereignty of all states, both large and small, upon recognition of the right of all peoples to independent national and state development. Peaceful coexistence and friendly cooperation of states, regardless of the difference in their social structures—this is the most important principle of our foreign policy.

Naturally, all this fully applies to the attitude of the Soviet Union toward the countries of Latin America * * *.

The Soviet Union stands for the development of trade with Latin American countries based on mutual benefit * * *.

The Soviet industrial exhibition in Buenos Aires in 1955 was one of many exhibitions held recently by the U. S. S. R. in other countries. The Soviet Union will continue to hold similar exhibitions and to participate in international fairs, taking into account the wishes of the Governments of the countries concerned and mutual interests. It is not excluded that exhibits on the peaceful use of atomic energy will be shown at such exhibitions and fairs. Such exhibits have

¹² Text of Bulganin reply to inquiry by *Vision*—*Pravda* and *Izvestia*, January 17, 1956, p. 1; and *New York Times*, January 17, 1956, p. 4.

already been shown by the Soviet Union in Geneva and [New Delhi in 1955. * * *

The Soviet Union exports a wide variety of goods, depending on the mutual interest in such trade. In particular, the Soviet Union could export to the Latin American countries different kinds of industrial equipment and machinery, including equipment for the oil industry, complete production equipment, machine tools, tools, automobiles, and agricultural machinery. If necessary, the Soviet Union would render technical assistance and assistance with specialists and also exchange experience in the sphere of industry, electric power, construction, transport, and agriculture. Apart from equipment and machinery, the Soviet Union also exports a whole range of other goods which might be of interest to the Latin American countries, for example, timber materials and cellulose and paper articles, oil and oil products, rolled ferrous metals, cement, asbestos, dyes, chemicals, and other goods.

For its part, our country could import from Latin America products of agriculture, of animal husbandry and mining industry. The practice of exchange of goods between the U. S. S. R. and many other countries proved this exchange to be of mutual benefit and advantage. * * *

The Soviet Union in its foreign trade deals both with governmental institutions and with private corporations and individuals. * * *

In general, the official reaction of the governments of Latin American Republics to the offer was cool with a tendency to view the Bulganin bid as a political maneuver rather than as an economic or political threat.¹³

In response to the Soviet offer Earnest G. Chauvet, Delegate of Haiti to the United Nations, stated

* * * It appears to me to be obvious that the Soviet Union * * * is attempting to do exactly what it alleged the United States was trying to do under the cover of economic and technical assistance * * *. The countries of Latin America are too much attached to real freedom and real democracy, and especially to the fundamental right of the individual to own property, to let Soviet ideology penetrate our countries, no matter under what pretext * * *.¹⁴

Ambassador Jose A. Mora of Uruguay, Secretary General of the Organization of American States, commented that Latin America was already well served by established arrangements for technical aid from the United States and the United Nations, and by way of mutual aid among American states but that each country was free to make its own arrangements. In Cuba, Acting Secretary of State Gonzalo Guell said that the Government was firmly opposed to any "material or ideological Communist infiltration." In Mexico an official expressed doubt as to the sincerity of the proposal. Chilean officials stated that Chile was determined to maintain its 9-year-old divorce from the Soviet Union (diplomatic relations were broken in

¹³ See: New York Times, January 18, 1956, p. 11.

¹⁴ New York Times, January 31, 1956, p. 23.

1947). It was reported that the offer had generated no enthusiastic responses in Argentina and Brazil.¹⁵

On April 5, 1956, Georgi M. Malenkov, Soviet Deputy Premier, told a press conference in London that the Soviet Union had no objection to extending economic aid to South American nations and that any State that applied for such aid would be answered affirmatively.¹⁶ Early in May 1956 it was rumored that Anastas I. Mikoyan, Soviet Foreign Aid Chief, planned visits to several Latin American countries during the summer of 1956.¹⁷ Although Soviet technical assistance to Latin America has not progressed beyond the stage of broad overtures, the theme of closer ties has had some appeal and has been parroted by the Latin American Communists. Speaking at the 20th Party Congress of the Communist Party, V. Codovilla, delegate from Argentina, said:

Up to recently certain circles of the Latin American countries thought that only imperialist countries can help us in our economic development. This notion has suffered a crushing blow by the clear statement of the Chairman of the U. S. S. R. Council of Ministers, Bulganin, that the Latin American countries may count upon the generous aid of the Soviet Union in the exploitation of their national riches, in the development of their economy in the interests of the peoples of these countries, and national independence.

This statement made the deepest impression on all social strata of the Latin American countries, from proletariat to the national bourgeoisie. The difference between the line of the imperialist countries which in their trade relations impose political and military conditions in defiance of the national sovereignty and the line of the U. S. S. R. which proposes the establishment of mutual relations without political discrimination, on the basis of equality, mutual advantage, and strict respect for the sovereignty of each country, became more obvious than ever to the Latin American peoples.¹⁸

Recent reports indicate that Soviet propaganda is increasing with a new emphasis upon economics and trade. The Soviet publication "Novedades de la Union Sovietica" has commenced issuing weekly supplements which deal with industrial developments in the Soviet Union. In addition to numerous new Soviet publications placed on the newsstands, there have been a quantity of Soviet movies. A Russian basketball team toured Argentina in May 1956. During recent months an increasing number of articles have been published on Soviet-Latin American economic relations. There have been attacks upon the so-called struggle among the "imperialist" powers for control over the markets of Latin America; attacks upon United States economic aid; attacks upon Yankee colonialism and foreign exploitation of natural resources; praise of Soviet-bloc economic relations and praise of such Latin American activities as the recent Brazilian negotiations for trade agreements with Communist-bloc countries.¹⁹

¹⁵ New York Times, January 18, 1956, p. 11.

¹⁶ Drew Middleton, Malenkov Scores a War Alliance. New York Times, April 6, 1956, p. 5.

¹⁷ Harry Schwartz, Soviets Foreign Aid Now on a Big Scale. New York Times, May 6, 1956, p. E5.

¹⁸ Radio Moscow, Soviet Home Service on February 22, 1956, at 1000 G. m. t.

¹⁹ For example, see El Dia, La Plata, May 4, 1956 and La Nación, Buenos Aires, May 9, 1956.

Among the new signs of a warmer Argentine policy toward increased trade relations with the Soviet bloc, a new airline schedule between Buenos Aires and Moscow has been inaugurated, Argentina has agreed to import quantities of paper pulp from the Soviet Union, and the U. S. S. R. has financed a new auto firm (Mockbuz Argentina) having a declared peso capital equivalent to \$2,500,000 to distribute automobiles and trucks at a cheaper price than similar vehicles secured from the United States.

As for the activities of other members of the Soviet bloc, there was a provision for general technical assistance contained in the trade agreement concluded between Argentina and Hungary in August 1953. Czechoslovakia provided 50 technicians for the construction of a distillery for the production of corn alcohol in Argentina, completed in 1954. In March 1956, it was reported that Czechoslovakia would construct a coal-washing plant in Argentina. In January 1956, East Germany offered Argentina long-term credits to cover equipment for the sugar industry, coal mining, road construction, power stations, the chemical industry, and agricultural machinery. In May an agreement "in principle" was announced between an East German trade delegation and an Argentine fishing industry cooperative. The agreement calls for a \$27.5 million barter transaction, to be carried out over 5 years. Argentina will export principally canned fish. It will import \$16.5 million in ships, motorboats, fishing nets and tackle, and refrigeration equipment, the remaining \$11 million will be invested in improvements in the plants of the cooperative's members. During 1955, Czechoslovakia extended Paraguay a credit up to \$15 million for the purchase of capital goods. In April 1956, it was reported that Czechoslovakia would provide equipment and technical assistance to Paraguay for the construction of a flour mill (having a capacity of 60 tons of grain every 24 hours).²⁰ In an interview with a correspondent of the Mexico City newspaper *Excelsior* in June 1956, Premier Bulganin repeated his earlier offer.

What the United States offers is aid, ours is collaboration based on mutually beneficial conditions, free of political intent and, much more, from any military involvement.

* * * [As for collaboration with Latin America] we can lend technical collaboration, sending experts and exchanging our industrial experience in transport, agriculture, and science. Also we can collaborate in industrial projects, in their creation and development, in their initial technical supervision, and in the training of local personnel to supervise them. This collaboration is based on the idea of finding the best way to observe equality of rights without damaging the sovereignty of either one of the parties. As to Latin American countries, we should have the widest relations in the fields of petroleum, mines, and electric power.²¹

²⁰ Reported in the Soviet Bloc role, op. cit., pp. 48-50. See also, *International Financial News Survey* July 6, 1956, p. 8.

²¹ *The Miami Herald*, June 4, 1956, p. 1. *Diario Las Americas*, June 7, 1956, p. 3.

XI. SOVIET PARTICIPATION IN UNITED NATIONS TECHNICAL ASSISTANCE PROGRAMS

Accompanying the developing Soviet emphasis on bilateral trade and technical assistance in South Asia, there has been a change in Soviet policy toward the multilateral technical assistance programs of the United Nations.²²

When the question of establishing the U. N. expanded technical assistance program was before the Economic and Social Council in August 1949, the Soviets abstained from voting, and the Soviet delegate used the occasion to denounce the Point Four concept as "a program of expansion under a screen of anticommunism" and an opportunity for American "monopolists to seize the colonies and underdeveloped areas of the world in toto."²³

But later in the same year, in the General Assembly, the Soviet bloc joined other members of the U. N. in voting unanimously for the technical assistance resolution. One observer has suggested that this was because the Kremlin—

regretted its decision to fight the Marshall plan, which had cost it so much goodwill in Europe. Perhaps it differed from President Truman on the long-range effects of economic development, and reasoned that they might be rendered as favorable to communism as to democracy.²⁴

Whatever the reason, however, Soviet acquiescence in the program did not last long. It boycotted the first pledging conference to obtain funds for the program in June 1950, ostensibly because of the presence of Chinese Nationalists.

PARTICIPATION IN POLICYMAKING ORGANS

The Soviets did, however, continue to participate in the policy-making organs of the U. N. which dealt with the program and on which they had membership. These included the General Assembly, the Technical Assistance Committee (composed of members of the Economic and Social Council), which passes upon recommendations of the Technical Assistance Board, and the Economic Commission for Asia and the Far East which engages in factfinding activities related to the economic development of Asian countries but does not carry on technical assistance or economic aid programs as such.

The record of Soviet participation in the specialized agencies, which actually perform most of the U. N. technical assistance work, is more spotty. The Soviet Union did not become a member of the International Labor Organization or of the United Nations Educational, Scientific and Cultural Organization until 1954. Its membership in the World Health Organization has been in inactive status during the last 2 years. It has never been a member of the Food and Agriculture Organization or the International Civil Aviation Organization. For both 1955 and 1956, the U. S. S. R. pledged the equivalent of \$500,000 to the U. N. Children's Fund, but none of

²² For a description of these programs and the problems raised by Soviet policy toward them, see Senate Foreign Relations Committee, Subcommittee on Technical Assistance Programs, Staff Study No. 1, Multilateral Technical Assistance Programs, 1955, pp. 1-24, and especially pp. 18-19.

²³ Walter R. Sharp, *International Technical Assistance: Programs and Organization*, Chicago, 1952, p. 60.

²⁴ R. P. Stebbins and associates: *The United States in World Affairs, 1950*, New York, 1950, p. 343.

these pledges has been paid. The use of the funds pledged is currently under negotiation between UNICEF and the U. S. S. R.

Prior to July 1953, the Soviet Union used U. N. organs as a forum for attacking the existing programs, both of the U. N. and the United States, ostensibly on the grounds that they were designed to make the underdeveloped countries "raw material appendages" of the United States and other Western Powers. At the same time, the Soviets professed their own support of technical assistance to underdeveloped areas while refusing to contribute—as Dr. Isador Lubin put it—"one red ruble."²⁵

SOVIET BLOC CONTRIBUTIONS

Following the death of Stalin, the Soviet Union made an abrupt change in its policy of financial nonsupport of the U. N. technical assistance program. In a speech in the Economic and Social Council July 15, 1953, the Soviet delegate voiced opposition to large-scale aid to underdeveloped countries and emphasized that what such countries needed was simply some help in helping themselves. At the conclusion of the speech, he unexpectedly announced that the Soviet Government would contribute 4 million rubles (equivalent to \$1 million at the official exchange rate) to the U. N. technical assistance fund. The contribution was officially pledged at the technical assistance pledging conference November 12, 1953.

At the same time Poland pledged \$75,000, Byelorussia \$50,000, and the Ukraine \$125,000 while Czechoslovakia announced that it would participate in 1954. These actions indicated that the new policy was a concerted move on the part of the entire Soviet bloc. The meaning was variously interpreted²⁶ as a recognition by the Soviet Union of the adverse propaganda effects of its nonparticipation, as a move to use the U. N. for further penetration of underdeveloped countries through sending Soviet technicians abroad and granting scholarships in Soviet universities, as foreshadowing increased Soviet participation in the work of the specialized agencies, and as a device for developing receptivity to securing trade agreements with underdeveloped areas and securing raw materials from those areas.

In this last connection, it should be noted that Soviet participation in the U. N. technical assistance program coincided with an increased Soviet emphasis on East-West trade. In April 1953, the U. S. S. R. had ended a long boycott and participated in a conference on the resumption of trade between Eastern and Western Europe. In the July ECOSOC sessions on technical assistance, the Soviet delegates emphasized removing barriers to international trade.

This was followed in August by Soviet statements extolling the efforts of the Soviet delegates in the U. N. in—

* * * foiling the attempts of definite elements to utilize such aid to further the self-seeking interests of the capital exporting countries.²⁷

²⁵ New York Times, June 24, 1952, p. 30. Dr. Lubin was United States delegate to the U. N. Economic and Social Council.

²⁶ For press comment, see New York Times, July 16, 1953, p. 1; October 13, 1953, p. 21; January 8, 1954, p. 2; March 12, 1954, p. 4; September 12, 1954, p. 7; November 27, 1954, p. 23; New York Herald Tribune July 19, 1953, p. 2; Economist (London), July 25, 1953, p. 249.

²⁷ New Times (Moscow), August 5, 1953, p. 1.

The same article returned to the theme that trade was the road to economic development and gave evidence that East-West trade controls were hurting:

The Soviet Union believes that the only sure way of improving the position of the underdeveloped countries is to remove the numerous restrictions to expansion of their trade with other countries, imposed upon them by some of the big powers. * * * Instead of prating so much about "aid" to underdeveloped countries, the United States in the first place, and other countries as well, should desist from robbing them by acquiring their raw materials at low monopoly prices and selling them manufactured goods at high monopoly prices.

If the underdeveloped countries were allowed the opportunity to enlarge their trade with all countries without restriction or discrimination, it would probably not be long before they rid themselves of such handicaps as unfavorable balances of payments, chronic dollar shortages, and constant and dangerous drains on their foreign exchange reserves. * * * It would be better, in the interests of the underdeveloped countries, not to prevent them from trading normally with other countries and thus earning the foreign exchange they need, than to grant them so-called aid from which so far they have only suffered.²⁸

The Soviets continued not only to denounce American aid programs but also to criticize the U. N. programs. In October 1953, for example, they complained that U. N. administrative costs were too high, that the program had not taken the needs of Asia sufficiently into account, and that there had been infiltration of foreign capital directed toward exploitation and the obtaining of superprofits.²⁹

The Soviets also stepped up their use of U. N. forums for announcing offers of direct assistance to Asian countries. These offers have been qualified, however, and have usually been linked with the establishment of trade. A typical Soviet statement is the following, made by the Soviet delegate to the 10th session of the U. N. Economic Commission for Asia and the Far East in Kandy, Ceylon, in February 1954, and reported by the Soviet Foreign Trade Journal:

The Soviet Union is prepared to consider the question of concluding long-term contracts for the purchase of goods in these countries in exchange for Soviet goods. In doing so the Soviet Union intends to reach an understanding about stable prices over a lengthy period and is contemplating the possibility of arranging for payment in the domestic currencies of the respective countries of Asia and the Far East. In an effort to promote the economic development of the countries within the sphere of the Commission, the Soviet Union is prepared to deliver to these countries equipment and machinery payable in installments.

²⁸ *Ibid.*, p. 2.

²⁹ *New York Times*, October 2, 1953, p. 1.

* * * In accordance with the program of the fund for technical aid of the United Nations the Soviet Union is prepared to examine concrete requests of countries of Asia and the Far East for technical assistance in the following fields: extracting and processing of minerals, developing the metallurgical, the machine building, and particularly the agricultural machinery industries, developing textile and food industries, establishment of rubber-processing plants, construction of hydroelectric stations and powerplants as well as organizing flood control and utilization of water resources for irrigation purposes, antilocus measures, and training and improvement of the technical know-how of workers in industry and other branches of the economy in these countries.³⁰

In the last year also, there has become apparent a tendency on the part of the Soviets to attempt to give a bilateral color to U. N. projects financed with the Soviet-ruble contribution. The technological institute in Bombay, which is sponsored by UNESCO, is a case in point. This project had been planned to use \$790,000 of the ruble contribution, of which \$600,000 would be for equipment, \$180,000 for experts, and \$10,000 for fellowships. In Russian announcements, however, it was pictured as a Soviet project, under the U. N. technical assistance program, complete with equipment, Russian textbooks, Russian professors, and facilities to train 1,000 Indian students a year.³¹

UNESCO and U. N. officials, however, have taken the position that U. N.-sponsored projects must be truly multilateral and that in a project as big as the Bombay institute the textbooks and professors must come from more than one country. As of June 1956, negotiations on this point were still in progress.

The question arises, in part, because of the problems connected with the use of ruble contributions to the U. N. technical assistance program.

USE OF SOVIET FUNDS

When the Soviet Union announced its first pledge to the U. N. program, G. P. Arkadyev, the Soviet delegate, stipulated that the contribution be used only by the U. N. Technical Assistance Administration and not by the specialized agencies, which share in the technical assistance fund and carry out most of the work. Under regulations previously adopted by the General Assembly, however, all contributions were to be made without strings attached. The U. N. therefore notified the Soviet Union that the contribution was not acceptable for the purpose for which it was made and the contribution remained on deposit to the credit of the United Nations in the State Bank in Moscow. In January 1954, the U. N. sent a special representative to Moscow to negotiate the matter, and in March the Soviet Union notified the Secretary General of its willingness to permit use of the funds by all participating specialized agencies as determined by the Technical Assistance Board.

³⁰ Soviet Summary in Vneshnlala Torgovllala, Moscow, 1954, No. 4, p. 11. For the U. N. record of the offer, see U. N. Economic and Social Council, Economic Commission for Asia and the Far East. Official records, 10th session, February 8-18, 1954 (U. N. Document E/CN.11/389, March 25, 1954).

³¹ U. S. News and World Report, March 9, 1956.

A further problem of using the funds remained, however, for the rubles were inconvertible and therefore could be spent only in the Soviet Union. This has recently been eased somewhat by Soviet agreement to make 25 percent of the rubles convertible for purposes of paying transportation and travel costs.

As of April 1956, a total of \$4,525,000 in rubles (at an exchange rate of 4 rubles to 1 dollar) had become available to the U. N. technical assistance program. In 1955, obligations amounted to only \$202,715, which covered the cost of 2 coal experts in Burma (who have since completed their work and returned to the Soviet Union), 4 fellowships, 2 study tours, and \$56,250 worth of equipment. In addition, in 1955, \$1,133,516 in equipment was ordered but not delivered by the end of the year.

For 1956, projects have been approved which will utilize \$3,159,500 in rubles. These projects include \$1,821,500 in equipment, 30 fellowships, 6 study tours, and 41 experts. Of the 41 experts, 30 were planned for projects in India, of which 18 were to be employed at the Higher Institute of Technology in Bombay. Six experts were to work with the Indian Statistical Institute and one expert each on glass molds, power production, survey techniques, and chemical and allied products. Two X-ray technicians are also planned.

Other projects utilizing Soviet experts are planned in Afghanistan (2 male nurse tutors and 1 X-ray technician), and in Burma (4 experts in mineral resources development and 1 expert each in water resources development and building materials research). Two experts are also planned in connection with a regional study tour for Asia and the Far East on building materials.

Of the total Czechoslovakian contribution of \$208,332, obligations for equipment in 1955 amounted to \$69,627; orders for equipment not delivered prior to December 31, 1955, totaled \$86,715; and projects totaling \$50,500 have been approved for 1956. These include 1 study tour and equipment valued at \$25,500.

Of the total Polish contribution of \$300,000, obligations for equipment in 1955 were \$19,955; orders for equipment not delivered prior to December 31, 1955, totaled \$220,275; and projects totaling \$48,500 have been approved for 1956. This amount is entirely for equipment.

Under the rules and procedures of the United Nations technical assistance program, no experts can be sent to a country or training grants awarded or equipment provided without the consent of the recipient country. The detail of obligations and commitments for ruble contributions follow:³²

³² U. S. Department of State. United Nations Program of Technical Assistance: Soviet Bloc contributions. Washington, April 20, 1956.

UNITED NATIONS EXPANDED PROGRAM OF TECHNICAL ASSISTANCE

Utilization of Soviet bloc contributions

[Expressed in United States dollars]

AVAILABLE		
U. S. S. R., 1953-56.....	-----	\$4,000,000
Byelorussian S. S. R., 1954-56.....	-----	150,000
Ukrainian S. S. R., 1954-56.....	-----	375,000
Total rubles.....	-----	4,525,000
Czechoslovakia, 1954-56.....	-----	208,332
Poland, 1953-56.....	-----	300,000
Bulgaria, 1956.....	-----	14,706
Rumania, 1956.....	-----	16,667
Total available.....	-----	5,064,705

UTILIZATION

	Obligated, 1955	Forward contractual commitments as of Dec. 31, 1955 ¹	1956 approved program	Total
Rubles.....	\$202,715	\$1,133,516	\$3,159,500	\$4,495,731
Czechoslovakia.....	69,627	86,715	50,500	206,842
Poland.....	19,955	220,275	48,500	288,730
Total utilization.....	292,297	1,440,506	3,258,500	4,991,303

¹ These are orders placed in 1955 for equipment which had not been delivered by Dec. 31, 1955. They will be recorded as 1956 obligations if delivery is made in 1956.

Ruble contributions (U. S. S. R., Byelorussian S. S. R., and Ukrainian S. S. R.)

I. PROJECT COSTS OBLIGATED IN 1955—SUMMARY

[Expressed in United States dollar equivalent]

Recipient country	UNTAA	UNESCO	Total
Burma.....	\$6,880	-----	\$6,880
Chile.....	1,900	-----	1,900
India.....	81,772	\$15,606	97,378
Pakistan.....	18,473	-----	18,473
Yugoslavia.....	700	-----	700
Asia—Regional.....	77,384	-----	77,384
Total.....	187,109	15,606	202,715

II. FORWARD CONTRACTUAL COMMITMENTS AS OF DECEMBER 31, 1955—SUMMARY

[Expressed in United States dollar equivalent]

Recipient country	UNTAA	WMO	FAO	Total
Afghanistan.....	-----	\$13,934	-----	\$13,934
Ceylon.....	\$9,900	-----	-----	9,900
India.....	709,394	-----	-----	709,394
Iran.....	88,275	-----	-----	88,275
Jordan.....	30,900	-----	-----	30,900
Libya.....	-----	15,362	-----	15,362
Pakistan.....	201,457	-----	-----	201,457
Yugoslavia.....	2,294	-----	-----	2,294
Undistributed.....	-----	-----	62,000	62,000
Total.....	1,042,220	29,296	62,000	1,133,516

Ruble contributions (U. S. S. R., Byelorussian S. S. R., and Ukrainian S. S. R.)—
Continued

III. 1956 PROGRAM—SUMMARY

[Expressed in United States dollar equivalent]

Recipient country	UNTA A	WMO	FAO	UNESCO	WHO	Total
Afghanistan.....			\$55,000		\$100,000	\$155,000
Bolivia.....				\$10,000		10,000
Brazil.....			60,000			60,000
Burma.....	\$61,000	\$150,000		3,000		214,000
Ceylon.....			35,000		250,000	285,000
Chile.....			35,000	88,000	84,000	205,000
Egypt.....			20,000	35,000		55,000
India.....	471,000		10,000	805,000	150,000	1,436,000
Indonesia.....	10,000					10,000
Iran.....				20,000		20,000
Iraq.....				10,000		10,000
Israel.....				65,000		65,000
Jordan.....				10,000		10,000
Libya.....				10,000		10,000
Nepal.....				5,000		5,000
Pakistan.....			20,000			20,000
Paraguay.....			50,500			50,500
Saudi Arabia.....				5,000		5,000
Sudan.....				5,000		5,000
Syria.....				110,000		110,000
Turkey.....			10,000			10,000
Middle East, regional.....				35,000	8,000	43,000
Asia and Far East, regional.....	130,000					130,000
Europe, regional.....	16,000					16,000
Interregional.....			220,000			220,000
Total.....	688,000	150,000	515,500	1,214,000	592,000	3,159,500

Czechoslovakian contribution

I. PROJECT COSTS OBLIGATED IN 1955—SUMMARY

[Expressed in United States dollar equivalent]

Recipient country	WHO	UNESCO	FAO	Total
Burma.....	\$4,300			\$4,300
Egypt.....		\$2,477		2,477
Indonesia.....	3,769			3,769
Syria.....		15,814		15,814
Regional.....			\$43,267	43,267
Total.....	8,069	18,291	43,267	69,627

II. FORWARD CONTRACTUAL COMMITMENTS AS OF DEC. 31, 1955—SUMMARY

[Expressed in United States dollar equivalent]

Recipient country	WHO	UNTA A	FAO	Total
Indonesia.....	\$1,030			\$1,030
Jordan.....		\$4,019		4,019
Regional.....			\$81,666	81,666
Total.....	1,030	4,019	81,666	86,715

III. 1956 PROJECTS—SUMMARY

[Expressed in United States dollar equivalent]

Recipient country	FAO	UNESCO	WHO	Total
Ceylon.....	\$5,000			\$5,000
Chile.....	5,000			5,000
Greece.....			\$5,500	5,500
Syria.....		\$10,000		10,000
Interregional.....	25,000			25,000
Total.....	35,000	10,000	5,500	50,500

SOVIET TECHNICAL ASSISTANCE

Polish contribution

I. PROJECT COSTS OBLIGATED IN 1955

[Expressed in United States dollar equivalent]

Regional projects and country undesignated: FAO—Purchase of farm machinery and other equipment (detailed breakdown by country not available)..... \$19,955

II. FORWARD CONTRACTUAL COMMITMENTS AS OF DEC. 31, 1955—SUMMARY

[Expressed in United States dollar equivalent]

Recipient country	UNTAA	FAO	Total
Jordan.....	\$50,100		\$50,100
Countries undesignated.....		\$170,175	170,175
Total.....	50,100	170,175	220,275

III. 1956 PROJECTS—SUMMARY

[Expressed in United States dollar equivalent]

Recipient country	FAO	UNESCO	Total
Brazil.....	\$5,000		\$5,000
Ceylon.....	5,000		5,000
Chile.....	5,000		5,000
India.....	9,500		9,500
Sudan.....		\$5,000	5,000
Turkey.....	4,000		4,000
Latin America regional.....	15,000		15,000
Total.....	43,500	5,000	48,500

STAFF STUDY NO. 8

DEVELOPMENT PROGRAMS IN AFRICA
SOUTH OF THE SAHARA

November 23, 1956

FOREWORD

In its report to the Senate last May (S. Rept. 1956), the Subcommittee on Technical Assistance Programs listed Africa as one of the subjects to which it intended to give particular attention during the forthcoming year. Subsequently, members of the subcommittee and of its staff have made an on-the-spot survey of that continent, and other information has been accumulated from data available in Washington. This other information is published herewith as the subcommittee's Staff Study No. 8, "Development Programs in Africa South of the Sahara." This study was prepared in the Legislative Reference Service of the Library of Congress under the supervision of the subcommittee staff. It is intended to provide some of the basic background material needed for an appraisal of African economic problems, not only by the subcommittee but by other interested persons. The opinions expressed in the study do not necessarily reflect the views of the subcommittee or any of its members.

Certainly, Africa is worthy of increased attention from the United States. It has some of the world's greatest reserves of natural resources and some of the world's most primitive societies. As was pointed out in the subcommittee's Staff Study No. 7, "Soviet Technical Assistance," (July 12, 1956), Africa is also the target for increasing Communist efforts at economic penetration.

The growing importance of Africa to the United States has recently been recognized by the State Department through action to establish a separate Bureau of African Affairs under a Deputy Assistant Secretary. This is a welcome development.

All the signs indicate that Africa will offer an increasing challenge to the wisdom and statesmanship of the United States and of the Western European democracies which are responsible for colonial dependencies in that continent. It is none too soon to begin preparing to meet that challenge.

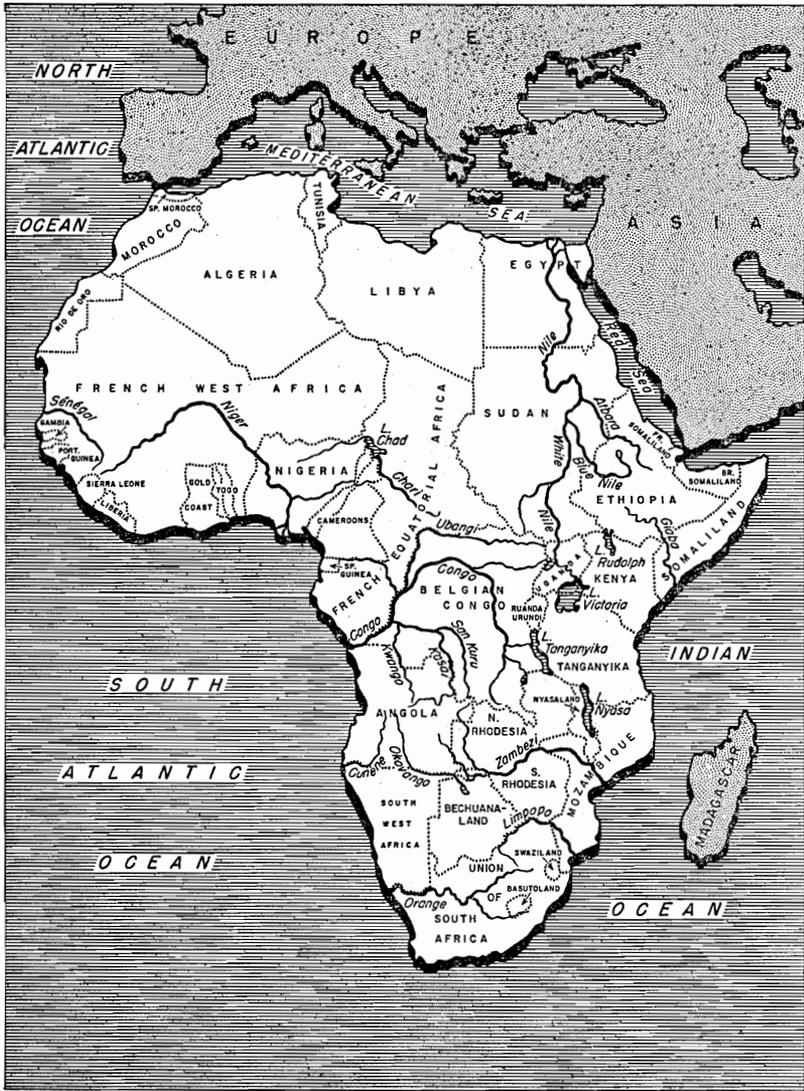
MIKE MANSFIELD,

Chairman, Subcommittee on Technical Assistance Programs.

NOVEMBER 23, 1956.

AFRICA

MAJOR RIVER SYSTEMS



R.L.B.

DEVELOPMENT PROGRAMS IN AFRICA SOUTH OF THE SAHARA

I. INTRODUCTION

The technological revolution now changing the face of the world is producing some of its most significant effects in certain of the underdeveloped areas. Among the most consequential of these effects are those which have been bringing the formerly "dark continent" of Africa, second largest of the continents, well within the sphere of contemporary international relations and into the forefront of great power strategic calculations.

Sub-Saharan Africa in the contemporary world

The rapidly increasing accessibility of the interior of Africa south of the Sahara and the awakening political consciousness of the more than 150 millions occupying the vast area between the Sahara and the Union of South Africa render that area of great and increasing importance to the nations of the free world for two prime reasons. In the first place, the African Continent has come to figure prominently in the security plans and strategic calculations of the great powers arrayed on either side in the world ideological contest. In the second place, the attitude of the African peoples themselves at no distant time may have a direct bearing on the prospect of survival of free institutions. The orientation of these peoples during the formative stages of their social and political evolution, therefore, deserves the most careful consideration not only by the nations charged with responsibility for African dependencies but by the free world in general. This consideration is the more needful because of the growing interest of the Soviet Union and other members of the Communist bloc in establish-ign centers of influence in various parts of Africa. The diplomatic and trade missions coming from Soviet Russia, the satellites, and Red China, offers of economic aid for industrial development, the setting up of institutes within the Soviet sphere for the study of African languages, all bear witness to a realization in the Communist bloc of the growing importance of Africa in world affairs.

Africa today is surging with political vitality as newly independent states emerge from conditions of tutelage to join the older nations of the world. Along the Mediterranean shores, where contacts with European peoples inevitably have exerted influence, Libya became an independent state and a member of the United Nations in 1952. Since the opening of the year 1956 three other countries, Morocco, Tunisia, and the Sudan, have become independent. More recently still, the Gold Coast, henceforth to be known as Ghana, has achieved independence within the British Commonwealth of Nations. Still other African nations are in the making. The old tribal systems are breaking up, sometimes creating temporary vacuums such as that which produced the Mau Mau uprising in Kenya.

A reservoir of natural resources

The underlying economic transformation, also still in the earlier stages, is fundamental in nature and rests on solid foundations. Africa is the world's largest unexploited reservoir of natural resources. It already leads in the production of industrial diamonds, gold, columbite, cobalt, beryllium, and certain phosphates; and it contributes an increasing proportion of the world's copper, chrome, manganese, asbestos, uranium, tin, and graphite. There are considerable deposits of iron ore, and there are increasing indications of the presence of petroleum in scattered (mainly desert) areas. Projects for the control of the huge African rivers—the Congo, the Nile, the Niger, and the Zambezi—will lead to the supply of immense amounts of hydroelectric power. Resources of forest and soil are extensive.

As working capital has become available and as technical knowledge—multiplied through recently established technical and trades schools—is drawn upon, industries have sprung up and urban centers have arisen. The most striking changes along these lines have been taking place south of the Sahara and above the boundary of the Union of South Africa. In this vast area, almost three times the size of the continental United States, there still remain a number of dependencies under varying forms of control by Great Britain, France, Belgium, Portugal, and Italy—nations that played leading roles in the partitioning of the continent in the late 18th and early 19th centuries. In its own way and in the light of its own circumstances, each of these European states has been engaged in the development of its dependent holdings. In some instances, metropolitan development plans have been accompanied by arrangements calculated to improve living standards of the native populations; in other instances little initiative has been taken in this direction. In all of the sub-Saharan territories, however, social changes affecting African populations have everywhere accompanied territorial development programs. Depending largely upon the rate of social evolution, these changes in turn will inevitably bring about changes in government at some near or distant period.

African interests of the United States

In late years the United States has manifested an interest in African development plans and a willingness, if called upon, to contribute to the upbuilding of underdeveloped areas through either technical assistance or economic aid, or both. As applied to the dependent territories in sub-Saharan Africa, United States aid ordinarily has been supplementary to the development programs of the metropolitan countries and has consisted of relatively small and specific undertakings.

Such American assistance as the African dependencies received during the earlier stages of their postwar development plans originated in United States aid to Western European allies and was made available in the form of counterpart funds. Some direct dollar aid was provided from the special reserve fund set aside by the Economic Cooperation Administration for the development of overseas territories. As of March 31, 1956, the International Cooperation Administration and its predecessor agencies had made available to the sub-Saharan African dependencies in technical assistance and development aid something more than \$173 million, not including grants from the special reserve fund. This assistance was supplied in the belief that

the United States could make its most effective contribution to dependent areas along lines in which the metropole often is weakest—possibly in agricultural methods and techniques or in vocational education. Such assistance also has been regarded as a means of making colonial populations aware of the interest of the United States in their welfare.¹

The African setting

Although Africa is no longer the “dark continent,” little is yet known in detail by the outer world concerning many sections of the great land mass. The coastlines of the continent are regular, for the most part, and good harbors are few. Most of the African interior is an elevated plateau and the few large rivers, breaking through the plateau rim in series of falls and rapids, do not provide routes of ready access into the continent. Along the extensive tropical and subtropical coastal areas are dense forests and swamps in the rain belt, and barren desert-like tracts elsewhere, as in southwest Africa or along the Somali coasts. Large lakes, flanked by high mountains, occupy considerable portions of the great Rift Valley extending from Mozambique to Ethiopia. Yet the most characteristic African terrain south of the Sahara is the “bush country,” thorny scrub covering vast stretches of land too arid for agriculture.

The climate of sub-Saharan Africa is generally hot except where elevated portions of the plateau and mountain uplands temper the daytime heat. Middle Africa has two seasons: one rainy, one dry. Where precipitation is heavy are rain forests; where it is slight or non-existent over considerable periods are deserts. Even rain is not an unmixed blessing when it falls in torrents to carry away the best of the soil.

Thus, Africa is a land of contrasts. While some sections remain primitive and largely unaffected by the hand of civilized man, others are becoming thoroughly modernized with thriving farmlands and large cities equipped with hospitals, schools, and universities. Even in the more productive areas, however, great extremes often exist in the social structure. Here the symptoms of overpopulation and labor unemployment are likely to be most acute and here are likely to be some of the most troublesome foci of unrest and political discontent. With all of the promise held by development programs in the sub-Saharan territories, much still must be accomplished in the harmonizing of the relations of the European and African elements of territorial populations before either dependent or independent Africa will have been secured to the free world.

II. INDEPENDENT STATES

A. ETHIOPIA

Factors shaping contemporary Ethiopia

Ethiopia is an underdeveloped but not a notably poor country. Its present developmental needs and problems are the result of centuries of isolation from the outer world, of climatic, topographical and cultural diversity, and of longstanding political disunity rather than being

¹ 84th Cong., 2d sess., Mutual Security Act of 1956, H. Rept. No. 2213, p. 20.

attributable to any absence of essential natural resources. The Italian occupation after the conquest of 1935 brought the capital city of Addis Ababa and parts of the temperate central plateau region into contact with European methods and institutions, yet owing to the most complete absence of interior lines of communication the stimuli accompanying the brief period of Italian rule and the subsequent British military occupation were only local in influence; most of the country, especially the outlying provinces, remained largely unaffected. Generally speaking, therefore, down to the present, Ethiopia has continued to consist mainly of a loosely organized group of folk societies, almost destitute of urban centers, with life based on subsistence agriculture.

In such an environment, the presence in various localities of potentially rich natural resources has taken on significance only as foreign influences, coupled with impulses from the throne, have brought Ethiopia in touch with the outer world. Much of the country's recent development is due, in fact, to the circumstance that here, in the absence of any manifest dissatisfaction with conditions of life, an absolutist, divine-right monarchical regime is preoccupied with the task of improving economical and cultural standards.

Because of close association with representatives of Great Britain during much of World War II, Emperor Haile Selassie has continued to rely considerably on British counsel in the postwar period. He has found it expedient, however, to draw talent from numerous foreign sources. Among the members of his "bureaucratic Foreign Legion" are Swedes, Yugoslavs, French, Italians, and Canadians, in addition to British and Americans. The last are the most numerous and probably the most influential. Americans help run the Ethiopian Airlines, train segments of the Ethiopian Army, conduct agricultural experiment and demonstration stations, staff the agricultural college, and advise in the state bank, the Foreign Office, the Ministry of Finance, and the Ministry of Commerce and Industries.²

The principal handicap to the Emperor's modernization efforts is the dearth of Ethiopians sufficiently trained to assume administrative charge of important aspects of the developmental program. Further, there is widespread inertia and resistance to change. This situation has a direct bearing on both plans and operations of the United States technical assistance program in Ethiopia.

United States interest in Ethiopia

Following the relinquishment of British control and the federation of Eritrea with Ethiopia (1952), the United States undertook the task of working out a point 4 program with the country. A basic agreement for the purpose was signed on June 16, 1951. Most of the program agreements were drawn up in the following year. The general objectives of the program³ were defined as (1) the improvement of the production of food and other agricultural products by training the Ethiopian farmer in basic agriculture; (2) the improvement of the production, processing and marketing of agricultural products; (3) the expansion, improvement, and adaptation of the educational system to Ethiopian needs; (4) the development of a skilled group of indigenous technicians and subprofessionals through

² U. S. News & World Report, vol. 38 (Apr. 8, 1955) pp. 101-102; Christine Sandford, *The Lion of Judah Hath Prevailed* (London, 1955), pp. 160-161.

³ Except for a small military program, United States aid to Ethiopia thus far has been confined to technical assistance projects.

a program of technical education and training; (5) the exploration of water resources; (6) the training of a personnel corps for a new public health program; (7) the introduction of more effective industrial methods; (8) the training of personnel for Government work; and—not least—(9) the devising of means through which Ethiopians might function in the fields thus outlined.⁴

Under this arrangement, some 33 specific projects were mapped out. By the terms of the projects agreements, the International Cooperation Administration and its predecessors have provided technicians training awards, demonstration equipment, and the like, at several training centers. The projects have been financed in part through a joint United States-Ethiopian account, in which Ethiopian deposits have exceeded those of the United States.⁵ Among the projects set up under the technical assistance program are agricultural schools and demonstration centers, teacher training institutes, water resources surveys, arts and crafts centers, a variety of health advisory services, aviation advisory and training services, a fisheries survey, and public administration training.⁶

Supplementing the technical assistance program have been some other forms of aid. The Export-Import Bank, for example, announced in October 1955, its purpose of establishing a \$24 million credit in Ethiopia's favor for the development of commercial airfields and aviation facilities in the country.⁷

In recent years, partly owing to a boom in coffee, Ethiopia has generally enjoyed a favorable balance of payments position and has been able to build up reserves of United States dollars to promote development and repay bank loans. The need to meet dollar-loan obligations has been responsible in part for the gradual shift of Ethiopia's reserves from sterling holdings to United States or Canadian dollars. During late years, 40 to 50 percent of foreign-exchange earnings have been in United States dollars. Although there is no longer an extraordinary demand for Ethiopian coffee, the country still enjoys a self-sufficient economy.⁸

Current political orientation

It is of some significance that, while Amharic is the official language among the several spoken tongues in Ethiopia, English is taught in the schools as the second language. The influence of English-speaking

⁴ Economic Progress of Ethiopia (Addis Ababa, Ministry of Commerce and Industry, 1955), pp. 70-78.

⁵ Contributions to the joint fund are as follows:

Ethiopian contributions.....	\$3,708,131
Due and payable.....	298,120
United States contributions.....	3,385,000
Due and payable.....	345,000

United States joint fund contributions do not include United States expenditures for technicians and for supplies bought and paid for in the United States, etc., and therefore represent about one-third of total United States contributions which are as follows:

Total United States technical assistance to Ethiopia

Fiscal year:	Dollars (in millions)
1952.....	0.8
1953.....	1.3
1954.....	2.6
1955.....	4.1
1956.....	3.0
Total.....	11.8

⁶ U. S. A. Operations Mission to Ethiopia (Feb. 13, 1956), attachment No. 6.

⁷ The Department of State Bulletin, vol. 34 (Apr. 9, 1956), pp. 597-598.

⁸ In settlement of Ethiopia's original claim against Italy of \$518 million for losses in war, it is announced that Italy will pay approximately \$16 million. This still is a substantial sum in Ethiopian terms where the annual budget does not exceed \$50 million; Christian Science Monitor, April 20, 1956.

peoples is not entirely without challenge, however. The Soviet Union maintains in Addis Ababa a complete information service under the direction of a well-staffed Embassy. Possibly more productive of lasting good will is a Soviet-operated hospital which offers free care and nursing instruction to villagers. Those benefited may, not unnaturally, become disseminators of Communist influence among an unsophisticated people.

On the basis of evidence presently available, it would appear that influences emanating from the Soviet bloc have made little headway in Ethiopia. The royal family, still the main source of authority and hence the architect of political attitudes and relationships, is definitely oriented toward the West.

B. LIBERIA

General background

Whereas in Ethiopia the good offices of the British Government paved the way toward the development program now in progress, the United States has manifested considerable interest in Liberia ever since some freed Negro slaves returned from America and settled on the Liberian coast more than a century ago. Without American help, both public and private, it is uncertain that the little republic set up at Monrovia in 1847 would have survived.

Although some educational activities have been carried on in Liberia by American mission societies since the founding of the State, the greater part of the population still remains illiterate. Approximately 80 percent are engaged in a primitive kind of agricultural economy.⁹ The descendants of the original American settlers plus a somewhat larger number of "assimilated" natives dominate the Government which maintains only an indirect rule, through tribal chiefs, in the hinterland.

Foreign assistance and economic development

Prior to World War II, the principal economic influence was that of the Firestone Tire & Rubber Co., which entered Liberia in a large way in 1926. The war itself was responsible for additional impulses. The port of Monrovia, for example, was constructed under a lend-lease agreement. It is still administered by an American concern, and is available as a naval base in the event of future war. An airport, Roberts Field, was constructed under a 1942 defense areas agreement and is now being operated by Pan American World Airways.

United States Government aid, which has been confined to technical assistance, began on an important scale in 1950 when a 5-year development program was mapped out by United States and Liberian officials. Under this agreement, which called for the cooperative expenditure of \$32,500,000, Liberia was to appropriate a minimum of 20 percent of its current annual revenue toward the implementation of the program. The plan since has been extended for an additional 4 years and total expenditures are expected to reach \$74 million. Both the original and the extended program apply to the development of roads, railroads, power facilities, water control, health, education, agriculture, forestry, fisheries, and public administration.¹⁰

⁹ U. S. Department of Commerce, World Trade Information Service, pt. I, Nos. 55-58, Basic Data on the Economy of Liberia, p. 1; Leonard Ingalls in the New York Times, January 14, 1956.

¹⁰ Basil C. Rhodes, Liberia's Efforts Toward Economic Improvement, in the Foreign Commerce Weekly, May 12, 1952, p. 26; Republic of Liberia, Bureau of Information, Liberia: Lone Star Republic of Africa (Calcutta, India, 1954), p. 14.

Inasmuch as there appears to be a limit to Liberia's ability to absorb some forms of assistance and guidance owing to a shortage of trained personnel, educational activities have a special significance for the future of the country. A noteworthy event in 1955 was the commencement of the technical assistance program's 25-year development of the Booker T. Washington Institute at Kakata in the central province with technical assistance in vocational training from a group of teachers from the Prairie View Agricultural and Mechanical College of Texas.¹¹

As of June 30, 1955, the Export-Import Bank had authorized loans to Liberia amounting to \$25,350,000. Of this amount \$6,500,000 had been utilized, with \$18,850,000 remaining in reserve. Liberia has repaid \$4,194,000 on principal and \$657,000 in interest. By the same date, United States technical assistance appropriations had amounted nearly to \$5,700,000. Of this sum, \$1,600,000 remained as an unexpended balance. The request for fiscal 1946 amounted to \$1,800,000, and a like sum is programmed for fiscal 1957.¹² The cumulative figures for the period April 3, 1948–December 31, 1955, shows obligations of \$6,038,000 and expenditures of \$5,010,000 for the technical cooperation program.¹³ During the first 3½ years of the 5-year development program, the Liberian Government contributed nearly half of the total amount expended in behalf of the joint development program.¹⁴

During the Korean war, Liberia purchased merchant ships valued at \$698,000, a step implemented by an American loan. By June 30, 1955, Liberia had repaid \$291,000 on the principal of the loan, together with \$90,000 in interest.

United Nations assistance

In comparison with the United States contribution to Liberia's development needs, the United Nations expanded program of technical assistance has been modest. Multilateral assistance from this source amounted to \$87,802 in 1950–51, \$302,607 in 1952, \$268,950 in 1953, and \$206,012 in 1954—a total of \$865,461. Liberia's contribution to this phase of development in the same period amounted to \$47,000. The approved United Nations contribution for 1956 is \$257,386.¹⁵

Business investments

The principal impetus to the economic development of Liberia has come from private business investment. While the exact amount of private foreign capital thus far invested has not been accurately determined, it is estimated that United States private investment in the country increased from some \$46 million in 1949 to about \$236 million in 1954. The Firestone stake alone amounts to about \$75 million. Firestone holds a 1-million acre concession under a 99-year contract and employs between 25,000 and 30,000 native workers. Its annual production of rubber (1955) exceeds 75 million pounds, the annual goal by 1960 being 100 million pounds.¹⁶

¹¹ Department of State, Annual Economic Review, Liberia, 1955: Foreign Service Dispatch 876.00/5-2-56

¹² U. S. Department of Commerce, Office of Business Economics, Foreign Grants and Credits by the United States Government (October 1955) table 5, pp. 5-47; International Cooperation Administration, program approval summary sheet; the mutual security program, fiscal year 1957, a summary presentation (April 1956), p. 74.

¹³ International Cooperation Administration, Operations Report: Issue No. 2, data as of December 31, 1955, p. 44.

¹⁴ Embassy of Liberia in the United States, Liberia: Economic Development (pamphlet, 1954), p. 22.

¹⁵ Mutual Security Appropriations for 1956, op. cit., pp. 556-559; House of Representatives, 84th Cong., 2d sess., hearings on H. R. 10082, Mutual Security Act of 1956, p. 579.

¹⁶ Nation's Business (August 1955), p. 66, cf., The Firestone Plantations Company, Liberia and Firestone (Akron, Ohio, ca. 1952).

During 1955 the B. F. Goodrich Co. completed plans for a rubber plantation in Liberia to rival that of Firestone. The present Goodrich concession embraces 600,000 acres and extends for 80 years. Substantial returns from this source are anticipated after 1967.

The second largest type of private foreign investment is in iron. The Liberia Mining Co., controlled since 1949 by Republic Steel, was originally capitalized at \$1,200,000. Through earnings and new investment this has grown to \$4,500,000. The Bomi Hills ore deposits are believed to hold about 35 million tons of 68 percent pure ore and additional quantities of lesser richness. Some 1,800,000 tons of ore were mined in 1955, with the output rising.

Recent exploration for iron and other minerals in the Putu Hills by the Liberian American Minerals Co., a United States-Canadian concern, gives considerable promise. Total Liberian iron reserves now are estimated at 300 million tons. As for other minerals, there are indications of commercial quantities of bauxite, tantalite, corundum, manganese, copper, lead, and uranium.¹⁷

Palm products ranked third among Liberian exports in 1955. Coffee production, a major export before World War II, has declined since. Other products worthy of note, however, include timber, fruit (bananas), and cacao, with nationals of European and Middle Eastern countries engaged in their production and export.¹⁸

These relatively large-scale private foreign enterprises have been encouraged by the Liberian Government in various practical ways, such as long-term concessions, partial exemption from taxes, and complete freedom of movement of foreign currencies into or out of the country. There is a fixed ceiling of 25 percent on the taxable income of established corporations.

Church and private gifts

The building and staffing of numerous schools and hospitals has been facilitated by contributions from both religious and secular sources. The extent of aid of this nature can be gaged by the fact that the Liberian Government operates only slightly more than half of the 800 schools in the country. It is a legal requirement that each missionary organization establish and maintain an educational institution at the elementary, secondary, or college level.¹⁹

A \$325,000 institute of tropical medicine was set up in 1952, largely at the instance of Harvey S. Firestone, Jr. Cooperating, however, were more than 50 United States business firms, 22 United States medical schools, the American Foundation for Tropical Medicine, and the Liberian Government.²⁰

While the effect of foreign assistance on the Liberian economy has been considerable, it is doubtful that benefits from the various aid programs have yet reached the great majority of Afro-Liberians. Figures representing the country's economic growth, nevertheless, are impressive. Total Liberian exports increased from \$2.7 million in 1939 to \$42.8 million in 1955. In 1940 Liberia imported goods to the value of \$3 million; in 1955 to the value of more than \$26 million. The total volume of foreign trade in 1955 was \$68.8 million. Leading

¹⁷ U. S. Department of Commerce, World Trade Information Service, Economic Reports. Basic Data, op. cit., p. 7.

¹⁸ The Christian Science Monitor, May 21, 1955; the New York Herald Tribune, May 4, 1953.

¹⁹ United Nations Review, December 1954, p. 17.

²⁰ Embassy of Liberia in the United States, Liberia, op. cit., p. 11.

participants in this volume of business were (in order) the United States, Great Britain, the Netherlands, and West Germany.

External influences

Being proud of its inclusion in the United Nations, Liberia invited all other members of that organization to be represented at the presidential inauguration ceremonies on January 2, 1956. The Soviet Union, which had overlooked the previous inauguration in 1952, was impressively represented in this instance and employed the occasion not only to proffer Soviet technical and economic assistance but also to propose an exchange of diplomatic representatives. These proposals were taken under advisement.²¹ The Liberian authorities are aware that a Soviet diplomatic post in their midst might become the nerve center for a sphere of Communist influence in West Africa where the Gold Coast and Nigeria are approaching political independence.

Meanwhile, as they gain in political maturity, Liberians are becoming sensitive to their economic dependence on the United States and to charges that the latter has adopted a paternal attitude toward its African protege.²²

III. FRENCH SUB-SAHARAN DEPENDENCIES

Postwar France has experienced many difficulties in the administration of its overseas dependent territories. These difficulties are traceable to a variety of causes, some being due to the consequences of war, some to the ferment of nationalism, some to problems in colonial administration—this last being largely a reflection of political and economic troubles in postwar France. The French Republic, nevertheless, has displayed considerable interest in and concern for its underdeveloped dependencies and has manifested considerable skill in raising the level of life in the territories in Africa south of the Sahara.

The sub-Saharan territories under French control are both vast in area and diverse in character. The challenge to French trusteeship represented here embraces all of the intermediate cultural and economic stages between the dry and torrid upland wastes of Mauretania and the French Sudan and the humid and torrid forested areas of the Atlantic lowland rain belt. In these wide spaces are found substantially all of the problems of tropical development the world over.

France in recent years has been unable to afford long-range and costly development programs for its colonies on a purely benevolent basis. Development plans have had to take into consideration the needs and welfare of the home country as well as the needs and potentialities of the dependent territories. In the final analysis, consequently, development plans have represented the French interpretation of mutual interests, which is neither colonial exploitation nor purely altruistic regard for the welfare of the dependent populations.

In the territories comprising French West Africa and French Equatorial Africa, France has made a good showing in ways of developing tropical holdings. To a small extent the methods applied here have been worked out in conjunction with other European colonial powers. In November 1945 France and Great Britain entered into collabora-

²¹ Ingalls, *op. cit.*, pp. 1, 3, 10.

²² Cf. Emma Harrison in the *New York Times*, October 29, 1954; Thomas Hodgkin, *Tubman's Liberia*, in the *Spectator*, June 19, 1953.

tion for the development of their West African holdings. In 1947 Belgium joined the consortium. In January 1950 a Commission for Technical Cooperation in Africa South of the Sahara was formed in Paris with membership extended to Belgium, Portugal, Southern Rhodesia, the Union of South Africa, and the United Kingdom in addition to France. A permanent secretariat was created in 1952, its functions being those of liaison, consultation, and the gathering and transmission of information. The organization of these activities, together with the establishment of an African scientific council, was completed in 1953 as a scheme for technical aid on a cooperative basis.²³

French colonial development agencies

Public development plans for the sub-Saharan dependencies involve two governmental functional and operational establishments. One, the *Fond de Développement Economique et Social* (FIDES), is fed both by French Government grants and by contributions from the territories themselves, the amounts being fixed each year. In principle, the metropole assumes responsibility for all research, two-thirds of the cost of social betterment, and one-half of the cost of economic development. The remainder is to be supplied by the territories. In practice, however, the French Treasury has supplied the colonies with the major portion of their share in the form of long-term loans at a nominal rate of interest. Public development plans thus are financed almost wholly by the metropolitan country through grants supplemented by loans.

The *Caisse Centrale de la France d'Outre-Mer* (CCFOM) is the second element in the financing of development programs. Intrinsically, this is a banking institution responsible primarily for managing the FIDES accounts. Its operating funds are provided by periodic treasury advances which are employed in long-term loans to the territories or in short-, medium-, or long-term loans to public, semi-public, or private companies operating in the territories.

Local capital markets in the territories are almost nonexistent. Savings of the local populations have been very small, and the reserves accumulated by private companies of the European type either have been transferred abroad or have been plowed back into augmented operations.

Aid from external sources

In the dependent territories of French Africa considerable sums have been applied in the form of development assistance. United States aid to French Africa during the ECA period amounted to not less than \$365 million (prior to March 31, 1956), mostly in the form of dollar procurement authorizations.²⁴ This form of aid, supplied in response to the desire of the metropolitan country, has consisted principally in making available the services of experts as advisers to local administrators and technicians within the territories.

A similar type of technical assistance from the United Nations to French sub-Saharan territories amounts to about \$23,000 a year. For the 2-year period, 1954-55, it totaled \$46,893.

The International Bank for Reconstruction and Development also has contributed to the development of the French territories south of

²³ *La Documentation Française: Notes et Études Documentaires: L'assistance technique aux pays insuffisamment développés*, No. 1930 (Paris, October 7, 1954), p. 16.

²⁴ These figures also include any aid supplied to certain French island dependencies: New Caledonia, Guadeloupe, St. Pierre, etc.

the Sahara. For loans to dependent territories, the bank requires certain guaranties by the metropole, inasmuch as such territories are not members of the bank in their own right. Exchange controls which have a bearing on the flow of capital into and out of such territories, generally speaking, are based on legislation in force in the metropolitan country, subject to modification on the basis of local laws and circumstances.

A. FRENCH WEST AFRICA

Taken altogether, French West Africa—a colonial federation embracing Senegal (with the French Sudan and Mauretania), French Guinea, Upper Volta, Niger, Dahomey, and Ivory Coast—has extensive resources. It is a prime producer of vegetable oils, derived mainly from groundnuts and certain types of palm. Some areas also produce cotton, bananas, coffee, cacao, and valuable timber. Mineral output is consequential, especially in Guinea and Mauretania.

Development programs

Under the first 10-year plan, launched in 1947, the equivalent of \$271 million was earmarked for investment in West Africa. Of this amount 20 percent was assigned to non-revenue-earning investment in general administration, education, health, and research. Sixty-three percent was allocated to basic equipment such as transport and communications—roads, railways, waterways, electric power, water supply, and the economic and social development of native communities. Investment in the productive sector—agriculture, animal husbandry, forestry, fisheries, minerals, industry, trade and finance—was to receive 17 percent. Actual procedure on this basis over a period of 6 years disclosed certain shortcomings, which presumably have been corrected in a partial reorientation of the plan in 1953.

More recently the French Government announced a revised development program amounting to \$200 million for both French West and French Equatorial Africa for the period 1954–57.

The industrialization of French West Africa began, on a planned basis, in 1939. The main objective has been to mechanize industry only so far as is warranted by the need of processing the produce of the country for local, West African or metropolitan markets.

Experience gained during the operation of the 10-year plan indicated the desirability and practical necessity of entrusting the management and operation of some kinds of undertakings to private enterprise. Presently there are numerous companies engaged in various types of production. State and private enterprise frequently are closely associated: for example, the Régie Industrielle de la Cellulose Coloniale is engaged in research the results of which are available to private interests. Railways are the exclusive concern of the public administration, but other forms of transport are in the hands of private corporations.

Trends in Social Conditions and Relationships

While it is true that, under the existing development plan, the improvement of French West Africa is directed by and primarily in the interest of metropolitan France, the latter has taken pains to develop rather than to exploit. The High Commissioner and Governor

General of the Territory, for example, has described the area of his responsibility as "an immense oasis" in the present agitated world. Interests of the metropole, he said, must progress side by side with those of native Africa, since they can not coexist apart.²⁵

Under a regime so dedicated, Europeans and Africans appear to have no difficulty in living in close association. Yet the pattern of social and cultural life indubitably is French. Schools, hospitals, elementary instruction in hygiene, new types of building construction for native housing, and types of industry are all changing the life of the indigenous populations in fundamental ways and thus far without giving rise to significant forms of popular unrest. Yet it is difficult to forecast the degree of willingness of the native population to continue to have their lives and institutions shaped by metropolitan France in view of the ferment in other parts of West Africa heretofore under European control.

B. FRENCH EQUATORIAL AFRICA

French territories in Equatorial Africa have to contend with numerous special problems. Consisting of the four territories of Gabon, Middle Congo, Chad, and Ubangi-Shari, French Equatorial Africa is dominated by a huge, unhealthy, tropical forest, circumscribed by a belt of agricultural lands in the Upper Congo which, in turn, merges into pastoral steppes bordering on desert. The forest zone contains most of the economic resources of the territory in the form of rubber, timber, and gums and represents the most difficult problems from the point of view of improvement of underdeveloped peoples.

For a good many years after its acquisition by France in the late 19th century, Equatorial Africa remained in a state of economic stagnation. Its population was underfed and disease ridden, its resources were disastrously exploited by European concessionaires, its finances were moribund. The 10-year development plan adopted in 1949 for its improvement necessarily placed emphasis on the construction of roads and communications as a first essential step in the way of progress.

Owing to the necessity of taking emergency measures after 1950 to prevent the collapse of the colonial economy, funds needed for implementing the development plan had to be abbreviated. Progress toward a reasonable degree of economic self-sufficiency thus was singularly slow. While the territory is known to possess substantial natural resources in terms of forest products, agricultural lands and mineral deposits, both economic aid and technical assistance on a considerable scale for years to come will be necessary for an adequate development of ports, roads, and river and rail transportation facilities. Only as these improvements are made can the standard of living of the bulk of the population be lifted appreciably through facilities for improvements in health, in education, and in culture. French Equatorial Africa thus presents a major challenge both to metropolitan France and to other nations of the West which have come to regard underdevelopment as a liability in a world torn between conflicting ideologies.

²⁵ *Annuaire Noria*, p. 21: remarks of M. B. Cornut-Gentille, High Commissioner of the Republic in West Africa.

C. FRENCH EAST AFRICA

Wholly detached from the vast structure of French West and Equatorial Africa are scattered holdings in the East African area. These consist of the island of Madagascar, together with the now autonomous Comoro Islands archipelago, and French Somaliland. These territories are underdeveloped in terms of any criteria applied elsewhere in Africa, but their locations and resources place them in the category of strategic positions rather than in that of territories susceptible of any considerable degree of economic development on a self-supporting basis.

Madagascar, one of earth's largest islands, does possess some bases for economic improvement in soil and forest. Its predominantly mountainous character, dearth of rainfall, turbulent population and remoteness have conspired to give it a low priority among French colonial development projects, but some efforts have been made to bring the territory to a self-sustaining basis, particularly as to food-stuffs.

Most of the funds required for development projects have been supplied by the metropolitan government, mainly in the form of subsidies and loans channeled through the Caisse Centrale de la France d'Outre-Mer. Some of the funds supplied have been made available to semipublic and private concerns when their activities have appeared to contribute to the economic upbuilding of the territory. A substantial portion of development funds have been allocated to basic equipment for the improvement of railways, ports, roads, and bridges. Attention has been given also to the increased production of the traditional crops—tobacco, coffee, sugarcane, and vanilla beans. Improved techniques in cattle raising are being tested in semiarid regions and the planting of cinchona trees for the production of quinine in the forest areas is being encouraged. Only light industry exists, consisting mainly of the processing of agricultural materials.

The islands of the Comoro Archipelago, formerly under the supervision of the French Governor-General in Madagascar, still are closely associated economically with the larger island. The economy of the Archipelago is entirely agricultural and its improvement, principally through soil conservation, for the production of vanilla beans, copra, sisal and tobacco, depends entirely on aid from the metropole.

French Somaliland, on the Gulf of Aden, in no sense comprises an economic unit. The territory consists of a single port, Djibouti, and an arid hinterland. Its importance, other than strategic, derives from its position relative to Ethiopia, for which Djibouti is the principal door to the outer world. Because of its role in the international transit of goods, a special status has been assigned to the Djibouti franc, whose value is based on the United States dollar. This gives it ready convertibility. French Government concern with the economic development of this enclave has focused on the expansion and improvement of the port and the modernization of the Franco-Ethiopian Railway, the telecommunications system, and the motor roads.

D. CONCLUDING OBSERVATIONS

It continues to be a feature of United States policy to "work with other countries to insure that each free nation remains free, secure from external aggression and subversion, and able to develop a society

marked by human welfare, individual liberty, and a rising standard of living."²⁶ This is interpreted in many instances to include dependent—that is, colonial—peoples. While sizable amounts of economic aid terminated with the ECA period, technical cooperation projects still were available to France by way of supplementing its own development plans for the dependent territories in Africa. Not much of this aid has been claimed. This may be due in part to a belief on the part of the Ministère de la France d'Outre-Mer that any form of assistance essential to the well-being of the dependent populations in Africa is provided for by the development schemes now being administered. It is possible, too, that French colonial authorities entertain a feeling that aid provided through any but French channels may tend ever so slightly to dilute the influence of the metropole if not also to introduce ideas at variance with French policy with respect to the logical rate of evolution toward autonomy or eventual independence.

At all events, it is true that, south of the Sahara, French paternalistic administration appears to be not only constructive in terms of economic and social improvement of the territories but also acceptable to the indigenous populations. Here the French Government is not confronted with the dilemma posed, in the territories along the Mediterranean littoral, by the presence and the special requirements of large numbers of French and other European colons. At the same time, it should be observed that some portions of the French sub-Saharan territories, severely handicapped by climate or scarcity of natural resources, do not give promise of development much beyond present levels on a self-supporting basis. Such areas, which are not confined to the French dependencies in Africa, can only disclose the practical limits of technical assistance as an adjunct of comprehensive development plans.

IV. BELGIAN AFRICAN TERRITORIES

Under the Equator in the very heart of Africa, Belgian sovereignty extends over an expanse of 902,082 square miles, an area more than 80 times the size of the home country and as large as the United States east of the Mississippi River. This, the Belgian Congo, is a land of vast economic potentialities, largely undeveloped and only partially surveyed. While it is already becoming a factor in global economy, it is a land of manifest destiny for the future and is rated accordingly by its Belgian administration.²⁷

United States interest

In 1950 and 1951 loans totaling \$17.9 million were made to the Belgian Congo by the Economic Cooperation Administration. The United States, with the approval of the Belgian authorities, has taken an unusual interest in this dependent territory. One source of interest is found in strategic considerations. Should the Mediterranean-Suez route be blocked and bases in the Mediterranean area be unavailable at a critical time, the Congo in the hands of an allied NATO power might prove to be of vital importance. In this connection, it is worth noting that the Belgians are developing two

²⁶ President Eisenhower to Congress, March 19, 1956. H. Doc. 358, 84th Cong., 2d sess.

²⁷ Belgian Minister of Colonies, on April 14, 1955, following the report of an American Study Mission to the Belgian Congo.

of the world's largest airbases at Kamina and Kitona at well chosen sites in the Congo.²⁸

Fully as important, in all probability, are strategic resources of another nature. The Congo's mineral reserves are such as to give it special and enduring significance in terms of industrial potentialities. Prominent among its minerals are copper, tin, gold, cobalt, lead, cadmium, tantalum, iron, zinc, tungsten, silver, and uranium. Of the last-named, the Congo is believed to possess half of the presently known reserves in the world. Congolese uranium ores played an important part in the early development of the atomic bomb. The territory is also a major source of copper and industrial diamonds.

The dependency also possesses other valuable resources. Cotton is the chief agricultural and principal money crop. Palm oil, coffee, and rubber are noteworthy. Cacao, pyrethrum, ground nuts, corn, manioc, rice, and sugarcane further illustrate the diversity of the agricultural base as well as a considerable range in soils, temperature, and rainfall. Although the export value of minerals generally has exceeded that of all other commodities, the Belgian authorities prefer to regard the Congo as primarily an agricultural area, believing that the ultimate welfare of the native is linked up with the utilization of the soil.

The Congo (together with Ruanda-Urundi) has the largest volume of foreign trade of the territories between the Sahara and the Limpopo. As is not unnatural, the metropolitan country ranks first in imports from and exports to the Congo. The United States holds second place. It supplies the dependency with a considerable part of its industrial and agricultural machinery and imports ores, minerals, and vegetable products.²⁹

United States technical assistance

As has been suggested, direct United States assistance has been slight. To the end of 1955 total obligations for technical aid amounted to \$138,000, with actual expenditures amounting to \$31,000.³⁰

Most of the assistance given is comprised in the work of one technical mission study. At the request of the Belgian Minister of Colonies, the Foreign Operations Administration dispatched a study mission (the Rand Mission) to the Congo in February 1955. This group, under the general direction of the United States Operations Mission in Brussels and with the personal guidance of the economic adviser to the Minister, devoted most of the month of February 1955 to a field survey, concentrating on the lower Congo. The Belgian invitation was actuated by a desire to enlist specialized American talent in the shaping up of the later phases of the 10-year development plan which was inaugurated in 1950 and, specifically, to discover ways in which foreign capital might be induced to participate to a greater extent in the economic development of the Congo without impinging on Belgian sovereignty in the area.

The mission was impressed with the extent of the power which could be obtained from hydroelectric plants on the lower Congo and considered the opportunities for industrial development in the area in terms of both light and heavy industry to be extensive. The

²⁸ See the New York Herald Tribune, October 23, 1955: Sec. 10, p. 6.

²⁹ Exports from the Congo to the United States (1954) amounted to the value of \$63,295,000. This figure does not include the value of uranium ores, which is classified information. Congolese imports from the United States in the same year amounted to \$88,926,000. See the Financial Times (London), May 9, 1955.

³⁰ International Cooperation Administration, Operations Report (as of December 31, 1955), p. 44.

mission also looked with favor on further harbor development. It noted with satisfaction the measures already adopted for the proper housing and care of native labor and for the encouragement of foreign enterprise in the way of tax legislation and provisions for the convertibility of funds.³¹

The Belgian Colonial Administration

Having set out in the earlier years of this century to undo in the Congo the forms of exploitation of the natives practiced by concessionaire companies, the Belgian Government has attained high standards in colonial administration. Concern for the welfare of the natives has not been wholly altruistic, however; it has derived in part from a belief that well-fed people are, for the most part, contented people; that, with European colonization strictly limited, the future of the Congo rests largely with the Congolese; and that the indefinite continuation of Belgian sovereignty necessarily rests on partnership with the native groups.³²

Belgium's long-range development program for the Congo for the period 1950-59 averages approximately \$100 million a year, a rate of expenditure for development of approximately \$8.50 per capita per annum.

The educational scheme for the Congo has been fashioned around these concepts. The schools set up have been largely of the vocational type. Some train operatives for mining activities; others are devoted to the mechanics of transportation or office procedures and to research in vocational fields. Official undertakings in the interest of the native have been supplemented by corporate measures. The mining centers of the Union Minière du Haut Katanga, for example, maintain modern, well-equipped hospitals, welfare centers, schools, churches, social centers, and commissaries. Other corporations have similar provisions.

Belgian policy apparently envisages the eventual extension of self-governing privileges to the Central African area, but only on Belgian terms and at no premature stage in colonial evolution. Until recently, there have been no important signs of restiveness among the native Congolese. Growing material prosperity, coupled with the effects of education even on a vocational level, however, have produced some manifestations of the rise of groups of semi-intellectuals imbued with early stirrings of nationalistic spirit. Thus, while the Congo presents to the general view a spectacle of relatively quiet and peaceful growth in the center of an increasingly restless continent, it probably is not immune to the anticolonial impulses stirring elsewhere in Africa.

V. PORTUGUESE AFRICA

General background

As a residual product of overseas enterprise in the early days of the modern era, Portugal possesses two large territories lying on opposite sides of the African continent—Angola (Portuguese West Africa) and Mozambique (Portuguese East Africa). Both are well endowed with economic potentialities. Although in theory they are parts of a single political entity as overseas provinces of Portugal,

³¹ Foreign Operations Administration, Report of Study Mission on Industrial Development of the Lower (Belgian) Congo, February 23, 1955.

³² Social Action in the Belgian Congo and Ruanda-Urundi (N. Y.) Belgian Government Information Center, 1954, pp. 16, 117-118; M. A. Buisseret, Belgian Minister of Colonies, in the New York Times, January 4, 1955.

their development thus far has been slow and uneven. Portugal has been interested in applying technical assistance and economic aid to these provinces only with a view to building up complementary relationships with the economy of the home country. Thus, Portuguese policy has been aimed primarily at the development of the natural resources of the African provinces for the benefit of metropolitan industries and the creation of colonial markets for the manufactures of the home country. Some attention, nevertheless, has been given to the opening of avenues of trade with adjacent African territories under the administration of other European states and to improvements in communications which would facilitate movement of goods and products.

Economic development

Although mineral surveys of the African provinces still are incomplete, mining potentialities are known to be extensive. Actual exploitation heretofore has been small, apparently because investment initiative for this purpose has been lacking. While asphalt, copper, diamonds, gold, manganese, mica, and salt are all being produced in varying quantities, only the export of diamonds affects budgetary balances materially. Petroleum has been found in commercial quantity in Angola, but its significance to the future development of these African territories is not yet known.³³

The economies of both Angola and Mozambique are presently based on agriculture. The major agricultural products include coffee, sisal, corn, sugar, cotton, beans, and vegetable oils. In both provinces agricultural progress has been circumscribed by the unwillingness of the native to give up tribal life and subsistence farming to become a wage earner. Among the consequences of this attitude have been a chronic labor shortage, particularly in skilled and semiskilled categories, and a constricted market for Portuguese home manufactures.

An approach to the problem of labor supply has been made by distinguishing between "civilized" and "noncivilized" natives. Those who, having secured some education, have abandoned tribal ways may qualify as "assimilated" persons and thus acquire all of the rights of Portuguese citizens. These are paid at European wage rates. The productive capacity of the provinces depends mainly, however, on the preponderant unassimilated natives. Of this element of the population, all of whom are, or are being, registered, adult males are required to work as directed under the national labor statute for at least 6 months of the year. In Mozambique those who fail to seek employment are subject to forced labor on state projects.³⁴ In this connection, it may be noted that one feature of the national development plan adopted in 1953 has been the ethnic diversification of the population pattern by the encouragement of colonization on the part of settlers from Portugal.

In recent years, both Angola and Mozambique have operated on narrowly balanced budgets for ordinary expenditures. Growing needs for utilities and for public works such as railways and improved ports have called for considerable capital investment beyond the limits of normal colonial revenues. Some of the needed funds have been supplied in the form of loans by the metropolitan country. Some, for which figures are not available, have derived from investments of

³³ Foreign Service Despatch, No. 185—April 24, 1956, p. 2.

³⁴ Basil Davidson in *The Nation*, July 24, 1954, pp. 72-73.

private capital, Portuguese, and foreign. Foreign private enterprise has not been extensive in these provinces, however, because—while invited—it has been subjected to numerous restrictions.³⁵

United States assistance

Whereas Marshall plan credits to Portugal may have been applied in part to constructive undertakings in the African provinces,³⁶ United States direct contributions to the upbuilding of these underdeveloped territories have taken the form of technical assistance applied chiefly to surveys of natural resources such as minerals and water power. During the period April 3, 1948, to December 31, 1955, the modest sum of \$115,000 was earmarked for technical aid in the Portuguese overseas territories.³⁷

At the same time, the United States has been a relatively important factor in the economic life of the Portuguese African provinces through commercial operations. Except for the Portuguese trade, the United States has held first place in the external commercial relations of the African provinces, followed by the United Kingdom and West Germany in that order. In 1955 Angolan imports from the United States represented a value of \$13,540,000; exports to the United States, \$22,615,000.³⁸

The former isolation of both Angola and Mozambique has been vanishing the more rapidly because of the needs of large portions of both Belgian and British territories in central Africa for access to the outer world through the Portuguese provinces. The linking up of provincial railway lines with those of the central African territories has been a leading feature of the Portuguese national development plan for the period 1953–58. British capital has had a considerable stake in the development of transport and port facilities in Portuguese East Africa, but as the financial status of the province improves British corporate interests have been purchased by the Portuguese Government and replaced by Portuguese state ownership. The United States has been interested in the improvement of rail facilities through the Portuguese African territories between the Atlantic and Indian Oceans chiefly for strategic reasons. It has considered that, in time of possible war, the African territories, on the one hand, might help to alleviate food shortages in Western Europe and, on the other, provide an artery for the overland movement of strategic supplies beyond the reach of enemy action, should the Suez route be closed.³⁹

As a byproduct of the development of the Portuguese African provinces, the lot of both indigenes and European colonists has been bettered, although it is difficult to discern evidence that the native population has actively sought such betterment. At all events, Portuguese authority in the provinces has been reinforced during this process. There appears to be no resistance to colonial authority or agitation for independence.

³⁵ Raymond Bertieaux, *Aspects de l'Industrialisation en Afrique Centrale* (Bruxelles, 1953), p. 63.

³⁶ T. C. Charman, *Portuguese West Africa (Angola)* (London: H. M. Stationery Office, 1954), p. 6.

³⁷ Foreign Service Dispatch, No. 185, April 24, 1956, pp. 15–17; International Cooperation Administration, *Operations Report fiscal year 1956*, No. 2, p. 44.

³⁸ Foreign Service Dispatch, cited, p. 9.

³⁹ *New York Times*, July 12, 1952.

VI. BRITISH DEPENDENCIES IN AFRICA

British concern for African holdings

Great Britain has been a pioneer among the colonial powers in efforts to improve economic and social conditions in overseas dependencies. The British attitude is illustrated by vigorous measures aimed at the extinction of the African slave trade and of the institution of slavery itself during the late 18th and throughout the 19th century. The beginning of a continuing, organized effort to raise living standards in colonial dependencies was made in 1929 with the passage of the first Colonial Development Act. This measure, which established a fund of £1 million per annum for the relief of economic depression, was important, however, principally because of its objectives. Its funds were inadequate, it lacked any provision for recurring charges, and important fields of social development in the colonies were not provided for in its terms.

The act of 1929 was superseded by the Colonial Development and Welfare Act of 1940. This measure was prompted by two sets of circumstances: Serious disturbances in the West Indies in 1935-37 and the obvious need of expanding the production of basic foods and industrial raw materials in the dependent empire as World War II opened.

The act of 1940, which was ancestral to all subsequent British colonial development legislation, provided £5 million per annum plus £500,000 for research on colonial problems for the 10-year period 1941-51. The amounts provided were not particularly impressive when placed against the needs of populations totaling more than 60 million, but in spite of drastic war requirements the development fund was not linked directly with the economic problems of the United Kingdom and the scope of assistance included "any purpose likely to promote the development of the resources of any colony and the welfare of its peoples."⁴⁰ Wartime emergencies impeded the full-scale application of the act, but the colonial administrations were encouraged, in the light of its provisions, to consider their long-term requirements as a basis for postwar planning.

By 1946 most of the colonies had applied for aid under the development plan. To deal with these requests, it was found necessary to set up an Economic and Development Council to assist the Colonial Secretary in the allocation of grants. The Council included among its functions that of advising the territorial governments on possible sources of such additional funds as were urgently required for the reimplementation of development projects.

For the encouragement of business expansion in the overseas territories, Barclay's Bank (dominion, colonial, and overseas) was prompted to set up a special overseas development corporation to assist in financing economic projects—particularly in Africa—through loans to colonial governments. This was a boon to those colonies which, being unable to raise appreciable sums by internal loans, were compelled to go to the London money market.

Experience gained during World War II was embodied in a second Colonial Development and Welfare Act in 1945. Assuming that each of the dependencies would be prepared to enter upon a 10-year development plan, this act provided a total of £120 million applicable to the

⁴⁰ Great Britain, Colonial Office, *Colonial Development and Welfare Acts*, cmd. 9375 (London, 1955). Pp. 155-159.

years 1946-56, including £20 million carried forward for commitments under the act of 1940. The main purposes of the act were outlined by the Colonial Secretary in a circular, which stated:

There are great possibilities in the years that lie ahead for raising the standards of health, education, social welfare, and general well-being of colonial peoples if these expanded services are based upon improved efficiency and increased production. The primary requisite still is an improvement of the economic position in the colonial dependencies, the utilization of their natural resources to the greatest extent possible and the widening of opportunity for human enterprise and endeavor.⁴¹

In pursuance of the objectives defined in the act of 1945, development and welfare funds were applied to a wide variety of projects. Nearly half of the sums expended were devoted to the social services—education in particular. About 19 percent of expenditure was applied to economic projects, mainly agriculture and irrigation. Other projects included, notably, health campaigns and facilities, livestock improvement, roads, and airfields. The accomplishments of the program were such that steps were taken to extend the benefits of the act for an additional 5-year period beyond March 31, 1956—10 years having been found overlong for practical planning. For the fiscal period 1955-60 £80 million has been specified, to which £40 million remaining unspent from the previous period will be added. Because financial needs of the dependencies will be greater in the ensuing 5 years than in the past, it has been anticipated that supplementary aid may be forthcoming from the International Bank for Reconstruction and Development, from the United Nations Specialized Agencies, and from the United States.

Interim appraisal of developmental efforts

The development of British dependent territories in Africa has been by no means due wholly to colonial development and welfare assistance. Considering the African territories as a group, approximately two-thirds of the funds applied to development projects came from local sources. Private enterprise has figured considerably in development schemes. Support has been drawn from many sources; in fact, some of them beyond the British sphere. The United States had made available, prior to March 31, 1956, more than \$6,500,000 to British territories in Africa and the Near East.

African territories comprise the greater part of the British dependent empire. Given the continued judicious investment of capital, technical training of indigenous populations, and a sensible working out of ethnic problems, some of these territories hold promise of adding luster to contemporary forms of colonial administration. Developmental enterprise has resulted in exportable surpluses and healthy colonial budgets in some instances. For the most part, however, the British African territorial economies are in the earlier stages of their potential development with much yet to be achieved in the utilization of both human and material resources. Most of these African territories combine in varying degrees elements of both subsistence and money economies. In all of them are found complex problems which run the gamut of the factors involved in underdevelopment in any

⁴¹ Great Britain, Colonial Office, *Colonial Development and Welfare Acts*, cited, p. 5.

part of the world—the natural environment with its resources and deficiencies, indigenous societies endowed with peculiar aptitudes and attributes, and the impact of the outer world on situations which had remained almost unchanged over many centuries.

A. NIGERIA

Nigeria, together with the trust territory of the Southern Cameroons, which is administered as an integral part of Nigeria, comprises an area in West Africa nearly four times the size of the United Kingdom. Whereas Nigeria proper is a varied country, made up of tropical forest, parklike areas, and upland plateau, the Cameroons territory is mountainous throughout. The combined population of the 2 segments, made up of a number of diverse tribal and cultural elements, is believed to approximate 31.5 million. The peoples of both segments, long adjusted to a difficult natural environment, have shown considerable adaptability to modern types of life and activity.

Nigeria has evolved during the past two centuries through periods marked by prolonged intertribal wars, slave raiding and the slave trade, and European territorial competition. As a British dependency, it owes much to the activities of the United African Co., a trading concern, which in 1886 became the Royal Niger Co., Ltd., the precursor of the Niger Coast Protectorate (1893) and the Colony and Protectorate of Nigeria (1914). The political progress of the territory is marked by successive constitutional changes. The latest of these, adopted in 1954, provided for a federal type of government with unicameral legislative powers largely in native hands. Complete autonomy for the regional federated units—western, eastern, and northern Nigeria, apart from the federal territory of Lagos and the Cameroons trust territory—was made optional by September 1956.⁴²

Provisions for Nigerian development

The economic positions of Nigeria appears to be sound. It is based on agricultural production, for the great majority of Nigerians are peasant farmers. The country is naturally adapted to the production of cocoa, palm kernels, palm oil, ground nuts, rubber, cotton, and bananas. Cocoa beans are the principal export crop. Animal husbandry, forestry, and mining are of lesser consequence. Nigeria is, however, a noteworthy producer of tin and columbite. Industry consists mostly of small plants for local operations and is hampered by a shortage of electric power. In 1954, a mission from the International Bank for Reconstruction and Development conducted a survey of the Nigerian economy which promises to result in further industrial progress.⁴³

In April 1946 a 10-year development plan was approved by the colony's legislative council. It was then estimated to cost £55 million and toward this sum the United Kingdom allocated £23 million under the Colonial Development and Welfare Act. In 1951 the plan was reorganized, the emphasis being shifted slightly from social services to basic equipment and production services. The extension of technical education as a prerequisite for future economic development remained, however, a principal feature of the plan.

⁴² Colonial Office, *The Colonial Territories, 1953-54* (cmd. 9169, London, 1954), pp. 7-11.

⁴³ Colonial Office, *Report on Nigeria for the Year 1953* (London, 1955), pp. 33-64; Department of State, Foreign Service dispatch, 845 h. 00/4-2056 (Apr. 20, 1956), pp. 1, 2, passim.

The amounts earmarked for the second 5 years of the development plan totaled £34,183,641. Contributions to this sum were to be made from the colonial development and welfare fund (£16,212,584), from Nigerian internal revenues (£8,020,607), from various loan funds, and from unexpended balances of the first 5 years. The revised plan has had much to do with Nigeria's rapid rate of material progress.⁴⁴

The administrative machinery found essential for the functioning of the revised development plan is illustrative of some of the trends of development in the territory. The plan involved the recruiting in Great Britain of a considerable staff of experts to supervise and direct activities at all levels. These were to operate through a pyramidal organization headed by a development secretary, who would also serve as chairman of a central development board consisting of 3 chief commissioners for the 3 federated regions. Subject to the central board were area development committees, headed by the chief commissioners. Subordinate to these were 24 Provincial development committees, each headed by the Provincial resident. At a lower level still were local development boards headed by district commissioners for the local supervision of projects undertaken by native authorities along lines of land settlement, village improvement, and minor public works. This relatively elaborate scheme was complemented by the creation of a department of commerce and industries, independent of but associated with the central development board. Its purposes included the organization of internal (native) trade and the export of native produce.

Facilities for trade and marketing

Some of the industrial production of Nigeria and much of its external trade are in the hands of British and European trading corporations, notably the United Africa Co. These companies not only control the bulk of Nigeria's overseas trade, but also operate, directly or through subsidiaries, wholesale and retail establishments within the territory. While they have no identifiable place in official development plans, their relationship to the economic situation is intimate.

Between 1947 and 1949 four marketing boards were set up in Nigeria to handle the main agricultural exports of the country; 1 each for cocoa, palm-oil products, ground nuts, and cotton. All four boards operated on a countrywide basis. When the Nigerian Constitution was revised in 1954, it became necessary to revise produce-marketing arrangements in keeping with the constitutional provision for separate and largely autonomous regions. Accordingly, at the end of 1954, a new regional marketing board was set up in each of the three regions and the trust territory of the Cameroons. The four new boards assumed the functions of the old, but on a different basis: Each now handles all of the main export crops produced in its particular region. An additional organization, the Nigeria Central Marketing Board, arranges for the shipping and overseas marketing of the produce of the regional boards.⁴⁵

Effects of the devolution of authority

These regional trends, which tend to complicate the economic life of the territory, coupled with the progressive transfer of authority from British to African hands at the expense of some efficiency, have

⁴⁴ The Nigeria Handbook (London, 1953), pp. 73-75.

⁴⁵ The Nigeria Handbook, cited, pp. 60, 61, 75-77, 81; Colonial Office, Report on Nigeria (1953), pp. 42-46; Department of State, Foreign Service dispatch, cited, pp. 26-36.

lately had a considerable bearing on the availability of investment funds. Until the process of "Nigerianization" has reached a point of stabilization with a relatively clear outlook for the future, the rate of economic development, on the basis of present indications, will be retarded somewhat.

The lines being taken by nationalistic sentiment in Nigeria thus create the principal inhibiting influence to the further development of the territory. The feeling is widespread in the territory, though least apparent in the northern region, which fears the domination of the East and West, that Nigeria is ready for an independent existence and that greater amounts of aid would be forthcoming for the country's economic development except for British reluctance to hasten the territory's coming of age politically. On the other hand, in view of the growing desire completely to eliminate British political control, and with British personnel being replaced by inexperienced and often untrained natives, there is a natural hesitation in British circles, both official and private commercial, to add substantially to financial investment in a territory which is altogether likely to nationalize such investments, especially those in basic facilities, such as power and railroads, at some future date.⁴⁶

The existing situation suggests that there is relative little understanding among the Nigerians of the fact that, for years to come, prosperity in Nigeria will be dependent largely on European technical guidance, capital, and goodwill. There is no doubt that the potentialities of Nigeria are great, even in proportion to other major parts of the African Continent. It is impossible to foresee at the present juncture, however, what may be the ultimate effects of British efforts, with some slight reinforcement by American interest, to raise standards of living in Nigeria.

B. THE GOLD COAST

British dependent territories in West Africa, other than Nigeria, comprise the Gold Coast, Sierra Leone, and Gambia. These scattered enclaves, until the opening of the present century, were greatly handicapped by the prevalence of malaria, yellow fever, and other tropic diseases and were long neglected in consequence. Owing largely to the hazards represented by climate and disease, there was little permanent migration of Europeans to these parts of the African tropics and consequently in these territories the West African has had the use of more land in recent times than has been the case in the more salubrious parts of the continent.

The relatively rapid development of these territories, both economically and politically, in comparison with many other parts of the African Continent quite as well endowed by nature, appears to be due to two prime factors. One of these is the active enterprise of the peoples inhabiting these sections of the African West Coast. The other, complementary in character, lies in the fact that the British, instead of resorting to forced labor and monopolistic concessions as means of exploiting these colonial holdings, entered instead on a policy of development paced by attention to improvements in conditions of health, and, presently, to matters of education, allowing native industry to develop freely. Free enterprise, contributing to the accu-

⁴⁶ Department of State, Foreign Service dispatch, cited, p. 1b.

mulation of property in native hands, stimulated colonial trade in turn, and in such an environment political consciousness has developed apace.

Steps in Gold Coast development

After the close of World War II, these territories, like Nigeria, adopted development plans and thus qualified for systematic aid from the United Kingdom under the Colonial Development and Welfare Act. The plan adopted by the Gold Coast was significant in the amount of emphasis placed on education. The rapidity with which the plan has been realized is even more significant. Adopted in 1951, the plan was reviewed during the following year and the decision was taken to complete the entire 10-year program in the ensuing 5 years. By March 1955, approximately 60 percent of the expenditure originally planned for 10 years had been made in 4 years. The rate of expenditure was as follows:

1951-52.....	\$6, 396, 000
1952-53.....	13, 945, 000
1953-54.....	15, 561, 000
1954-55.....	15, 004, 000
Total.....	1 50, 906, 000

¹ Commonwealth Survey, vol. 2 (Apr 17, 1956), pp. 294-295.

About one-half of the expenditure was for imported building materials and equipment. While delays were experienced in obtaining shipments and there were shortages in trained staff members, by 1955 the Gold Coast had built up an economic system geared to the requirements of national development. By the end of June 1957, when the second development plan is due to begin the first plan will have been substantially completed.

Agriculture is the mainstay of the Gold Coast economy. Nearly \$2.1 million was devoted to it in the first 4 years of the development plan. The staple crop in the Gold Coast is cocoa, which predominates among vegetable products to the extent that, as one of the ministers once remarked, "in this country a fiscal or an economic policy is simply a cocoa policy." While generally there has been a ready market for cocoa production, some of which normally has been sold in the United States, prices have fluctuated widely at times to the distress of the cultivators. In 1939, at the outset of World War II, the British Colonial Office set up a West African Produce Control Board hoping to achieve price stability for the main crop. The effort was only partially successful at the time but methods applied subsequently have given considerable market protection to this one-crop economy.

Prevailing high cocoa prices have brought prosperity to the colony in recent years, enabling the Government sharply to increase both normal and extraordinary budget expenditures. The rate of approval and allotment of funds, in fact, has far exceeded the trained manpower available. The more recent softening of cocoa prices has caused the Government to tighten its fiscal policies, however, and to re-examine expenditures for social services and productive projects.

Problems of an economic nature have been and are being reflected in government policy as the day of political independence approaches. An official summary of economic progress since the development plan was instituted states:

The need to provide basic services before real expansion of agriculture or industrial output can take place is a handicap which the Gold Coast shares with most developing countries * * *. The provision of basic services requires the investment of much capital, and the return, in terms of an increase in national wealth, is slow to accrue. The Gold Coast is fortunate in that it has so far been able to provide its own capital without recourse to borrowing from overseas * * *. The fact remains, however, that expenditure on the development plan so far is unlikely to have led to any major increase in the national income.⁴⁷

One of the leading problems faced by a country about to assume the responsibilities of an independent state is that of attracting a sufficient flow of investment capital. Most of the investment in the British West African dependencies, the Gold Coast being no exception, has been government or government corporation investment. Crown colony governments became suppliers of capital and employers of labor on a large scale, and as educated public opinion came into existence it accepted state enterprise as natural and logical. It is clear even to some of the political leaders of the Gold Coast that state enterprise under a native government will be wholly unlike that managed by a patriarchal European power whose funds, statesmen and technicians have been so largely responsible for the present degree of colonial advancement, and that it may be difficult to retain the present amount of private business investment most of which is British, once British political influence has departed.⁴⁸

Emergence of a new state

It is difficult to overemphasize the extent of the social and political revolution that is taking place in the Gold Coast. Few countries at any time or place have progressed as expeditiously from the stage of tribal institutions to that of a modern state based on representative government. The road taken to this destination has been anything but smooth. Even after the introduction of the constitution of 1946, which gave a majority to African elected members in the legislative council, dangerous riots threatened to wreck the British policy based on the principle of devolution of authority by orderly stages. Yet the constitution was preserved to become the basis of a prospective new and independent nation within the Commonwealth. The point that should not be overlooked in this transition of a tropical African country is that it has taken place with the full assent of the home government. This is explicit in a statement made in the House of Commons by the Secretary of State for the Colonies on May 11, 1955:

The present Gold Coast Constitution marked the last stage before the assumption by the Gold Coast of full responsibility for its own affairs. * * * It has always been the wish of Her Majesty's Government in the United Kingdom that the Gold Coast should achieve its independence within the Commonwealth.⁴⁹

⁴⁷ Development Progress Report, 1955, quoted in Commonwealth Survey, vol. 2 (Apr. 17, 1956), p. 294.

⁴⁸ See F. J. Pedler, Foreign Investment in West Africa, in International Affairs, vol. 31 (Oct. 1, 1955) pp. 459-468.

⁴⁹ Commonwealth Survey, vol. 2 (May 15, 1956), p. 400.

Despite the fact that the elections of July 1956 have resulted in an agreement to set the date of independence on March 6, 1957, and that the arrival at that stage of a former crown colony might mean the loss of economic as well as political ties, there is—in the present stage of British philosophy—a disposition to regard such developments as the logical outcome of colonial evolution and a hope that the free world will be the gainer.

While the outlook for the British hope remains in doubt, it is certain that, regardless of the wishes of the various metropolitan powers, the example set by the Gold Coast—henceforth to be known as Ghana—will serve as a beacon light to the other peoples of tropical Africa. To them, the transition from primitive life and institutions to more modern economic and social order through superimposed development programs takes on great interest only as it contains promise that Africa in the future will be for Africans.

C. SIERRA LEONE AND GAMBIA

British territorial responsibilities in west Africa include two enclaves, Sierra Leone and Gambia, which, like the other and larger territories that comprise British West Africa, are souvenirs of the old colonial era. Both of these territories are little more than foreign colonies in the outer edge of French West Africa.

Sierra Leone is a well-watered, hilly country which began its colonial existence as an asylum for freed slaves. Its development has long been handicapped not only by the problem of achieving economic viability within a relatively small area dependent mainly on agriculture but also by low, swampy coastlands which, in an equatorial climate, spell serious health problem. The presence in the colony of iron ore, diamonds, and gold and the excellent harbor at Freetown give the colony both a diversity in economic life and commercial access to the outer world.

Gambia is essentially a riverine colony. It is dependent for most of its social as well as its economic life on the River Gambia, easily navigable by small vessels to the head of tidewater, which extends beyond the colony's political limits. The colony's economic life rests wholly on agricultural products—palm kernels and oil, rice, millet, and animal skins—and there is small basis for any extensive further development of the colony's resources. The population, mainly Moslem, has manifested little desire to replace a paternalistic and relatively easygoing administration with autonomous institutions.

Neither colony would appear to be properly fitted by its size, physical characteristics or economy closely to follow the evolutionary trends in the Gold Coast or in Nigeria. It would seem, consequently, that the British Colonial Office of necessity will find these dependencies among its proteges for a considerable time to come.

D. BRITISH EAST AFRICA

British East Africa consists of three extensive and in some ways dissimilar territories: Uganda, Kenya, and the Trust Territory of Tanganyika. British title to Uganda and Kenya originated in the activities of British and German trading and colonizing companies and, more specifically, from the Anglo-German Agreement of 1890.

Tanganyika, previously a part of German East Africa, came under British jurisdiction in consequence of World War I.

Taken together, these territories represent a physical environment which is harsh and intractable but within which are limited areas of great potential productive capacity. The African population comprises a complex mixture of agricultural and pastoral tribes who in considerable part still remain dependent on a subsistence economy in progressively deteriorating conditions. Such economic improvement as has occurred has resulted largely from the introduction of external capital, knowledge, and enterprise. Increasing contact with influences from the outside world, together with deterioration of traditional means of livelihood through erosion, soil impoverishment, and a steady increase in population numbers has led to widespread need of new or additional sources of income in order to meet basic needs and new wants and desires. Since opportunities for economic improvement have appeared only in limited areas, a large proportion of the populations of these territories remains precariously situated, the more so as a result of the partial disintegration of the old social order and an incomplete adaptation to the new. The transition from communal life to a western individualized society has been moving slowly owing both to native distrust of foreign methods and institutions and to a serious lack of both financial and training facilities.

By comparison with other African territories, the per capita net product in east Africa is among the lowest on the continent. Any significant improvement in this situation involves far-reaching changes in traditional tribal and sectional concepts of economic and social security which are vested in forms of land possession. Some of the changes called for by the plight of large segments of the native population, and which are dependent upon the application of external capital and skills, have been restricted or retarded in greater or lesser measure. Methods still are being studied whereby the native generally lacking capital, can be enabled through the granting of credit to derive additional income from the land and engage in other types of economic enterprise.

Industrial expansion in east Africa depends in the main on the extension of local territorial markets, which, in turn depends primarily on more efficient agricultural production and increased development of mining through the use of non-African capital and ability. It is recognized that before Africans can make efficient use of their resources and talents a great deal of assistance must be made available whereby they can acquire special skills and experience.⁵⁰

For the overall development of the east African territories an East African High Commission was set up in 1948. It consists of the governors of the three territories who, aided by a permanent secretariat, usually meet several times a year to discuss problems common to the group. The commission has the backing of a central legislative assembly with membership from the three territories representing the constituent races. It serves thus as a reflection of opinion in the various local regions. This supraterritorial machinery does not amount to a federation of the east African territories, although the architects of the arrangement had thought to make the commission a step in that direction.

⁵⁰ Report of the East Africa Royal Commission, 1953-55, as summarized in Commonwealth Survey, vol. 1 (June 15, 1955), pp. 517-522.

All three territories entered upon 10-year development plans covering the interval 1946-47 to 1955-56. Development expenditures have been spread over all spheres of activity—education, agriculture, buildings, communications, water resources, health and hospital services, etc. All of the territories have suffered from shortages of capital. Since the close of World War II, this situation has improved, however. Development capital has been supplied not only from the British Government's colonial development and welfare grants but also through British business houses which have seen opportunities for private enterprises in east Africa. In 1955 the International Bank for Reconstruction and Development made a 20-year loan of \$24 million (about £8.5 million) to help finance the modernization and expansion of railways, harbors, and road transport in the three territories. The loan was made to the East Africa High Commission to be used by the East African Railways and Harbors Administration to expand services to meet both current and prospective demands.⁵¹ Other investments from external sources have gone to the individual territories.

1. Uganda

The cost of Uganda's 10-year plan has been placed at \$79.8 million. It is anticipated that more than \$67 million of this total will be drawn from Uganda's own resources—a larger proportion than that of any other British African territory except the Gold Coast.

In January 1955, a Ugandan Development Council representing the territorial government, the statutory corporations, and the public issued a 5-year plan of capital development. This provided for an expenditure of £30 million during the period, two-thirds of which is to be drawn from territorial revenues with the remainder obtained from loans. Major emphasis in this plan is being placed on the country's productive capacity. Uganda's main source of wealth is peasant farming, and a large part of the proposed spending is devoted to the improvement of agriculture, together with communications, local rural government, and various services, including education and public health. A noteworthy feature of the plan is the encouragement given to the cooperative movement and the provision of credit to African farmers and traders.⁵²

Uganda is an important producer of cotton, the average annual yield approximating 400,000 bales. Coffee, tea, tobacco, and sugar are other major crops. Mining is a growing enterprise on the basis of extensive known potentialities. The Kilembe copper and cobalt deposits amount to nearly 13½ million tons of exploitable ore, in the production of which the United Kingdom Colonial Development Corp. invested £1,750,000 in 1955.⁵³ Industry thus far is restricted mainly to textile fabrication and cement works. Electric power on an extensive scale is drawn from the huge installation being completed at Owen Falls, from which Kenya also is supplied.

The Protectorate is administered by the Governor assisted by an executive council consisting of 11 ministers and 2 other officials. The ministerial system was introduced in August 1955. This is based on a legislative council, half of whose members are Africans. The Protectorate is divided into four Provinces: Buganda, whose Kabaka is a constitutional monarch, Eastern, Western, and Northern. Gen-

⁵¹ Commonwealth Survey, vol. 1 (Mar. 23, 1955), pp. 282-283.

⁵² Colonial Office, Uganda: Report for the Year 1955 (London, 1956), pp. 6 ff.

⁵³ Commonwealth Survey, vol. I (May 4, 1955), p. 410.

erally speaking, the British administration has utilized and adapted indigenous political institutions for local administration.

Uganda has advanced labor legislation; and while there have been some labor difficulties, most of these have been settled satisfactorily. For a time there was some danger that the Mau Mau difficulties in Kenya might infect the Ugandan peoples. In order to forestall major problems of this nature, legislation was passed in 1955 authorizing the expulsion of such portions of disaffected tribes as were not exempted by the Governor. The Protectorate faces many other problems arising out of the transition from tribal to modern types of institutional life. Prominent among these is a form of nationalism embodied in the slogan "Africa for the Africans." In view of the achievement of independence of Libya and the Sudan—the latter in particular—and the emerging nations in West Africa, it is by no means certain that the Ugandans, who number about 5 million Africans as against less than 4,000 Europeans, will be content to arrive at full independence by the orderly stages envisioned by the British Colonial Office.⁵⁴

2. Kenya

Kenya is a land of contrasts. Lying directly under the Equator, its coastal regions possess all of the striking features of the Tropics everywhere, including problems of health for European peoples. Low-lying portions of the hinterland, with 10 inches or less of rainfall per annum, are handicapped accordingly. The salubrious climate, moderately good soil, and generally adequate rainfall of the extensive upland regions, eminently suitable for residence and development by Europeans, is the factor of major consequence in this portion of British East Africa. Since the assumption by the British Government in 1895 of political responsibility for what is now Kenya and Uganda, the story of Kenya is one of the opening up of communications into the interior, the settlement of Europeans on lands only sparsely occupied by African tribes, and attempts to harmonize the development of the country along European—mainly British—lines with the requirements of the aboriginal groups.

By the close of World War II, in this area of nearly 225,000 square miles, there were some 140,000 non-Africans—a large proportion of this element being Asians—interspersed among approximately 5 million Africans.⁵⁵ The relatively rapid growth in numbers of the non-African elements and the tendency of European settlers to acquire and develop the best agricultural lands, frequently as plantations, have been among the principal causes of the violent disturbances that have obstructed the development of the territory so seriously in late years.

The outbreak of Mau Mau terrorism in 1952 among the Kikuyu, Embu, and Meru tribes, aimed at driving the Europeans out of East Africa, became so menacing that in October a state of emergency was declared. During the next 3 years a large part of the country's resources necessarily were employed in the task of protecting both the non-African and the loyal native elements. The cost, for military operations alone, amounted to as much as £1 million per month. In this interval many aspects of plans for territorial development were

⁵⁴ See Colonial Office, Uganda: Report for the Year 1955, p. 17, *passim*.

⁵⁵ Present population estimates are: European, 47,000; Asian, 137,000; African, 5,729,000, a total of about 5,913,000.

suspended while funds that had been intended for development purposes were diverted to security measures. By the end of 1955 the danger had been largely suppressed and attention again could be devoted to the development of the colony's resources, both human and material.⁵⁶

In 1946 a development committee designated by the Kenya government drew up and submitted to the Home Authorities a 10-year development program. This envisaged an overall expenditure of approximately £42.5 million over the 10-year period, of which £38.85 million would derive from colonial revenues, the remainder from colonial development and welfare allocations. In the ensuing 8 years, despite the handicaps of the emergency, more than 70 percent of the plan had been implemented.

In keeping with the aim of approaching the problem of native unrest through agricultural development schemes, the United Kingdom made available early in 1954, through colonial development and welfare channels and within the framework of what was termed the Swynnerton plan for African agriculture, the sum of £5 million to increase the tempo of African agricultural development over the ensuing 5 years. This fund at a crucial time in the colony's existence considerably strengthened the efforts of a special organization known as African Land Development. ALDEV was set up in 1946 to carry out land development work outside the ordinary range of the Agricultural and Veterinary Departments.⁵⁷

In 1955, at the close of the original 10-year development period the Kenya government set forth proposals for further development during the next 3½ years. It considered that "in the light of experience a 10-year plan becomes in time unrealistic."⁵⁸ Allocations under the new 3½-year plan amount to £23.7 million, responsibility being placed on the development committee to make adjustments in the plan in the event that difficulties should arise in the financial implementation. Almost every aspect of Kenya's economic development is covered in the plan.⁵⁹

In 1955 the United States Foreign Operations Administration extended to Kenya a development grant of £1,388,300, derived mainly from the sale of surplus agricultural commodities to the United Kingdom. This was to be matched by an equal contribution from the Kenya Government, which had provided for that amount in the budget for the 3½-year plan. The bulk of United States assistance is being devoted to the agricultural projects embodied in the Swynnerton plan, with lesser amounts earmarked for roads, education, health, and loans to traders.⁶⁰

The outlook for Kenya is mixed. On the one hand, the European elements hold political supremacy and economic viability. On the other, the presence of vastly greater numbers of natives, many of whom will necessarily have to remain in depressed circumstances, at least in the present generation, creates an almost insuperable obstacle to the building up of a true nation, particularly in a continent where racial prejudice is so characteristic largely because of the once present threat of engulfment in the vast indigenous sea. Meanwhile, lacking

⁵⁶ Colonial Office, Report on the Colony and Protectorate of Kenya for the year 1954 (Nairobi, 1955), pp. 1-2, 161.

⁵⁷ *Ibid.*, pp. 51-52.

⁵⁸ *Ibid.*, p. 5.

⁵⁹ Commonwealth Survey, vol. I (Apr. 20, 1955), p. 368.

⁶⁰ *Ibid.*, vol. I (July 12, 1955), pp. 607-608.

equality of status or opportunity, and being confused and made restless by the breaking up of their tribal institutions, large numbers of the native groups are logical targets for the agents of communism. The situation in Kenya calls for a very high degree of administrative wisdom coupled with moral as well as technical and economic aid from external sources.

3. *Tanganyika Trust Territory*

In a number of respects, the territory of Tanganyika is comparable in physical attributes with Kenya. Inland from a 20-mile wide tropical coastal belt lies an upland plateau with an average elevation of 3,500 feet, suitable—particularly in the southwestern portion—for European settlement. On the whole, it is a desirable country.

The East Africa Royal Commission noted in a recent report that within a physical environment which is generally harsh and untractable "there exist limited areas of great potential productiveness * * * widely scattered over a vast expanse of apparently unproductive land."⁶¹

The productive areas are capable of considerable diversified agriculture production and upon the anticipated development of available water resources they will become considerably more valuable. The country now is an important producer of sisal, coffee, tobacco, cotton, sugar, maize, wheat, tea, and pyrethrum. There are highly mineralized areas. The output of gold is felt in world supply. Diamonds, mica, and various ores are of considerable importance in a developing economy.

Early optimism as to the territory's economic potentialities found practical limits, however, in the post-World War II Kangwa experiment. In 1946 the serious shortage of fats and animal feeds in Great Britain gave rise to a plan, entrusted by the Ministry of Food to the Overseas Food Corporation for the production of groundnuts [peanuts] on a grand scale on previously untilled lands in Tanganyika's Central Province. The disastrous failure of the scheme owing to poor planning and inefficiency reacted unfavorably on territorial development plans for a time but it did contribute to a growing realization in British Government circles that, before large sections of East Africa could be brought to a satisfactory stage of production, it would be necessary to develop and expand communications, power resources, and irrigation and, at the same time, to build up native labor resources. The influence of the groundnut scheme can be traced through subsequent efforts to develop the dependency.

The original 10-year development plan drawn up for Tanganyika in 1947 envisaged the expenditure of £17.9 million. A complete revision of the plan proved to be necessary within a few years as the territory's needs became better understood, and new objectives replaced the old. This revision called for a total expenditure of £24.5 million—this amount to be drawn from the United Kingdom Colonial Development and Welfare Fund, loans, and the territorial revenues allocated to the development plan reserve and the agricultural development fund. As various projects were implemented, still another revision of the basic plan was called for in 1952. Other adjustments upward have been made since then.

Tanganyika has been among the African territories eligible for United States technical cooperation. In 1955 this territory received

⁶¹ East Africa Royal Commission 1953-55 Report (Cmd. 9475: London, 1955).

the small sum of \$5,600 to cover the expense of bringing a Tanganyikan entomologist to the United States for special study of methods for controlling insects injurious to coffee production.⁶²

The Tanganyika Agricultural Corporation, which has assumed the functions of the Overseas Food Corporation, is illustrative of agencies other than those of the Government itself which participate in development undertakings. This organization, by agreement with the Government, is engaged in establishing trial farms in the Rufiji Basin along lines indicated by a U. N. Food and Agriculture Organization survey.⁶³ Another quasi-official project is that of the Uyamwezi Development Corporation which is engaged in a plan, estimated to cost £320,000, for bringing water to the densely populated Makoude Plateau. An important feature of the project is an arrangement by which the African water users eventually will become the owners of the corporation.⁶⁴

At the close of World War I, Tanganyika, which previously had been the major portion of German East Africa, was assigned to Great Britain for administration under a League of Nations mandate. Since 1946 it has been administered by Britain as a trust territory of the United Nations.

The territory has a colonial-type government with a British governor, an executive and legislative council with nominated and elected members but representative of the four major racial groups in the territory—European, Asian (largely Indian), Arab, and African. The elective principle has been introduced into local government.⁶⁵

A mission from the United Nations Trusteeship Council visited the territory in August 1954. Its report, *Conditions in Tanganyika*, submitted several months later, made detailed criticisms of existing administrative practices and recommended a definite timetable for accelerated constitutional development. On the basis of reservations by United Kingdom officials, the Trusteeship Council, in reviewing the report, found in favor of the British policy of gradual and orderly devolution of power "in the light of experience." British policy, furthermore, it was noted, was "to attract as much non-African capital and assistance in the development of the territory as may be introduced without prejudicing or retarding the Government's policy of training and assisting Africans to produce more wealth and to enter the fields of commerce and industry." The Council, in conclusion, "noted with satisfaction" the progress being made in several directions under the British administration.⁶⁶

Thus far, Tanganyika has not been troubled with serious difficulties arising out of relations between governing whites and subordinate native tribes. Owing to population numbers and comparative rates of natural increase, it would appear to be inevitable that African elements will continue to make up the bulk of the territory's population. The education of Africans in Tanganyika has only just begun and can be only superficially provided for with the funds available for development purposes. The course of evolution of the territory into a modern economically viable state with government based on representative institutions thus promises to be both long and tortuous.

⁶² The New York Times, June 17, 1955.

⁶³ Commonwealth Survey, vol. 1 (Mar. 23, 1955), p. 283.

⁶⁴ *Ibid.* (Mar. 9, 1955), pp. 235-236.

⁶⁵ *Ibid.*, vol. 1 (Apr. 20, 1955), pp. 370-371.

⁶⁶ *Ibid.*, pp. 369-370.

4. *The Central African Federation*

The three territories of Northern and Southern Rhodesia and Nyasaland, which became the Central African Federation by an act of Parliament in 1953, occupy much of the central portion of South Africa. Owing to the elevation of the Central African plateau, which in these states ranges from 3,600 to 5,000 feet, large areas are suitable for permanent residence by Europeans. Of the total population in the federation of about 7 millions, European elements constitute approximately 240,000. A relatively small Asiatic population adds variety to the ethnic situation.

The Rhodesias originated as British dependencies in the operations of the British South Africa Co. (chartered 1889), itself a creation of Cecil John Rhodes. A British colonial administration replaced the company's governing machinery in Southern Rhodesia in 1923 and in Northern Rhodesia in the following year. The Nyasaland Protectorate (then known as the British Central Africa Protectorate) was defined in 1891.

World War II cut off these territories from the United Kingdom and from the usual flow of imported goods and threw them largely upon their own resources. By the war's end all had advanced toward self-sufficiency, although the rate of progress had varied considerably. They still represent unequal stages of colonial development. The linking up of their railway systems within the federation and with the surrounding territories, an essential process in view of their landlocked position, naturally has had direct bearing on their economic development.

The federation now enjoys virtual self-governing status in matters affecting the group as a whole. The federal government is headed by a Governor General, appointed by the Crown and advised by a Council of Ministers. Legislative powers are vested by the constitution in a federal assembly. Each of the three territories retains control of its internal matters.

As in the cases of other African dependencies, the United Kingdom has extended development aid to members of the Central African Federation. Development plans for Northern Rhodesia and Nyasaland have been affected by the establishment of the federation since the federal government has assumed responsibility for certain services⁶⁷ in the territories and will assume responsibility for others. For this reason it is not yet clear what totals of funds are to be provided from sources other than colonial development and welfare. Under that act alone in 1954 was supplied the amount of £2,778,000 toward development projects in Northern Rhodesia estimated to cost £35 million and £3,872,000 toward projects in Nyasaland estimated to cost £10 million.⁶⁸

One of the principal development undertakings of concern to the federation as a whole is the construction of a hydroelectric plant at Kariba Gorge on the Zambesi River. It is expected to cost approximately £114 million, of which about £80 million will be required for the first stage. Funds for the first stage have been subscribed in the form of long-term loans by the International Bank, the Colonial

⁶⁷ Educational facilities, for example. This applies only to non-African education, however; the individual members of the Federation are responsible for the education of Africans within their boundaries.

⁶⁸ Colonial Office, *The Colonial Territories, 1954-55* (cmd. 94891 London 1955), pp. 172-173.

Development Corporation, the Commonwealth Finance Company, and the Federation Government.⁶⁹

In 1955 a new finance organization, the Anglo-American Rhodesian Development Corp., Ltd., was established at Salisbury in Southern Rhodesia with an authorized capital of £2 million. Of this figure, £500,000 has been subscribed by the 2 parent companies, Anglo-American Corporation of South Africa, Ltd., and Rhodesia Anglo-American Corp., Ltd. Additional funds to enable the company to finance development projects, including the federation's natural resources, public works and private undertakings, are being sought both within the Federation and in other countries.⁷⁰

Federation did not, in any important sense, alter the constitutional status of any of the federated states. This has had some bearing on the nature of development plans in the respective political components and, more particularly, on the financing of development projects. Southern Rhodesia, for example, was not eligible for aid from colonial development and welfare funds. It qualified for assistance under the Marshall plan, however, and in 1951 received a loan of £5 million from the sterling counterpart funds of the Economic Cooperation Administration. Otherwise, except for funds for development purposes drawn from its own revenues, both private and public investment capital has come in various forms, mainly from Great Britain. It is estimated that between 1945 and 1950, loans and other forms of assistance from the United Kingdom amounted to between £75 million and £100 million, of which some £43 million represented loans floated by the South Rhodesian Government.⁷¹

Apart from projects advanced for the development of the Central African Federation as such, Southern Rhodesia is deriving direct benefits from the revised 5-year federal development plan begun in 1954. Nearly £10 million of the total planned expenditure of £90.5 million has been allocated for thermal electrical development in Southern Rhodesia and Nyasaland. This will complete one existing project for thermal capacity and provide for the extension of other power installations in Southern Rhodesia.⁷² This state also shares in the results of other financing arrangements of the federal government. For example, of the £10 million loan raised in London in 1955 for development purposes, £1.25 million was lent to Southern Rhodesia to be employed in a variety of development undertakings, including housing, schools, public works, forestry, and capital loans to local authorities.⁷³

Members of the federation until lately received financial aid in varying amounts from the Union of South Africa. Upon the termination of these subventions, a schedule of tariff rates was put into effect on July 1, 1955, as between the federation and the union intended partially to make up the difference. This replaced the agreements previously in force between South Africa and Southern and Northern Rhodesia, respectively, under which most South African goods had entered the Rhodesias free of duty, and vice versa. The working out of the federal tariff system was complicated by the fact that, previously, each of the three territories had its own customs

⁶⁹ Commonwealth Survey, vol. 1 (Nov. 29, 1955), p. 1065; vol. 2 (Mar. 6, 1956), pp. 154-155.

⁷⁰ Commonwealth Survey, vol. 1 (Aug. 23, 1955), p. 740.

⁷¹ Economic Cooperation Administration Special Mission to the United Kingdom, *The Sterling Area: An American Analysis* (London, 1951), pp. 276-277.

⁷² Commonwealth Survey, vol. 1 (July 12, 1955), pp. 590-591.

⁷³ *Ibid.*, vol. 1 (November 15, 1955), p. 1031.

rates devised with reference to its particular economic circumstances; by the fact that part of the federal area lies within the Congo Basin and hence is subject to a long-standing international rule that no preferences may be granted within the Congo area; and by the federation's membership in GATT, necessitating a rate system acceptable to the contracting parties to that organization.

Southern Rhodesia, although the most advanced of the federal territories, is still in a relatively early stage of evolution as a state. It possesses resources, however—both human and material—which augur well for the future. Its economy is well diversified. It has important mineral reserves, the emphasis in terms of present output values falling on gold, chrome, coal, and asbestos. Among several lines of agricultural production, corn, cotton, tobacco, and livestock are especially noteworthy. The fact that it is now teamed federally with two other territories at considerably more elementary stages in development gives rise to the question, which only time can answer, as to whether such association will prove to be a handicap or a long-run advantage.

Northern Rhodesia, nearly twice the size of its southern counterpart but with a smaller population, presents some contrasts in economic development. It is not very well suited for agriculture, for example, partly owing to climate and partly to the prevalence of the tsetse fly. Its main economic dependence is on minerals, with some of which it is well endowed. It possesses extensive deposits of copper from which it makes important contributions to world supply. Other principal mineral assets are found in zinc, cobalt, gold, vanadium, and manganese.

The Northern Rhodesian development plan, which was instituted in 1947, naturally reflected the needs of the mining industry. It places particular emphasis on improvements in transportation and the development of electric power for the exploitation of mineral resources.⁷⁴ The hydroelectric projects recently approved by the Federal Government have much to do with the opening up of the more productive parts of the territory. The revised federal development plan (1954-59) includes a proposed expenditure of £34.7 million for railway development and an additional £8.8 million for road and bridge construction, much of it in Northern Rhodesia. During the fiscal year 1955-56 the federal expenditure from loan funds on the Rhodesia railways (£8.6 million), road construction (£2.2 million), and other public works was expected to amount to a total of £19.5 million.⁷⁵

Since Central African Federation became effective, development plans for Northern Rhodesia have been recast, partly to shift some of the financial responsibility to the Federal Government, partly to bring about a better correlation with development schemes in the other members of the federation. The plan currently runs to a total of £35.1 million. The estimated expenditure from July 1, 1954, to June 30, 1957, is about £14.4 million, to which can be added loan advances of £3.08 million. Of this sum approximately £840,000 will be supplied in the form of colonial development and welfare grants, £1.74 million from previously unexpended colonial development and welfare funds, £6 million from territorial revenues, and the remainder

⁷⁴ Economic Cooperation Administration Special Mission to the United Kingdom, op. cit., pp. 281-284.

⁷⁵ Commonwealth Survey, vol. I (July 12, 1955), p. 591.

from special appropriations.⁷⁶ Industrial development in Northern Rhodesia is considered to be essentially the province of private enterprise.

Nyasaland Protectorate is much the smallest of the three federal territories, but its population of more than 2,600,000, mainly non-European, indicates not only a greater population density but also a more acute development problem. Of the three territorial units, Nyasaland was least affected by World War II and has received the least postwar development assistance.

The economy of the territory rests mainly on agriculture. Products of principal commercial value are tobacco, tea, tung oil, and cotton. Its relative proximity to the outer world through Portuguese East Africa (Mozambique) is a definite advantage in the economic upbuilding of the territory.

The Nyasaland 10-year development plan anticipated a total expenditure of £7,512,000, plus additional funds in loans and grants from colonial development and welfare funds. Nyasaland also receives benefits from the Federal Government plan for roads and railways, electric-power development, education, and public works.⁷⁷ Reference has been made above to other sources of development aid through funds administered by the Federal Government.

VII. CONCLUDING OBSERVATIONS

Summary appraisal of development programs

It is difficult to arrive at a definite and inclusive appraisal of the effects of technical assistance and economic aid in the sub-Sahara dependencies. Results observed in one instance seldom are paralleled in another since the local environments and the influences brought to bear upon them are never twice the same. Apart from contrasts in the character of the territories themselves, there have been variations in the aims and motives of the benefactor countries which may have sought to develop new markets for their own industries or additional sources of supply of foodstuffs or raw materials, or to eradicate potential breeding grounds for subversive movements, or to build up and strengthen strategic areas, or simply to deal worthily with less fortunate peoples. Not many useful generalizations emerge, consequently, from a survey of the nature here undertaken. In certain instances the efforts expended by metropolitan countries and other outside agencies appear to have led to the results desired, but perhaps quite as frequently new and unforeseen problems have arisen to replace the ones originally at issue. Improved standards of living in the dependent areas have not led so often to greater contentment and gratitude on the part of the recipients of economic and technical aid as to increased restlessness, awakening ethnic consciousness, and agitation for political concessions.

Specific results of assistance programs on a short-term basis are not so difficult to assess. Colonial trade statistics, reflecting some of the practical results of the use of development funds, often give unmistakable evidence of growing wealth and rising standards of living. Such improvements can be observed in better housing, better health statistics, and improving facilities for education at all levels. They

⁷⁶ United Nations General Assembly Committee on Information from Non-Self-Governing Territories, A/AC. 35/L. 158/Add-I (Apr. 21, 1954), p. 36.

⁷⁷ Commonwealth Survey, vol. I (July 12, 1955), p. 591.

can be seen, too, in the rising index of capital formation, in the recovery of wastelands, in increasing yields from agriculture. There can be no doubt that the implementation of development programs has led to many kinds of material improvement. It would be unrealistic, however, to credit the progress made entirely to assistance from external sources. A very large part of the headway manifested by the sub-Saharan territories has been due to their own public and private enterprise, that is, to their response to the favorable climate created by the interest of the metropole and the forms of assistance supplied from other external sources.

Position of the United States relative to sub-Saharan Africa

A consideration of the development programs in the dependent territories of Africa leads to the question as to what responsibilities for aid in these underdeveloped areas may devolve upon the United States. Interest in the welfare of underdeveloped peoples has occupied a prominent place in United States foreign policy. At the same time, it would not be in keeping with the character of American foreign relations to advance a program of technical or economic assistance for any territory politically dependent upon another state without the invitation or the express approval of the government in question. There have been instances in late years, nevertheless, when the developmental needs of dependent territories have been embodied in measures taken for aid to the metropolitan countries themselves.

At all events, United States willingness to make technical and economic assistance available to underdeveloped areas does not stem from precisely the same considerations as those prominent in the African development programs of the European powers. The United States, in expending more than \$50 billion in foreign aid since the close of World War II, has become increasingly intent upon establishing conditions that may favorably affect the orientation of nations in evolution. Although this consideration is not entirely absent from the programs of some of the European powers, these programs have generally been limited to the metropolises' own colonial or political spheres of influence and have been designed as a rule, with some view to an improvement in the metropolises' own economic welfare.

European development methods

Methods employed by European countries and by the United States in extending aid have not been widely dissimilar in the recent past. As a rule, European metropolises have combined government aid in the form of loans or credits and sponsorship of semiofficial agencies, such as the Colonial Development Corp. (British), Fond de Développement Economique et Social (French), or Institut National pour l'Étude Agronomique du Congo Belge (Belgian), with encouragement of private investment. The United States similarly has combined Government appropriations for grants and loans with assistance from the Export-Import Bank and encouragement of private investment, occasionally under some kinds of government backing. Although still subject to controversy, the United States has preferred to entrust the administration of foreign technical and economic aid to a single agency. In Great Britain and European continental countries, aid to colonial and dependent areas appears to stem as a matter of course from the ministries concerned with colonial and politically dependent areas.

Possible effects of development

Much of the aid applied in various forms to the upbuilding of underdeveloped territories in Africa undoubtedly will have lasting effects. The eventual outcome of some of the changes being wrought in terms of territorial development plans, bolstered now and then by technical and economic aid from other than metropolitan sources, can only be speculative. In the British dependencies, for instance, nearly half of the colonial development and welfare funds have been applied to social projects. There is a distinct possibility that the money spent on medical and health projects in these African territories in the decade between 1945 and 1955 will have increased the mouths to be fed more than the money devoted to agriculture and veterinary services in the same period has increased the production of food. The results of aerial spraying for the control of malarial mosquitoes may demonstrate that a very modest investment in the application of science to problems of health must be compensated for, if progress is to endure, by very shrewd calculations for increases in the production of foodstuffs, for increased educational facilities, and for the constructive use of labor. Since the consequences of the application of science to the human environment are not always immediately apparent, cause-and-effect relationships are sometimes overlooked in developmental planning. Already it is apparent that, when explosive increases of population occur as a result of the application of technical aid, as they have in parts of West Africa, it is not certain that the basic aims of development schemes will be realized to the extent originally anticipated.

It follows that money alone is only a partial answer to the problem of aiding underdeveloped peoples. Nothing useful is accomplished, in any case, by the granting of technical assistance, by the appropriation of development and welfare funds, or by the enlistment of private capital beyond the capacity of the territory concerned to absorb and over a foreseeable period of time constructively to utilize the sinews of material progress in the form of development funds and techniques. Both the African colonial development schemes of European metropolitan countries and technical assistance and economic aid as a feature of United States foreign policy are of relatively recent origin. While the experience gained thus far in their application seems clearly to justify expectations, it also points to the need for frequent reappraisal of both methods and results not merely with respect to the economic improvement of underdeveloped areas but more especially with respect to the shaping of attitudes on the part of dependent peoples being raised to the level of participation in the affairs of an ideologically divided world.

UNITED STATES TECHNICAL ASSISTANCE PROGRAMS
IN CENTRAL AMERICA

A REPORT BY SENATOR MIKE MANSFIELD

November 1955

FOREWORD

The report which follows was made by Senator Mansfield as the result of a visit to Mexico and Guatemala during the month of November 1955. Senator Mansfield was accompanied on this visit by Mr. Carl Marcy, of the staff of the Committee on Foreign Relations. The report which was prepared at that time was circulated to members of the subcommittee, and made available to the Department of State, but was not publicly released. Since the report is now a little over 1 year old, it may be that some of the conditions discussed have been changed.

REPORT BY SENATOR MANSFIELD ON UNITED STATES TECHNICAL-ASSISTANCE PROGRAMS IN CENTRAL AMERICA

MEXICO

The technical-assistance program in Mexico which has increased in size from \$765,000 in 1953 to some \$1.8 million in 1956, is in need of careful attention. In an area of critical importance to the United States, it is doubtful if the program as presently operated serves the interests of either this country or Mexico as well as it should.

The fault does not lie with the officers engaged in administration of the program, who exhibit ability and understanding. Rather, it grows out of an apparent failure at the governmental level to reach certain basic understandings essential to the success of the program at the operating level.

If technical assistance in Mexico is to serve the national interest of the United States, it must be based on a mutuality of interests as between the two Governments concerned, and those Governments must recognize that mutuality of interest. In other words, it is doubtful if the technical-assistance program in Mexico is worth continuing unless the policymaking officials of both nations agree that each nation will reap benefits from the program.

There was little evidence that such officials of the United States are giving their wholehearted support to the technical-assistance program in Mexico. Likewise, there was little evidence that their counterparts in the Mexican Government are particularly interested in the program. As a result, the day-to-day operating people on the American and Mexican sides must carry on in a somewhat *sub rosa* fashion.

If the technical-assistance program in Mexico is worth doing, it is worth doing well. The time has come for officials of both Governments at the ministerial level to reach a clear understanding on whether it is in the mutual interests of the United States and Mexico to continue the program. If it is agreed that the program should be continued, as I believe, then it must receive the wholehearted support of officials of both Governments at all levels.

THE NATIONAL INTEREST OF THE UNITED STATES AND MEXICO

It is my belief that a limited technical-assistance program is in the mutual interests of the United States and Mexico.

So far as the United States is concerned, a Mexico with a higher standard of living and a larger national income would be a better customer for the United States. By the same token, Mexico would find this country a better customer for its products. Moreover, from the point of view of the United States it is not desirable for the disparity of standards of living as between the two countries to become greater.

Rather, the gap should be narrowed so that the material and cultural wealth of the Americas can be put to the joint job of expanding the area of man's individual freedom and of contributing to his spiritual strength.

The technical-assistance program to be in the national interests of the United States and Mexico cannot be a one-way street. Mexican art and architecture, rooted in the Mexican civilizations of the past, can make immeasurable contributions to the life and culture of the United States. Similarly, United States techniques in some agricultural and industrial areas can make substantial contributions to the Republic of Mexico.

Technical assistance can contribute not only to improvement of living standards in Mexico and consequent expansion of trade between the two countries, but it can help bring the peoples of these nations more closely together. As the bonds of friendship are strengthened, it may be expected that on the international stage the Mexican Government will better understand the policies and attitudes of the United States. The same would be true with respect to United States understanding of her great neighbor to the south.

There are many factors in the Mexican situation which make the operation of a technical-assistance program most difficult.

In the first place, Mexico is not an underdeveloped country in the usual sense. She has engineers, doctors, architects, scientists, educators, industrialists, and other professional people among the most able in the world. Her mineral resources are in the process of development.

Under these circumstances, it is but natural that there is resentment in some circles in Mexico at "gringo" meddling. There is no question but that in time Mexico would be able to engineer her own economic development without outside assistance. Nevertheless, Mexico does need more trained mechanics; better agricultural production; and, in general, assistance in the development of a middle class. The main contribution the United States might make to this development would be to expedite the process already underway.

A second difficulty encountered in operating a technical-assistance program in Mexico stems from the strong nationalism of her people.

Some of this nationalism, for understandable reasons, expresses itself in terms of anti-Americanism. Our size tends to dominate Mexico. Moreover, there have been occasions in the past, including the Texas declaration of independence in 1836 and the subsequent war with the United States, the landings of Marines in Vera Cruz, the disputes arising out of the changing nature of the boundary between the United States, and the occasional exploitation of Mexican laborers in the United States, which have fanned anti-American sentiment. Suspicion of the United States is such that it has been said that no friend of the United States could ever be elected President of Mexico. Indeed, the present President, Adolfo Ruiz Cortines, who was elected in 1952, was severely handicapped during the election campaign because it was charged that he had been on the payroll of the United States during the Vera Cruz incident.

This nationalism is indicated by the reaction of a high-ranking Mexican official to United States assistance which was given during recent floods at Tampico. He commented that a press release issued

by the American authorities had not mentioned that certain of the relief activities had "been carried on in collaboration with" the Mexican authorities. This omission, he felt, reflected on the efforts of the Mexicans to help themselves.

Strong nationalism, a characteristic of every proud people, including ourselves, is not to be regretted. But nationalism must be understood and worked with. This means that the tendency of some American officials, not in Mexico in particular but also elsewhere, to couch the technical-assistance program solely in terms of gifts of superior technical knowledge, must be avoided. Nationalism, insofar as it may operate to impede a technical-assistance program, can best be dealt with by making it clear that our aid programs are undertaken because of their mutual value to both participants. This assistance is not an activity carried on by the United States for charity purposes. The program rather has been undertaken because we believe these expenditures in foreign countries serve to promote the general welfare and interests of the United States. We cannot expect Mexico, or any other country, to participate wholeheartedly in such programs unless they believe the programs are also in their national interest.

A third factor which impedes the successful operation of the technical-assistance program is attributable to the activities of the Communist underground in Mexico. Although the Communist party is recognized as legal, it has not registered as a party for purposes of participating in elections. Nevertheless, there is little doubt but that there has been some Communist penetration in governmental and educational circles. Furthermore, the Soviet Embassy in Mexico has been a source of considerable Communist propaganda throughout Latin America.

While communism does not pose an immediate threat to Mexico and while the Government is firmly dedicated to the principles of democracy, there is evidence that Communist elements in Mexico seek to pervert nationalism into anti-Americanism. They have sought, also, to brand the technical assistance program as 20th century American imperialism. To some extent they have been successful in equating technical assistance with imperialism, thereby inducing some Mexicans to make a mistake similar to that made by some Americans who have equated the liberalism of the Mexican Government with communism.

The greatest difficulty in carrying on the technical-assistance program, however, is not attributable to the nature of the country, to nationalism, or to communism. The greatest difficulty arises, as indicated earlier, in the failure of the two Governments candidly to explore the area in which their joint national interests might be advanced by a technical-assistance program. This will be a stumbling block to future technical-assistance programs in Mexico, as it has been to past programs—several of which have literally withered away because of the lack of interest of responsible officials in both countries.

CONCLUSION

It is beyond the province of this report to try to tell either the executive branch of the United States Government, or the Govern-

ment of Mexico how to operate the technical-assistance program in Mexico. Observation of the program for the few days available did not provide a sound background or basis for submitting detailed recommendations. It was possible during this period, nevertheless, to determine with some degree of confidence that the program as presently operated does not serve either the interests of the United States or of Mexico as fully as would be possible if both countries were wholehearted in their support of the program.

It is suggested, therefore, that the United States Government at the ministerial level should find an opportunity in the near future to make a straightforward statement to the Government of Mexico to the effect that the United States believes that it is in our national interest, as well as in the national interest of Mexico, to carry on a limited technical-assistance program for the purpose of reducing the disparity in economic conditions which now exists to the end that trade and mutual understanding be increased. Should it be possible to reach a clear agreement on the basis of such a mutuality of interest, present difficulties at the operating level should be mitigated, assistance would be far more effective than it is at present, and mutual pride and publicity might be given to the joint efforts of these two North American neighbors.

Should Mexico believe that the technical assistance program is not in her national interest, there should be no recriminations from the United States. As has been indicated earlier in this report, Mexico may be expected in time, and on her own, to get the same results, albeit they may be delayed more than might be the case were she to participate in the technical-assistance program.

GUATEMALA

The economic and technical-assistance program in Guatemala offers a unique contrast to the program in Mexico. While the technical-assistance programs in the two countries are of approximately the same dollar value (\$1.8 million for 1956), Guatemala has a population of about 3 million in contrast to the 23 million population of Mexico. Furthermore, the 1956 program for Guatemala has in addition to the technical-assistance program, an additional \$15 million in economic development assistance. Thus, the per capita United States assistance program in Mexico is about 8 cents per person whereas the assistance program in Guatemala is slightly more than \$5 per person. Put in another way, United States assistance in 1956 to Guatemala on a per person basis will be some 60 times greater than that to be received by Mexico.

A second contrast is in the attitudes with which the Mexican and Guatemalan Governments view the program. As indicated heretofore, the Mexican Government tolerates the program and views its accomplishments with reserve. The Guatemalan Government, however, desires assistance and recognizes the mutual advantages flowing from it.

The large-scale program for Guatemala is justified on the basis of special needs growing out of the recent revolution which replaced the Communist regime of Arbenz.

During the last few years of the Arbenz regime, governmental expenditures exceeded receipts and at the time President Castillo Armas

took over the Government, the public debt stood at the figure of \$47 million. Furthermore, substantial sums of native capital had fled the country, commercial enterprises of foreign origin were virtually at a standstill, and a once lucrative tourist trade had been almost destroyed. American assistance during the Arbenz regime had dwindled virtually to a holding operation. The program for 1954, for example, was less than \$200,000.

Under these circumstances, it was essential that if the new regime were to have a sound economic basis upon which to seek to establish the basic elements of a democracy, urgent internal reforms were needed and outside assistance required.

President Castillo Armas has made a beginning in bringing about changes in those governmental controls and practices which had run Guatemala into political and economic bankruptcy. Certain tax reforms are being undertaken; private properties expropriated under the Arbenz regime are being returned; and other steps are being taken which should attract investment funds to Guatemala and encourage the return of flight capital. Armas has obtained an \$18.2 million loan from the International Bank.

It has been just a little over a year since Armas assumed the office of President. During the first months of the new regime the United States came to the aid of Guatemala on an emergency basis. Some \$3.7 million was given to Guatemala in December 1954. Of this amount \$3.2 million was for highway construction, and \$500,000 for work on the Roosevelt Hospital in Guatemala City. In addition, 100 technicians were brought to the United States for a short training course. By the end of fiscal year 1955 slightly more than \$6.5 million of United States assistance had been given.

The assistance program for the current fiscal year calls for a technical assistance program in the amount of \$1.8 million and for development assistance in the amount of \$15 million. It is anticipated that the technical assistance program will continue to be of almost the same size for some years in the future. The development assistance program, however, is short-term and is expected to be reduced somewhat next year.

The development assistance funds will be devoted to road construction (\$10.8 million), to rural development (\$2.4 million), to housing (\$0.9 million), to agricultural development, and to the Roosevelt Hospital.

Technical assistance funds in the amount of \$1.8 million are scheduled as follows:

Agriculture and natural resources-----	\$655,000
Industry and mining-----	74,000
Transportation-----	142,000
Labor-----	20,000
Health and sanitation-----	393,000
Education-----	349,000
Public administration-----	51,000
Housing-----	79,000
Technical support-----	67,000

CONCLUSION

After the years when United States assistance to Guatemala was at a virtual standstill, our aid program is now moving into high gear.

For 1956, Guatemala will receive more in United States assistance than all of the other Central American Republics together.

The danger in giving such substantial assistance on a "crash program" basis is that money may be squandered on questionable projects or be diverted in other ways.

The United States Mission to Guatemala is aware of these dangers. It is establishing accounting procedures in the mission and arranging for accounting checks on field projects. It is scrutinizing most carefully requests for project funds.

The success of the program in Guatemala will be measured not only by the integrity of the administration of the program by American and Guatemalan officials, but by two additional factors.

In the first place, the success of the program will be measured by whether in a relatively short period of time a stable, democratic governmental regime can produce economic progress and an increased standard of living. This increased standard must be in excess of that which might have been achieved under the Arbenz regime.

In the second place, the success of the program will be demonstrated by the withdrawal of large-scale American assistance as soon as the Guatemalan Government has repaired the ravages of the Arbenz regime, thus demonstrating again—as we have done elsewhere—that American assistance is given not for reasons of economic or political control, but rather to assist nations in maintaining their independence.

A successful aid program in Guatemala characterized by helping the Guatemalan people get on their feet economically and politically so that they may be independent of all foreign domination—including that of the United States—would be a solid demonstration of the fact that United States assistance is not designed to lead to domination. It would establish, by example, the fact that our assistance to Latin America would be terminated as it was in Europe as soon as the mutual aims of the participating countries are well on their way toward achievement.

EL SALVADOR

Although I was personally unable to visit the International Cooperation Mission in El Salvador, a member of the staff of the Committee on Foreign Relations undertook that assignment on my behalf and under my direction. On the basis of his report and on information received from other sources, the comments which follow are submitted with the thought that they may serve to draw the attention of American officials in El Salvador and in Washington to some of the problems that deserve attention.

The technical-assistance program in El Salvador authorized for the current fiscal year is in the vicinity of \$1 million, nearly twice as large as the program in 1954. It is contemplated that the program will increase slightly next year and then may begin to level off.

Because of great disparities of wealth with an extremely low standard of living for most Salvadoreans, a technical-assistance program is badly needed. The Salvadorean Government desires assistance and appreciates that which it is receiving, although there has been press criticism to the effect that paper is the biggest product of the program.

Assistance has been concentrated in the usual fields of health and sanitation (since 1942), education, industry, and mining, labor, public

administration, and agriculture, with the heaviest concentration of American technicians being in the field of agriculture. Out of some 37 officers directly on the International Cooperation Administration payroll, one-third are engaged in some aspect of agriculture. Steps have been taken during the past year to increase the scope of industrial technical assistance by the establishment of an industrial productivity center which makes engineering advice available to interested governmental agencies and private concerns.

COMMENTS

1. Examination of the program in El Salvador indicates that there may be some tendency to lose sight of the relationship of particular projects to the foreign-policy interests of the United States. The International Cooperation Administration mission in El Salvador seems to be the tail that wags the dog. As of July 1955, there were 8 officers in the Embassy, including the Ambassador, and 37 officers in the International Cooperation Administration mission. This was in marked contrast to the situation as of the same date in Guatemala, with 15 officers in the Embassy and 24 officers in the International Cooperation Administration mission, and to the situation in Mexico with 51 officers in the Embassy and 30 in the International Cooperation Administration mission. The technical-assistance programs of the three countries are roughly of the same dollar magnitude, although the program in El Salvador is the smallest.

While it is realized that numbers do not tell the whole story, these figures suggest from the viewpoint of manpower alone that the political side of the United States mission in El Salvador cannot be expected to have the same knowledge of the technical assistance operation as would be the case were the officer ratio between the Embassy proper and the International Cooperation Administration mission less substantial.

The political overtones of the technical-assistance program can be very marked in a country the size of El Salvador. For that reason it is essential that the American Ambassador keep in close touch with the program so that his approval of projects may be more than a rubberstamp indication that they serve to promote the foreign policy interests of the United States. The transfer of technical assistance functions to the Department of State should facilitate the close integration of technical assistance to foreign policy in the field as well as in Washington.

2. The apparent lack of close relationships between foreign policy considerations and specific technical-assistance projects in El Salvador has had a tendency to permit the technical-assistance program to become involved in projects of peripheral foreign-policy concern, or of a type which might be carried on in other ways.

Thus, commendable though a project to assist El Salvador in the development of her fisheries industry may be, the present confused state of the territorial waters question in Central America is such that there may be adverse foreign-policy implications to carrying on such a program at the present time. Again, valuable as it may be to develop new coffee varieties for El Salvador, the principal beneficiaries of such a development would be large coffee producers whose profits are sufficient to enable them to meet the costs of a substantial research program of their own.

It would be presumptive on the basis of the short survey made of these illustrative projects in El Salvador to recommend their discontinuation. It is suggested, however, that projects of this type should be examined most closely to see if they serve best the foreign-policy interests of the United States, and if they are of the type which should be carried on with the use of Government funds.

3. There is evidence that insufficient attention has been given in the Salvadorean program to the need for fixing termination dates for projects. In deciding whether the United States should commit funds to a project, attention must be given to putting it on its own feet as rapidly as possible and thereafter the program should continue when United States technical assistance is withdrawn.

The needs of a country such as El Salvador are virtually inexhaustible. Technical assistance can help a country get started by helping to train technical specialists of its own in sanitation, health, education, engineering, etc. Technical assistance must not create dependence; it must create independence.

The advantage of trying to fix a terminal date for specific projects is to point up the fact that the main job of technicians in the point 4 program is to work themselves out of a job by training a local or national group to carry on the program that has been started.

It is believed that United States officials in El Salvador and their counterparts in that Government might well give more attention to this aspect of technical assistance. Technical assistance from the United States must not be viewed by the recipient nations as a matter of right. A gradual decrease in the amount of United States technical assistance to any particular project should be viewed as normal and should not require public relations justification.

THE TECHNICAL ASSISTANCE TRAINING CENTER
IN PUERTO RICO

A REPORT BY MR. FRANCIS R. VALEO,
STAFF CONSULTANT TO THE SUBCOMMITTEE ON
TECHNICAL ASSISTANCE PROGRAMS

December 1955

515

FOREWORD

The report which follows was prepared by Francis R. Valeo, staff consultant, who made a study of the training center in Puerto Rico for the subcommittee during the period December 14-19, 1955.

REPORT ON THE TECHNICAL-ASSISTANCE TRAINING CENTER IN PUERTO RICO

1. INTRODUCTION

In the past, Puerto Rico was portrayed throughout the world as something of a backwash of the Western Hemisphere, with a disease-ridden, illiterate, and starving population. This condition was generally attributed either to the inadequacies of the Puerto Ricans themselves or to the exploitation of the United States. Many trainees under the technical assistance program arrive in Puerto Rico with a preconception of this kind. They are often skeptical, both as to the adequacy of the island's training facilities and its utility as an area for the observation of the techniques of economic development.

What they find on arrival must come as something of a shock to them. Those from underdeveloped areas discover standards of living in Puerto Rico which are already higher than most Latin American countries and are rising rapidly. Instead of an exploited American colony, they find a democratic self-governing commonwealth with an effective government, independent in internal affairs and strong in its support of the present ties with the United States. In fact, Puerto Ricans were largely responsible for establishing the nature of these ties which were set forth in Public Law 447, passed by the 82d Congress of the United States in 1952.

It is true that trainees will see the slums which still pockmark San Juan and other cities and they will see depressed rural areas. But they will also see vigorous action being taken to correct these and other undesirable conditions. They will see, in short, a Puerto Rico that is today in the midst of a profound economic and social transition which promises to transform what was once regarded as a hopelessly backward land into one of the most progressive in the Western Hemisphere.

The pace of the transition is very rapid. Nevertheless, the Puerto Ricans are managing in the process to retain what is essentially a Latin American heritage while they blend into it the cultural values and the techniques of the United States.

Because of the size of the Commonwealth—it is considerably smaller than the State of Connecticut—the transition is readily visible to all, even to those who visit the island merely for short tours of observation.

It is taking place in circumstances which are, for the most part, far more unfavorable than those which exist in the countries from which exchanges come. The island is endowed with only the most limited resources in arable land and other natural wealth. It has one of the highest densities of population in the world. Yet, until recently, almost the sole major source of income was the land. In short, Puerto Rico presents a fundamental challenge of survival and progress to its inhabitants that is similar to, if not greater than that faced by most visiting observers and exchanges in their home countries.

In that sense, it provides an ideal setting for the training program. It enables visitors from underdeveloped lands to see a replica of familiar problems and, more important, what can be done about them.

To some extent statistics indicate the scope of achievement in Puerto Rico. In 1940 per capita income was \$122; this year (1955) it has reached \$436, higher than most Latin American countries. In 1940, life expectancy was 46 years; it is now 61 years. Illiteracy is now 15 percent or less; in 1900 it was 80 percent.

Even more impressive to observers, however, is likely to be unmistakable evidence of development on every hand. Throughout the island, housing and factory construction and roadbuilding are going forward at a rapid pace. Under special tax and other incentives, some 300 or more modern industries, financed by capital from within the island, the mainland, and elsewhere, are in operation or going into operation. There is an atmosphere of activity and progress almost everywhere.

It is probably no exaggeration to say, as did the Chase National Bank in its June 1952 edition of *Latin American Highlights*, that Puerto Rico as an area registered the greatest progress in the preceding decade in all the world.

This progress undoubtedly has derived in great measure from the efforts of the Puerto Ricans themselves under what they call "Operation Bootstraps." The term is meant to suggest the mobilization of the people to explore and exploit every practical possibility of utilizing constructively their meager natural resources and their great resources in population to raise standards of living largely by their own efforts.

It should be pointed out, however, that the present prosperity of the island is not derived solely from measures of self-help, and it would be misleading for trainees to take away that impression. Puerto Rico's unique relationship with the United States provides certain advantages which are not available to the countries from which most of the exchangees come.

Out of its commonwealth ties with the United States, Puerto Rico obtains many advantages. It participates in Federal-aid programs to States, but it pays no Federal taxes. Furthermore, the Federal Government remits customs receipts collected in the island to the Commonwealth government. The island's industry and agriculture have ready access to the United States market. As citizens of the United States, Puerto Ricans can migrate freely to the mainland and the remittances of migrants to families in the island constitute an important source of income. Finally, United States military expenditures are a major source of revenue. The Federal Government maintains important installations in the island, with consequent expenditures by the Federal Government and by servicemen stationed there. Puerto Ricans also serve in the Armed Forces at pay scales normally exceeding the rates which many could be expected to earn in the island.

To point out the advantages which accrue to Puerto Rico from its present status of Commonwealth is not to deprecate the outstanding effort which the Puerto Ricans are making themselves. Nor is it criticism of the act of Congress of 1952 which provided that status. That legislation in effect provided reciprocal advantages to the United States. Moreover, Congress in its liberal treatment of the island un-

doubtedly took into consideration the fact that Puerto Rico, despite its progress, ranked far below the level of any State in the Union in per capita income, health standards, and other yardsticks of progress.

The fact remains, nevertheless, that the Commonwealth relationship has provided a kind of financial underpinning for Puerto Rican development which is not generally available to other underdeveloped regions. This element in the situation should not be ignored in the orientation of trainees under the technical assistance program. Failure to make it clear could lead to false hopes and an inaccurate concept of the potentialities of technical aid.

2. NATURE OF THE TRAINING PROGRAM IN PUERTO RICO

The point 4 program has been in operation in Puerto Rico since 1950. At its own request Puerto Rico has not been a recipient under the program but a cosponsor of training programs for foreign students. The Commonwealth government has appropriated some \$35,000 annually over the past 5 years toward maintenance of the program. In addition, various departments of the island government contribute in time and effort to provide inservice training and facilities for observation to foreign exchangees.

The International Cooperation Administration has contracted to supply the Puerto Rican government with not to exceed some \$60,000 to help maintain projects in Puerto Rico and to train exchangees under its programs. In addition, the United States provides \$251,000 a year to pay for the vocational training of students from the Caribbean dependencies of Great Britain, France, and the Netherlands.

The principal part of the joint United States-Commonwealth contribution goes for the subsistence of exchangees. Other major expenditures are for administrative salaries and for tuition.

A total of over 2,000 scholarship grantees, visitors, and observers were handled in Puerto Rico between May 1950 and June 1955. The preponderance have come from Latin America and the Caribbean territories. In recent years, the number of exchangees from Africa, Asia, and the Middle East has been increasing. Last year, for example, of the 781 exchangees, 205 were from those regions.

Exchangees remain in Puerto Rico anywhere from several days to a year or more. Their training takes place at the University of Puerto Rico, at vocational schools (mostly in San Juan), and in various Puerto Rican government offices. They receive training and opportunities for observation in such fields as agricultural extension, low-cost housing construction, water, resources, and power development and community improvement, as well as in many vocational pursuits.

Some ICA exchangees are trained entirely in Puerto Rico. Others are sent to the island for part of their training either before or after completing a period of study in the States.

3. ORGANIZATION AND OPERATIONS OF THE TRAINING PROGRAM

The training program is administered by the Office of Technical Cooperation, which is a division of the Department of State of the

Puerto Rican government. The office is staffed entirely by Puerto Ricans. The procedures for handling trainees are essentially the same regardless of the program under which they are sponsored.

An exchangee, sent to Puerto Rico by the International Cooperation Administration would be treated in the following fashion. After the Commonwealth Office of Technical Cooperation has indicated that he can be accommodated, he would proceed to the island, either directly from his home country or via the United States. A program would be worked out for him in advance, subject to revision on arrival. The exchangee's program, if of any duration would normally include study at the University of Puerto Rico or some other institution of learning in the island, perhaps combined with or followed by inservice training in Puerto Rican government agencies. Normal tuition fees are paid out of the funds of the program to the schools which may be involved. The Puerto Rican government is not reimbursed for the inservice training which is provided by its agencies.

The Office of Technical Cooperation of the Puerto Rican government is responsible for general supervision and guidance to the trainees while they are in the island. It exercises these functions by means of direct contact with the trainees and progress reports prepared by the institutions or agencies to which they are assigned. The International Cooperation Administration, Washington, is in turn kept informed by reports from the Puerto Rican Office of Technical Cooperation.

4. ESTIMATE OF PROGRAM

The Puerto Rican government has established an effective procedure for receiving, training, and guiding exchangees whether they come to the island under United States or other auspices. Commonwealth personnel connected with the administration of the program who were interviewed generally demonstrated a clear comprehension of the objectives of the technical assistance program as well as its limitation. They revealed, moreover, significant, and sympathetic insight into the problems of assisting foreign trainees to adjust to study and training in the island. Numerous trainees interviewed expressed the highest esteem for the individuals responsible for administering the program, as well as for the hospitality of Puerto Ricans in general.

With respect to educational facilities, the University of Puerto Rico, as well as vocational and other schools in the island, generally follow the same educational methods as are used in mainland institutions. They have the added advantage, however, in having considerable experience in educational problems peculiar to depressed areas. Furthermore, instruction is largely in Spanish so that, as far as Latin American trainees are concerned, language difficulties common in connection with exchangees on the mainland are not generally present in Puerto Rico. For observers and students from other areas, however, there are language problems even though English is almost universally spoken as a second tongue in San Juan and other major centers of population.

5. RECOMMENDATIONS TO THE SUBCOMMITTEE

I was informed that consideration is being given to enlarging the informational coverage of the training program in Puerto Rico by the United States Information Agency. Certainly a highly effective story can be told abroad. It is a story that reflects credit on both the United States and the Commonwealth and it is not well known outside the island. It should be told, however, with a measure of modest restraint and in reasonable perspective, or more harm than good will result.

Fullest possible utilization of the training facilities in Puerto Rico should continue to be made by the International Cooperation Administration. At present, however, the administrative structure for the training program in the island appears to be taxed to the utmost. Any added load without adequate preparation may work a hardship on the Puerto Rican government or result in a lowering of standards.

The university and the vocational schools could probably absorb an increased number of exchangees. Housing conditions for students in San Juan, however, are tight. There is some talk of establishing an International House residence on the campus of the University of Puerto Rico in order to alleviate the situation. That type of undertaking, however, would appear best left to the initiative of private foundations and the university.

Selection of trainees is a major key to an effective exchange program whether in Puerto Rico or on the mainland. For reasons previously mentioned, Puerto Rico offers the most to trainees from Latin America and especially to those from the Caribbean countries. With respect to trainees from other areas, caution must be exercised by Washington to make certain that there is a genuine utility—apart from merely impressing them—in sending them to Puerto Rico, particularly for long period of training.

Consideration should be given to a wider utilization of Puerto Rican technicians in the International Cooperation Administration missions abroad. Although the supply of skilled personnel in the island is limited and the internal demand great, it may be possible to recruit or even to train an increased number of specialists in Puerto Rico, perhaps through special arrangements with the university and the Puerto Rican government.

Consideration should be given to establishing a regular program of orientation of mainland technicians in Puerto Rico prior to their assignment to missions abroad, especially in Latin America. Such training, even if it is of relatively short duration, should prove of great value. The technicians would familiarize themselves in advance with technical problems similar to those which they are likely to encounter at the post of assignment. At the same time, for those with little or no experience in living abroad, a short residence in Puerto Rico would provide a half-way point in the adjustment to foreign cultures. It would tend to reduce the likelihood of adverse reactions and negative attitudes when they arrive at their post of assignment.

6. CONCLUDING REMARKS

To sum up, the training center in Puerto Rico appears to me to be an important asset for the United States in carrying out the tech-

nical assistance program. Its direct value derives from the excellent setting which the Commonwealth provides for the observation and study of problems of development, its educational facilities, and the skill and sensitivity of the Puerto Rican officials responsible for carrying out the program.

The training center also has an indirect value in that exchangees, who sometimes have a negative view of United States policies, are likely to be favorably impressed by what they find in Puerto Rico. The better understanding of mainland-commonwealth relations which they obtain may contribute to an improvement in their attitude toward the policies and international motives of this country.

TECHNICAL ASSISTANCE IN THE FAR EAST,
SOUTH ASIA, AND MIDDLE EAST

A REPORT BY SENATOR THEODORE FRANCIS GREEN

January 13, 1956

LETTER OF TRANSMITTAL

Hon. MIKE MANSFIELD,
*Chairman, Subcommittee on Technical Assistance Programs,
Committee on Foreign Relations,
United States Senate, Washington, D. C.*

DEAR SENATOR MANSFIELD: As chairman of the Subcommittee on Near Eastern and African Affairs and as a member of the Subcommittee on Technical Assistance Programs, I traveled outside the United States from September 15 to November 5 in order to observe the operation of technical assistance in 11 countries of the Far East, South Asia, and the Middle East.

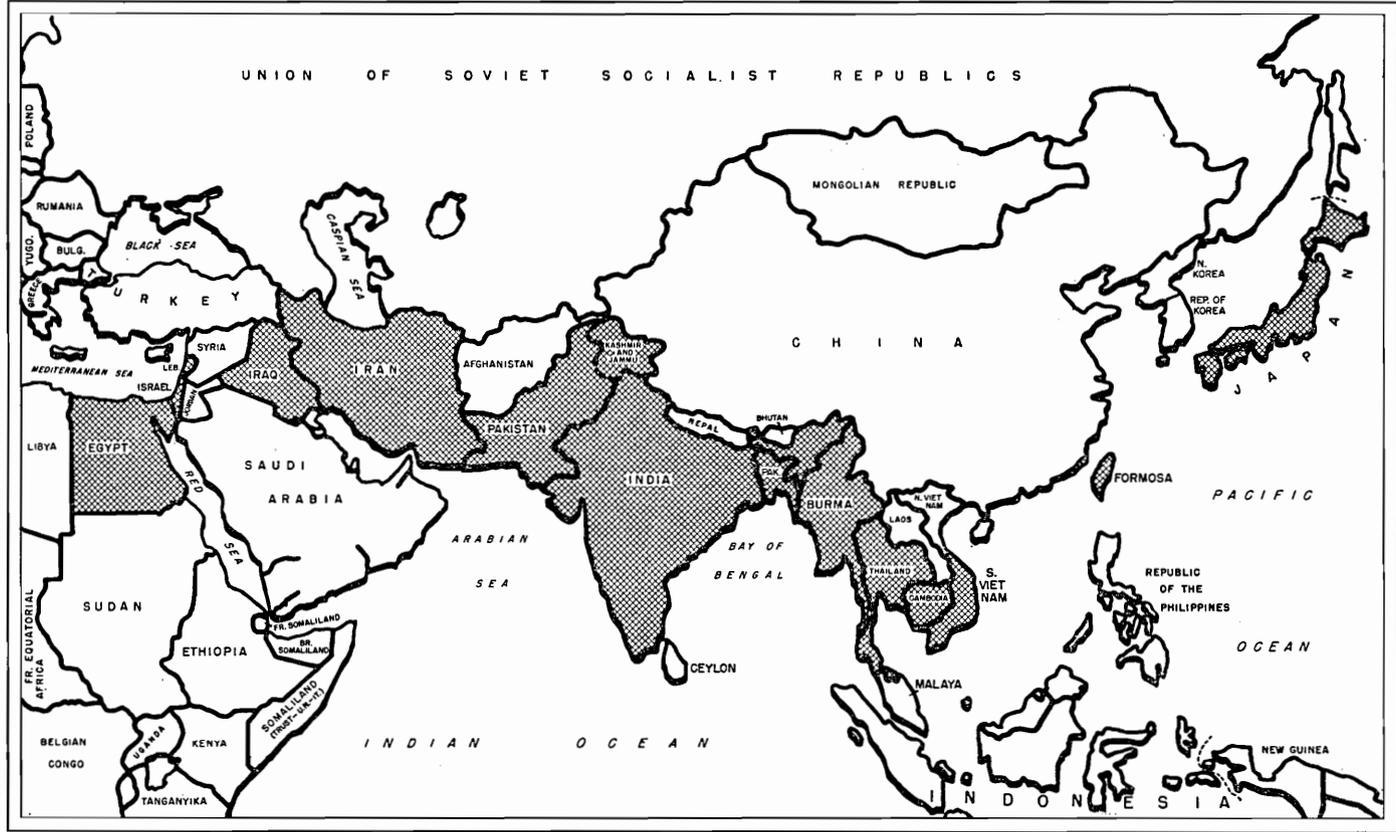
A written report of my findings and observations is submitted herewith in the hope that it may be helpful to the subcommittee in preparing its final report to the Senate. On this mission I was accompanied by Mr. Pat M. Holt, a member of the staff of the Senate Foreign Relations Committee. He was a constant attendant, efficient reporter, and friendly companion. He helped not only in arranging engagements and taking notes but also in the compilation of this report. For all of this I desire to thank him publicly herewith. I also desire to thank the many representatives abroad of the United States and the employees of the commercial airlines on which I traveled. They were uniformly courteous and helpful.

Appended to this report is a detailed itinerary plus an accounting of the dollar and counterpart fund expenses of Mr. Holt and myself.

Sincerely,

THEODORE FRANCIS GREEN.

JANUARY 13, 1956.



TECHNICAL ASSISTANCE IN THE FAR EAST, SOUTH ASIA, AND MIDDLE EAST

I. INTRODUCTION

The technical assistance programs of the United States in the Far East, South Asia, and the Middle East are in the main technically effective, but they are handicapped by inadequate planning, lack of clearly defined objectives, and unresolved dilemmas of overall American policy.

Inadequate planning shows up in projects such as the one in Vietnam, where the United States furnished equipment for a radio-repair school although there is no demand for radio repairmen and the graduates of the school cannot find jobs. Or the project in East Pakistan, where the United States furnished a tuberculosis hospital with complicated equipment which the staff does not know how to use.

Lack of clearly defined objectives shows up in Formosa where there is confusion and indecision as to whether the purpose is to build up the strength for a Chinese Nationalist return to the mainland or to make Formosa a viable economic entity in itself. The result is that neither purpose is being achieved.

Unresolved dilemmas in overall American policy show up in a number of countries where the United States is dedicated politically to maintaining the status quo and economically to promoting the kind of development which is impossible within the existing political and social framework.

On the whole, however, the technical assistance programs have been well worthwhile from the point of view of the national interest of the United States. In the 5 years since Congress passed the Act for International Development, we have gained much valuable experience. That mistakes have been made is neither surprising nor occasion for scrapping the whole enterprise. However, it is occasion for drawing on the lessons of experience, for generally tightening up the programs, and for more clearly relating them to the objectives of American foreign policy.

These are the principal conclusions which I brought back from an intensive 7-week study of technical assistance and related programs in 11 of the countries—viz, Japan, Formosa, Veitnam, Cambodia, Thailand, Pakistan, India, Iraq, Iran, Egypt, and Israel. These countries together account for approximately one-half of all United States expenditures on technical assistance.

II. THE POLITICAL BACKGROUND

This area is characterized by (1) an extreme nationalism, particularly resentment of real or fancied attempts at outside interference; (2) a lack of well-developed political institutions with a consequent reliance on government by individual personalities; and (3) a lack of administrative experience and of trained civil servants.

Each of these factors limits what the United States can accomplish or should attempt.

A. NATIONALISM

Nationalism, combined with resentment in the Arab States of the greater American aid to Israel, explains the glee with which the Czech-Egyptian arms deal was greeted in many parts of the Middle East. Whether well-founded or not, the impression was widespread that the United States had attempted to prevent this deal and had been unsuccessful in doing so. The Egyptian position of leadership in the Arab League, which had been slipping, was restored and Egyptian prestige throughout the area was enhanced enormously. The arms deal was welcomed there perhaps as much because of the consternation it caused in the United States as because of any intrinsic benefits which it holds for the Arabs.

American reaction to the Czech arms deal also disclosed a serious defect in the process of American foreign policymaking. As late as 5 weeks after the agreement was announced, our Middle Eastern embassies had still not received clear instructions as to the United States policy. Whatever the reasons for this delay, it strongly indicates that the policymaking machinery of the Department of State is in urgent need of an overhaul.

A further immediate result of the Czech-Egyptian agreement was to increase greatly the tension which already existed between Israel and Egypt. Every one of the growing number of border incidents contains the possibility of full-scale war. This possibility will increase as the Egyptians feel themselves becoming stronger and as the Israelis see their present military superiority diminishing.

In this situation, Assistant Secretary of State George V. Allen deserves the most emphatic possible support in his statement that the United States Government—

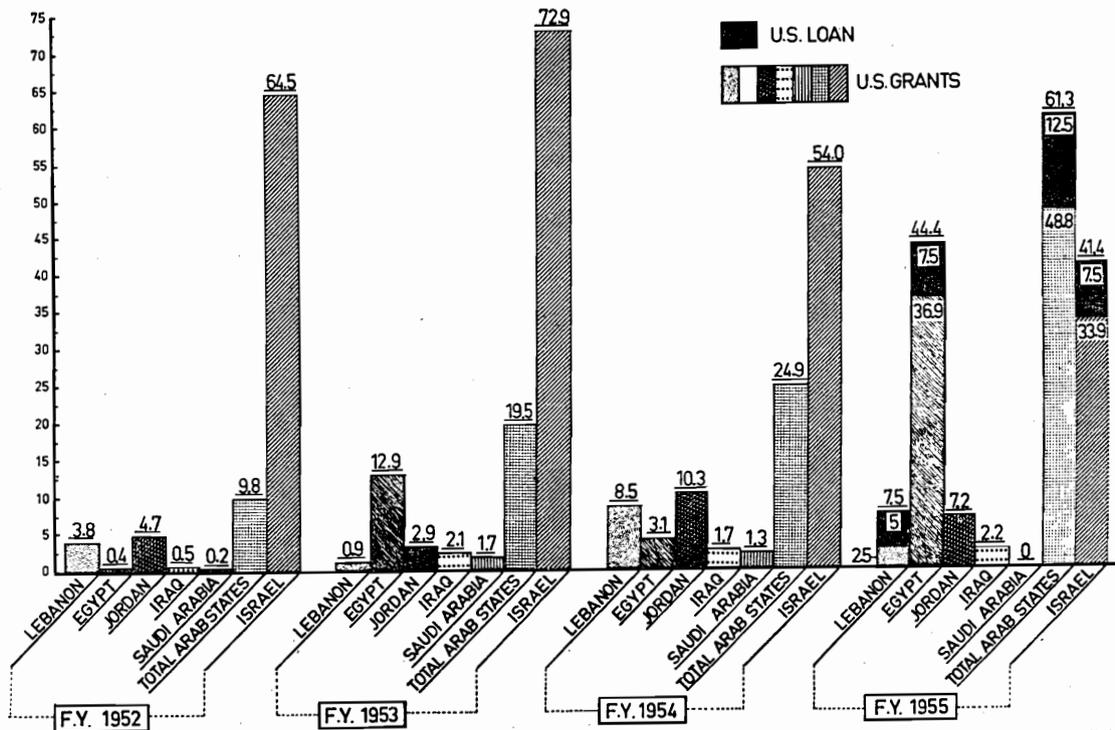
is going to be very angry with any country which starts a preventive war or an aggressive war * * * is going to be very "pro" any country that demonstrates it wants to keep the peace.

The ultimate solution of the Israeli-Arab problem is one which must be found by the parties themselves with the assistance of the United Nations. Meanwhile, the U. N. Truce Supervision Organization should be greatly enlarged so that it can really perform a supervisory function. This organization was set up by the U. N. Security Council in the summer of 1948, when the Council called for a ceasefire in the Arab-Israeli war. It is directly responsible to the Council, and its duty is to see to it that the armistice is observed. Yet it consists of only about 40 officer-observers. With this limited personnel, it cannot do much more than try to find the truth in a welter of conflicting charges and countercharges concerning the origin of every border incident. If the Truce Supervision Organization had enough men to maintain a reasonably constant border patrol, it would be in a better position itself to assess responsibility for incidents and that fact alone would doubtless do much to prevent incidents.

The basic difficulty in which the United States finds itself in the Arab States stems from American support of, and aid to, Israel. The chart on page 529 graphically depicts what the Arabs regard as the pro-Israel bias of the United States. It would of course be unrealistic to attempt to distribute the aid exactly evenly.

\$
 MILLIONS OF
 U.S. DOLLARS

ALLOCATIONS OF U.S. AID TO MIDDLE EASTERN COUNTRIES



At all costs, the United States should avoid being maneuvered into a position where it is identified in the Middle East as being pro-Israel while the Soviet Union is identified as being pro-Arab. Under present circumstances, this rules out both military assistance to Israel and a bilateral security treaty with Israel. However, it does not rule out United States participation in a general multilateral Middle Eastern security treaty.

The deterioration in Arab-Israeli relations is offset to some extent by progress which has been made through the medium of the Baghdad Pact in consummating the northern tier defense concept in the Middle East. This pact links Turkey, Iraq, Iran, and Pakistan in a loose defensive alliance. Great Britain is also a member. Turkey and Great Britain provide a connection with NATO; Pakistan provides a connection with the Southeast Asia Collective Defense Treaty. Iraq and Iran plug a serious gap in the middle.

The political significance of Iraqi and Iranian membership in this pact should not be underestimated. Iraq incurred considerable displeasure on the part of the other Arab States when it joined. For Iran, membership meant renouncing a centuries-old policy of neutrality. In both countries, the act of joining required political courage of a rather high order. This is emphasized by the present disorders in Jordan and the popular demonstrations against the pact and against the United States, which although not a member is regarded as its instigator.

One of the most heartening aspects of the pact is that, although it was encouraged by the United States, it resulted primarily from the initiative of the parties themselves. The parties would no doubt welcome full-fledged American membership in the pact. For the time being, however, a better course would probably be for the United States to continue its present relationship to the pact. This might serve to stimulate further local initiative and self-reliance. The United States already has military assistance agreements with all the members of the pact, and these should be scrupulously fulfilled because there is no doubt that the United States would take an exceedingly grave view of an attack on any member of the pact by an aggressive power. Meanwhile, it is encouraging to find nations which are willing to form alliances of this type without the formal participation of the United States.

B. LACK OF POLITICAL INSTITUTIONS

In none of the countries studied on this trip are there really well-developed political institutions in the sense that such institutions exist in the United States or in Western Europe; but there are, fortunately, many able, dedicated, courageous men in high positions of government in many of these countries.

But individuals, no matter how brilliant, do not in themselves give a country the kind of stability which the United States hopes to see develop in Asia. This kind of stability comes only through the institutionalization of politics. Men can be corrupted, or turned out of office. Institutions endure and function as a kind of shock absorber.

So it is perhaps natural that in too many countries of Asia, United States policy is dependent upon the heartbeat of a single man. The representatives of the United States must, of course, deal with the

officials of the established governments abroad. And the fact that in most cases these officials are friendly is in itself good. But there is too great a tendency on the part of American officials abroad to think of it as the total objective of American diplomacy when in fact it is only a way station. The popular will finds extra legal ways of expressing itself, and consideration should be given this fact by United States representatives abroad.

Not nearly enough is being done now to take advantage of the time thus gained to encourage the slow process of building up democratic institutions. Unless United States assistance contributes to such a process, we are building on very shaky foundations.

The community-development program, as it has been carried out in India and a few other countries, is a good example of technical assistance which not only helps raise standards of living but also contributes to the growth of free institutions.

C. LACK OF ADMINISTRATIVE EXPERIENCE

The administrative capacities of governments in the 11 countries studied on this trip vary widely. Many of the governments are severely handicapped by an appalling lack of people able to carry out the day-to-day tasks of public administration. This not only limits the programs which those governments can undertake and carry out themselves, it also importantly limits the amounts of outside assistance which they are able to absorb and utilize effectively. In a very few instances, pressing military or political considerations may make it desirable for the United States to supply assistance beyond these limits and at the same time to supply the American personnel to administer it. But this is an operation which has important psychological disadvantages. It should be undertaken only in the most urgent circumstances and should be ended as soon as possible.

III. PROBLEMS OF TECHNICAL ASSISTANCE

A. READINESS FOR ECONOMIC DEVELOPMENT

If technical assistance is to lead to economic development, and if economic development in turn is to lead to the growth of free institutions, then the process must be accompanied by social changes. The willingness of an underdeveloped country to adapt itself to these changes and even to encourage them is a key test of whether or not it is ready for economic development and whether or not American technical assistance will produce the desired results.

Two illustrations, both taken from countries visited on this trip, will perhaps clarify the point.

In a project of technical assistance in industrial productivity, it is a relatively simple matter for an American engineer to recommend improvements in management techniques, or materials handling, or some other phase of operations, which will result in greater production at lower costs. What is much more difficult is to insure that the benefits of these changes will be equitably shared by management, by labor, and by consumers. This is a matter in which the United States cannot intervene directly. It involves the local government's labor legislation, its tax structure, its administrative policies, and other things.

In a project of technical assistance in agriculture and village improvement, it is again a relatively simple matter (though even this is not so simple as it would appear on the surface) for an American expert to introduce techniques which will result in a considerable increase in production. But unless the pure technical assistance is undergirded by a program of land reform, the benefits of the increased production are likely to go more to the landlord than to the peasant.

In both these cases, if technical assistance is to accomplish its purpose, it needs to be accompanied by corresponding measures of reform within the recipient country. Otherwise, to the extent that it is technically effective, our assistance may be positively harmful in that it will tend to perpetuate unhealthy social and political situations.

The United States obviously cannot dictate land or tax or other reform programs in other sovereign states; but the United States can take the existence or lack of such programs into account in planning its own assistance.

This is the true test of self-help. Both Congress and the State Department have repeatedly emphasized that technical assistance is a cooperative, self-help program, but we have too often measured self-help in terms of local government contributions in cash or in kind to specific projects. A better measure is the willingness of the local government to take the steps which are necessary to make the most effective use of that assistance.

Is a government willing to undertake a real program of land reform? Is it willing to liberalize its tax structure and its labor laws? Is it willing to break up monopolies and to provide an incentive for new enterprise and initiative?

These are questions which each government must answer for itself. But the answers are likely to be more significant, from the point of view of long-range American interest, than answers to questions of whether or not the government is willing to sign a military assistance agreement with the United States.

B. PLANNING AND SELECTION OF PROJECTS

The trip disclosed many instances of poor overall planning, faulty selection of projects, and inadequate administrative followup.

A few examples will suffice.

In Pakistan the United States is supplying \$150,000 worth of equipment to a new tuberculosis hospital in Dacca, and \$30,000 of this amount had actually arrived as of early October. Some of this equipment is extremely complicated, and the Pakistani hospital staff does not know how to operate it; but ICA so far has contented itself with supplying the equipment and there is no project of real technical assistance in the use of it.

In Vietnam the United States has contributed to a fine-arts school, which has only the remotest relationship to economic development.

In Thailand, at one stage in the program, hundreds of jeeps were ruined when they were turned over to Thais untrained in their operation and maintenance.

In Egypt a shipment of sheep for breeding and demonstration purposes arrived in such a diseased condition that they all had to be slaughtered.

The conclusion to be drawn from these and similar examples, perhaps, is that the technical assistance program has frequently tried to do too much and too fast and has outrun the administrative organizations of both ICA and the cooperating governments.

The basic difficulty was summed up by a perceptive observer in the Middle East. "We are," he said, "trying to do a long-term job on a short-term basis."

Although both Congress and the executive branch have constantly reiterated that technical assistance is a long-term program, neither has acted accordingly in all cases. Congress has insisted that projects be presented and justified for appropriations on an annual basis. The executive branch has been in a great hurry to produce tangible results.

The program has not only been planned in a hurry; it has been widely dispersed in a sort of scattershot approach and is not in all respects internally consistent in its long-range implications.

In some countries, public-health programs are aimed at increasing the capacity to produce; in others, they seem to be aimed more directly at simply keeping people alive with no more than passing thought given to what these people are going to do for a livelihood.

In general, it may be said that the technical assistance program as a whole would be improved by a more rigorous screening of projects with more emphasis given to training people and less emphasis given to supplying equipment. It is characteristic of underdeveloped countries that their governments tend to emphasize things rather than people. They would rather build schools than train teachers; they would rather build hospitals than train nurses. And when they do engage in training, they are more apt to train engineers than mechanics, or architects than carpenters. Yet one of their principal problems of development is the lack of trained craftsmen of all kinds. The United States can make a great contribution by constantly emphasizing that people, not things, are really important.

C. ADMINISTRATION

So far as field operations are concerned, the reorganization of July 1, 1955, in which foreign economic programs were returned to the Department of State has made little difference.

In the countries visited, our economic and diplomatic missions seem to be living happily together with no more than minor friction and with the Ambassador clearly recognized as chief of the country team.

The reorganization of July 1, however, has caused one important difficulty. That relates to administration of direct forces support—the supply of civilian-type items for military use. Executive Order 10610 of May 9, 1955, issued under authority of the Mutual Security Act of 1954, transferred administration of direct forces support, which had been in the Foreign Operations Administration, to the Department of Defense.

This change has not been carried out smoothly. The military assistance advisory groups had no personnel capable of performing this new task and, as of late September and early October, no such personnel had been forthcoming from Washington. The result is a hiatus in the direct forces support program.

One additional, and more fundamental, problem of administration requires some comment. This is the feeling in some foreign posts that they are not receiving support from Washington, either in relations with foreign governments or in carrying out agreed-on programs. There were a number of complaints about slowness in procurement of supplies, in recruitment of personnel, and in formulation of policy. Even when allowance is made for the difficulties Washington faces in such matters as personnel recruitment, and for the natural eagerness of field operators to get on with the job at hand, some of these complaints appear justified.

What is even more serious is the occasional failure of Washington to back up a few missions in their dealings with foreign governments. The trip revealed evidence of at least one instance in which a foreign government apparently feels that it is in a position to go over the head of the United States mission and get what it wants, either from the State Department or from Congress. One government, which has a substantial budgetary deficit, has repeatedly brushed aside suggestions of the United States mission for tax measures to reduce that deficit. It has then used the deficit as an argument in Washington for more American aid, which our mission on the spot does not feel it deserves.

Consequently, the United States mission has lost face and has become virtually without influence in supervising the American-aid program. This is an intolerable situation. Either the United States Government should back up the missions which it has abroad in their dealing with foreign governments, or it should send new missions abroad which it *can* back up. But it should not permit representatives of foreign governments, or pressure groups in the United States sympathetic to foreign governments, to override the considered recommendations of United States officials abroad.

D. SURPLUS AGRICULTURAL COMMODITIES

Not only in the technical assistance program, but in foreign economic policy generally, the United States is facing an increasingly painful dilemma caused by the pressure of its surplus agricultural commodities.

In southeast Asia, particularly in Thailand and Vietnam, the technical assistance program includes projects in rice production. In Thailand, experimental results indicate an increase of 25 percent may be feasible. In Vietnam ricelands which were abandoned because of military operations can be expected to come back into production. From the point of view of the economic development of this critical area and of long-term United States interests there, technical assistance in rice production makes good sense. Yet our policy in this regard is to some extent vitiated by efforts to dispose of our own rice surplus.

In Formosa the point has already been reached where the United States mission has deemphasized rice production despite the fact that an increase in rice exports is one of the ways in which Formosa can become self-supporting.

In Egypt our policies are handicapped by the fear of the Egyptians that American cotton will be disposed of at subsidized prices in what they regard as traditional Egyptian markets. It is significant that

Egypt is paying for Czech arms with cotton, and that Burma is paying for Soviet machinery with rice.

The United States is not of course under any obligation to refrain from fair competition in world markets in selling agricultural commodities or anything else. But if we are interested in the creation of vigorous, western-oriented economies in the area between Cairo and Tokyo, then we must be extremely careful in our surplus commodity programs not to get in a position where we can be accused of using our enormous financial power to dispose of competitive surpluses at giveaway prices.

E. PRIVATE CONTRACTS

Three major types of private contracts were examined—those with colleges, those with philanthropic organizations, and those with private business firms.

The college contract is usually between an American university and a similar foreign institution and is underwritten by the International Cooperation Administration. It generally involves a two-way exchange of professors, and help from the American college in establishing a particular department, such as, for example, public administration, in its foreign counterpart. Although these college contracts have not been without their problems in administration and in personnel, they seem on the whole to have been a useful device, particularly from the long-term point of view of developing institutions abroad.

Contracts with philanthropic organizations also seem to be an excellent means of extending technical assistance. The most notable example encountered on the trip was the work of the Near East Foundation at Veramin in Iran. This project, which is an experimental and demonstration center in various types of village-improvement and community-development work, was begun by the Near East Foundation before a government program of technical assistance was undertaken in Iran. It is now operated by the Near East Foundation under contract with the ICA and with the help of grants from the Iranian Government and the Ford Foundation. The Near East Foundation itself continues to pay part of the expenses. The project is not only an outstanding example of cooperation between government and private agencies; it is also one of the most successful technical assistance projects in the entire area.

Contracts with private business firms raise more questions. These contracts cover a wide range of activities, from a short-range survey by expert consultants to long-range operation of projects. They also include, of course, major construction undertakings which are financed by economic assistance, rather than technical assistance, funds. This seems to be their most appropriate use, though they also have certain advantages in carrying out specific, limited technical assistance projects which can be accomplished in a few months.

There is abundant evidence, however, that these contracts are too often used as a means of recruitment and as a means to break down Government salary ceilings. The net result is that ICA hires an outside firm to do its recruiting and pays, not only the higher salaries of private business, but also a fee to the contractor for his recruiting services. As one ICA field representative put it, "We are hiring people to hire people, and we are losing control over the people they hire."

In one private contract which I examined in Southeast Asia, the highest paid employee receives a basic compensation of \$1,750 per month plus a 15 percent overseas differential plus a \$300 a month living allowance. This totals \$27,750 a year. Furthermore, if he spends 17 months or more overseas, this will all be tax free because his contract is with a foreign government, underwritten by ICA. Under this same contract, out of a total of 24 administrative and technical personnel not subject to overtime, 14 receive basic compensation of \$1,000 a month or more.

It can be argued, in favor of contracts such as this, that they make available to the government the services of experts which it could not otherwise recruit. There is some merit to this argument, particularly when the services are made available on a short-term basis, for a period of no more than a few months. But the argument becomes suspect when the contract runs for a period of years and provides for numerous employees paid more than the ICA chief of mission who is supposed to supervise them and be responsible for their work.

The choice of particular firms for contracting purposes also raises some questions of policy. In some instances, American business firms have contracts to give technical assistance to foreign firms with which they are in competition. The disinterestedness of the advice given in these cases is obviously open to suspicion, however sound that advice may be.

IV. UNITED NATIONS TECHNICAL ASSISTANCE

In all of the countries visited on this trip, United Nations technical assistance programs were in operation alongside the bilateral programs of the United States.

In general, the relationships between these two programs seemed to be good and getting even better. There is in most cases a rather close working relationship between United States and United Nations administrators and sometimes between United States and United Nations technicians as well. Machinery exists to insure against duplication of effort. There are also many instances of collaboration between the United States and United Nations agencies in the same project.

But although both United States and United Nations officials are actively seeking to avoid overlapping projects, they have not yet—except in a few isolated instances—taken the next logical step in improving their cooperative relationship. This would be to establish procedures which would insure, not simply that both programs did not do the same thing, but that one program did do the necessary thing. In other words, more organized attention could well be given to what is being omitted by both programs as well as to what is being done by both programs. This is a field in which the recipient government has a special responsibility, inasmuch as neither the United States nor the United Nations can undertake a project except upon the request and approval of the foreign government.

The trip afforded an opportunity to talk to many U. N. technical assistance officials in various countries. They uniformly showed a firm grasp of the problems they face and exhibited an exceptionally high level of competence.

The trip left the general impression that the U. N. technical assistance program produces more per dollar expended than does the bilateral program of the United States. The explanation may be that the U. N. has less money and selects both its projects and its personnel more carefully.

The U. N. program could be further improved, however, by a greater degree of centralization in its administration. Considerable progress has been made in this direction with more widespread use of resident representatives and with greater authority centered in the U. N. Technical Assistance Board to allocate funds among the various specialized agencies. This trend seems to be continuing, with the result that the U. N. program is becoming less dispersed and is being administered a good deal more efficiently. It could probably be improved even more if the Technical Assistance Board's resident representatives were given authority over the technicians of the specialized agencies more nearly comparable to that of an American mission chief over United States technicians.

The U. N. program deserves continued strong support, financial and otherwise, from the United States.

V. THE SOVIET ECONOMIC OFFENSIVE

Almost everywhere in the area covered by this trip, the stepped-up Soviet economic and cultural offensive is plainly evident. This takes the form of offers of economic and technical assistance, of barter deals, of the exchange of all types of technical and cultural delegations, and of participation in trade fairs.

Such a trade fair was in progress at the time I was in Karachi, and I took advantage of the opportunity to visit the American, the Chinese Communist, and the Soviet exhibits. The Chinese exhibit covered 52,000 square feet, the Soviet exhibit 48,000, and the American exhibit 14,000. Both the Chinese and the Russians heavily emphasized machinery, particularly electrical and farm equipment, and it must be candidly stated that their exhibits were most impressive. The American exhibit—which was well attended—tended to emphasize gadgetry. The principal attraction was a closed circuit television presentation. Also popular were a General Electric Hall of Science presentation (tricks with electronics), a toy electric-train exhibit, and a sewing-machine exhibit. A voting machine was being ignored. The United States made a good appearance, but it still has some things to learn in this field.

The Soviet economic offensive in all its aspects is a serious matter and is not to be brushed off as a bluff. Neither is it occasion for panic on our part. It calls, perhaps, for a somewhat more generous attitude in regard to loans for specific, economically sound projects. It also calls, I think, for a more liberal trade policy on our part. Both of these things would be justified without regard to what the Soviets are or are not doing. But the Soviet offensive does not call for drastically altering the basic nature or scope of our foreign-aid program.

What is perhaps more important is an altered American approach to the whole area. The United States has put more money into the area than the Soviets have even talked about, let alone actually de-

livered; yet the American performance has not aroused one-tenth the excitement of the Soviet talk. One explanation might be that American aid has come to be taken for granted, whereas the prospect of Soviet aid is something new. Another explanation is undoubtedly that the attitude of the American Government in Washington and in the United Nations frequently undoes the good work of American technicians in the field. Asians resent having their countries called "foreign ratholes" in American debates on foreign aid. They also resent United States delegates politically voting with those of the colonial powers in the United Nations. They feel that generally the United States may be counted upon to side with the colonial powers almost everywhere.

Nonetheless, most Asian governments would probably rather have help from the United States and from Western Europe than from the Soviet bloc.

The current Soviet offers of economic aid put a new emphasis on the "competitive" aspect of "competitive coexistence." This is a field in which the United States can compete with enthusiasm and with confidence of the outcome. But we will need to remember that competition does not necessarily mean the appropriation of more dollars.

VI. THE COUNTRY PROGRAMS

No attempt will be made here to describe in detail the technical assistance programs carried out by the United States in all of the countries visited. The general nature and magnitude of those programs are well known from previous studies. It is worthwhile, however, to comment briefly on special features of the programs in some of the countries.

A. JAPAN

Japan's economic problems are not those of an underdeveloped country. Despite comparatively low wage rates, Japanese industry is handicapped by high labor costs, which result in part from obsolete industrial equipment and management techniques. In one way or another, almost two-thirds of United States technical assistance funds in fiscal 1956 (\$644,000 out of \$1 million) is going into projects in industrial productivity.

The productivity agreement with the Japanese Government was signed in April 1955, and therefore the program has not been in operation long enough to be appraised fairly. It is based largely on the activities of the Japanese Productivity Center, which was organized by a group of Japanese businessmen on the model of the productivity center in the United Kingdom. The American part of the program consists primarily of financing the dollar costs of sending Japanese industrial teams to the United States and of bringing American consultants to Japan. The United States also supplies technical advice and other services to the Japanese Productivity Center.

When the center was first organized it was viewed with suspicion, not only by labor but also by some segments of industry. This suspicion, particularly on the part of labor, persists, though it is apparently being overcome. One group of organized labor, numbering 200,000 members, recently agreed to participate in the center.

Japan badly needs to increase its production and to cut its costs, and this seems a wholly appropriate field for American technical assistance of the kind now being given and contemplated. There is plenty of room in Japan itself and in free Asia for markets not competitive with the United States. But "productivity" is more an economic gospel than it is a collection of industrial techniques. It is the idea that management, labor, and consumers can all get a bigger share of a bigger pie, and that an increase in the share going to one group does not mean a decrease in the share going to the other.

This idea is only beginning to be understood in Japan. It is not yet grasped by important groups. The American technical assistance program should be administered with extreme care to insure that the fruits of productivity are equitably distributed and that the program does not result in the rich getting richer while the poor stay poor. No matter how successful technically the program may be, it will be a failure—indeed, it will do positive harm—if it results in higher profits to business without higher wages to labor and lower prices to consumers.

B. FORMOSA

Compared with most of the other countries of Asia, Formosa is relatively well off. It has a considerable concentration of technical and administrative skills, a reasonably well developed transportation system, an efficient, intensive agriculture, and a comparatively high standard of literacy.

In the 5 fiscal years from 1951 through 1955, United States technical assistance expenditures in Formosa amounted to \$7,939,000, with \$2,308,000 more programmed for 1956. This is less than 2 percent of the total United States economic program in Formosa.

Technical-assistance projects cover a wide field of activities, but slightly more than half the funds are being spent in the two fields of education and of agriculture and natural resources. The education program involves contracts with Penn State and Purdue University for assistance in vocational industrial and engineering education, and an elementary-teacher-training project is contemplated. Support is also given to the overseas Chinese education program, which is designed to compete with Communist China in the schooling of overseas Chinese.

The agriculture program is administered by the Joint Commission on Rural Reconstruction, composed of 3 Chinese and 2 Americans. Since its establishment in 1948, the Commission has been outstandingly successful in introducing simple improvements which have had a marked effect not only in increasing agricultural production but also in raising standards of rural living.

Our other assistance programs in Formosa urgently require reappraisal. The difficulty is more political than economic. It is simply that, despite the enormous American expenditures, the objectives of our program there are not well-defined. We have not yet reached agreement as to whether our objective is to make the island a viable economic entity in itself or to generate the military strength for a return of the Chinese Nationalist Government to the mainland.

The Chinese Government itself, however, is in no doubt about its own objective: that is a return to the mainland. As a result, there

is an overwhelming emphasis on military preparations, and a marked lack of interest in long-range economic projects.

Formosa has the resources to become quite a prosperous little island if it were not for the enormous military expenditures and the surplus population. Even the surplus population could be absorbed and supported in the absence of the military drain. But further economic progress is highly doubtful until the United States and Chinese Governments reach a meeting of minds on the political future of the island. This would seem to be one area in which the United States could well adopt a considerably tougher attitude in the administration of its aid programs.

C. VIETNAM

The most impressive thing about Vietnam is that it exists.

Rarely if ever in history has a state come into being amid such inauspicious circumstances: arbitrarily split in two at the end of a bitter 8-year war; suddenly given independence after a period of colonialism during which the colonial power made no effort at all to train civil servants or to prepare the people for self-government in other ways; faced with an influx of 800,000 refugees from the north; confronted with open rebellion on the part of pirates and bandits masquerading as religious sects; threatened by Communist infiltration and subversion; and, withal, launched upon its career as a member of the family of nations with virtually no economic resources.

Yet despite these handicaps, Vietnam not only exists but it gives promise of continuing to exist. A measure of political stability has been brought to the country, and the government of President Ngo Dinh Diem is demonstrating really admirable and remarkable courage in facing problems which would cause lesser men to throw up their hands in despair.

United States military and economic assistance and United States political support have played a vital part. The need has been so vast and so urgent that it is not surprising that many programs have been instituted on a crash basis with inadequate planning. Other programs, once started, had to be abandoned because of unexpected shifts in the military situation. It would indeed be a carping critic who would find fault with the dimes which have been wasted when the dollars have accomplished so much.

The technical assistance program, as such, is of very recent origin in Vietnam, although the Vietnamese have been receiving technical assistance from other appropriations for several years. In fiscal 1955, \$7,200,000 in defense-support funds were expended for this purpose in a wide variety of fields. The administration presentation to Congress for fiscal 1956 contemplated a \$7.5 million technical cooperation program for the three states of Vietnam, Laos, and Cambodia, but as of late September no country allocations of this fund had been made.

The present is an appropriate time, perhaps, to reappraise the technical assistance program in Vietnam and to redirect it into basic long-range projects which will make a lasting contribution to the country's economy.

Among the projects which appear particularly meritorious are those for introducing the remarkable tilapia fish (which can be raised in

rice paddies and which will greatly improve the Vietnamese diet), trachoma control and malaria control (emphasizing prevention as well as cure), and nurses training.

Among projects for which the justification is obscure are contributions to a fine-arts school, to a radio and electricity school, and to a marine navigation school. Most of the graduates of these last two schools cannot find jobs in the Vietnamese economy, and the question arises as to why such people should be trained in all three schools when other needs are more pressing.

D. THAILAND

The technical assistance program in Thailand began in 1950 and is therefore one of the oldest in the world outside Latin America. For fiscal 1955 it amounted to \$6.4 million, with the biggest projects in public administration, education, transportation, and public health, in that order.

From the beginning of the program to June 30, 1955, total allocations amounted to \$32.4 million, with \$21.8 million of that amount being actually expended. These expenditures were divided as follows:

	<i>Million</i>
Salaries of United States technicians.....	\$2. 9
Expenses of Thai trainees abroad.....	2. 1
Commodities, supplies, equipment.....	16. 8

This breakdown suggests one of the faults of the program—too heavy an emphasis on supplies and equipment.

This is being corrected, so far as the technical assistance program is concerned, as shown by the fact that in fiscal 1955, out of total obligations of \$6.4 million, commodities accounted for only \$1.3 million.

Within the last year, however, the United States has embarked on programs of defense support and direct forces support totaling, through June 30, \$44.9 million. Unless administered with very great care, these programs may well run into some of the difficulties which beset the early technical assistance program.

On balance, the successful technical assistance projects over the last 5 years probably outweigh the failures. The Thai Government has shown a willingness to contribute to the cost of projects and to take them over completely when they have become well established.

But other steps are also necessary to create a more favorable atmosphere for economic development generally. The most important of these steps would be the breaking up of monopolies controlled either by the Government or by persons close to the Government. Some encouraging, but slight, moves have recently been taken in this direction, and it is to be hoped that this new course will be pursued with even greater vigor.

As the United States embarks on a much larger aid program in Thailand, there is a very serious question as to how effective this program will be in helping the country generally instead of a privileged few. We have perhaps led the Thais to expect too much, and we should certainly deliver what we have promised. But it should be done under the most rigorous supervision of end use, and consideration should also be given to cutting the program back if this can be done without breaking faith.

E. PAKISTAN

United States technical assistance began in Pakistan in 1952. In 1955 it amounted to \$5.3 million, and covered 50 project agreements in all fields, with more than half of the funds going to agriculture and natural resources and to industry and mines. In 1953 a special wheat grant of \$73.7 million was made to meet famine conditions, and in 1954 project-type economic assistance of \$14.5 million was extended; but large-scale economic-type aid was not undertaken until fiscal 1955. The total United States aid program (exclusive of military assistance) for that fiscal year amounted to \$114.2 million.

These sizable allocations of aid, however, have not been backed up by the kind of administrative and overall political support which would enable them to be spent with maximum effectiveness.

Pakistan seems to have been the subject of an inordinate amount of neglect from the Department of State. The Embassy at Karachi has been left for long periods without an Ambassador, either because of failure of the President to appoint one or because of the incumbent's absence in the United States. The successive agencies administering the technical assistance program have been slow in recruitment of personnel and in delivery of supplies. There has been a dearth of really capable personnel assigned to the Embassy, to the information program, and to the technical assistance and economic programs; and there has also been a lack of continuity of service on the part of Americans.

One result has been that the supply of materials, equipment, and commodities has often gotten ahead of the administrative capacities of both the Pakistan Government and the American mission.

In the wheat-relief program, for example, more than half the wheat supplied was still in storage in Pakistan in midsummer of 1954 by which time a new and bumper crop was available.

Insecticides and weed killers, supplied in connection with a plant-protection program, were permitted to lie on the docks of Chittagong from August 1954 until July 1955, by which time they had deteriorated so much that they were of little value.

It is apparent that problems of this nature will increase many times as the United States aid program switches from more or less pure technical assistance to substantial economic aid.

It is long past time for a good, hard, new look at, and reorganization of, the program on the basis of long-term or at least medium-term (say 5 years) planning. This effort is now underway, both in the Pakistan Government, which is finally at work on a logical, consistent economic plan, and in the ICA mission in Karachi. ICA/Washington, which is by no means blameless for the shortcomings of the Pakistan program, should give this effort its full support. If political considerations dictate continuance of economic aid to Pakistan at anything approaching recent levels, the United States should insist on a much greater administrative role for Americans, and the Americans chosen should receive more support from Washington than has always been the case in the past.

F. INDIA

United States assistance to India has totaled \$458 million, of which \$190 million was in the form of a loan for wheat in 1951. The balance

of \$268 million has consisted of \$138 million for technical assistance and \$129.5 million for development assistance. Of the total amount of \$268 million, \$113.5 million had actually been expended through the end of fiscal 1955.

There are few American-aid programs outside Europe which have been more successful. Aside from the wheat loan, which was made to meet an emergency famine situation, United States assistance has been dovetailed into the Indian economic development program, which is itself well planned.

The Indian first 5-year plan will end next March, and it is already evident that the plan will be a success, attaining 80 to 90 percent of its stated goals. The goals in agriculture have been somewhat exceeded, and there has been a slight shortfall in industry.

A second 5-year plan, to cover the period 1956-61, is now in process of preparation. It is expected to switch the major emphasis from agriculture to industry in an effort to provide 11 million new jobs to alleviate India's massive problem of unemployment and underemployment. Indications are that the plan will call for public investment of approximately \$9 billion over the 5-year period (about twice as much as the first 5-year plan), and that the shortage of foreign exchange will amount to perhaps \$800 million or \$1 billion.

The first 5-year plan has resulted in many specific accomplishments, all of which have increased the national wealth, but it has brought about only minute improvements in average standards of living. Even these minute improvements are important, because in too many Asian countries standards of living have actually declined; but what may for the long run be even more important are the changing attitudes which have accompanied the process of economic development.

Government officials are less paternal; villagers are more conscious of their rights and opportunities. More and better lines of communication have been established between the various levels of government—local, state, and national. The whole tone of public administration—the attitude of the Government to the people and of the people to their Government—has been generally improved.

The question now arises as to the future of United States technical and other assistance to India, particularly in view of the anticipated foreign-exchange deficit of \$800 million to \$1 billion in the second 5-year plan. This will amount to somewhere between \$160 million and \$200 million a year. An unknown, but probably substantial, part of this can doubtless be raised from sources other than the United States Government. It is obviously in the interests of the United States Government, however, to continue to extend that portion which is necessary for the success of the second 5-year plan. Most of this can well be on a loan basis, as most of the recent assistance under the first 5-year plan has been.

As Indian economic development proceeds, India will no doubt attract increasing amounts of private investment, despite the avowed intention of the Indian Government to create what it calls a "socialistic pattern of society." The sales possibilities of an expanding market in a country the size of India are incalculable. American business which is now operating in India is already enjoying some of these possibilities and seems not at all disturbed over the statements emanating from New Delhi which cause so much alarm among more conservative elements in the United States. The representative of a

very large American corporation with whom I talked in Calcutta could not have been happier.

This is the kind of thing you dream about—
he said.

Our sales are increasing 15 to 30 percent a year, with no sales effort on our part. All we have to do is deliver the goods.

The importance of India in Asia need not be reiterated here. It is necessary, however, that the size of our aid program there be kept in perspective. Assuming that it ran as high as \$200 million a year over the next 5 years (and that is certainly exaggerating the need), it would still be considerably less than our total programs in such smaller countries as Korea and Formosa. And the 377 million people of India will in the long run have a great deal more to say about the future of Asia than will the 22 million people of Korea or the 10 million of Formosa.

G. IRAQ

Iraq is unique among the countries visited on this trip in that it has, from its own resources, adequate amounts of capital available for internal investment. Iraqi oil revenues now amount to almost \$200 million a year and may eventually reach \$250 million a year.

The Iraqi Government has earmarked 70 percent of these revenues for economic development. This comes to \$140 million this year, an amount equal to the total Government budget for all other purposes.

In this situation, Iraq obviously does not need outside financial assistance. What it does need is technical assistance in training and in planning to meet the political and social implications of economic development.

The American technical assistance program in Iraq has totaled \$7.7 million since it was started in 1951, with approximately \$2.7 million more estimated for fiscal 1956. The program is designed to support Iraq's own commendable efforts. In view of the fact that these efforts are themselves very considerable and are adequately financed, it is disturbing to note a tendency for the American program to grow and to disperse itself rather widely. Expenditures increased by almost 50 percent between fiscal 1953 and 1955. A slight reduction is in prospect for 1956. A further slight reduction in 1957 might well benefit the program through forcing a tightening of objectives and increasing a willingness to let Iraq pay for the services which it knows it needs, while we concentrate our own efforts in fields where the need is not so apparent to Iraq.

H. IRAN

United States nonmilitary assistance allotted to Iran has totaled \$210 million since 1951. Approximately three-quarters of this amount has come within the last 2 years, following the overthrow of the Mossadegh government in August 1953.

Of the total of \$210 million, technical assistance has amounted to \$69.4 million. The bulk of United States aid has been in the form of commodity imports and special budgetary assistance to help the Iranian Government meet essential obligations pending a resumption of oil revenues.

Although these revenues have not yet reached a volume sufficient to make Iran wholly independent of outside financial assistance, the time has come to begin a reduction in American aid.

A particularly discouraging setback in the Iranian program took place last summer when a rural-improvement program undertaken during the Mossadegh regime was amended so as to give the landlords relatively more, and the peasants relatively less, influence.

The Mossadegh law in question had levied a tax of 20 percent on landlords, with half of it going to village councils for community-development work. With this kind of an economic base, the councils were able to organize cooperatives, borrow money, and carry on the kind of community-development program which gave real promise of altering the status quo and improving the lot of the peasant vis-a-vis the landlord. The Iranian Majlis (parliament) has now revised this law so as to give the landlord credit against his tax for certain irrigation and reclamation improvements and to increase his voice in the village councils. The net effect is to weaken, if not to destroy, the economic base of the councils and to leave the whole future of the community development program in doubt.

I. EGYPT

Economics is sometimes called the dismal science, and nowhere is it more dismal than in Egypt. Population is increasing at an almost explosive rate, and per capita income is declining. There is gross maldistribution of both land and income and a scarcity of natural resources. Egypt's economic situation has been aptly characterized as one of "creeping starvation."

Yet the political and social climate in Egypt is more favorable to economic development than in some other countries blessed with greater resources. A liberal revolution which ousted King Farouk in 1952 embarked upon a program of reform and remains dedicated to that goal. A land-reform program is being carried out with a considerable degree of success. Foreign capital is given very liberal treatment.

It cannot be said that the United States has been very helpful in assisting Egypt to meet its great problems. Since 1951, a total of \$59 million has been allocated for Egypt, but only \$7 million of this has been spent. Even when allowance is made for the fact that more than two-thirds of the obligations were made within the last fiscal year, this is a disappointing showing for which both ICA/Washington and ICA/Cairo must share responsibility.

Further, the funds which have been spent appear to have been too widely dispersed without benefit of clear planning or precise objectives. For example a demonstration community health center which I inspected was far more elaborate than anything which could be supported throughout the country in the reasonable future.

An effort is now underway to narrow the scope of the technical assistance program in Egypt and to concentrate it on fewer, but better planned, projects. This effort should be pressed, both in the Cairo Mission and in Washington.

The economic situation in Egypt obviously requires heroic measures. It may require somewhat more assistance than the United States has

yet made available, though, until both the American and Egyptian Governments develop a greater ability to use the funds which are available, increased appropriations will be of little effectiveness. But of perhaps even greater importance than massive American aid is a clear statement of policy from the United States about the disposition of surplus American cotton.

J. ISRAEL

Since 1949 United States assistance of all kinds to Israel (including Export-Import Bank loans of \$135 million) has totaled \$403 million. Of this amount, \$7.9 million has been in technical assistance.

One cannot fail to be impressed by the good use to which this substantial aid has been put. Israel has a much greater capacity than most other underdeveloped countries to absorb aid and a much greater ability to use it effectively. The country has obviously made substantial economic progress in recent years.

Its future, however, is still uncertain from an economic point of view. An enormous annual trade gap of \$200 million still exists. This is now being closed by—

1. German reparations, which will end in 1963 to 1965.
2. United States aid, which is tapering off.
3. International borrowing, the net returns from which will decline as carrying charges increase.

It is calculated that agricultural development will close \$50 million of the trade gap and that invisible exports will close at most an additional \$50 million. This leaves \$100 million to be met by industrial development.

Economic development in Israel must proceed within the framework and limitations of three controlling facts:

1. Disproportionate military expenditures. Exact figures are concealed, but they may run as high as 30 percent of the total Government budget.
2. The necessity, under present policy, for financing rather heavy immigration.
3. The maintenance of a relatively high standard of living. Israel's per capita gross national product is more than twice that of Lebanon and from 4 to 6 times that of any other neighboring state.

Given these political constants, the economic solution seems to be to increase productivity and use the increment for investment and development. Productivity, however, is a matter of fairly recent concern, because hitherto the local market has been able to absorb almost everything that was produced. A Productivity Institute has now been established, along with a training program in industry, with United States technical assistance.

Aside from the industrial productivity program, American technical assistance has been principally in the fields of agriculture and water and mineral resources.

American aid to Israel has declined from a figure of \$72.8 million in fiscal 1953, to an estimated level of \$21.5 million in fiscal 1956. This trend should be continued. The technical assistance component of this aid has been relatively constant for the last three years at \$1.5 million a year, a figure which seems appropriate.

VII. CONCLUSIONS AND RECOMMENDATIONS

This report has emphasized the things that are wrong with the technical assistance program. It has done so out of a desire not to hurt the program, but to help it. I concluded this trip with a renewed confidence in the fundamental soundness of the technical assistance idea. Many mistakes have been made in the effort to put that idea into practice. In the part of the world which was covered by this trip there have been monumental problems resulting from military operations and from general military and political insecurity. It has been only a little more than 5 years since the program was begun. In that period a great deal of experience has been gained. We still have a great deal to learn, but at least we are now beginning to define the problems.

In most areas the pure technical assistance program would probably benefit from a slight reduction in the funds available to it. This would force a more rigorous screening of projects and would stimulate local initiative. In one Middle Eastern country I heard of villagers who refused to do things for themselves on the grounds that if they waited long enough the United States would do it for them.

More attention should be given to the recruiting of technical assistance personnel, and Congress should consider raising salaries if this seems to be the principal obstruction. Most personnel now in the field seem to be technically qualified, but too many of them lack the desirable degree of sympathetic understanding of local problems and customs.

If technical assistance is worth doing at all—and I think it is—then it is worth doing right. This means primarily taking the long time to do it properly. It means setting goals for 10, or even 20, years hence and not for the end of the next fiscal year. Perhaps Congress should consider appropriating funds over a long period. Otherwise it should establish a policy calling for annual appropriations over such a period.

As one travels through Asia and the Middle East, one gets a feeling of the longness of history and the shortness of great civilizations. This area, which is now so poor, was once the seat of governments which dominated the known world. Yet those governments, and the civilizations upon which they rested, have vanished, leaving nothing but some impressive archeological ruins. An American cannot help wondering if perhaps his own Government and his own civilization will meet a similar fate.

But there is one reassuring difference between the position of the United States today and that of former world leaders. All of the dominant civilizations of the ancient past were based upon the exploitation of less fortunate peoples. The United States is at least trying to help the less fortunate, and it has no choice, it seems to me, but to continue to try.

APPENDIXES

APPENDIX A

Itinerary: September-November 1955

Leave		Arrive		Leave		Arrive	
Sept. 16	Seattle.....	Juneau, Alaska.		Oct. 8	Calcutta.....	Delhi, India.	
Sept. 17	Juneau.....	Anchorage, Alaska.		Oct. 11	Delhi.....	Srinagar, Kashmir.	
Sept. 19	Anchorage.....			Oct. 12	Srinagar.....	Delhi, India.	
Sept. 20	.....	Tokyo, Japan.		Oct. 13	Delhi.....	Karachi, West Pakistan.	
Sept. 23	Tokyo.....	Taipei, Formosa.		Oct. 17	Karachi.....	Baghdad, Iraq.	
Sept. 25	Taipei.....	Hong Kong.		Oct. 21	Baghdad.....	Tehran, Iran.	
Sept. 26	Hong Kong.....	Saigon, Vietnam.		Oct. 25	Tehran.....	Beirut, Lebanon.	
Sept. 29	Saigon.....	Pnom Penh, Cambodia.		Oct. 26	Beirut.....	Cairo, Egypt.	
Sept. 30	Pnom Penh.....	Siem Reap, Cambodia.		Oct. 29	Cairo.....	Jerusalem, Israel.	
Oct. 1	Siem Reap.....	Bangkok, Thailand.		Nov. 2	Tel Aviv.....	Paris, France.	
Oct. 5	Bangkok.....	Rangoon, Burma.		Nov. 4	Paris.....		
Oct. 6	Rangoon.....	Dacca, East Pakistan.		Nov. 5	.....	New York.	
Oct. 7	Dacca.....	Calcutta, India.					

NOTE.—All travel was by commercial airlines except between Saigon and Bangkok, where commercial air service was not available.

APPENDIX B

Expenses of Senator Theodore Francis Green, member, and Pat M. Holt, staff member, Senate Foreign Relations Committee, Sept. 15 to Nov. 5, 1955

DOLLAR EXPENSES

Passport and visa photographs.....	\$5.30
Passport fee.....	1.00
Maps, books, and other papers.....	4.38
Cab fare.....	16.00
Postage, telephone, and telegraph.....	6.39
Per diem in lieu of subsistence, not covered by counterpart funds:	
Sept. 15: En route (1 day, at \$12 each).....	24.00
Sept. 16-19: Alaska (4 days, at \$12 each).....	96.00
Sept. 20: En route (1 day, at \$12 each).....	24.00
Oct. 6-7: East Pakistan (2 days, at \$12 each).....	48.00
Oct. 8: Calcutta (1 day, at \$12 each).....	24.00
Oct. 17-20: Iraq (4 days, at \$12 each).....	96.00
Oct. 21-25: Iran (5 days, at \$12 each).....	120.00
Nov. 5: En route (1 day, at \$12 each).....	24.00
Total.....	489.07

COUNTERPART EXPENSES

Sept. 21-22 (Japanese yen, Tokyo, 8,000).....	\$22.22
Sept. 23-24 (New Taiwan dollars, Taipei, 590).....	23.81
Sept. 25 (Hong Kong dollars, Hong Kong, 263).....	46.14
Sept. 26-Oct. 1 (Vietnamese piasters, Saigon, 7,795).....	222.71
Oct. 2-5 (Thai bahts, Bangkok, 1,963).....	90.88
Oct. 6 (Burmese kyats, Rangoon, 52).....	10.97
Oct. 9-13 (Indian rupees, New Delhi, 1,000).....	210.00
Oct. 14-17 (Pakistan rupees, Karachi, 553).....	116.13
Oct. 26 (Lebanese pounds, Beirut, 65).....	20.19
Oct. 27-29 (Egyptian pounds, Cairo, 32.35).....	93.17
Oct. 30-Nov. 2 (Israeli pounds, Tel Aviv, 319).....	175.64
Nov. 3-4 (French francs, Paris, 35,350).....	101.00
Total.....	1,132.86

NOTE.—Commercial airline tickets, Washington to Washington, were paid for in counterpart Japanese yen by the Department of State.

TECHNICAL ASSISTANCE IN EUROPEAN COUNTRIES

A REPORT BY SENATOR HOMER E. CAPEHART

February 1956

LETTER OF TRANSMITTAL

HON. MIKE MANSFIELD,
*Chairman, Subcommittee on Technical Assistance Programs,
Committee on Foreign Relations,
United States Senate, Washington, D. C.*

DEAR SENATOR MANSFIELD: At your request I spent several weeks last fall visiting certain countries in Europe and the Near East. One of my duties on that trip was to examine the effectiveness of our technical assistance programs and to report my comments to the subcommittee.

I submit herewith my observations which I hope will be helpful to the subcommittee in the formulation of its recommendations.

I was accompanied on my visits by Mr. Henry F. Holthusen who served as consultant and whose services were most helpful to me. I take this means of thanking him for his help.

HOMER E. CAPEHART.

APRIL 1956.

TECHNICAL ASSISTANCE IN EUROPEAN COUNTRIES

I. INTRODUCTION

Before discussing the results of my mission to certain European countries which I undertook on behalf of and at the request of the Subcommittee on Technical Assistance Programs pursuant to Senate Resolution 214, 83d Congress, I should like to invite the attention of the members of the subcommittee both to the legislative history of the Act for International Development (the technical assistance program, Public Law 535, 81st Cong.) and the development of technical assistance programs under that act.

It is my contention that our authority, limited to the making of a full and complete study of technical assistance and related programs alone without broader powers to investigate and assess our economic aid and investment policy and programs simultaneously may lead to narrow and inconclusive recommendations to the Congress. These twin forms of assistance—"know-how" and "capital"—are inseparable. They develop in related perspective. Together they "create a firm economic base" for the democratic aspirations of their (underdeveloped countries) citizens which will enable them to "meet the expectations which the modern world has aroused in their peoples." This was the justification made by the President in inaugurating the policy of technical assistance.

The Congress in framing the Act for International Development left no doubt that it was the policy of the United States to assist in the economic development of underdeveloped countries. As Congress expressed this policy, it was:

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

Both the President in his message to the Congress of June 24, 1949, and the Congress envisaged a program of broad international economic development interrelated by progressive means and of which technical assistance was but one—though an important—element. This was well stated in the June 24 message when the President related:

Technical assistance is necessary to lay the groundwork for productive investment. Investment, in turn, brings with it technical assistance. In general, however, technical surveys of resources and of the possibilities of economic development must precede substantial capital investment. Furthermore, in many of the areas concerned, technical assistance in improving sanitation, communications, or education is required to create conditions in which capital investment can be fruitful."

Congress has from time to time attempted to separate economic assistance and technical assistance. This attempt has stemmed, in large part, from a recognition of the validity and expedience of properly administered technical aid and a desire to discontinue a program of prolonged grants-in-aid.

But the military race is yielding to an economic race in the cold war. We see it in Communist overtures to Latin America, the Middle and Far East, and Southeast Asia. Our foreign policy while not changing in purpose must yield to shifting changes and needs.

Leadership always imposes duties. The free world places in us a trust to augment our faith in the democratic process by deed. By this I do not mean that we must continue to follow the aid patterns of the yesteryears or continue with impoverishing giveaway programs. It shall be my purpose to outline for this subcommittee's consideration a realistic program for economic assistance combined with technical assistance which I believe will substantially achieve the full purposes of economic assistance to underdeveloped areas and which should lighten the burden of our taxpayers.

In exposing the interrelationship of the economic aid and technical aid programs—and I should add frequently the military aid programs as well—let us examine their contiguity from the operations level. Looking back 5 years since the inception of the program, we find that Congress, lacking a clearly defined distinction between economic assistance and technical assistance, failed at times to delineate either of them in authorization or appropriations acts. Within the successive agencies administering the multiple assistance programs, and particularly in field operations, there exists such an overlapping and complexity of purpose that clear separation of function and result is impossible. I adopt Senator Ellender's comments made February 9, 1955, as follows:

Again, this year as last, I discovered that the United States foreign assistance program is misinterpreted in that it does not mean the same thing to all who administer it. Technical assistance, as generally understood by the Congress and the American people is definitely not the same brand of technical assistance I found in operation in many of the areas I visited.

Even though Congress took steps last year to separate the funds spent for technical aid from those spent for development purposes the situation has not been remedied. Technical aid is being operated more or less in the nature of an economic aid program. The fact is that the technical assistance program, as I saw it practiced, is a combination of two entirely different concepts of assistance and the sharing of American know-how. The legislative divorce of the two phases has been a divorce in name only. Technical aid and economic assistance are combined on the operational level. The result is that we are still supplying not only the technicians but also the funds to construct many of the capital improvements such as schools, hospitals, fertilizer plants, and the like.

For me diligently to pursue a reasoned study of any technical assistance or "related program" in any particular country without a comprehensive review of its economic pattern, its potentials, its capital requirements, its credit structure, our capital loans, gifts, and economic programs, and other pertinent facts, proved quite abortive.

The failure of the Technical Aid Missions to comprehend, much less their ability to expound, their relationship to the overall pattern of help we had given or were extending to each particular area was appalling. While each admitted an overall purpose of the Congress to coordinate country help; quite generally they operated in isolation.

Maybe there is someone somewhere supervising a precise co-

ordination of all our varied assistance activities in the several foreign countries and incidentally watching the waste and eliminating the purposeless. Certainly our Ambassadors were oftentimes confused and frequently concerned with the implementation of congressional intent.

To make the most of our complete study of technical assistance, we have got to know the ends to which we would assist. If, as the Congress laid down in the Act for International Development, it is to help peoples in underdeveloped areas to develop their resources and improve their working and living conditions, we first have to know what these are factually.

It might be argued that Senate Resolution 214 under which we act is broad enough in purpose to expand our field of inquiry to cover both economic assistance and technical assistance. But the words "related programs" seem to me to be words of limitation within the compass of technical aid. These can be numbered to include the technical assistance programs of the United Nations, the Organization of American States and others akin thereto, but hardly other major aid programs.

I suggest, therefore, that without specific authority from the Congress, Section 2, paragraph 6, of Senate Resolution 214, empowering the committee to direct its attention to "the relationship between technical assistance, economic aid, and military assistance" is inadequate to empower our subcommittee to make a thorough study with satisfactory recommendations to the Congress of our economic assistance programs along with our technical assistance programs, which I regard as so integrated as to defy separation.

Examination of our studies to date since the committee's creation in August 1954 certainly convinces me that we have imposed limitations of inquiry upon ourselves. By so doing we have interpreted our authority as a limited one. In this I believe we have been sound. Again, our very limited appropriation and expenditures thereunder are wholly unrealistic to a study which would encompass the broadened field which I respectfully suggest as necessary. Therefore, I submit that properly Senate Resolution 214 be amended to incorporate the larger and more realistic study of technical assistance and economic assistance and related programs.

II. A SUGGESTED PROGRAM FOR ECONOMIC AND TECHNICAL ASSISTANCE

The Congress has for some time been restive over a never-ending tapping of our resource for foreign aid. It has disliked not only the drain on our budget but more the uncertainty of achievement or commensurate results. The pattern of aid is more sporadic than planned. It lacks continuity in purpose and result. Frequently it arises from political pressure rather than from sound economics. Aid so given defeats the purposes of our "bold new program." Often large sums given for economic assistance are unaccompanied by proper technological assistance and vice versa. The administration has asked for a continuing flow of assistance to the underdeveloped areas of the free world. They seek both flexibility in expenditure and a commitment from the Congress for indefinite future pledges of assistance. This is difficult to accomplish as binding upon successive

Congresses. It would be poor foreign policy to make long-term commitments to our foreign friends which lack binding legality under our democratic process, and which, relied upon, might evaporate under changing domestic demands and tempers.

Yet in the development process time is such an important element. We have to learn the patience of the centuries, and as leaders of the free world we have to pace our efforts, to match the slow march of the long overdue industrial revolution in the older civilizations.

Being confused between duty and policy and result, we become unhappy. It is at such moments that a divergence from sound foreign policy intrudes.

In studying the perplexities of assistance and of our foreign policy objectives, I was persuaded that our economic assistance programs have in general followed the pattern of Marshall plan days without realistic variance. Yet the almost exclusive emphasis in those early postwar years was upon postwar reconstruction. The volume of assistance itself was directed primarily to those countries which prewar had enjoyed economic status similar to our own.

When the President made his inaugural address in 1949 and suggested a "bold new program" for underdeveloped areas, the emphasis shifted from that of assistance to the developed countries under the European recovery program to the wants and desires of lesser advanced countries.

It will be recalled with what dissatisfaction the underdeveloped countries accepted the American thesis that priority for reconstruction and recovery in Europe was justified because the rest of the world would benefit from the revival of world trade and by the provision of European capital for economic development. You will particularly remember the complete skepticism with which Latin American countries challenged this doctrine after they had made such valuable contributions, particularly in supply, to the war effort. They brought pressure for direct programs of economic development. They, along with other countries, asked for assistance in the forms of grants and loans of the magnitude extended to the Europeans.

When the "bold new program" was announced it was immediately accepted by the underdeveloped countries as a pledged obligation by the United States to perform in kind for them as it had done for the developed countries. That was the commencement of our expanded responsibilities for free world assistance. There followed ever-enlarging executive organizations to implement our proposals with budgetary requirements and programs ill fitting the completely different problems of European recovery days. Postwar patterns have persisted and the programs seem ever to expand, and we are all restless about them. Reorientation seems so difficult to achieve at times in the bureaucratic process.

Having announced "aid" to the underdeveloped countries, it is fitting to reexamine our commitment. To "aid" as I have always understood it is to "second another's own exertions." To assist is but to aid. So that our economic and technical assistance programs rightfully presumed the other fellow's exertions as a condition precedent. This is not an attempt at technical refinement but a true definition of our purposes in sponsoring the new program. Certainly this definition—broad though it be—scarcely sanctioned the continuance of the grant programs of the reconstruction years and the

creation of new concepts and schemes to recreate, recast, and refurbish the whole world over night. Nor does it avail good to expound and stimulate wants out of sequence with necessities.

Gifts and grants too frequently beget ingratitude, or as Shakespeare put it, "benefits forgot." I ask the question, "What are we attempting to communicate to the free world?" Isn't it basically the free-enterprise system? Do not all the benefits which we enjoy—material, intellectual and even spiritual—stem from free activity, courage, energy or the like? If, in our own country, we were to ask the other fellow to help us in our "exertions" with know-how and capital, would there not thereby be created a creditor and debtor relationship? Would the recipient of aid expect charity? Would he appreciate it or even accept it? Not if I properly understand the rules and dignities of the free-enterprise system.

What leads us to assume that our approach to foreign beneficiaries must be on any less dignified plane than that which we ourselves enjoy? Why have we failed to insist upon an approach with our aid programs which honestly and openly acknowledges the relationship of debtor and creditor? There is no more respected relationship between peoples. Did not our own country grow upon such a relationship? When we needed aid to expand into the West, to build railways, construct bridges, create new industries, did we not seek foreign aid to finance our progress? We were happy to become debtors to nurture and expand our growth. Subsequently, in the phenomenal advance of our national product, have we not enlarged our credit facilities to satisfy the wants and requirements of all our people? Credit has been the base of our prosperity. Debtors became creditors and vice versa, and because of our free enterprise we have today become the leading creditor nation of the world.

I propose, therefore, that we change the concept of our economic and technical assistance programs. I suggest that we belatedly put it upon a completely new basis.

During this session of the Congress we will be called upon to appropriate large sums for economic and technical aid. I suggest that we create by legislation a new International Development Authority. I would make this authority an independent agency and incorporate it under the laws of the District of Columbia with indefinite life. I would give to it the broadest banking power to aid in financing and the economic development of the free nations of the world and its people. I would appropriate to it, as capital, a sum, commensurate with its long-range responsibilities and which would enable it to perform its purposes without the need of annual appropriations from the Congress. Its charter of unlimited life and powers would assure the free world both continuity and flexibility which cannot be guaranteed of future Congresses in advance.

You recall that in the early thirties, in our own country, when credit from private sources dried up, when needs were greatest and our private loan sources were inadequate to meet the requirements of enterprise, the Congress stepped in and created the Reconstruction Finance Corporation.

It is my suggestion that we apply on an international scale a similar pattern.

I would have the new International Development Authority operate in the area where our own Export-Import Bank and the International Bank for Reconstruction and Development by their charter limitations cannot function. This is a very broad field, indeed.

While the charter powers of the new authority would enable it to extend its loans to all free world nations, in practice, its Board of Directors would limit loans to the "free" underdeveloped areas. With an experienced management and personnel the authority could determine what proper financial aid and technical assistance might well be given to further a well-conceived plan of development growth in particular instances.

I envisage—by way of illustration—a schematic plan as follows:

Each applicant country or area might itself create an entity similar to our historic Reconstruction Finance Corporation, although the word "reconstruction" is not descriptive of the needs of such countries. In fact, in certain countries there presently exist agencies with powers somewhat akin to the authority formerly exercised by that body in the United States. It would be the responsibility of such national finance corporations to program realistically the economic and technical needs of their country or area.

Any such foreign corporation or entity, which could include representatives of business and private enterprise in its management, could call upon the International Development Authority for technical assistance in helping it to so plan. Precedents for such assistance exist in the operations of the International Bank and to a more limited extent in the Export-Import Bank.

Having surveyed the country's requirements and programed their implementation under the broad doctrine of sequence of "first things first", a budget would be prepared. This budget would be submitted for review—for loan purposes only—to the Authority. The Authority would eliminate therefrom such projects as would normally lend themselves to private credit sources or which might come within the scope of the International Bank or the Export-Import Bank or other existing credit facilities here or abroad. There would be liaison established between these banks and the Authority for such purposes and it is suggested that the Chairman of the Authority be made a member of the National Advisory Council on International Monetary and Financial Problems.

Representatives of the foreign finance corporation and the Authority having mutually reached an accord on a financial and technical aid program for an area both in aim and amount, a loan commitment would be made by the Authority to the foreign corporation. Any dollar commitment so given would be conditioned upon a minimum capital requirement for the national corporation in funds of that area. This affords an equity base for dollar loans, provides funds for local use and frees dollars for needed imports from dollar areas.

I shall not herein suggest the terms of the collateral agreement for the loan between the Authority and each foreign finance corporation. That must abide the event and will vary in each area.

To avoid the charge which is inevitable by the Communist bloc, that this plan is "dollar colonialism" our loans will be made without conditions attached, which might imply our processing the

loans in the area or which would give us any authority to direct their expenditure or to interfere with the direction or administration in the area. Nor shall we have any financial interest, whether as shareholders or otherwise, in any regional finance corporation other than that of creditor. That there will always remain consultation between debtor and creditor is axiomatic in such a relationship. The Authority will be ever ready when requested to furnish or to advise available sources of technical assistance in furtherance of development programs.

As I envisage it, each foreign finance corporation will operate within its broad powers to coordinate the economy of its national area. Similar to the pattern of our old RFC it can engage in a wholesale pattern of help. Properly financed and staffed with dedicated personnel, it can venture into short-term, medium-term, and long-term development help. It will have the collateral of all its borrowers to insure its solvency and continuity. While it will operate on a minimum profit base, as did our own RFC, its loans will be made with reasonable assurance of repayment and upon such terms as will insure its repayment of the obligation to us.

I should think that this outline of capital and technical assistance would appeal to the underdeveloped countries. It affords them a friendly place to go to meet their economic aspirations. They well know that such help from us attaches to it no political strings, other than they remain fixed in democratic ideology. They know, too well, that Russia has never indulged in any orgy of gifts and grants and never will. The Soviet Union operates on a "quid pro quo" basis, ever with Marxian ideological invasion and world conquest as its goal. That we must expect the Soviet Union and its satellites to expand its foreign trade is inevitable. That we should shudder each time that they announce programs of economic largess is absurd. Let us credit our companion countries in the Free World League with sufficient commonsense to be wary of such duplicity.

I believe, too, that the leadership of the free areas comprehend the enormous burden which we have shared with the world. They know our national debt and the tax burden of our peoples. The moment they are faced with the fact that economic assistance programs of the "grant away-give away" type have ended by congressional action and that a new form of help is available on a much more dignified and sensible basis, they will respect us more.

From the point of view of our own citizens I submit that, with the knowledge we have attained a new sound financial approach to cope with the economic aspirations of underdeveloped areas will be a salutary relief. It will also be an economical one for us all, for as I see the International Development Authority, its funds like any other loan institution will revolve, and we may well expect that upon its liquidation some day to receive back into our Treasury substantially all our outlay in our well-conceived responsibility to aid other nations.

III. TECHNICAL ASSISTANCE

I am in favor of technical assistance for underdeveloped countries. But I have never favored indiscriminate and imposed plans. I have been appalled at times to see how ill-fitting, though well intentioned, certain of the technical-assistance programs are to the evolutionary

economic necessities of areas. Under questioning, I have frequently been unable to ascertain from our mission personnel abroad the genesis of these programs or the responsible national authority who made the request of us for the type of assistance programed. I am sometimes convinced that some of our area specialists make a fetish of their science out of all relationship or proportion to regional requirements. Then, again, I question whether some of the programs conform to that direction to all point 4 personnel contained in the Department of State Publication No. 3719 which reads:

Today's needs are urgent. Without prejudice to the long-range development aspirations of other peoples, top priority should be given to requests for cooperation in connection with economic development projects which can be undertaken promptly and which will make the greatest net contribution within a reasonable period of time.

Assuming the creation of the International Development Authority and the use of that Authority by the underdeveloped countries toward their needs under stated economic programs, as related in the foregoing, I can see a complete realistic tie-in between loans and technical assistance. Technical assistance will only be given when requested by the area finance corporation. All such assistance will be directed to coordinated programs. This will centralize all technical aid within a single area authority and the extent of such aid and the duration of same will be determined within the area. Having sought such assistance on their own initiative, they will contribute substantially to its maintenance. With inherent power to hire and fire remaining in the local corporation, our aid missions will avoid the many criticisms leveled at them within areas today.

From the United States point of view, we will have a flexible group of experts, useful where needed, without building a hierarchy with life tenure. It will cause our experts upon completion of their overseas tasks to return to private enterprise and give to us the benefits of their experience.

Then, truly, we will conform to original concepts of the point 4 program, clearly stated on page 6 of the Department of State Publication 3719, released January 1950:

This program is not an attempt to force American ways or American capital upon the people of other nations. It has come into existence only because of the real needs and expressed desires of many peoples. What is envisaged is a program of development based on the concepts of democratic fair dealing. Individual technical cooperation projects under the program will be undertaken by the United States only in response to requests. Each such project will be devised and controlled to benefit the peoples of the areas at whose request it is being instituted. The part of the United States in any agreed project will remain that of cooperative assistance. The United States will not take responsibility for seeing that economic development actually takes place or providing all the necessary elements. These responsibilities will remain with the country requesting assistance.

IV. TELECOMMUNICATIONS

Having devoted a considerable period of my life to the business of communications, it was natural that in my studies in South America, Europe and the Near East, I should direct considerable of my attention to the means of communications between peoples. When the point 4 program was conceived, one of the principal fields of economic activity with which it was to deal was the subject of communications. It was stated:

Lack of modern telecommunications limits the economic progress of many countries. Assistance in the development of telecommunications both internally and internationally will be included in the program (Publication 3719, Department of State).

How can the free world cooperate, do business, defend and understand itself if proper means of rapid communication are unavailable? This hemisphere—North and South America—is our ultimate defense bastion. Within ourselves we transact business totaling sums in the billions annually. Matters of moment require statement and reply within seconds. Yet, other than the most archaic system of short-wave radio communication, there is no way to rapidly contact each other. Atmospheric and human delays oftentimes delay messages interminably.

Let us examine the countries in the Near and Middle East and the north African countries as other examples. Telephonic communication between these countries is frequently unattainable. Add transoceanic difficulties to those existent in the various countries with their most limited facilities and the net result is frustration. The same is true both within other countries and between the many areas of the free world.

The United States leads the world in communications of all kinds. If there is any technical art in which we predominate, it is in the field of electronics. Our whole internal progress was predicated upon the means of instantaneous communication amongst ourselves. Our defense is predicated upon it and our well-being depends upon it.

With all the billions we have given and loaned to the free world we are on the whole out of ready contact with our foreign friends. This seems to me wholly inexcusable. If there is any technical assistance which is more useful and more badly needed in and between free-world countries than telecommunications, I certainly do not know of it. It is vital in our defense and indispensable to our economic and ideological well-being.

There is no underdeveloped country in which I have been where the authorities have not deplored the pitiable state of their communications systems. Each and every one of them has sought help in their dilemma. I am certain that all our overseas technical missions can verify my own experience.

Yet the free world remains disconnected in the face of the great technological advances made by United States industry in economic communications systems.

I suggest that our technical assistance missions should have long since responded to national communications needs. We are in a new age of communications. The microwave technique of telephone, telegraph, facsimile, radio and television, for example, is today an exact art. The free world need no longer be separated. If we fulfill our mission to the free world we will spread the lessons of democracy between and among us both in sight and sound from the far reaches of the Pacific to the ends of the Atlantic.

Last year the Congress passed a bill, reported favorably by our Foreign Relations Committee, to establish a commission to examine into and report upon the vital role of telecommunications in Foreign Affairs. This bill was enacted into law but failed to obtain the needed appropriation from the Congress. I most strongly recommend that our subcommittee sponsor enabling legislation to put that Commission in business.

V. MISSION TO CERTAIN EUROPEAN COUNTRIES AUGUST 19 TO OCTOBER 11, 1956

Although the Act for International Development failed to define the term "underdeveloped areas," it was generally presumed to exclude European countries. The Foreign Relations Committee in reporting on the act interpreted the term "underdeveloped areas" to mean:

* * * those areas of the American republics, the Far East, the Near East, and Africa where low standards of living generally prevail.

However, even since the European Recovery program began in 1948 until today there have been millions of dollars spent upon a variety of technical assistance programs in European countries, although they were carried on under different authority than that contained in the Act for International Development. The successive Economic Aid Authorities have consistently given technical assistance to Western European countries to stimulate industrial production. This, too, has been costly. The FOA initiated exchange of persons programs in Europe to the same end. These continue.

When the European Productivity Agency was established in 1953 its stated purpose was:

to promote the widest possible application of the latest technical know-how, managerial skills, and sociological methods in European industry, commerce, and agriculture.

The United States contributed \$2.5 million to this Productivity Agency of the original financing of \$10 million (dollar equivalent). During the past 2 years the FOA and its successor the ICA have continued to support the Agency by contributing to the costs of specific European Productivity projects and activities. Particularly, it has provided Americans to serve as consultants on productivity staffs and to "spearhead the Agency's activities in such important fields as marketing, production, planning, foreman training, labor-union activity, and agricultural extension."

In the fiscal year 1956 this European Productivity Agency proposes to review and coordinate all regional and bilateral country technical exchange projects. It also hopes to combine individual country projects in the same field into regional projects under which the countries will benefit not only from United States experience but also from the experience of other European countries.

It is my opinion that all the aforesaid programs come within the purview of this subcommittee's authority. They certainly can be classified as technical assistance, and while outside of the Act for International Development they are "related programs."

This report is not the place for me to publish my opinion as to the future of our economic and technical assistance activities in the developed countries of Europe. In broad principle I would say that our job of reconstruction is long since over. Yet the problem is not

unrelated to our military and other continuing commitments to the entire area. As members of the subcommittee under Senate Resolution 214, ours is primarily a reportorial task, although conceivably our recommendations may well influence the full committee and ultimately the Congress in its decisions to terminate, change, or limit any part of the economic and assistance programs.

In the time at my disposal, I attempted to evaluate the multitude of diversified programs and projects in certain countries in Europe. I reiterate that I could not do so without weighing a composite of technical assistance, economic aid, and military assistance. They are intermixed, and the several components cannot be evaluated in separation. Many of the facts and much of the programming is classified by the executive branch so that I am unable to deal with it adequately in this report.

My recommendation is that if this subcommittee wishes properly to evaluate "the relationship between technical assistance, economic aid, and military assistance" (S. Res. 214, sec. 2, par. 6) and they are an admixture—our authority should be expanded as related in the foregoing.

Thereafter staff studies, both in the United States and Europe, followed by hearings before our committee, would bear fruit upon our inquiry.

A. GREAT BRITAIN

My studies in the United Kingdom involved research not limited alone to the technical cooperation and technical exchange programs, for I was curious to ascertain the results of the complete interplay of all the recovery forces including loans, grants, gifts and all other kinds of aid which we had given to our principal European ally. In summary, I wished to see with my own eyes and hear with my own ears where Great Britain's economy stood today.

Much factual material and statistical data have been currently published upon various phases of Britain's economy. General overall conclusions can be drawn from them.

I shall not belabor our committee with results of my own observations in this report. However, there is one phase of Britain's fundamental economic structure which I would like to consider.

The success of our economy is built upon the private enterprise system. Our whole system of economic rewards and punishments are promulgated to further free competition among us. This is not so in England, and I very much fear that if the situation there is not soon corrected Britain will be in serious economic difficulties.

The British economy has reached a state in which both its internal stability and the improvement of the balance of payments depend upon an increase of performance and productivity, which in turn depends on an intensification of competition, that mainspring of economic progress.

There are but few British enterprises that live by the spirit of competition as we know it. On the whole, industry and commerce in Great Britain are enmeshed in a tight network of restrictive measures and agreements.

Large industrial concerns are not typical in Britain. Of approximately 56,500 industrial firms with 10 or more workers, more than 17,000 employ less than 25, another 25,000 employ between 25 and

99 persons, and less than 1,000 plants employ more than 1,000 workers each. Together all these do not comprise three-tenths of all industrial workers in Great Britain. Conditions are similar in commerce. Of the 790,266 persons engaged in wholesale trade in Great Britain, according to the census of 1950, no less than 43,207 were business owners. In retail trade the latter's proportion was even higher, with 45,000 independent firms controlling about 85 percent of all stores and accounting for about three-fifths of the total national retail trade. (See Heymann's Article, *Swiss Review of World Affairs*, vol. V, No. 7 October 1955.)

In the highly competitive industrial age in which we live, with mass capital in production and distribution, with automation upon us, this structure of the British economy seems to me to be obsolete. Obviously, competition in Great Britain has largely failed to eliminate uneconomical plants in this age of mass production and progressive standardization, or to adapt employment, production and distribution to present-day demands through a process of rationalization.

When British industry came up against the rising competitive industrialization of the United States and the continent and expanding technology, instead of meeting it face to face she sought refuge in protective associations within herself. Instead of the Government intervening to discourage restrictive trade practices as we did in the passage of the Sherman Antitrust and Clayton Acts, she encouraged it. The history of nationalization in Britain and the planned economy tendencies of the Labor government from 1945 to 1951 automatically led to severe restrictions of competition. Legal relief from "restraint of trade" is almost an unknown remedy.

The British people show a surprising indifference in these matters, and it is only by the determined attitude of an aroused public that competition can be assured and strengthened. If the British distrust "cut prices" or lower-than-usual prices and prefer "fixed prices," then the path of emergence from historic restraint of trade and monopoly is indeed a difficult one. Yet Britain to survive, must speedily face the issue and modernize—competitively.

B. TURKEY

My arrival in Istanbul on September 8, 1955, was unfortunately timed to one of the darkest hours in Turkey's history. As we delegates were arriving to attend the annual meetings of the International Bank and the International Monetary Fund at Istanbul University, the city became the arena for a mass riot against its citizens of Greek origin. In a few hours property damage and theft reached into the multi-millions, and both Istanbul and the coast city of Izmir were turned into a shambles. Turkish citizens with Grecian origins constitute in large part the merchants of Istanbul. Their homes are within the city area, as are their Grecian Orthodox Churches. I, myself, waded through streets strewn with despoiled merchandise and past store after store gutted and wrecked by the cruel action of a wanton mob. I went into the Greek churches and into their adjacent graveyards and saw barbaric desecration of all symbols of Christian worship and of civilized respect for the dead. Mothers and children stood before ravaged homes with tears upon uncomprehending faces.

Whatever be the pretended cause for this brutality, whether it was the Cyprus issue or false rumor about the despoiling of Ataturk's birthplace, or other motive, the net result was that the Turks had destroyed a substantial segment of their economy. It had all occurred without intervention by the authorities. All measures were taken to suppress foreign news sources from revealing the magnitude of the debacle to the world. But it was inevitable that the reaction upon Grecian people everywhere would prove devastating. And the Balkan Pact rested in the balance.

We are a nation whose history has been and whose continued avowed purpose remains the protection of minorities. It can be argued that this upheaval was an internal matter and solely the concern of the Turkish Government. I did not so view it then when I witnessed it, nor have I so viewed it from afar. Our role as we pour forth our technical, economic, and military resources is to couple our aid with the tenets of civilization and democracy. We cannot support the efforts of peoples of underdeveloped areas to develop their resources with our resources and remain silent while uncurbed passions raze the fruits of development.

When on March 12, 1947, the President speaking to the Congress related the predicament of Greece and Turkey his plea for assistance to Turkey was to effect the "modernization necessary for the maintenance of its national integrity." The President stated that assistance should be given "primarily through economic and financial aid which is essential to economic stability and orderly political processes."

When the Assistance Act to Greece and Turkey became law on May 22, 1947 it authorized \$400 million to be used for the purchase of goods and services and to provide technicians, other trained persons, and military advisers in limited numbers. Assistance was made conditional on freedom of movement, observation and reporting in Greece and Turkey by American officials and representatives of the press and radio.

As a separate program, assistance to Greece and Turkey was short-lived, for with the passage of the Economic Cooperation Act in 1948 the Greek-Turkish program came under the Economic Cooperation Administration. However, in the intervening 9 months \$337 million of the \$400 million appropriated was spent with about \$69 million going to Turkey. Nearly all of the latter sum went to strengthening the Turkish military establishment.

The approach of the Economic Cooperation Administration to the Turkish problem was twofold. The first was that of modernizing the Turkish Army to reduce the economic burden imposed on the Turkish economy by the large military establishment that the threat of Soviet aggression made it necessary to maintain. The second approach was that of strengthening the economy through developing Turkish mineral resources, such as coal, improving transportation and the techniques of agricultural production, and stimulating investment.

In general, throughout the intervening years, that general approach to the Turkish problem has persisted.

The technical cooperation program in Turkey has as its purpose to complement the defense support program by contributing to economic stability within Turkey, the maintenance of adequate living standards and education to improve technical standards.

The basic idea behind technical assistance in Turkey is to train the Turks themselves not only to do the same things American technicians have done for them, but to learn how to move forward in development planning, to administer and maintain operations, and to judge the direction of new projects and to choose priorities among them. Success in this training plan advances the day when the United States can withdraw, leaving to the Turks the burden of moving ahead without extraordinary help.

1. Support and acceptance of program in country

Technical assistance is not new in Turkey. Long before the advent of the United States aid program, the Turks were purchasing various forms of technical know-how from other countries, Russia, Germany, France, England, and the United States. For 30 years they have had an organized program for sending young students to European and American schools for formal technical education.

The fault has not been in the concept or theory of the program which the Turks attempted, but in the way in which it was administered; in the selection of the type of assistance; the timing and the followup given in each instance. For example, recipients of Government scholarships to foreign universities were selected through favoritism and influence. They were not encouraged to study business administration, science or other professions in which Turkey badly needed personnel. For the most part they studied only engineering. On returning to their own country, the mere fact that they had acquired a degree assured them of a responsible position, frequently without regard as to whether they were qualified.

Turkish efforts to import know-how have been equally ineffective. Foreign advisers were hired at high salaries, but their advice was seldom utilized and their reports and recommendations were carefully filed away. Occasionally the advisers were adventurers, unqualified for their tasks, but more often they were able men, willing to give valuable assistance in their fields, and would have done so had provision been made for the effective utilization of their services and the carrying out of their recommendations. The natural resistance to innovations was not recognized by department heads, and thus recommendations which called for changes were discredited by those who might be adversely affected temporarily. For these reasons, the tangible returns from the large Government investment in technical assistance were meager.

When the United States Government program was inaugurated, it was viewed by the Turks as a continuation of their old and generally outmoded system. The availability of dollars did not outweigh their distrust of the new concept. Furthermore, the cost in Turkish lira to the various Government agencies was often more than the old type of technical assistance. In addition the United States Government set up counterpart deposit requirements and other conditions precedent to rendering of assistance, such as utilization of agreed recommendations and adequate followup. This explains in part why the Turks were slow in requesting technical assistance and why the

first project did not start until early in 1950. A change of attitude became apparent when the first few training projects were completed and their own followup programs were under way. Today the need for technical assistance and Turkey's ability to absorb it is unlimited, but there still exists a definite limitation in the amount of technical assistance which their administrative machinery can service properly.

Government officials responsible for the technical assistance program and heads of departments who have utilized technical assistance are very enthusiastic about the program. They are fully aware of the basic factors inherent in technical assistance activities which cause success or failure, even though, in some instances, they are not yet able to plan and implement projects without help. Generally, the program is accepted as one of the most successful activities of the mission, and is often credited by Turks with achievements out of all proportion to cold reality. Nevertheless, it has been a real and effective tool in bringing about the large increase in production of agricultural and other basic materials. The introduction of new scientific techniques, sound programing methods, and efficient administrative organizations, together with extensive-in-service training programs for Government personnel, have been the principal factors in making this possible.

2. *Country resources devoted to program*

Turkish financial support for the technical assistance program is both of a direct and an indirect nature, and is derived from several sources. In general, it can be said that (a) their direct contribution has almost matched the cost to the United States Government, and (b) they have contributed adequate funds to implement large action programs in connection with and in support of technical assistance projects, both during the time the technical assistance project was in progress and in followup activities.

I examined many of the continuing and projected technical aid projects and inquired into the budgeting of these programs. Without more detailed knowledge and further field inquiry I would not attempt to pass upon any of them specifically. In general I have no criticisms of the overall report and the personnel administering the programs.

There are, however, two matters which I wish to comment upon for the subcommittee's attention. In Turkey and other countries the International Cooperation Administration (ICA) has adopted the policy of "contracting out" many technical assistance undertakings to colleges and universities and private development corporations. I believe that I understand the arguments in favor of such a course in certain instances. As yet, I remain unconvinced in principle of the soundness of this decision. Farming out projects to other entities, engaged for profit, places the burden for results outside the responsible agency of the Government. Certainly the personnel selected by the contractor for specific jobs are often wanting in proper orientation of the concept of the assistance programs or area problems.

They and their families may completely lack dedication to the overall task and be deficient in the personal qualifications of sacrifice and flexibility required of most of our technicians abroad.

By engaging contractors the ICA does not control technical assistants nor can it regulate their remuneration or their privileges. Side by side with other technicians directly employed by the ICA this can

cause serious problems. Let us not forget that every American abroad is an envoy of either good or evil. This applies particularly to our official representatives. Technical perfection is not alone an end in itself. It is the impact which the technician makes upon the foreign area which is equally important. Proper selection by the ICA of all overseas personnel is vital. I, therefore, suggest that the subcommittee review this subject with great care.

The second matter which concerns me relates to agriculture. As a farmer I spent many hours on this and other overseas visits in the rural areas of the underdeveloped countries. Much of the energies of our overseas technical missions are devoted to agricultural problems. In general, farm ownership in the majority of underdeveloped countries which I observed is limited to small holdings. The bullock and the single-pronged wooden plow follow the ancient pattern.

As yet the simple implements of metal which preceded our tractor age and which were the tools upon which our farm economy grew are unknown in extensive areas.

Wholly ignoring the progressive stages of our own farm economy and hypnotized by the machine age, many of our technicians would overnight destroy the oxen and replace them with engines. They give little thought to the realities of the horse-drawn steel plow upon small farms and related cost and maintenance problems of the animal versus the machine.

I have learned of quantities of power-driven farm machinery shipped to underdeveloped lands; countries without gasoline and oil and wholly lacking maintenance and servicing technicians. I have heard of vast quantities of these machines with bearings burned—abandoned. I learned these facts after being first regaled by the numbers of tractors in an area as proof of the success of our agricultural program. It convinced me, if I needed further convincing, that briefing alone by our technical aid missions was not adequate for a worthwhile accounting of our economic and technical assistance programs.

Our subcommittee is required under Senate Resolution 214 to direct its attention to the—

relationships between the technical assistance programs of the United Nations * * * and those conducted by the United States—

and also—

the extent to which the programs have been able to utilize private agencies in achieving their purposes.

In Turkey, I am informed, the United Nations is spending approximately \$750,000 on technical aid and that there is no duplication between us. On certain of the projects, e. g., the vaccine laboratory, secretarial training and public administration, both missions work together.

I am happy to report that in the fields of education, both the Ford and Rockefeller Foundations sponsor high-school programs, library schools, studies in American history and literature, and have started a school of business administration at the University of Istanbul and small programs in health and social welfare.

While liaison exists between the Technical Assistance Division and the United States Information Service, I recommend that more activated planning be done by these agencies to recount our technical

and economic assistance programs to the Turkish population so as to maintain their interest, cooperation and support under the "self-help" doctrine.

Turkish economy is presently very much out of balance. Its balance-of-payments position is disturbing. We must guard against the understandable desire of Turkish officials to undertake new technical and economic aid programs which might in turn create even greater imbalances.

Without a complete interrelated study of our economic, military and technical assistance programs in Turkey, an opinion cannot be given as to their "effectiveness * * * in advancing the foreign policy of the United States."

3. Coordination of technical assistance programs in foreign areas

I gave much considered thought to the subject of a proper coordination of the various assistance programs and activities of the various aid missions to Turkey, as well as to other countries. Duplication is time wasting and expensive. I conclude that the matter of coordinating external assistance activities is primarily the responsibility of the recipient country. No amount of effort on the part of the cooperating governments or agencies can effect a systematic and integrated area program. This is especially true in technical assistance by the very nature of the circumstances under which it is given, and more particularly because of the human tendency to place the efforts of one individual or group of individuals over another. I believe that a properly constituted and staffed secretariat, created by host governments, would be able to develop total program plans and guide the day-to-day activities of technical assistance consultants in a way to achieve effective coordination.

Such an interministerial technical assistance committee has been functioning in Turkey, and I recommend a careful study of its effectiveness as a pattern for other areas.

4. Private enterprise and industrial assistance

I am happy to report that since 1954 our technical assistance mission has planned and worked on an intensive private industrial development assistance program which proposes the creation by Turkish entrepreneurs of small manufacturing and processing enterprises throughout Turkey. While a minimum of technical assistance is needed, it must be of high quality and of assured continuity of action. Such a Turkish organization capable of carrying on an action program could seek to remove legislative and other obstacles which have impeded the flow of private investment funds from the United States and other countries. Success in this would assure the development of jointly owned and sponsored large-scale manufacturing and processing industries. This is an activity of technical aid which I might suggest be undertaken in others of the underdeveloped countries.

C. GREECE

My visit to Greece followed the critical incidents in Turkey related in the foregoing. My time was considerably taken up reassuring Greek officials, patriots, and press who were openly critical of the failure of the United States Government to condemn publicly the devastation of their Greek brothers in Turkey. This was no easy

task. Our failure caused a deterioration in Greek-American friendship, which should have been anticipated by the State Department.

I am most happy to record my appreciation of the complete cooperation which I received from the members of our technical assistance mission in Athens. They were well prepared and well documented for our study.

While there have been many improvements in most sectors of the economy, Greece is still considered an underdeveloped country. The lack of technical skills has impeded its more rapid progress.

Since 1948 we have provided more than \$10 million of technical assistance to Greece. The primary objective of these programs has been to increase productivity and to raise the standard of living of the Greek people. This objective is in support of the overall United States foreign policy purpose to enable Greece to utilize its military strength, strategic location, and economic resources to the maximum in furthering our common aims.

Perhaps the most dramatic example of the successful efforts of United States technical assistance in Greece is the electric power development project. Within a period of 5 years an American firm, Ebasco Services, Inc. (a wholly owned subsidiary of the Electric Bond & Share Co.) financed by technical assistance funds has been instrumental in providing Greece with its first national power grid. Production of electric power has more than doubled and price of power and light is now within reach of the average consumer. On July 15 last the management of this new power network was turned over to Greek authorities, and United States technical assistance has been terminated.

1. Technical assistance to Greece by agencies other than the USOM

(i) *United Nations and related agencies.*—The only active United Nations technical assistance project in Greece at the present time is a statistical mission of three persons, headed by a Canadian, Dr. Louis Shapiro. However, a number of proposals are at various early stages of development or implementation. The request of the Greek Government for technical assistance during the calendar year 1956 would involve bringing 30 experts to Greece and sending 25 Greeks abroad for study at a total estimated cost of \$215,000. Presumably there will be some reduction in this figure during the actual budgeting process.

In the past, the programs of the U. N. and its related agencies (FAO, WHO, and others) have not been very extensive. Moreover, the USOM has found the U. N. administrative and technical people to be cooperative, so that their programs and ours have been complementary and definitely not competitive.

The technical assistance committee of the Greek Ministry of Coordination has also been helpful in assuring that there is no duplication of effort between the USOM and the U. N.

The work of the FAO provides a good example of the kind of thing the U. N. agencies have been doing in Greece. From time to time FAO has sent in technicians to study the Greek economy in general and to make recommendations for improvement, particularly in the agricultural field. FAO has conducted a number of technical conferences in Greece on agricultural subjects, such as the conference held in Salonica in September 1954 on agricultural extension education, which was attended by 20 Greek participants as well as experts

from a number of other countries. In June of 1955 the FAO, in collaboration with the Greek Ministry of Agriculture, held a conference in Athens on "Control of the Dacus fly" which is very injurious to olive trees in Greece. There have also been a number of such conferences outside of Greece which Greek specialists have attended.

The United Nations Children's Fund (UNICEF) has provided technical assistance as well as substantial quantities of machinery for the Greek dairy industry to improve the pasteurization of milk.

A good example of cooperation between several U. N. agencies and a number of Balkan country governments is provided by the combined attack on hoof-and-mouth disease which was undertaken by WHO, FAO, and United States technicians working with local specialists in Greece, Yugoslavia, Italy, and other countries. The work was successful in wiping out hoof-and-mouth disease in the entire area.

(ii) *Organization for European Economic Cooperation (OEEC).*—The OEEC using in part funds provided from United States aid, has contributed in large measure to advancing agricultural techniques in Greece. During the fiscal year 1955, 21 training courses and workshops on technical agricultural subjects were conducted throughout Europe, of which about 15 were attended by Greek technicians. One of these courses, on farm irrigation, was conducted in Greece by Greek Ministry of Agriculture officials working with OEEC representatives. At least 20 Greeks received special training in this course.

(iii) *The American Farm School.*—The American Farm School, privately operated in Salonika, has been financed in part with aid funds. The school is giving training to many young Greek farmers and technicians working with the Ministry of Agriculture. Not the least of the benefits obtained by students in this school is a knowledge of English which is all-important in obtaining further technical knowledge.

(iv) *Near East Foundation.*—The only private United States foundation with an active program in Greece is the Near East Foundation. In its collaboration with the USOM since 1947 the foundation has been conducting work in the following fields:

- (a) Artificial insemination.
- (b) Rehabilitation center for the civilian disabled.
- (c) Training of home economists for work in rural areas.
- (d) Experimentation in an area consisting of approximately 30 villages for the purpose of determining the best approaches to the problem of applying home economic factors in rural areal villages.
- (e) Surveys of sociological and economic factors in rural area villages.
- (f) Teaching of extension methods to agriculture students at Salonika and Athens universities.

In addition, the Foundation has been instrumental in establishing work in blind institutions, assistance to crippled children, metropolitan playground programs, working boys centers, and working girls centers.

2. *Future of technical assistance in Greece*

While in Athens I probed the thinking of the USOM officials as to their concept of the future of technical cooperation in Greece. They

look forward to projections of a 5-year period of assistance. While they are working on generalized plans, they contemplate as principal objectives:

1. Improvement in productivity in agriculture, industry, and other economic sectors.
2. Increase in the efficiency of utilization of Greek products.
3. Improvement in the climate for domestic and foreign private investment in Greece.

These projections are to be resolved into more specific proposals and the results are to be given to our subcommittee through the ICA/W Deputy Director for Congressional Relations as promised.

As with other countries I was unable to determine the results of the technical aid program related to dollar expenditures. Nor do I know of any accounting method which would make this possible. There are so many intangibles. All we can hope to do as a congressional inquiry committee is to review the policy and programs of each mission from time to time and rely upon the administering authorities to do an effective field job.

I did, however, spend some time with members of the local staff and I convey to the committee their enthusiasms for the effectiveness of our Greek program.

My comment on the exchange-of-persons program in this and other countries is favorable. In my opinion, there is no more important and effective task that we have under the technical assistance, the Fulbright, and the Smith-Mundt programs than to stimulate the exchange of worthwhile persons between the United States and other countries. These are the trained ambassadors of the future. They will be continuing disciples of freedom and the private-enterprise system.

During my trip in all visited countries, I endeavored to ascertain, from nationals, criticisms of our technical assistance programs and their effectiveness. I am happy to incorporate in the body of this report a letter from Mr. Elias Krimpas, Chairman of the Central Committee of Technical Assistance.

ATHENS, *October 6, 1955.*

DEAR SENATOR CAPEHART: On September 16, 1955 I met you in the Athens office of the American mission and had a talk with you in my capacity of Chairman (from December 1952 onward) of the Central Committee of Technical Assistance. As I explained to you then, the said Committee has its seat in the Ministry of Coordination, prepares the technical assistance program, gives its opinion on the implementation of this program, for which its concurrence is, under the law, necessary, and, generally, it handles all subjects relating to technical assistance. The Committee is composed of persons elected by the Minister of Coordination among persons of certain categories and qualifications. This does not mean that these persons are in any way dependent, as regards their service, either on the Minister or the Government.

Thus, the Central Committee of Technical Assistance is entirely independent and free to express its opinions, which may be accepted or rejected, but not modified, by the Minister of Coordination, on the other hand the American mission can veto such decisions of the Minister.

In these circumstances the application of the technical assistance program and/or of any measure pertaining thereto presupposes, apart from the decision of the Minister of Coordination, the concurrence of the Central Committee of Technical Assistance and that of the American mission. The United Nations technical assistance program, in the case of which the place of the American mission is taken by the United Nations Technical Assistance Service or by the special organizations cooperating with it (Health, Labor, etc.), is an exception to this rule.

In our meeting of the 16th September we exchanged thoughts and I answered some of your questions relating to the contribution of technical assistance and generally of American aid, toward the reconstruction of Greece.

My views on this subject, purely personal views, were, as you know, very favorable.

You asked me whether I could let you have them on paper and I answered that I would gladly do that.

I am therefore addressing to you this letter in which I give you again my views and of which you may make free use.

In brief I stated the following:

(1) The devastations caused to Greece by the war and the enemy occupation have been so heavy and extensive that it would have been impossible to this country not only to reconstruct itself but even to revive and regain its place amongst the free peoples. The American aid has unquestionably saved Greece from this danger and helped it to remain free.

The American people should, therefore, feel sure that the economic sacrifices they have sustained for the benefit of Greece have helped Greece to preserve her freedom. Without this aid the position of Greece as well as that of the neighboring countries would certainly be different now.

(2) The postwar reconstruction of Greece through the American aid must be considered a success. It may be that the whole amount of the aid has not been appropriated to the best ends, to the best projects or most profitably. It may be that projects less profitable than others were given the preference. It may be that the aid was even wasted in certain sectors. It may also be that the aid would have been more profitable if it were to be used now with the acquired experience.

All these may be true and give ground for some criticism. But this is a mere detail compared with the general progress achieved and it is in my opinion of no use to know whether the Greek or the American side is more responsible for that. What is entirely true and worth stressing more than any of the omissions noticed is that the position of Greece has been considerably changed through the American aid. This successful accomplishment of American aid and Greek effort assumes still greater importance if the present position of Greece—stricken by the evils of war, a long and merciless enemy occupation and a destructive guerrilla warfare—is compared with that of neighbor countries, where no such national calamities took place.

(3) From September 1939 to April 1941, when Greece was occupied by the enemy army, I was the Minister of Health and Social Welfare. I had then embarked upon a large health and welfare project and had prepared a program of progressive implementation thereof under optimistic and normal circumstances. I am not bound to state—and I gladly do it—that thanks to the American aid the progress achieved in the sector of health and welfare has exceeded even my best expectations of that time.

(4) An examination of the other rehabilitation sectors depending on public action, such as public works, agriculture, etc., gives exactly the same picture. The roads, the harbors, the irrigation and draining works, the increase in the cultivated area and in the agricultural output, the mechanical cultivation, the electric power, etc., are all at an excellent standard due to the American aid.

(5) In the early years of its application, the technical assistance to Greece was necessarily extended to several fields beyond the purely technical sector, such as health, welfare, administration, security, etc. Little by little, however, and as the special organizations depending on the United Nations Technical Assistance Service, or cooperating with it, started granting special help, the technical assistance is directed more and more to the purely technical sector and the productivity.

The European Productivity Agency established in Paris, in their effort to find out the best possible way of organizing and making the most of the technical assistance, had a report prepared by two of their experts on the results of the technical assistance in Greece a few months ago. I enclose a copy of this report, which, be it noted, cannot, for the time being, be published without the permission of the European Productivity Agency, as being secured by copyright.

It is understood that the technical assistance program depends not only on the needs to be satisfied but also on the means allocated to this end both from American and Greek sides.

A spirit of good understanding of existing needs and sincere cooperation governs our relations with the chief of the mission, Mr. Russell P. Drake and the mission officials for technical assistance, Messrs. H. P. Dawson, W. M. Tait, whom we repeatedly had the opportunity to thank for that.

As to the technical aid granted by the United Nations, without the mediation of the American mission, this is considered by us absolutely inadequate and it is really very little in comparison with the aid extended or being extended to other countries. The program to be applied this year will be an exception according to promises given to us. The expected improvement is of course not a large one yet it is deemed satisfactory because according to the same promises it will constitute the beginning of an increase in the technical aid extended by the U. N.

(6) The rehabilitation of private enterprises, industrial or mining, has also been considerably assisted through the American aid.

I am in a position to confirm this from my personal experience and immediate contact, because an amount of \$43,967,340 or more than 50 percent of the total American aid to private enterprises, has been canalised through the National Mortgage Bank of Greece, in whose service I have been since the liberation of the country, at first as technical adviser and recently as subgovernor. Certainly, even here errors were made as in the public sector, but nevertheless the general results are again considered satisfactory.

(7) During the application of the rehabilitation programs, American experts came, and still come, into contact with the Government services and the public; they fully understood the task and helped it. These Americans, of whom some have left Greece and some still work here, either in the American mission or in the American Embassy, are remembered by us as contributors to the rehabilitation of the country and esteemed accordingly. I mentioned some of them during our talk. Indicatively I should like to mention here Messrs. Print Hudson, agricultural attaché of the American Embassy, Macet Hill of the agricultural sector, G. Heikes, of mining, John Nuveen, DeForest MacCauley, public works consultant, R. Gilmor and Malcolm Slight of the industrial sector and to stress at the same time, that apart from them, there are several other experts who have really done their best for the rehabilitation of the country and have contributed a lot to it.

Terminating my aforesaid talk I stressed and repeated again that, bearing in mind the results obtained, the American citizen must have the certainty and satisfaction that the heavy economic sacrifices he sustained for the benefit of Greece have yielded really substantial results, for which Greeks are sincerely grateful.

On that occasion I added, during our talk of the 16th September, that this feeling of general gratitude was recently shadowed by the deep sorrow we felt in Greece because of the silence kept till that day over the barbarous events of Constantinople and Smyrna against the Greeks and Greece. An exception to this silence, as I said, were the statements made in Athens on the eve of our talk, i. e. on the 15th September, by the American Senator Mr. Homer Capewhart, who had been an eyewitness to those astounding demonstrations and events in Turkey.

Yours very sincerely,

(Signed) ELIAS KRIMPAS,

Chairman of the Central Committee of Technical Assistance.

D. ITALY

I shall not dwell at great length upon technical assistance in Italy. Our programs there are called technical exchange projects and fall outside the purview of the Act for International Development (the technical assistance program, Public Law 535, 81st Cong.) From 1950 through 1954 our total dollar expenditure for technical exchange programs was \$1,830,000, and for the fiscal year 1955 our obligations in dollar funds totaled \$1,202,688.

The Italian contribution exceeded \$800,000 without taking into account additional overhead and administrative costs not charged to specific projects. In all, this financing covered the activities of 369 Italian participants and 40 United States technicians.

I am delivering a list of all technical exchange projects, both in being and as contemplated, to the subcommittee for its analysis. I was curious as to why we should continue giving further technical aid to Italy out of Government funds and I give the committee the ICA's argument:

The basic United States interest in supporting technical exchange programs in Italy lies in the special opportunities they provide to foster ideas and activities creating sources of economic, political, and social strength for the free democratic forces which support the alliance of Italy with the West. Technical exchange is one clear way of influencing the thinking of individuals, of altering the methods of approaching a problem and seeking solutions for it. It provides a means for fostering evolutionary changes that must begin in basic steps at one remove or more from the final address to the actual problem.

The basic elements of the Italian situation on which projects have focused in fiscal year 1955 have been the weaknesses of the institutional framework for acceptance of new ideas in productivity, in administration and in education, the weakness of the free trade unions relative to the Communist-dominated unions, and the inadequate structure of community involvement and participation in the assessment and solution of economic and social problems. The sense of isolation of localities from the central government and their inability effectively to assess, communicate, and find means to meet their needs is a source of danger from Communist exploitation of such unresolved local situations.

The fiscal year 1955 program has made a deliberate effort to strengthen and encourage the development of institutional patterns to promote leadership for community development, administration, business management and free labor activity. The key institutions are the National Productivity Center, and its area offshoots, university and training innovations, free trade unions, and the Agricultural Extension Service. Some of these projects have complex implications for the whole past pattern of Italian activity in their field and have required long and careful preparation before negotiations could begin, and long detailed negotiation before implementation. Some Italian segments are more sophisticated than others and can take more advanced approach while others need not only to begin simply but to ask for a greater degree of United States help in defining and analyzing their problems.

I confess that over and over again I pondered the nobility of assertion of the foregoing phrases but wondered why we were involved upon the Government level, with the development responsibilities of the Italian people. The Italian authorities are quite competent to deal with the "productivity" of their own country. If they need technical outside help to guide them they know where to go and how to go about it. All their possible requirements outlined within the ICA's argument (aforestated) can be obtained most easily from private sources.

E. SPAIN

Technical assistance, economic aid, and military assistance are jelled in Spain. The technical exchange program plays a major role in strengthening Spain's economic capabilities. Spain's long isolation from scientific and technical developments in the Western community during its civil war, World War II, and the immediate postwar period, has been a strong factor in its lack of economic viability. The program is designed, in part, as a direct supplement to the defense support program in assisting the Spanish to improve the planning and management of their railroads, communications facilities, highway system, and defense industries. However, it is not limited exclusively to projects directly related to military needs, but is designed to strengthen the Spanish economy generally to provide a more stable and larger economic base in which to plan our joint defense program.

To understand the problems of economic development for Spain, it is essential to review the structure of the Spanish economy.

(The information which follows was supplied by our mission in Spain:)

I. SPAIN'S PROBLEMS OF ECONOMIC DEVELOPMENT

Structure of the Spanish economy

Spain had an estimated population of 28,750,000 at the end of 1954. The Spanish people have an extremely low level of living in comparison with other Western European countries. The per capita gross national product is equivalent to roughly one-half of the average for Western Europe.

The area of the country is 194,000 square miles. Most of Spain is a wide hilly central plateau with an elevation of 2,000–3,000 feet, traversed by several mountain ranges. The remainder of the country consists of narrow coastal plains and mountain ranges. The soil is generally poor sand and clay with little vegetable matter.

The climate of Spain is the driest of any European country. Rainfall in most areas is comparable to the driest part of the Western Great Plains in the United States. In a narrow belt in the north, however, there is from 30 to 70 inches of rainfall per year.

Spain is basically an agricultural country, with 60 percent of the active population being employed in agriculture. Her main crops are wheat, citrus, olives, fruits, nuts, and tomatoes. Spain has fairly extensive mineral resources of iron ore, coal, pyrites, mercury, lead, copper, and sulfur.

The pattern of Spain's economic life exhibits strong regional concentrations. Heavy industry is concentrated in the Bilbao area. Barcelona is the commercial center of Spain; the section around Valencia is devoted to citrus production and products of irrigated lands such as rice; and Andalusia is largely devoted to production of olives and grapes. Wheat is grown principally on the dry central plateau.

Basic weaknesses of the Spanish economy

The overall shortcomings of the Spanish economy can be attributed primarily to basic weaknesses in three economic sectors—agriculture, electric power, and transportation.

Because of the general aridity in Spain, 90 percent of the cultivated land is suitable only for dry farming. Wheat, the principal dry farming crop, accounts for approximately 25 percent of the value of total agricultural production and is the most important crop in 27 of Spain's 52 provinces. Variations in the amount of rainfall result in extreme variations in the wheat crop, so that imports are required whenever output falls below consumption needs, estimated at 4.3 million metric tons annually.

Although thermal power capacity has recently been increased, hydro power still produces approximately 78 percent of Spain's total electric power availabilities. The result is that power production is extremely dependent upon adequate rainfall and severe rationing of power is required in dry years.

In the field of transportation the railway system is so antiquated that it cannot keep up even with minimum demands; hence, other sectors of the economy are hampered by supply bottlenecks.

In addition to the foregoing, industry in general suffers from the obsolescence of its industrial plants. Inability to import up-to-date machinery and equipment during the period beginning with the outbreak of the civil war in 1936 until well after the end of World War II has seriously aggravated this weakness.

Spain's economic weaknesses are also reflected in her foreign trade and payments situation. While Spain's foreign trade is the smallest per capita in Europe, imports include items which are highly essential to maintenance of the economy, e. g., petroleum, cotton, wheat, coal, wood pulp, and electrical equipment. The major exports of Spain, however, are largely nonbasic agricultural products, raw materials and luxuries, for which world demand is variable, or which suffer erratic fluctuations in output. Over 60 percent of foreign exchange earnings from visible trade in 1953 came from food and agricultural products, and of this amount almost 70 percent was concentrated in citrus fruits, olives and olive oil, nuts, bananas, wine, and tomatoes.

Current economic situation

Although characterized by mixed trends, economic developments in Spain thus far in 1955 have been relatively encouraging. Adequate rainfall over the year to date has permitted electricity restrictions to be averted. Heavy summer hailstorms, however, caused considerable crop damage. The 1955 wheat crop has been estimated at 3.4 to 3.8 million metric tons, as compared with the postwar record output of 4.5 million metric tons in 1954.

The 1954-55 citrus crop and citrus exports were substantially below the level reached in the previous year. The prospects for 1955-56 are that production will rise. A successful export season in 1955-56 will depend upon the ability of Spain to compete with north African and Israeli citrus fruitgrowers.

Production in several basic sectors of the economy is up in comparison with levels attained in recent years. Steel output reached 1,100,000 tons in 1954 and is expected to increase by 5 to 10 percent this year.

The year 1955 is expected to be a record one for tourism in Spain. The importance of this development is illustrated by the fact that in 1954 foreign currency earnings from tourism amounted to the equivalent of \$100 million in all currencies (of which about \$30 million in dollar exchange).

In visible foreign trade, the latest information is less cheerful and shows that Spain's total exports for 1954 declined by 4.6 percent from the 1953 level. Total imports increased by 2.4 percent over the same period. Exports to the United States for 1954 (\$46.7 million) dropped by about 6.5 percent from the level reached in 1953 (\$49.9 million). Imports from the United States in 1954 totaled \$112.9 million as compared with \$72.2 million for 1953. Aid-financed arrivals as of August 31, 1955, amounted to \$64.5 million.

II. BRIEF HISTORY OF UNITED STATES ECONOMIC AID PROGRAMS FOR SPAIN

A. Mutual security funds

Export-Import Bank loans.—Financial aid extended by the United States Government to the present Spanish Government began with the \$62.5 million Export-Import credit authorized by the mutual security legislation for 1951. By June 30, 1955, outstanding loans amounting to \$55.4 million had been extended. The loan proceeds are being used to finance the purchase of industrial raw materials, wheat, fertilizers, machinery and equipment for use in agriculture, mining, industry, powerplants, and the railroads.

Two short-term loans of \$12 million each also were made by the Export-Import Bank to finance cotton imports in 1952 and in 1953. Spain has drawn down all of these funds except for approximately \$340,000 which have been canceled.

Defense support assistance.—The bilateral aid agreement was signed September 26, 1953. The Mutual Security Act of 1953 authorized \$85 million in dollar grants for defense support.

For fiscal year 1955 the Mutual Security Act of 1954 (Public Law 665) and the Mutual Security Appropriations Act of 1954 (Public Law 778) provided a dollar grant of \$30 million and, under the terms of section 109 (McCarran amendment), Public Law 778, the sale for local currency of surplus agricultural commodities, equal in value to \$55 million.

The mutual security legislation of 1955 earmarks \$50 million in grant defense support assistance for Spain for fiscal year 1956. While a broad illustrative program has been established for the use of these funds, negotiations with the Spanish Government concerning the fiscal year 1956 program have not yet been initiated.

Of total defense support assistance amounting to \$170 million for fiscal year 1954 and 1955, procurement authorizations totaling \$168.8 million have been issued as of August 31, 1955; expenditures as of May 31, 1955 (paid shipments) amounted to \$57.3 million.

Technical exchange program.—Development of a technical exchange program was begun in January 1954 and the first group of projects was presented in June 1954, at which time \$606,000 were obligated from fiscal year 1954 defense support funds. Obligations of funds for certain projects which could not be completed before June 30, 1955, and shifts of projects to financing from fiscal year 1955 funds resulted in the reduction of this amount to about \$400,000. Expenditures through April were only \$28,139 owing to the fact that the first projects were implemented in January 1955.

B. Other funds

Public Law 480.—Under the Agricultural Trade Development and Assistance Act of 1954 (Public Law 480) the peseta sale of surplus agricultural commodities equal in value to \$21 million, is the agreed program to date. The commodities to be purchased are cotton, cottonseed oil, tobacco, and corn. Since agreement on this program was not reached until the end of fiscal year 1955 no expenditures have yet been recorded.

CCC direct wheat sale.—The United States Government, in the spring of 1954, supplied Spain with wheat valued at \$20 million to alleviate the country's serious

breadgrain situation. Under the terms of this transaction the United States Commodity Credit Corporation (CCC) sold wheat for pesetas, which are used for United States purposes.

C. Cost of administration of defense support programs

The costs of administering the defense support program including technical exchange, insofar as they are covered by ICA, are as follows:

	Fiscal year 1953	Fiscal year 1954	Fiscal year 1955
Defense support.....	\$83,000	\$185,900	\$192,485
Technical exchange.....			90,438

III. CURRENT UNITED STATES AID PROGRAMS

Defense support—Fiscal year 1954 and 1955.—The tables below set forth the form of defense support assistance for fiscal year 1954 through fiscal year 1956 and a sector breakdown of current programs (in millions of dollars):

	Grant	Loan	Total
Fiscal year 1954: Defense support.....	85		85
Fiscal year 1955:			
Public Law 665 defense support.....	30		30
Sec. 402, Public Law 665.....	35	20	55
Fiscal year 1956: Mutual Security Act of 1955.....	50		50
			220

Sector	Fiscal year 1954	Fiscal year 1955	Total	Expenditures (paid ship- ments as of May 31, 1955)
Agricultural machinery.....	8.5	3.7	12.2	4.5
Irrigation, resettlement and public utilities ¹	2.0	.8	2.8	.4
Electric power.....	12.5	6.0	18.5	1.4
Transportation:				
Railways.....	11.0	5.0	16.0	.8
Highways.....	3.0		3.0	
Civil aviation.....	.7	1.0	1.7	
Coal industry.....	2.0		2.0	.04
Steel industry.....	8.0		8.0	1.5
Cement industry.....	2.0		2.0	
Munitions industry.....	2.4	2.7	5.1	.04
Other industry (including defense industries).....	1.0		1.0	.03
Raw materials.....	16.7	10.2	26.9	9.8
Agricultural commodities:				
Cotton.....	14.8	² 49.0	63.8	33.5
Cottonseed oil.....		² 6.0	6.0	3.8
Technical exchange.....	.4	.6	1.0	.028
Total.....	85.0	85.0	170.0	³ 57.3

¹ Public utilities include harbors contiguous to United States bases, reservoirs, etc.

² Commodities sold to Spain for pesetas under sec. 402, Public Law 665.

³ Includes miscellaneous items not shown in sector breakdown.

Public Law 480

The form of the fiscal year 1955 program of agricultural surplus sales under the Agricultural Trade and Development Act (Public Law 480) has been agreed upon as follows: \$10.5 million in local currency equivalent in the form of a loan to Spain for economic development and the peseta equivalent of \$10.5 million for United States use in Spain.

Counterpart and sales proceeds programs

(a) *Grant defense support counterpart.*—The use of counterpart of grant defense support assistance for Spain is established in the following manner in accordance with the aid agreement of September 1953: 30 percent of the local currency counterpart funds generated by fiscal year 1954 defense support dollar grants are for projects in support of the defense effort, such as transportation, munitions, etc.;

60 percent of the local currency counterpart funds are being used for the United States base construction program in Spain; and 10 percent are for United States use.

The program for use of 30 percent of the counterpart generated by fiscal year 1954 defense support is as follows:

	[In millions of pesetas]	
Railroads.....		447
Highways.....		313
Civil aviation.....		28
Hydraulic works.....		50
Munitions.....		45
Technical exchange.....		11
Total.....		894

The program for use of 30 percent counterpart funds of aid generated from the fiscal year 1955 defense support program has not yet been finally determined.

(b) *Agricultural sales under section 402.*—The use of peseta proceeds from sales of United States agricultural surplus commodities under section 402 is subject to a special agreement between the United States and Spanish Governments. Under this agreement 20 percent (\$11 million) of the peseta proceeds are being used for United States defense and other purposes; of the remaining \$44 million of local currency proceeds, \$20 million are being made available in the form of a 40-year loan, and \$24 million in pesetas in the form of a grant for economic development similar to utilization of 30 percent counterpart funds mentioned above.

(c) *Public Law 480 sales.*—Of the total local currency proceeds from sales of United States agricultural surplus commodities under Public Law 480 (equivalent to \$21 million), 50 percent of the total (equivalent to \$10.5 million) is to be used for United States purposes such as military housing and International Educational Exchange, and the remaining \$10.5 million are being loaned to Spain for economic development.

(d) *Technical exchange.*—Complete lists of projects for fiscal years 1954 and 1955 are shown in annex tables A and B. A total of 11 million pesetas has been withdrawn from the special account of 30 percent counterpart funds for technical exchange purposes. As of September 1, 1955, approximately 4,900,000 pesetas had been authorized for the following uses: (a) Payment of international travel of type technical exchange teams to United States, P. 1,150,000; (b) local currency expenses of the civil aviation mission, P. 3,750,000.

IV. TYPES OF TECHNICAL EXCHANGE PROJECTS

The types of projects to which the United States is currently contributing are largely concentrated in economic sectors in which fundamental weaknesses are present; i. e., agriculture, industry, and transportation (detailed lists of projects are shown in annex tables A and B).

V. MAJOR TECHNICAL EXCHANGE PROJECTS

A. *Agriculture*

Soil conservation.—United States Soil Conservationist Donald S. Hubbell analyzed the problem in Spain and recommended action which should be taken. As a result, activity has been stepped up considerably; a group of Spanish agronomists is in the United States studying the organization of the United States Soil Conservation Service, and an organization is in the process of being set up in Spain.

B. *Industry and mining*

Electric power.—Sixteen engineers and managers studied hydro and thermal power operations and management of electric power systems in the United States in the spring of 1955.

Munitions manufacture.—Two teams visited the United States to study (a) ammunition production and (b) manufacture of propellants and explosives with special emphasis on production methods and plant layout. The firm of S. G. Yulke has been selected to provide five specialists in munitions production to advise Spanish manufacturers on modern production methods. (See sec. VII.)

Industrial management.—(a) Sixteen junior executives from Spanish industrial firms began a 15-month course in industrial management training at Syracuse University in January 1955. (b) The Spanish Government has a new school to teach industrial organization at an advanced level. ICA will provide American

professors, possibly under a long-term university contract, and will also provide for specialized training in the United States of Spanish professors appointed to the faculty of the new school. (c) Three groups of industrial leaders from the principal industrial areas of Spain will make a study of management practices in the United States this fall.

C. Transportation

In the spring of 1955, six top officials from the Spanish National Railways visited the United States to study railway methods of operation. They are being followed by four specialized groups to study operational methods and management.

D. Civil aviation

A group of five employees of the CAA arrived in the spring of 1955 to advise on modernization of the Spanish National Airways. The group is working on air traffic control, communications, and air navigation in connection with economic aid granted for procurement of equipment.

VI. EXCHANGE OF PERSONS DURING THE PERIOD FROM JAN. 1 TO SEPT. 1, 1955

	Number of teams	Participants		Balance in training
		Departed	Returned	
Type I:				
Agriculture.....	8	17	14	3
Industry and mining.....	5	52	36	16
Transportation.....	3	35	13	22
		Arrived	Departed	
Type II:				
Agriculture.....	1	1	1	0
Transportation.....		5	0	5

VII. PRIVATE CONTRACTS UNDER THE TECHNICAL EXCHANGE PROGRAM

A. Project 52-036:

Contractor: Syracuse University, Syracuse, N. Y.

Purpose: Training of 16 Spanish junior executives in industrial management

Value: \$178,500 (to be reduced to \$118,500)

B. Project 52-030:

Contractor: S. G. Yulke Co., 230 Park Avenue, New York.

Value: Approximately \$25,500 (contract to be signed in September 1955).

Purpose: 5 munitions production specialists to advise Spanish munitions plants

VIII. ORGANIZATION AND PROGRAM PROCEDURES FOR TECHNICAL AND OTHER AID

The organization for administration of both technical and economic aid consists of a Combined Economic Mission which was set up after the signing of the aid agreement with Spain in September 1953. This mission, in which the functions of the Embassy Economic Section and the United States Operations Mission to Spain are completely integrated, is under the direction of a single head who is both the Embassy's Counselor for Economic Affairs and Director of USOM-Spain. The integral staff is organized into four functional divisions: the Program and Economic Division, the Food and Agriculture Division, the Industry and Transportation Division, and the Trade, Commerce, and Investment Division. In addition, there is a Controller who has broad fiscal responsibilities on all ICA matters, a combined Embassy Labor Attaché and Labor Adviser, and an Agricultural Attaché. The remaining officers in the Combined Mission are assigned to the various divisions irrespective of agency relationship, and their duties are interrelated.

On the basis of an illustrative program which is worked out by the executive branch of the United States Government during each year's congressional presentation, the mission enters detailed negotiations with the Spanish Government. The Spanish Government through its Directorate General for Economic Cooperation submits detailed requests for aid within agreed economic sectors.

These requests are analyzed by the mission and frequently by other American specialists from Government and industry. Upon Washington approval of mission recommendations, procurement procedure is initiated.

The organization for administering the Technical Exchange program consists of 3 American officers (1 under recruitment), 1 American secretary, and 2 local employees. Other specialists in the mission charged to Technical Support costs assist in the development of projects and render technical advice to the Spanish Government and other groups concerning industrial and agricultural development projects. There has been no turnover in personnel assigned to TE funds, with the single exception of the transfer of one person to the Foreign Service.

The development of technical exchange projects is accomplished through direct contact between the mission and Spanish Government ministries or private organizations. The prospective projects are transmitted through the Directorate General for Economic Cooperation to the mission for approval, and the projects are implemented only after submission to ICA-Washington for concurrence according to standard project-type assistance procedures.

IX. EFFORTS OF THE SPANISH GOVERNMENT IN ECONOMIC DEVELOPMENT

The table below presents the mission's estimates of annual peseta expenditures (in millions of dollars) according to major fields of investment by or through the Government and semiautonomous agencies.

[Peseta equivalent in millions of dollars]

Investment sector	Fiscal year 1955	Fiscal year 1956	Fiscal year 1957
Reforestation.....	7.5	8.2	8.2
Hydraulic works.....	34.1	45.4	65.4
Irrigation.....	35.0	45.0	46.9
Highways.....	53.6	30.7	33.5
Railroads.....	56.8	61.8	70.4
Civil aviation.....	3.7	4.2	5.0
Total.....	190.7	195.3	229.4

In addition to the sectors listed above should be added investments in private companies and state-owned firms by the Instituto Nacional de Industria (INI), the agency of primary responsibility for financing state-sponsored industrial projects.

Based on estimates from various official and unofficial sources, total Government plans for economic development in connection with the sectors listed in the table above amount to the peseta equivalent of approximately \$1.2 billion.

ANNEX

TABLE A.—Technical Exchange projects financed from fiscal year 1954 funds

Title	Estimated cost
Soil conservation.....	\$8, 000
Pasture management and fodder crop production and utilization.....	3, 200
Chemical-weed control.....	4, 000
Agriculture extension services.....	5, 800
Farm mechanization training course.....	3, 600
Hydroelectric power study.....	10, 400
Thermal electric power plant engineers.....	5, 200
Coal mining consultants.....	15, 900
Munitions Industry:	
Ammunition production.....	8, 900
Propellants and explosives.....	6, 800
Ordnance consultant.....	25, 500
Railroad methods study.....	14, 100
Study of American highway practice.....	17, 400
Highway consultant.....	3, 000
Civil Aviation Mission, communication and navigation equipment.....	35, 480
Training of aeronautical technicians and supervisors.....	28, 500
Industrial management training.....	118, 500
Total.....	314, 280

TABLE B.—*Technical exchange projects financed from fiscal year 1955 funds*

<i>Title</i>	<i>Estimated cost</i>
Munitions industry, ammunition (extension).....	\$3, 600
Farm mechanization.....	
Study of processing, handling, and distribution by food and agricultural cooperatives.....	4, 480
Use of aircraft in agriculture (final).....	1, 850
Irrigation and reclamation study.....	4, 160
Steel industry management and engineering study.....	8, 640
Coalmining productivity study.....	8, 640
Railroad methods study (extension).....	8, 400
Training of aeronautical technicians and supervisors (extension).....	2, 600
Hydraulic engineering study, water resources.....	17, 400
Training of aeronautical technicians and supervisors.....	61, 740
Foundry practice.....	9, 600
Organization and management in the machine-tool industry.....	9, 600
Management of small and medium-size firms in the metal-working industry.....	9, 600
Management study.....	23, 040
Technical aids services.....	7, 500
Industrial management school.....	39, 100
Industrial relations study.....	7, 680
Management techniques in the shoe-manufacturing industry.....	7, 680
Use of cold-storage and refrigerated transport for wholesale distribution.....	9, 600
Food-processing and canning industry.....	9, 600
Railroad management.....	24, 480
Cotton spinning, weaving and finishing study.....	9, 600
Mixed food study.....	5, 376
Organization and methods for the prevention and control of forest fires and forest pests.....	4, 032
Forestry range management.....	4, 032
Forest mechanization.....	4, 032
Livestock disease study.....	8, 064
Animal vaccine production.....	3, 000
Animal husbandry study.....	8, 064
Livestock feeding study.....	5, 376
Training program in agricultural statistical services.....	16, 128
Farm mechanization study.....	6, 048
Seed selection and registration.....	2, 688
Irrigation problems and practices.....	5, 376
Underground water study.....	5, 376
Soil conservation and land utilization.....	5, 376
Soil research laboratory direction.....	4, 032
Forest utilization and products.....	4, 032
Total.....	381, 542

I made extensive field surveys of our military and economic programs during my visit to Spain and report that substantial progress has been made. I was keenly impressed by the high caliber of our defense and operations mission personnel and of the complete liaison between them. More important is their cooperative relationship with the Spanish authorities and the Spanish people, and vice versa. I wish, also, to commend the vital leadership and diplomacy of our Ambassador and his staff.

Having committed ourselves to extensive joint military, economic and technical assistance programs for Spain—I suggest that our committee view the results at a later date when they have more thoroughly matured.

F. PORTUGAL

While Portugal had but one technical exchange project in fiscal year 1955, to wit, the milk quality improvement program, costing

approximately \$50,000, I determined upon a review of Portugal's economy and the part the United States had played in its recent developments.

(The information which follows was prepared by our mission in Portugal:)

I. SUMMARY OF PORTUGAL'S ECONOMIC CHARACTER

Portugal is in some ways an economic paradox. While on the one hand she has one of the lowest standards of living in Western Europe (measured by caloric intake per capita), on the other, her economic position is characterized by a strong currency, balanced budget, and heavy gold and dollar reserves. Possessing the third largest colonial empire in the world, this country, notwithstanding its small geographical area (about the size of Indiana and having a population of some 9 million inhabitants) has access to vast natural resources. For the past quarter of a century since the ascendancy of Dr. Salazar to the premiership, Portugal has not been through any dramatic crises and its affairs have received amazingly little interest in other countries.

Dr. Salazar is probably the only professor of economics (Coimbra University) who has been entrusted with the sweeping powers with which he has reshaped the whole nation according to his own theories. When he became Prime Minister in 1932—a post he has held ever since—he introduced innumerable reforms in the Government and the constitution which he fathered was ratified by a plebiscite in 1935. It provides for a President elected for a 7-year term, a National Assembly elected every 4 years, and a Cabinet appointed by the President. The country is organized as a "corporative state" with representatives of different segments of national life sitting as a "Corporative Chamber" and acting as an advisory board to the National Assembly. Political parties are allowed under the constitution but only one, the National Union, is organized on a nationwide scale. Following the death of the 4-times elected President Carmona, peaceful elections in July 1951 resulted in the elevation of General Craveira Lopes to the Presidency. Under the corporative system labor troubles have been reduced to a minimum. Both strikes and lockouts are prohibited.

Recognizing the inertia into which some sectors of the Portuguese economy have fallen, Dr. Salazar embarked upon a 6-year investment program—1953 to 1958—originally involving the expenditure of 13.5 billion escudos (\$472.5 million), of which 7.5 billion escudos are earmarked for the Metropole and the remaining 6 billion for the overseas territories, principally Angola and Mozambique. The Metropole is expected to finance 9 billion escudos of the total and the overseas territories will shoulder the balance. The plan which is the successor of the 14 billion escudos 1935 economy recovery law which elapsed in 1950, was drafted by the administration and approved by the Cabinet and sent on September 2, 1952 to the Corporative Chamber. The emphasis is to be placed on agricultural developments with particular attention being paid to irrigation, reforestation and land settlement; industrial development especially in hydroelectric capacity, but with certain industries such as iron and steel, petroleum refining, pulp and paper and fertilizer accounting for appreciable investment; expanding of communication and transportation facilities especially with regard to the ports of Lisbon and Oporto; and the construction of ships and improvements in rail, telephone and telegraph systems. The plan for the Metropole also allocates funds toward construction costs for technical schools and toward the establishment of an overseas territories credit bank to aid in the development of the OT's.

The plan's goals in 1953 and 1954 have been only 80 percent realized owing partly to the lack of technical and managerial skills to launch and develop certain projects. Recently, an additional billion escudos were programed to meet increasing costs of carrying out the remainder of the program.

The largest single source of investment will be governmental. Private investors are expected to contribute only about 8 percent of the total of the financing of the plan for the Metropole and less for the OT's. The inertia of private capital has forced Dr. Salazar to compel the Government to become a gigantic investor. The Government has, in some cases, sought to draw private capital into its economic enterprises and to dispose of its own share as soon as the new projects were formally established; but the private investor has remained relatively lethargic.

The fact that the banks do not perform more of a role in medium and long-term credit is owing not only to inertia of private capital that has forced Dr. Salazar to expand Government interest in new enterprises, but also to restrictive provi-

sions of the banking law. This apathy on the part of private capital is explained partly by various cumulative factors such as strong preference for individual investments in real estate and small owner-manager enterprises as against portfolio investments in large enterprises managed by others. As a result, private capital for the development of agricultural and industrial enterprises in large units is most difficult to obtain except in certain instances where the Government participates in an enterprise. This situation now exists to the extent that the Government derives roughly a billion escudos a year—about 17 percent of the total Portuguese budget—from revenues on its own capital investments directly or through various organizations it controls.

Thus, in appraising credit facilities, it is apparent that there are deficiencies in the demand as well as the supply of funds. In addition to unwillingness to undertake new ventures, it is also true that many potential borrowers cannot provide minimum assurances to make them acceptable risks.

With respect to the stringent reserve requirements, the banks are required by law to maintain cash reserves of at least 20 percent against their sight deposits and to cover fully the remaining 80 percent of sight deposits with assets realizable within 90 days. Some bankers favor these limitations apparently because they consider long-term development financing to be outside the area of commercial banking or because they look upon short-term commercial credit and urban real-estate crediting as more lucrative. On the other hand, there are some progressive bankers who claim to be chafing under the restrictions and would favor some investment in medium and long-term financing. Some bankers here have been discussing among themselves the idea of establishing a joint development bank to meet the needs of the long-term credit field. This would have the effect of utilizing some of the private capital for worthy development schemes. With respect to inviting participation of foreign capital, some local bankers are fearful of the possible effects that competition from external capital may have on the local credit market. It is their feeling that Portuguese capital should first be mobilized for the most attractive and compensatory enterprises.

On balance, the monetary system is inflexible. This must be viewed, however, in light of the fact that for a period of about 40 years Portugal had been suffering from disorganized budgets and unstable exchange ending with almost complete collapse of the escudo in the early twenties. Through severe fiscal and monetary measures adopted thereafter, the budget was balanced and the escudo stabilized culminating in the return of Portugal to a fixed gold parity in 1931. To the extent that restraints are required by unchanging economic circumstances—Portugal's heavy dependence on foreign trade, the sensitiveness of the country's exports and imports, the changing monetary and price conditions, and its vulnerability to successions of bad crops and fish catches—it is evident that the restraints cannot be relaxed without risk. Portugal must always seek to maintain large foreign exchange reserves and cannot afford large scale credit expansion.

Portuguese law requires that the budget be balanced and since this is a corporative state, the Government exercises strong paternalistic controls over all activities as well as wages. The tax structure tends to be regressive. Revenue is derived primarily from excise taxes. The distribution of income is heavily unbalanced. The establishing of a broad base of consumer purchasing power for encouraging a wider market would appear essential for greater economic development.

Currently, Portugal's economic policy is as cautious as ever. The currency is very stable and foreign exchange and gold reserves are at high levels. Gold and dollar reserves, for example, are equivalent to about 2 years of aggregate current imports of both the OT's and the Metropole. Although there continues to be considerable underemployment, stable prices and wages, great liquidity in the banks (with over 50 percent excess reserves prevailing) and a relatively lightly taxed economy, the degree of new investments for economic development is so modest that national income has been increasing at the rate of only 3 percent per annum. However, during the last few months Portugal has shifted from a strong creditor to a debtor position in the EPU. The slump in colonial exports, the poor wheat crop and the necessity to import more food have contributed appreciably to the deficit in the balance of payments on current account. Portugal has freed 53 percent (based on 1953 value) of dollar imports (mainly essentials such as food, petroleum and machinery products) but it is hoped that a more liberal policy will be adopted in this area. With a strong political situation (in which the Communist Party is outlawed) and economic stability the keynote in Portugal, the main problem would seem to be to encourage putting idle capital to work to promote private investment, raise production income, and consumption.

II. BRIEF HISTORY OF UNITED STATES ECONOMIC AID PROGRAM IN PORTUGAL

The balance of payments of Portugal and its overseas territories, which normally showed a surplus on current account, had been negative from 1947 until well after ECA aid was allotted, chiefly for three reasons: (1) A rise in imports caused by pent-up demand as a result of wartime shortages and by some inflation; (2) an increase in agriculture imports on account of poor crops; and (3) greater importation of capital equipment to implement the industrialization program. As a result, in the middle of 1949, after a loss of nearly half the wartime accumulation of gold and foreign exchange, the Government reversed its postwar policy of deficit spending, while the banks discontinued the expansion of credit which had helped to maintain domestic activity and the foreign deficit at high levels. These changes in financial policies halted the decrease in foreign exchange reverses. But even with the volume of total credit nearly a third higher in real terms than in 1939, the relative deflation has been sufficiently strong enough to retard Portugal's economic activity.

Because of this deterioration in its balance of payments position, Portugal had intended to apply for Marshall plan aid during early 1948. By that time the first aid appropriation had already been fully allotted, and Portugal was unable to obtain aid in 1948-49. Hence, Portugal did not become an active participant in the Marshall plan until 1950, nearly two years later than other countries in Western Europe.

A summary of ECA/MSA/FOA/ICA dollar allotment (in thousands of dollars) is summarized below:

A. Dollar allotment (in thousands of dollars)

(1) Total:		
Grant.....	\$5, 533	
Conditional aid.....	8, 256	
Loan.....	36, 051	
		49, 840
(2) By years:		
1949-50 allotments.....	31, 500	
1950-51 allotments.....	18, 307	
1955 allotment.....	33	
		49, 840
(3) By utilization:		
Industry.....	25, 698	
Food and agriculture.....	22, 141	
Transportation.....	2, 001	
		49, 840
Particulars:		<i>Dollar amount</i>
Wheat, rye, flour.....	\$22, 106	
Crude oil, petroleum products.....	8, 399	
Equipment for woodpulp and paper mill.....	4, 353	
Diesel electric locomotives and parts.....	3, 305	
Tinplate and steel.....	1, 580	
Equipment for irrigation.....	1, 439	
Equipment for hydroelectric power station and transmission lines.....	1, 123	
Equipment for colonial airports.....	404	
Equipment for steel tube mill.....	848	
Motor vehicles and equipment.....	507	
Steam boilers for Lourenco Marques.....	564	
Equipment for hospital tender for codfishing fleet.....	664	
Machinery and equipment for textile factory.....	497	
Other, including miscellaneous machinery and equipment.....	3, 984	
Subtotal.....	49, 773	
Balance unexpended.....	67	
Total.....	49, 840	

B. Nondollar aid

(1) Drawing rights:	
Actually utilized (of \$27.2 million extended to Portugal).....	\$18, 181, 000
Actually extended by Portugal (of \$1 million extended by Portugal to Greece).....	766, 000

(2) *Counterpart program.*¹—Approximately 668 million escudos (\$23.23 million) of 90 to 95 percent counterpart funds will be deposited against the aid from 1949-50 to 1955-56. Of this amount, 667.04 million escudos (\$23.2 million) have been approved for release. About half of the counterpart will have been utilized for hydroelectric power development already initiated by private companies in which the Portuguese Government has stock participation. The hydroelectric development program is a prerequisite to the realization of the industrial program. A substantial portion of the additional power is being used for such agricultural purposes as irrigation and flood control, while the other uses will be for domestic lighting and to replace part of the power now generated in thermal plants. Another long-term objective of the program is the electrification of the railways.

The remainder of the counterpart funds already utilized or authorized for release are accounted for by agricultural and industrial improvements such as a slaughter house, freezing and storage plants, fertilizer factories, hospital tender and fishing vessels, railroad in Angola, technical schools, and an ammunition plant.

All of the counterpart funds released have been utilized for economic development projects financed largely on a loan basis, administered by the Portuguese National Development Fund. Most of these loans are for 8 to 25 years at 3-percent interest, with the majority of the loans for 17 years. First repayments began in 1953. Repayments with interest are returned to the fund for financing other economic development projects.

Of the 668 million escudos in counterpart funds, approximately 128 million are subject to reprogramming with United States approval under the Zablocki amendment.

(See Appendix A for detailed report on direct aid and counterpart program.)

C. Technical assistance

The first TA authorization was issued March 15, 1950. TA authorizations and disbursements to May 31, 1955, amount to \$999,019.56 and \$775,966.12, respectively, of which 62.81 percent counterpart deposits, or \$288,600 of the total disbursements have been waived. This program covers a wide range of activities including the following projects: Douro River Valley survey, geological survey of natural resources in Angola and Mozambique, young engineers study group in the United States, development of underground water resources in Angola, survey of hydroagricultural and hydroelectrical schemes in Angola, and numerous small projects concerned with training Portuguese technicians in the United States, and/or using the services of United States technicians in Portugal.

D. Cost of administration, USOM to Portugal, fiscal year 1949 to fiscal year 1955

	Fiscal year—						
	1949 (October 1948)	1950	1951	1952	1953	1954	1955
1. Estimate total dollar expenditure for mission administration (includes dollar equivalent of local currency expenditures through fiscal year 1953, program support from fiscal year 1952, State Department administrative support and the information program through fiscal year 1953)	30,946	195,334	437,581	305,062	229,025	130,490	153,106
2. Estimate of personnel level for mission operations:							
United States.....	4	10	22	19	12	9	8
Local.....	1	3	13	17	18	9	8
Turnover United States personnel (percent).....	0	12	17	21	40	22	6

¹ NOTE.—Each country receiving grants agreed to deposit in a special account its own local currency in an amount commensurate with the dollar cost of the grant aid received. To the extent that countries received assistance in the form of loans or conditional aid, they were not obligated to deposit local currency counterpart. In the case of conditional aid, the country which received such dollar aid in turn placed at the disposal of other participating countries local currency in the form of drawing rights in order to stimulate intra-European trade. Countries which used these drawing rights received the major benefit of this aid, and agreed to deposit an equivalent amount of local currency in their special counterpart accounts. Not less than 5 to 10 percent of the local currency counterpart is reserved for use by the United States; the remaining 90 to 95 percent belongs to the depositing country, but can be withdrawn only after the United States has agreed to the proposed use.

III. TYPES OF PROJECTS TO WHICH UNITED STATES HAS RECENTLY AND/OR IS NOW CONTRIBUTING

Wheat and forage demonstrations project (FO-PO-1): United States, \$100,000; Portuguese, \$225,950.—Undertaken to show how production can be increased through an extension service when such a service takes in consideration local resources, needs and capabilities. Although only 5,458 demonstration plots were required under the contract, 6,291 were actually planted. The high yield of these plots has so impressed the GOP that it has allocated an additional \$17,500 (in local currency) to continue this project.

Lime distribution demonstrations project (FO-PO-2): United States, \$75,000; Portuguese, \$32,000.—Project designed to demonstrate that when lime is sold in volume and when the proper methods of distribution are employed, the cost of lime can be sufficiently reduced to permit farmers to profitably correct soil deficiencies. Although contract stipulated that 10,000 tons of limestone were to be distributed, the final figure was 14,000 tons. Project has encouraged modernization of production and distribution facilities (employment of personnel in this field has gone up with 4 new producers in operation) and the cost of lime has already been reduced by more than 50 percent. Sales of limestone is seven times above the predemonstration period.

Milk quality improvement demonstration (FO-PO-3): United States, \$50,000; Portuguese, \$93,836.—Project initiated to train and educate farmers in methods of sanitation. Milk consumption should increase about as rapidly as the quality improves, thus increasing the income of the producers and also improving the diet and health of the consumers. Methods to reduce disease and to eliminate the slaughter of animals infected with tuberculosis will also be studied under this program.

Azores forage demonstration project (FO-PO-4): United States, \$35,000; Portuguese, \$41,573.—Designed to increase forage crop production through improved methods of seeding, fertilizing, liming, and cultivation. Enthusiasm on part of agriculture officials and farmers very high. Project in initial stages.

Portuguese coffee rust research center (FO-PO-5): United States, \$44,300; Portuguese, \$67,325.—Coffee rust has been considered one of the most destructive diseases of Arabica coffee plantations in Asia, Australia, and Africa. It is hoped that the research center will produce rust-resisting coffee that will make possible rehabilitation of rust-affected areas of the world. United States funds allocated for this project are being used primarily for the purchase of laboratory equipment, construction of the greenhouses, and other such expenses.

IV. SOME MAJOR DEVELOPMENT PROJECTS

A. Direct dollar aid

Pulp and paper (\$4,353,407.36) Companhia Portuguesa de Celulose, Cacia.—Construction of completely new and modern kraft pulp and paper mill with an annual capacity of 32,000 metric tons of unbleached kraft pulp. Mill uses wood from Portugal's pine forests. Total estimated cost, \$9,850,000; completed in 1953.

Railways \$3,304,932.39.—Purchase of 5 Alco and 12 Baldwin locomotives. The Portuguese Railways Co. owns and operates all railways in Portugal, with the exception of 1 or 2 small branches, as the Estoril Line.

Military factory of Braco de Prata (\$918,639.29).—Government-owned, largest ammunition factory in Portugal. United States aid consisted of procurement of machine tools and equipment for the production of military equipment. Has substantial OSP order for ammunition.

Steel tube mill, S. J. Madeira (\$847,613.81).—This plant has an annual capacity of producing 8,000 tons of water pipes and 2,000 tons of pipes for other purposes, from 3/8 to 4 inches. The mill will supply the normal needs of Portugal's national and colonial markets for these sizes of tubing. Total project cost estimated at \$1,382,000.

Sorraia irrigation project (\$898,000).¹—New irrigational development (including construction of small powerplants) planned to irrigate and bring under cultivation over 100,000 acres of land. Total cost of project estimated to be \$20.6 million.

Hospital tender for codfishing fleet (\$664,000).¹—Construction of a new hospital tender for the Portuguese codfishing fleet, to serve the fleet during the extended stays on the Newfoundland Banks. MSA financing provided steel plates, radio and X-ray equipment, main engines, compressors, and refrigerating equipment. Total cost estimated for project, \$1,295,000.

B. Counterpart aid

Hydro-Elctrica do Zezere, Esc. 90,000,000\$00 (\$3,150,000).—This includes the two major dam projects, Castelo do Bode and Cabril, with a total output of 640 million kilowatt-hours which supplies power to Lisbon and some southern regions.

Hydro-Elctrica do Cavado, Esc. 100,800,000\$00 (\$3,506,000).—This project includes the important dams and power stations of Venda Nova and Salamonde in the northwestern part of Portugal, which supplies power to the north of the country.

Amoniac Portugal, Estarreja, Esc. 17,000,000\$00 (approximately \$591,000).—Plant for the production of amonium sulfate, located at Estarreja, northern Portugal, to help supply national farming needs with required fertilizers.

Slaughterhouse and freezing plant, Esc. 10,000,000\$00 (approximately \$350,000).—Large modern plants owned and operated by the municipality of Lisbon.

Companhia Nacional de Electricidade, Esc. 57,000,000\$00 (approximately \$1,993,000).—Enterprise in charge of distributing power from the producing plants to the consumers. The loan was granted for the construction and installation of towers and lines.

Sorraia irrigation project, Esc. 40,000,000\$00 (approximately \$1,400,000).—This project received \$898,000 in direct dollar aid. It consists of 2 dams, Maranhao and Montargil, small powerplants, planned to facilitate the irrigation of and bring under cultivation over 100,000 acres of land.

¹ Also received some financing from counterpart funds

V. SUMMARY OF T/A PROGRAM ¹

T/A projects, 1950-55

TYPE A

Principal types of exchange	Number of projects	Number of participants	Dollar cost	
			Waived	Counterpart
Agriculture.....	17	31	\$43,562.90	\$4,700.00
Industry.....	7	41	72,623.87	1,749.52
Defense.....	4	12	7,444.41	3,880.00
Finance study.....	3	4	5,827.49	533.15
Total.....	31	88	129,458.67	10,862.67

TYPE B

Principal types of exchange	Number of projects	Number of technicians	Dollar cost	
			Waived	Counterpart
DOR'S				
Agriculture and industry.....	5	2 technicians and American companies.....	\$233,790.56	\$476,657.48
CONTINENTAL PORTUGAL				
Agriculture.....	1	1 technician.....	8,975.69	-----
Industry.....	2	1 technician and American company.....	-----	202,249.83
Defense.....	2	3 technicians.....	450.00	942.20
Total.....	10	7 technicians.....	243,216.25	679,849.51

¹ Authorized and excluding demonstration programs in agriculture.

T/A projects, 1950-55—Continued

TYPE A

Project No.	Title	Number of participants	Type	Dollar cost	
				Waived	Counterpart
50-1	Fish biological research	2	Agriculture	\$2,484.57	
50-12	Financial statistical study	2	Finance study	3,078.84	
50-2-13	Foreign trade zone study	1	do		\$533.15
50-2-15	MIT foreign study, summary group	2	Industry	1,260.00	
50-17	Advanced management program	1	Finance study	2,148.65	
50-20	Agricultural extension project	5	Agriculture	7,578.33	
50-21	Soil conservation project	5	do	11,938.73	
50-23	Bureau of Reclamation	1	Industry	650.00	
50-2-24	Ferrous and nonferrous foundry practice	3	do		1,740.52
50-2-26	Hybrid wheat study	1	Agriculture	1,439.32	
50-2-27	Forage improvement	1	do	975.44	
50-28	Young engineers study group	12	Industry	25,663.87	
50-2-29	Hybrid corn production	5	Agriculture	3,464.25	
50-2-30	Port defense nets	2	Defense		3,880.00
50-31	Work study training program	12	Industry	11,250.00	
50-2-32	Dairy marketing institute	1	Agriculture	1,379.43	
50-2-35	MIT foreign student, summer project	2	Industry	1,500.00	
50-101-2037	Arsenal foundry	2	Defense	2,422.87	
50-101-2038	Machining metal components, artillery and mortar ammunition	2	do	3,551.68	
50-101-2040	Construction of light naval ships	3	do	1,469.86	
50-301-3041	Tobacco improvement study	2	Agriculture	2,641.46	
50-301-3045	Slaughterhouse construction and operation	3	do	3,750.32	
50-301-3048	Extension work in agriculture and home economics	1	do	1,262.77	
50-301-3049	Poultry production and marketing	1	do	1,053.56	
50-301-3050	Production and marketing of fruits	1	do	1,302.91	
50-301-3051	Farm mechanization	1	do	1,291.81	
50-101-4031	Inplant training and technical study program (revised)	9	Industry	32,300.00	
50-301-4056	Rice production and marketing	2	Agriculture		3,200.00
50-301-4057	Mixed feeds for livestock	1	do		1,500.00
50-301-4058	Fertilizers and liming materials	1	do	1,500.00	
50-301-4061	Forestry study	1	do	1,500.00	
	Total	88		129,458.67	10,862.67

TYPE B

		DOT'S		CONTINENTAL PORTUGAL		
50-4.....	Cabinda timber research.....		2 1	Agriculture and industry..	5,368.10	
50-14.....	Aerial survey, Angola-Mozambique.....	(3)		do.....	126,300.00	294,700.00
50-2-16.....	Hybrid seed corn, Angola.....		2 1	do.....		4,858.94
50-602-2033.....	Developing underground water resources in Angola.....	(3)		do.....		114,221.00
50-2-36.....	Survey of hydro-agriculture and hydroelectric development schemes.....	(3)		do.....	102,122.46	62,877.54
CONTINENTAL PORTUGAL						
50-9.....	Survey of Douro River Valley.....	(3)		Industry.....		200,000.00
50-2-22.....	Extension service project.....		2 1	Agriculture.....	8,975.69	
50-25.....	Airport survey.....		2 2	Defense.....	450.00	
50-102-3042.....	Manufacture of nitrogenous fertilizers.....		2 1	Industry.....		2,249.83
50-102-3043.....	Modernization of Army arsenal.....		2 1	Defense.....		942.20
	Total.....		2 7		243,216.25	679,849.51

² Technician.

³ American company.

VII. PRIVATE CONTRACTS UNDER AID PROGRAM (UNITED STATES CONTRACTORS UNDER GOP CONTRACTS FINANCED FROM UNITED STATES FUNDS)

E. J. Longyear Co. (\$800,000).—Geological survey in Angola and Mozambique (DM 50-3). Original contract dated June 1, 1952, and extended by amendment No. 7 for completion of report to June 30, 1955.

Aero Service Corp. (\$421,000).—Aerial photography of certain areas in Angola and Mozambique for use by E. J. Longyear in geological survey. (TAA 50-602-1014). Original contract dated July 1, 1952, and extended by amendment No. 4 for completion to March 31, 1955.

Thompson Construction Corp. and Knappen Tippetts Abbott Engineering Co.—Contract No. 1, \$15,000: To review proposals which have been received by the GOP in response to their request for bids on construction of harbor facilities at Beira. Original contract dated March 24, 1950, with no specific date for completion.

Contract No. 2, \$39,600: To check the designs and shop drawings of contractor's designs and to furnish periodic general inspection and supervision of the execution of the work which the contractor does in connection with construction of the harbor facilities of the port of Beira.

Knappen-Tippetts-Abbott-McCarthy—Douro River Valley survey (TA 50-104-1009) (\$210,000).—Original contract dated November 1, 1951, and extended by amendment No. 2 for completion to February 28, 1954.

World Mining Consultants (\$110,975).—Exploration and development of underground water supplies in certain areas in the Portuguese Territory of Angola. TA 50-602-3033. Original contract dated December 27, 1954, and to continue in force for 20 months from this date.

Hydrotechnic Corp. (\$165,000).—To conduct investigation, survey, and report on an irrigation and hydroelectric program for Cuanza, Lucala, and Bengo River basins in Angola. TA 50-602-3036. Original contract dated January 13, 1954, and to continue in force for 15 months from this date.

VIII. ORGANIZATION FOR TECHNICAL ASSISTANCE AND OTHER ECONOMIC AID

A. The mission prepares all economic analyses and reports connected with the mutual defense assistance program in Portugal, in cooperation with the Embassy and the military assistance advisory group, to determine how Portugal may best mobilize and utilize its internal resources for achieving maximum military effectiveness while maintaining political and economic stability.

B. It collaborates with ICA/W and USRO in implementing the multilateral programs of the OEEC, the EPU, and the EPA for the liberalization and expansion of trade (especially the removal of quantitative restrictions on dollar imports), restoration of convertible currencies, and the promotion of productivity in agriculture and industry for improving the general standard of living in Portugal and its OT's.

C. It works closely with the Portuguese Technical Committee for Foreign Economic Cooperation and various ministries of the local government to encourage basic economic development projects in Portugal and its overseas territories through the utilization of counterpart funds, technical assistance, and stimulation of private investment.

D. It assumes primary responsibility on matters relating to both defense and nondefense expenditures, and is responsible for influencing and reporting on Portugal's economic mobilization and physical production capacity for fulfilling its North Atlantic Treaty Organization commitments.

E. It works with Portuguese industrialists and Government officials to mobilize specific aspects of Portuguese industry for the production of certain military items. This includes activities in implementation of the United States offshore procurement program.

IX. EFFORTS OF LOCAL GOVERNMENT IN ECONOMIC DEVELOPMENT

A. Major development in Portugal is being carried out under a 6-year plan (1953-58). The original amount allocated by the GOP for this plan was \$470 million. In May 1955 this amount was increased by approximately \$30 million. The aim of the 6-year plan, administered by the Economic Council and presided over by the Prime Minister, is to improve Portugal's productive capacity and standard of living through the maximum utilization of natural resources, establishment of certain basic industries, and expansion of transportation and communication facilities. By improving the economic development of its overseas

territories it is hoped (1) to increase production and the flow of raw materials, and (2) to provide opportunities for colonization schemes which would serve as an outlet for Portugal's excess population.

To date the development plan has lagged about 20 percent behind schedule. The short falls are not due to shortage of funds, but rather to a lack of technicians and to delays in preparing work projects. Another factor accounting for the slow progress of the plan is the apparent concern of some GOP officials with regard to the effects too rapid development might have on prices and on economic stability, and probably account for the lack of official stimulation for a more rapid rate of progress.

B. The mission carries out its program with the Government of Portugal, through the Portuguese Comissao Tecnica de Cooperacao Economica Externa. The Technical Commission inter alia serves as a liaison between the mission and various ministries of the GOP. The cooperation given this mission by the Technical Commission has been outstanding.

C. All counterpart funds released have been administered by the Portuguese national development fund.

X. TA ACTIVITIES OF U. N.* AND RELATED AGENCIES AND OF PRIVATE FOUNDATIONS OR SIMILAR ORGANIZATIONS

A. TA under FAO

Technical assistance activities in Portugal, from sources other than those already mentioned in this report, appear to be almost nonexistent. A few foreign companies offer technical assistance to Portuguese concerns in which they have an important financial interest, but even this is the exception rather than the rule.

In May 1955 the fourth meeting of the FAO working party on Mediterranean pasture and fodder development was held in Lisbon. Several field trips were made to observe various types of fodder and pasture crops growing under dry land and irrigated conditions in the southern and central areas of Portugal. This working party was made up of members from all southern European countries and, therefore, constitutes multilateral rather than bilateral TA.

B. Portugal has participated in the following EPA programs ¹

Title	TA under EPA	Country	Date
	<i>Number</i>		
Scientists research.....	151	United States.	September 1954 to present.
Water and air pollution.....	136	-----do-----	June 22 to Aug. 6, 1954.
Welding techniques.....	143	-----do-----	May 16 to June 26, 1953.
Training of European managers.....	229	-----do-----	Mar. 14 to June 15, 1955.
Effective use of demonstrations.....	248	France	Mar. 21-30, 1955.
Seed multiplication.....	252	-----do-----	1954.
Industrial design.....	278	United States.	To begin September 1955 (maximum 6 weeks).
Study of problems of distribution in the chemical industry producing for direct consumption.	299	-----do-----	To begin September 1955 (5 weeks).
Trainers in statistical quality control...	318/2	-----do-----	Tentative date of implementation Mar. 15 to June 15, 1956.

¹ Portugal is not a member of the United Nations.

NOTE.—Portugal is the only OEEC country which has not participated in EPA type II projects (United States experts to Europe).

C. Food package program, 1954

Under the provisions of title II, Public Law 480, arrangements were made between FOA/W and the War Relief Services (National Catholic Welfare Council) to send 25,000 pounds of surplus foods to Portugal. This food consisting largely of rice, butter, dried milk, beans and wheat flour arrived on December 28, 1955 and was distributed by the local CARE organization known as Uniao de Caridade Portuguesa Caritas. A total of 24,228 packages were distributed throughout Portugal by the 15 dioceses. While there are no emergency conditions applying in Portugal an appreciable portion of the population may be classed as needy in view of the fact that the standard of living, according to U. N. statistics is one of the lowest in Western Europe. It is believed that this program assisted in creating a generally favorable climate of appreciation for the United States.

The program received very little publicity in the press, due probably to the Portuguese sensitivity to anything related to charity from abroad, and no indication was given of any United States Government interest in the program, the program being treated as in the nature of a gift from the American people to the people of Portugal, transmitted through private charities in the United States and Portugal. However, each package distributed contained a note in Portuguese explaining that the package was a gift from the American people, and a determined effort seems to have been made to bring home to the individual recipients this fact. It is therefore felt that the program created a feeling of goodwill and kinship for the American people in those people who became aware of the program's existence. This, of course, is a long-term United States foreign-policy objective.

VI. CONCLUSIONS

The foregoing recital contains many observations and some recommendations. The European orbit is but a small part of our area coverage under Senate Resolution 214. Our subcommittee still has much to do under the directive to "make a full and complete study of technical assistance and related programs." Until all the evidence is in, I refrain from submitting final conclusions.

TECHNICAL ASSISTANCE IN SOUTH AMERICA

A REPORT BY MR. PAT M. HOLT, STAFF DIRECTOR,
SUBCOMMITTEE ON TECHNICAL ASSISTANCE PROGRAMS

October 1, 1956

FOREWORD

The following report was made to the Subcommittee on Technical Assistance Programs by Mr. Pat M. Holt, staff director of the subcommittee. This report was based on field study in South America in July and August 1956 and was circulated privately to members of the subcommittee and to the State Department and International Cooperation Administration in October 1956.

TECHNICAL ASSISTANCE IN SOUTH AMERICA

I. INTRODUCTION

The technical-assistance program has developed in South America as a series of largely unrelated projects which individually are well-run and technically sound, but which collectively fail to meet the basic needs of the recipient countries.

These basic needs lie in the field of what one of our best Ambassadors, with long experience in the area, has called general resources management.

A 25-day trip through 6 South American countries tends to confirm this Ambassador's statement that—

Too often we have stopped after giving other countries what they said they wanted; we have not tried enough to give them also what we knew they needed.

In one country, through technical and development assistance, we have increased agricultural production, but the government has set price ceilings which provide an incentive for that increased production to be smuggled out of the country. In another country we have improved dairy herds, but government-fixed price relationships between milk and beef mean that dairy cattle are slaughtered. In still other countries we have conducted spectacularly successful health programs, but there has been little, if anything, done to take advantage of the resulting increase in productive manpower.

This field of general resources management is, of course, a sensitive one for the United States to enter. It goes to the heart of a country's sovereign prerogatives, and nationalism is hardly less virulent in South America than in Asia.

The field has not, however, been ignored completely. The United States helped Bolivia draft a petroleum code which is credited with bringing Gulf Oil Corp. into the country with a large investment program. The United States is now advising Bolivia on currency stabilization; with what success, it is too early to tell. Similar advice, on a more informal basis, turned out rather well in Chile.

In general, however, our activities in these areas have been limited both as to time and scope. Whether we should expand these activities—or, indeed, whether we should even be doing as much as we are—raises a serious question of basic policy which can only be decided by Congress and the President. It may be inadvisable, as a practical political matter, to go further than we have already gone. On the other hand, it may be possible, through tactful indirect means, to do considerably more. The point here is to emphasize the limitations under which other technical assistance projects must operate so long as this gap exists in the field of general resources management.

Within these limitations, which are serious ones, the technical-assistance program in South America has compiled an impressive list

of accomplishments in specific areas in terms of better health, better living conditions, increased agricultural production, and increased opportunities for American investment or trade.

The conclusions resulting from this trip may be summarized as follows:

1. On the whole, the technical assistance program in South America is worth continuing at approximately its present level.

2. Within the limits imposed by political considerations, the program's administrators should seek to bring about a change in emphasis so that more attention is given to the problem of general resource management.

3. The program is handicapped by delays in recruiting United States technicians and by problems of technician orientation. If there were no other considerations involved, this in itself would prevent any substantial expansion of the program. The International Cooperation Administration mission in Brazil has developed an orientation course which may have application elsewhere. Administrative regulations concerning educational allowances should be reviewed to be sure there is no discrimination against employees at remote posts.

4. There are policy inconsistencies in regard to technical assistance in the production of agricultural commodities which are surplus in the United States. More attention should also be given to the uses and control of foreign currency accruing to the United States from surplus agricultural disposal.

5. There is a tendency for the United States to continue to carry out technical assistance projects after they have passed from the demonstrational to the operational stage. This is due in part to the reluctance of local governments to accept full responsibility for operation of the projects.

6. Cultural attitudes are gradually and slowly changing under the impact of technical assistance, but there are some projects which raise questions as to whether (a) technical assistance is in fact going to the people who need help most, and (b) technical assistance is stimulating demands faster than they can be satisfied.

7. The exchange of persons program, particularly in the labor field, could well be expanded substantially. There would also seem to be room for some expansion of other cultural activities. The University of Santa Cruz in Bolivia, for example, badly wants a professor of English. If foreigners are eager to learn English and to learn about the United States generally, it would seem worth while to make it possible for them to do so.

8. If members of the subcommittee have an opportunity to visit South America later in the year, I would suggest that they spend several days in Peru, where the program appears to be highly successful, in an effort to determine what distinguishes the program there from the program in other countries. I would further suggest that they spend several days in La Paz to go more deeply into the Bolivian political and economic situation. The aid programs in Bolivia, in particular, needs a thorough review and reevaluation.

9. The Plan Chillan area development plan in Chile is a worthwhile experiment which also needs an intensive evaluation survey, including the services of a cultural anthropologist. The industrial productivity program in Chile should put more emphasis on labor.

10. The situation in Brazil is deteriorating. The entire United States operation there should be upgraded, and the United States should face the possibility that it may have to reconsider its oil policy in regard to Brazil.

II. MAJOR PROBLEMS

A. LOCAL RESPONSIBILITY

With the exception of Chile, the government of every country visited on this trip has shown great reluctance to take over technical assistance projects once they are well established. Many of these projects, particularly in health, have long since passed from demonstration to operation; yet they continue to be operated by *servicios* (organizations which are jointly financed and administered by the United States and the recipient country).

This is due only in part—and in my judgment, minor part—to the reluctance of American officials to withdraw from these operations. The principal opposition comes from the South Americans themselves, both those in local governments and in the *servicios*.

In instances in which projects have been transferred from a *servicio* to a local ministry, there has usually been some deterioration in the project. The equipment is not as well maintained, the operations are not as efficiently administered, or the payroll is loaded with incompetent appointees. Sometimes the project suffers from lack of financial support. This may be true even though the local government has been contributing as much as 90 percent of the *servicio's* costs.

As long as a project is operated by a *servicio*, American participation, even to a small extent, provides a certain degree of insulation against local political pressures. And the American financial contribution, even though a small one, provides a kind of leverage to induce local contributions.

The difficulty of transferring projects from *servicio* or direct United States sponsorship to local responsibility, however, presents a real problem and raises serious questions about the future of technical assistance in South America. It underscores a criticism made by a U. N. technician: "The U. N.," he said, "helps local people do things for themselves. The United States tends to run the whole show."

There is one sparkling exception to this general criticism. In Chile, the health *servicio* was liquidated as of July 1956, and all its operations formally transferred to the Health Ministry. The *de facto* transfer had taken place some months earlier. Both Americans and Chileans are satisfied with the results to date, and indeed, seem a little proud that they have accomplished such a clean break.

B. RECRUITING AND ORIENTATION OF UNITED STATES TECHNICIANS

The technical assistance program is handicapped in South America, as elsewhere, by delays in recruiting. These delays sometimes are for as long as 18 months.

International Cooperation Administration orientation procedures need to be improved. Some technicians—a minority of those interviewed—have only the haziest notion of why the United States Government chooses to pay their salaries and transportation expenses to

do the jobs they are supposed to be doing. There is no reason to question the technical competence of these men, but they take an extremely limited view of their jobs and do not relate their work to the broader objectives of American foreign policy.

One man, for example, said it was a joy to deal with big landowners—"they're the people with whom you can build up this country; there's no use messing around with these Indians and little farmers." There is some basis for this statement if the objective is immediate economic growth; it is more questionable in terms of long-run political relationships.

On the whole, International Cooperation Administration country directors and their immediate staffs are well oriented; it is an occasional working level technician out in the field who has too narrow a perspective.

The International Cooperation Administration mission in Brazil has begun on its own initiative an experiment that seems well worthwhile following up and possibly adapting, perhaps on a regional basis, for use in other areas. A survey among 112 American employees of International Cooperation Administration in Brazil revealed the feeling that a technician's efficiency was cut by 40 to 60 percent in his first year because of unfamiliarity with the language and country. An intensive 9-week language and orientation course was designed for all incoming technicians, on the theory that a technician would still accomplish more in his first year if he worked 10 months at reasonable efficiency instead of 12 months at half efficiency. The course is taught by two Brazilian employees of International Cooperation Administration, one of whom is a former instructor at the United States Army Language School at Monterey, Calif. It provides a reasonable speaking knowledge of Portuguese as well as background in Brazilian history, culture, and customs. A technician who had completed the course was high in his praise.

Finally, I would recommend that the subcommittee explore with Washington officials what seems to be a misunderstanding of the congressional intent in providing educational allowances for the children of overseas personnel. As this law is now administered, the allowances are based upon the cost of sending a child to an approved school abroad. If the child is sent to the United States to school, the allowance is the same that would be paid if the child attended school in the city where his father is assigned. If there is no approved school in this city, the allowance is a flat rate of \$140. But by the same token, if there is no approved local school, it becomes all the more desirable to send children to school in the United States. This works a real hardship on employees assigned to cities where there are no approved schools, and there are many such employees in International Cooperation Administration, particularly in Bolivia and Brazil.

In Rio de Janeiro or Santiago, it is reasonable to pay no more to send a child to the United States than to send him to school locally. But it seems unjust to apply the same equation to Belo Horizonte or Santa Cruz, where a child cannot be sent to school locally.

C. SURPLUS AGRICULTURAL COMMODITIES

In the 6 countries dealt with by this report, the United States has made available \$164.5 million worth of surplus agricultural commodi-

ties under titles I and II of the Agriculture Trade Development and Assistance Act (Public Law 480). The breakdown is as follows:

	<i>Millions</i>
Title I sales for local currency:	
Colombia.....	\$16.9
Peru.....	13.5
Chile.....	39.6
Argentina.....	31.1
Brazil.....	41.9
Subtotal.....	<u>143.0</u>
Title II relief grants:	
Bolivia.....	17.9
Peru.....	3.6
Subtotal.....	<u>21.5</u>
Total.....	<u>164.5</u>

In the five countries where there are technical assistance programs, the local currency accruing from these Public Law 480 operations amounts to almost 4 times the total value of other American aid. If Bolivia is excluded, the ratio rises to more than 10 times the total value of other aid.

These surplus transactions, in other words, have suddenly made available for economic development and the other purposes specified in Public Law 480 a great deal more money than either International Cooperation Administration or local officials have been accustomed to.

There has as yet been insufficient experience to evaluate the uses to which this money is being put. A superficial impression is that in Peru and Chile these uses are constructive—for basic projects such as roads and irrigation which will make a long-term contribution to the national wealth. In Peru, it has become apparent that the most effective utilization of Public Law 480 local currency may require some slight increase in dollar aid from the United States. This is in connection with projects which require certain types of machinery available only with dollars.

In Brazil, plans for the use of Public Law 480 currency had not been finally worked out as of mid-August. The prospects, however, were that a major proportion would be lent to private business to augment its cruzeiro capital. The fact is, however, that Brazil is not short of cruzeiro capital. Brazil, indeed, has some of the greatest concentrations of individual wealth in the world, most of which is being spent for nonproductive purposes. There is a danger that an overly generous cruzeiro lending policy on the part of the United States will simply postpone the day when Brazil takes effective steps to channel its own cruzeiro resources into productive uses. Brazil is in its present economic difficulties largely because of its fiscal and resource management policies. Until its present policies are changed, steps taken to alleviate its difficulties will be only palliatives instead of cures, and will simply encourage the postponement of basic reforms.

Bolivia presents a special problem in regard to disposal of agricultural surpluses, all of which have been supplied to Bolivia under the grant relief provisions of title II of Public Law 480. They have been marketed—or at least they have been supposed to be marketed—through private channels of trade. They are made available to the

Bolivian importer at the fictitious official rate of 190 bolivianos to the dollar, compared to the free market rate of 8,500 bolivianos to the dollar. This means that the Bolivian importer has received a dollar's worth of commodities for a little more than 2 cents. He is supposed to sell them in Bolivia at controlled prices which allow a reasonable profit margin. But what has actually happened is that he has smuggled them out of the country and sold them at their real value, a transaction which gives him a profit of almost 98 cents on a 2-cent investment. The net result is that the United States Government is underwriting enormous illicit profits.

It should be pointed out, however, that since my visit to Bolivia, the Government has issued a currency stabilization decree which, among other things, abolishes the 190 to 1 official exchange rate and should thereby eliminate the incentive to smuggle goods out of the country.

As a final comment, the problem of disposal of surplus agricultural commodities continues to be a source of considerable embarrassment to the technical assistance program in its foreign operations. In some instances, International Cooperation Administration is following a policy of refusing any help which would result in increased production abroad of commodities which are surplus in the United States. This policy is pursued apparently without any great consideration of whether this increased foreign production would, in fact, be competitive with American commodities—of whether, that is, Chile would actually buy beet sugar from the United States if its own production were not increased, or would export beet sugar in competition with the United States if its production were increased. In view of the fact that the United States is itself a large importer of sugar, this particular fear seems rather remote; but it was nonetheless used by International Cooperation Administration as justification for refusing assistance to Chile in sugar-beet production.

At the same time, however, ICA has carried out a sugarcane program in Bolivia. United States activities in Bolivia have also covered wheat production. Wheat is shunned like the plague in Chile, but this does not prevent close ICA cooperation with the Rockefeller Foundation which is working privately to improve wheat production.

D. ACCEPTABILITY AND LONG-TERM IMPLICATIONS OF TECHNICAL ASSISTANCE

The countries of South America are so diverse that the question of economic development and the degree to which technical assistance has contributed to it will be dealt with on a country-by-country basis in later sections of this report. There are, however, a few general observations to be made.

In some countries there is a real question as to whether the benefits of the program go to the people who need help most. Farm-extension projects, for example, tend to concentrate on big- and medium-sized farmers to the relative neglect of small farmers and the almost total exclusion of landless peasants and farm laborers. Big farmers are easier to reach, and results can be achieved more quickly. From a strictly economic point of view, this may be a sound approach; but its long-term political implications are not so clear, particularly in a

country where land reform is the subject of political agitation. To some extent the United States may be contributing to future unrest by perpetuating, or even intensifying, the stresses which are built in the existing social structure.

There is likewise some evidence that technical assistance may be stimulating demands faster than they can be satisfied by a country's economy. A prominent American businessman in Bogota said that "Point 4 is doing almost too good a job." He went on to explain that, in part as a result of technical assistance, people want more than the Colombian economy can supply. There has also been some frustration in the Chillan area of Chile among farmers who have seen better seeds demonstrated and who are unable to procure them.

There seems little doubt that technical assistance has contributed to increased United States trade and opportunity for private United States investment. It should also be pointed out, however, that United States business is meeting increasingly stiff competition from Western Europe. The primary European advantage is longer and easier credit.

One of the prerequisites for economic development, of course, is dissatisfaction with the existing mode of life. The line between dissatisfaction and frustration is a fine one, but is also likely to be the line between a technical assistance project which succeeds and one which does positive harm.

There are many examples which could be cited to indicate that gradually and slowly cultural attitudes are changing under the impact of technical assistance. One of the most important changes has been the growth of the idea of self-help through either community or individual action. This notion is still far from universal, but it can be detected in the Chillan area development project in Chile, in the Rockefeller-sponsored supervised rural credit and extension program in Minas Gerais, Brazil, in the Chíncha irrigation project in Peru, and perhaps in a few other places.

New ideas and techniques are likewise taking hold. At the National University of Colombia in Medellín, the idea of conducting a short course was laughed out of the faculty meeting the first time it was broached by visiting Michigan State professors. A year later, the university was conducting short courses on its own initiative. An industrial productivity project in Chile, known from its Spanish initials as ICARE, has made some progress in propagating the doctrine of efficient management with smaller unit profits on larger volume. Even the altiplano Indian in Bolivia now wants his children, including his daughters, to go to school.

It has sometimes required considerable ingenuity to get new ideas across and to make technical assistance acceptable to the people it is designed to benefit. Plan Chillan in Chile did not really get off the ground until a cattle-vaccination program reduced the incidence of aftosa. In Bolivia, when the health servicio tried to conduct a typhoid immunization campaign, the Indians on the altiplano refused to take the shots because they thought this was a means to exterminate Indians by making it impossible for them to have children. The same Indians, however, accepted DDT spraying because it made them sleep better and added to their general personal comfort through killing lice and

other insects. Thus, the same objective of controlling typhoid was achieved through the culturally more acceptable means, not of immunizing people, but of killing the typhoid vector.

Despite cultural resistance of this kind, it appears in some instances that technical assistance is more acceptable to people than to governments. When new ideas of educational techniques have been implanted through the college contract program, the support needed to carry out these new ideas has not always been forthcoming from the local government.

In every case, technical assistance is extended only upon request (though the "requests" are sometimes suggested or inspired), and therefore presumably each technical-assistance project is directed at a need which is recognized by the recipient government. Having recognized a need, however, governments frequently recoil from the logical answers to the problems which they themselves have stated. Two of the countries visited, for example, have each requested and received help in public administration, and each has done precious little to put into effect the recommendations it has sought.

III. ADMINISTRATIVE PROBLEMS

The principal administrative problems revealed by the trip have to do with private contracts and with relationships between field missions and Washington headquarters.

In regard to the latter point, there is some feeling that Washington directives are issued without adequate consultation with the field and without giving the missions opportunity to call attention to factors which might otherwise not be adequately considered. There were also complaints about the delay in giving a country a firm budget figure after passage of the appropriation bill and about the accounting lag in recording expenditures in Washington.

On the other hand, one post reported better service, in terms of policy decisions, from the International Cooperation Administration than it had received from FOA.

Private contracts, other than those with colleges, have not been widely used in the countries covered by this report, except Bolivia. Both the colleges and the private business firms seem to provide the same general advantages and disadvantages. On the plus side, they considerably relieve the International Cooperation Administration's recruiting burden. The contractors also provide certain supporting technical services and, particularly in the case of colleges, a convenient focal point for training programs in connection with the contract project. Finally, private contractors sometimes have a higher degree of acceptability among the local people with whom they are working than do International Cooperation Administration direct-employed technicians.

The principal disadvantages of private contracts are that they cost more, especially when they are with private business firms, and that they tend to reduce International Cooperation Administration control of a project. This latter point is less serious with regard to private-business contracts, most of which are concerned with relatively short-term surveys or with specific construction projects.

IV. MULTILATERAL PROGRAMS

The United Nations and the Organization of American States also carry on technical-assistance programs in South America, the U. N. at a level of about \$4 million a year, the OAS at a level of about \$1.5 million.

In Colombia, there seems to be a good working relationship between the U. N. and the International Cooperation Administration. The U. N. has been particularly helpful in the fields of public administration and education, where it has not been feasible for the United States to undertake substantial projects.

It must be said, however, that elsewhere the general attitude of Americans toward the U. N. is somewhat arch, superior, and barely tolerating. There are, of course, many individual exceptions, but most Americans in South America would probably be happier if the U. N. program did not exist in that area. I occasionally heard the statement that the U. N. does not work for American interests. Not being an American organization, it could hardly be expected to do so. There is a considerable lack of specificity in American complaints that the U. N. does not work for American interests, or that it works against American interests, which is a more serious charge. Sometimes it is said the Food and Agriculture Organization is encouraging the production of commodities which are surplus in the United States. (So is the Rockefeller Foundation, but one hears no complaints on this score. Indeed the International Cooperation Administration-Rockefeller cooperation is so close that it raises the question as to whether the International Cooperation Administration is not using Rockefeller as a shield behind which it can do indirectly what it is afraid to do directly.) More frequently, it is said that the U. N.'s Economic Commission for Latin America, with headquarters in Santiago, is a hotbed of statism and socialism.

I did not have an opportunity to go into the U. N. program deeply enough to evaluate these complaints. They are recorded here simply as a reporting job on what many official Americans in South America think about the U. N. program.

The situation as regards the OAS is far different. The OAS, with a much smaller program, operates entirely through regional training projects. I visited one of these—the Inter-American Housing Center in Bogota—and it struck me as a well-conceived, well-run project. It conducts some experimentation in building materials and methods and concentrates on a search for cheaper, more practical methods of home construction.

The OAS also cooperates with the International Cooperation Administration in a number of projects. OAS has supplied a teacher to the Piedras Blancas Forestry Experiment Station in Medellin, for example, and other South American countries are sending students there under OAS sponsorship.

American-aid officials in South America generally like to work with the OAS. OAS participation in a project gives it more prestige in the eyes of the host country and, therefore, increases the support which the country is willing to give to the project.

V. THE COUNTRY PROGRAMS

A. COLOMBIA

Colombia's main trouble is a severe case of growing pains. The country is undergoing rapid industrialization and is self-sufficient in consumers' soft goods. The standard of living has been rising at a rate of 6 percent a year, compared to 4 percent in the United States, and the general prosperity is, by Latin American standards, broadly distributed throughout the population. Of the 500,000 coffeegrowers in the country, 90 percent produce less than 50 bags a year, so the benefits of high coffee prices have been spread thin over many people.

Despite the feverish pace, demand outruns supply, and new development projects generate even greater demands. As more electricity becomes available, for example, more people want electric appliances.

Although prices have risen only 5 percent, there is a large inflation potential in the Colombian economy. The peso has depreciated by half in 3 years. There has accumulated a foreign-exchange deficit of \$240 million on current account and a lag of several months in foreign-exchange payments. It should be emphasized, however, that this deficit has been incurred largely in capital goods and in sound development projects which will, in time, create additional wealth. Colombia has not frittered away its resources on luxury consumer imports.

Colombia does, however, continue to put scarce capital in the Paz de Rio steel mill, which has gone from one trouble to another. A sizable segment of opinion also holds that it is spending more than it can afford—about 25 percent of the total budget—on defense items.

The country's labor force and agriculture have not been able to keep up with the rapid industrialization. There is a shortage of skilled and semiskilled labor. Agriculture has been harassed by unsettled political conditions, but, in addition, it is also characterized by wasteful use of land. Of the agricultural land in the country, 90 percent is livestock, primarily because Colombian tax laws make it profitable for an individual to use livestock as a device for hoarding capital and deferring income. (This is not without its advantages; one can get an excellent steak for 5 pesos—equivalent to 1 United States dollar—in the plush Tequendama Hotel in Bogota.) Many small farmers cultivate unbelievably steep hillsides, thereby increasing erosion. The hillsides are neither terraced nor contoured—the farmers say drainage is better when the furrows run up and down.

United States private investment in Colombia is estimated at \$500 million and is increasing in a generally favorable climate. As a result of Colombia's exchange difficulties and the threat of inflation, however, companies now entering Colombia invest only the bare minimum of dollars and borrow peso capital locally. To some degree, therefore, at this particular point in time, foreign investment intensifies rather than ameliorates the country's economic problems.

Colombia's economic growth has not been matched by political progress. The regime of President Rojas Pinilla has disappointed the high hopes which attended its coming to power in mid 1953. At that time, it proclaimed a general amnesty for guerrillas and embarked upon a program of pacification of the countryside which had been

torn by fighting since 1948. An era of good feeling prevailed. Much progress has been made in pacification, but there is still occasional fighting, especially in remote areas. Just how much is hard to evaluate from the fragmentary reports which reach Bogota.

On the other hand, the Government seems to be moving steadily toward authoritarian rule and the suppression of political opposition. The promise to turn the legislative power back to the Congress has not been fulfilled; government is still by decree. *El Tiempo*, the leading liberal newspaper of Colombia and one of the once-great newspapers of South America, has been suppressed. A successor newspaper called *El Independiente*, which is somewhat more restrained in its criticism of the Government, is tolerated.

One gets the impression that the technical-assistance program in Colombia has not yet really come to grips with the country's basic problems. Expenditures generally amount to less than a million dollars a year, and are concentrated in the fields of health and agriculture. Projects were first started in both these fields during World War II, but until recently the agricultural program was largely limited to rubber. Until recently, there has been no technical assistance in education, except at the university level. In response to a request from the Department of Cali, a limited education project is now getting underway, but progress is slow because of recruiting difficulties. Through a contract with the Small Homes Council of the University of Illinois, ICA is advising the Instituto de Credito Territorial on the Colombian-housing program.

Progress in pacification of the countryside has permitted a recent expansion of work in agriculture, and there are now projects in cacao production, farm extension, home demonstration, and forestry. The agriculture servicio has also begun operation of a farm machinery pool. The forestry project is an interesting example of cooperation among various agencies interested in the same general problems. It receives contributions from the municipality of Medellin, the Department of Antioquia, the Federal Ministry of Agriculture, the agriculture servicio (STACA), and the OAS. The project is located in 7,000 acres of heavily timbered land comprising the Medellin watershed. It does demonstration work in watershed protection and forest management and also experiments with the introduction of new species. Last year the project conducted a short course for Colombians in training in practical forestry. This year the short course is international, with students from Ecuador, Peru, Bolivia, and Panama, as well as Colombia, and with an instructor supplied by the OAS.

Although the project site is only a few miles from Medellin, it is inaccessible except by a long, rough jeep ride. The camp provides only primitive living conditions, and there are few if any opportunities for students to get to town. If a student sticks out the full course—and most of them do—it is a good indication that he has a real interest in forestry.

The health servicio has done excellent technical work, but many of its activities appear to have been undertaken for their own sake. Although 67 out of more than 80 separate health projects have been completed or turned over to the Colombian Government, a number of these, especially in the earlier years, were local health centers. Technically competent Colombians are available and could well take over

additional projects. Current health activities are in malaria control, yaws control, nutrition research, health education, goiter control, sanitary engineering, and industrial hygiene.

B. PERU

In Lima, one senses a feeling of optimism. Peru is not undergoing the spectacular industrialization of Colombia, but neither does it have the king-size problems which accompany such industrialization. Growth in Peru is slower, but it is reasonably steady and it appears to be sound. Peru has one of the best private investment laws in the hemisphere, and private foreign investment is increasing at the rate of about 10 percent a year, limited principally by the size of the Peruvian market. Further, American business, which is operating in Peru, has itself contributed a great deal in the way of technical assistance. The W. R. Grace Co. has been particularly active in this respect.

The Peruvian political situation is likewise promising. A democratic election has been held, and its results abided by. The new president has adopted a more tolerant attitude toward APRA, the outlawed but nonetheless principal opposition party, and the new Congress contains a number of Aprista sympathizers who should provide a leavening influence. On the whole, a spirit of moderation and good feeling prevails. The fact that this is so after a vigorously contested election, has contributed greatly to the political advancement of Peru and to the development of political stability.

There remain, of course, many problems, the more important ones perhaps stemming from the enormous gap between the Andean Indians and the more Europeanized residents of Lima and other cities. The lack of transportation facilities is acute, and roadbuilding is fantastically expensive. It is not uncommon for bales of cotton to be shipped by air. But in the political economic situation which now exists, Peru's problems should certainly be more susceptible to solution.

Many specific instances could be cited of the interaction of technical assistance and private investment. Demonstration projects in the use of insecticides and fungicides have increased demand so much that two United States companies have installed mixing plants. A ground-water development project was followed by the entrance of a United States owned well-drilling company. The farm machinery pool was followed by a \$1.3 million loan from the International Bank for the purchase of more machinery. This loan is administered by the agricultural servicio. In this respect, it should be noted that there is some problem in Peru, as in Colombia, of transferring well-established projects from servicios to Peruvian Government ministries. The industrial hygiene program, for example, is supported entirely by Peruvian funds, but is administered by the health servicio.

The technical assistance program in Peru has been growing steadily, increasing in size from \$1.7 million in fiscal 1953 to \$3 million in fiscal 1957. An area-development program which has recently been undertaken in the drought-stricken southern part of the country may require some further increase. Additional dollars may also be required for efficient utilization of Peruvian soles accruing under title I of Public Law 480 (the Agriculture Trade Development and Assistance Act).

Peru is apparently able to utilize this increasing assistance effectively and could probably absorb even more. The program, however, is already one of the biggest in Latin America, and a continuation of the rising trend would be difficult to justify.

The technical assistance program in Peru is often cited as one of the most successful in the world, and a cursory inspection would seem to bear this out. It might therefore be helpful if a more detailed examination of the Peruvian program could be made to determine the factors which differentiate the program in Peru from the program in other countries.

C. BOLIVIA

Rarely has a country with so much natural wealth as Bolivia found itself enmeshed in so many predicaments.

Besides tin and other minerals, it is rich in oil, and it has some of the best agricultural land in the world. Yet it remains the poorest and most politically unstable country in the hemisphere.

It is probably fair to say that for the last 3 years, chaos has been averted only by United States assistance which in that period has totaled \$59.8 million. Bolivia has also received, over this period, three loans from the Export-Import Bank totaling \$4.9 million. (This is in addition to \$37.2 million in Export-Import loans during the decade of the 1940's.) There have been no International Bank loans to Bolivia.

The problems which now beset the country have been long in the making. Bolivia has never been a truly national, unified entity. It consists geographically of the bleak plateau of the altiplano, the high valleys, and the lowlands. Each of these areas is separated by some of the world's most rugged terrain. Transport and communications are difficult, expensive, and uncertain. Culturally, the Indians have lived a race apart, outside the national economy. In recent years, there has developed an imbalance between production and consumption as the Indians have been entering the monetized economy. Relatively more manpower has been put into mining, and relatively less into agriculture. The country has not been able itself to produce the goods which the mineworkers want to buy with their money wages, and the products of the mines have not been sufficient to pay for the import of those goods.

This economic problem is compounded by a social problem having its roots deep in history and geography and resulting in deep social cleavages and jealousies. The badly needed land reform instituted by the government of ex-President Paz Estenssoro, has added to the general confusion. It seems to me, incidentally, that the United States is missing a bet in not putting a great deal more emphasis on technical assistance programs in this field, particularly in showing the Indians and other landless peasants what to do with land after they get it.

On top of everything else, a prolonged drought has resulted in severe water and power shortages in Cochabamba and La Paz and in a potato crop failure and a consequent food shortage.

The political situation is highly tense and unsettled, and economic paradoxes abound. The nationalized tin mines are operated at a loss which is made good by printing money. More printing press subsidies are given to a network of organizations roughly comparable to

consumer cooperatives and embracing in one way or another almost everybody in the country. As a result of these and related policies, the boliviano-dollar exchange rate is approximately 8,500 to 1. The official exchange rate of 190 to 1 encourages smuggling out of the country, thereby reducing the goods available in Bolivia and adding to the inflation.

This set of facts adds up to a crisis which is acute, even for a country where crises of one kind or another are a normal condition. With the help of ICA and the State Department, a plan, which seems to be based on sound economics, has been evolved for dealing with this crisis. The plan calls for abolishing the official exchange rate of 190 to 1 and ending Government subsidies, with compensating wage increases. There would be a United States Treasury credit (probably in the magnitude of \$5 million) to back up the Bolivian currency, and United States development assistance would be continued at approximately the current level of \$20 million a year.

The plan has been accepted by the new Government of President Siles Zuazo and a decree has been issued establishing an economic stabilization board with broad powers and with an American adviser supplied by the International Cooperation Administration.

The big unanswered question is whether the Bolivian Government is strong enough politically to take the economic steps which so badly need to be taken. Bolivia is in for a period of belt tightening, and Bolivian belts are already pretty tight. Further, the Bolivian culture puts a premium upon leisure and a very low value upon sacrificing in the present in order to be better off in the future.

If the stabilization plan works, the future of Bolivia can be very bright indeed and not impossibly distant. If the plan does not work, the United States will be confronted with a highly unpleasant set of choices.

These immediate problems of Bolivia tend to overshadow the positive accomplishments of the American aid program. More land has been put under cultivation and agricultural production has increased in the Santa Cruz area. An unknown proportion of this production is being smuggled to Brazil, but some of it is being trucked to Cochabamba over a good highway built with money from an Export-Import Bank loan. This highway has also made it possible for the oil which is refined in Cochabamba to be trucked to other parts of the country, and it has stimulated secondary agriculture development along its route. For roads in other parts of Bolivia, a road maintenance servicio has been organized and is making its contribution to improved transportation facilities. Oil development is proceeding under the benign influence of a modern petroleum code drafted with American technical assistance. Gulf Oil Corp. has entered the country with a development program which may involve an investment of \$75 million and which holds great promise for the future of Bolivia.

One cannot escape the feeling, however, that the whole American program in Bolivia needs a thorough review and reevaluation. Although I spent 6 days in Bolivia, only 1 of them was in La Paz. If it is possible for members of the subcommittee to go to Bolivia later this year, I would strongly recommend that several days be spent in La Paz to allow opportunity to go deeper into the political situation and the basic policy questions to which aid must be related if it is to serve the national interest.

D. CHILE

Chile's principal economic problems are gross maldistribution of wealth and land and a chronic foreign exchange shortage. There is beginning to be some tentative thinking on the part of conservative Chileans about using the tax system to begin a trend toward equalization of wealth and land. Some breakup of big estates has already been started through inheritance laws which require estates to be divided among heirs.

The Chilean Government has begun a currency stabilization program and has done rather better with it than might have been expected, but it still has a considerable distance to go. The United States has helped, through Public Law 480, but it could—and possibly should—do more through the Export-Import Bank.

The United States technical-assistance program amounted to \$2.2 million in fiscal 1956 with an increase to \$2.5 million planned for 1957. About two-thirds of the total is spent on plan Chillan.

This is an area development program, centered on the city of Chillan and embracing three provinces. It is one of the poorest areas in Chile. It adjoins the growing industrial center of Concepcion; and one of the reasons it was selected for area development was that it was becoming incapable of meeting the agricultural needs of Concepcion.

Up to this point, the operations under the plan have been largely agricultural. An agricultural school is being established in cooperation with the University of Concepcion. An animal-health program, aimed principally at aftosa, has been carried out. Home demonstration workers are being trained. An experiment station has been established, as well as a forest nursery, and irrigation facilities have been improved.

Plan Chillan has not been in operation long enough for a conclusive evaluation. It has obviously caught the imagination of Chileans, both in the Chillan area and in Santiago. If the pattern and techniques of plan Chillan are used in other areas with Chilean initiative, it will have made a considerable contribution to the social as well as the economic development of Chile.

The plan is receiving valuable support from the Rockefeller Foundation which is carrying on crop experiments and which will build greenhouses, supply equipment, and furnish a library for an agricultural experiment station. UNICEF is supplying the machinery for a powdered milk plant in a building provided by the Ministry of Agriculture on land furnished by local farmers. The OAS is interested in the plan area as a place to hold regional training courses.

Plan Chillan is a worthwhile experiment, but, as of now, it seems to be no more than that. It should shortly be the subject of an intensive evaluation survey, which should include a cultural anthropologist.

Two other technical-assistance projects in Chile are worth mentioning. One of these is an industrial productivity program known by its Spanish initials as ICARE. Through this project, technical assistance is given Chilean manufacturers in business administration and industrial management. Emphasis is placed on the concept of productivity as an economic gospel resulting in lower costs to the manufacturer, higher wages to the worker, and lower prices to the con-

sumer with the manufacturer taking a smaller unit profit on a larger volume. This gospel has made some converts among Chilean businessmen, but it is dangerous to estimate numbers on the basis of a short visit.

The program seems to me to be unbalanced in that it is aimed too exclusively at management with too little attention paid to labor, without whose cooperation the idea of productivity cannot make much headway. This impression is shared by some of the American businessmen with whom I talked in Santiago.

The labor program in Chile consists of sending labor leaders to the United States and is carried on by the labor attaché of the Embassy, apparently without as close coordination with the International Cooperation Administration as would be desirable. In any event, it seems to require a considerable expansion. (This is a point, incidentally, of general application in the countries covered by this report. The number of labor leaders going to the Soviet Union, for example, generally exceeds those going to the United States.)

The other technical-assistance project which should be mentioned is aided self-help housing in Santiago. This project is carried out by the Chilean Government Housing Corporation, with technical assistance from the International Cooperation Administration. About 640 families, amounting to about 4,000 people, are building their own houses on land which has been bought by the housing corporation in a Santiago suburb. Materials are supplied by the corporation, which has also put in streets, sewers and utility lines. When the houses are completed, the families will pay for them over a period of years. Actual construction is done on weekends and after regular work hours. The men work in teams, building a number of houses at once. They select their own foremen, but generally supervision is provided by the corporation with advice from the International Cooperation Administration. Each family is expected to supply so many hours of work a week. If a man misses work without a good excuse, he has to work 5 hours for every 2 hours he missed. I visited this project on a Sunday morning, and I have never seen people work so hard. Men were literally running with wheelbarrows loaded with cement. Even small children were pitching in.

The new houses will have two bedrooms, a living room, kitchen and bath. The bedrooms and living room are about 13 feet square. The shacks where these people are now living are about the same size, but they have no bath, there is a dirt floor, and the windows are covered with boards. The new houses have concrete floors and glass windows. The difference represents an improvement which is practicable and which is within the range of experience of the people concerned. I talked to a number of them, and they are most enthusiastic.

E. ARGENTINA

The Peron Government of Argentina did not want a technical-assistance program, and there is none in that country. Since Peron was ousted a year ago, however, the new Argentine Government has been picking up the pieces of the country's once prosperous economy and negotiating with the United States in regard to various forms of assistance.

The most active of these negotiations is now moving to a head rapidly in Washington. An Argentine economic mission has been in the United States since late July discussing economic problems and seeking credits totaling about \$400 million. On September 17, the Export-Import Bank announced its willingness to extend credits of \$100 million, at least part of which would be at an interest rate of 5 percent.

At the time I was in Buenos Aires the Embassy was actively preparing for talks with the Argentines, looking to the signing of a general technical-assistance agreement. These talks came to nothing when it developed that responsible Argentine officials were not as anxious for the program as they had been represented to be. The American attitude is that the United States will consider favorably an Argentine request for technical assistance but only if that request is seriously made by Cabinet level officials.

A footnote on the political-economic situation in Argentina is perhaps in order. The post-Peron government has consolidated its position to the point that it has announced its intention to hold elections in late 1957. It has also announced that none of the present Government officials will be candidates in that election. In the post-Peron wreckage of Argentine political life, however, there are only the flimsiest skeletons of political parties about which to organize an election campaign, and there is a paucity of political leaders who have not been identified either with Peron or with the present Government. There is a question whether such leaders can be found and parties organized within a year or 15 months.

It is a commentary on Peron's lack of solid support that he seems not to be badly missed. A possible exception to this statement should be noted among labor unions where Peron was strongest. Even in the unions, however, the old Peronista sentiment takes the form, not so much of a movement to restore Peron, as of resentment against the successor government. There is an ever-present possibility that some new demagog will arise around whom this sentiment can coalesce; and if this happens, the situation in Argentina could conceivably deteriorate very rapidly.

A number of important labor contracts are coming up for renewal or renegotiation very shortly, and the outcome of these negotiations will have an important bearing, both politically and economically. Under Peron, wage rates were tied to the cost of living. The Government approved a blanket 10-percent wage increase earlier in the year as an interim measure, but the cost of living has gone up much more than that and labor is seeking a commensurate increase. If it is granted, it is almost certain to start a further round of inflation and complicate the already difficult task of getting Argentina back in the world market. If it is not granted, labor's dissatisfaction with the present Government will be greatly increased, so much so that the stability of the Government may be undermined. A recent series of 24-hour protest strikes has underlined the current labor troubles.

Argentina has many economic problems as a legacy from Peron's rather strange policies. The railroad system is in an advanced state of deterioration and disrepair. Power is short. Oil goes undeveloped. American meatpacking companies are caught in a squeeze be-

tween high fixed prices for cattle and low fixed prices for meat. Other American interests are likewise having troubles, some stemming from economic nationalism, some coming from reprisals for their past associations with Perinistas. Some of these differences are negotiable and progress is being made in arriving at a settlement.

The fields of power and oil present special difficulties. Here the Argentines seem bent on national development, on discrimination against American companies already in the power field, and on exclusion of American oil companies.

F. BRAZIL

Brazil is a country where all the basic economic factors for development are favorable, but progress has been impeded by sociocultural factors.

The country has perhaps the greatest undeveloped mineral and land resources remaining in the world. At the end of World War II, it had substantial dollar balances which could have supplied the capital necessary for development. Instead these balances were used to pay for luxury imports at high postwar prices, and the current income from high coffee prices is spent in the same way.

In no other Western country, except perhaps Italy, is there such enormous wealth side by side with such appalling poverty. Brazilian society is rigidly stratified.

Brazil has a remarkable record of political stability, and of all the Latin American countries, it probably has the broadest world outlook. Both its Government and its people traditionally take an attitude in world affairs similar to that of the United States. There is a solid record of friendship for the United States and of identification of Brazil's interests with those of the United States. The Brazilian-American Cultural Center in Sao Paulo, for example, is the largest such binational center in the world, with 6,000 members.

Fuller development of United States-Brazilian relations, both politically and economically, is currently troubled by a large segment of Brazilian opinion which is in part Communist inspired and in part simply extreme nationalism. The Communist Party in Brazil is illegal, but Communists are nonetheless highly active and very well financed. The current Communist line is an extremely nationalistic one which has a considerable appeal to some Brazilians who are not themselves Communists. This line is that Brazil should develop its own resources, that the United States Government is seeking to make Brazil a satellite for its own selfish purposes, and that private capital, particularly American capital, is interested only in robbing Brazilians of their own resources.

This line is so effective that the Government recently felt compelled to cancel an agreement with the United States for development of atomic minerals. It has prevented the Government from making agreements with American oil companies for the development of Brazil's large petroleum resources. It has, in short, done much to prevent economic development in Brazil, and meanwhile the economic situation continues to deteriorate. Inflation is continuing, the cruzeiro has depreciated almost 50 percent in 3 years, and the Brazilian standard of living is declining. Although Embassy officials in Rio tend to

put a brave face on things, the situation in Brazil may well be later than we think. A week's visit leaves one disturbed that things are drifting in a manner inimical to United States interests.

President Kubitschek, who took office in 1956, is generally held in high regard, but assessments of his administration vary. One non-official American summed it up as "no hits, no runs, no errors." Kubitschek and the men around him are reported to understand what needs to be done, but are prevented from doing it by political reasons. One piece of evidence on this point is that the Brazilian Congress refused to implement the personnel recommendations of a public administration survey that had been made under an International Cooperation Administration contract and approved by Kubitschek.

Oil presents a special problem. Petrobras, the Brazilian Government oil monopoly, is incapable, primarily because of lack of capital, of developing the country's oil resources. Meanwhile, Brazil spends \$250 million a year—one-third of its foreign exchange resources—on oil imports, mainly from Venezuela. The United States has firmly adhered to a policy of not making Export-Import Bank or other loans for projects, such as oil development, for which private capital is available. Brazil has just as firmly adhered to a policy that private capital will not be allowed to develop Brazilian oil. The result is an impasse.

There are many arguments against Government, and in favor of private, development of petroleum, and they are impressive; but it may become desirable to reconsider this whole situation.

One can find a few optimistic factors. Sao Paulo continues its amazing growth, though no one is able to explain exactly why. Despite the handicaps of nationalism, inflation, and exchange difficulties, foreign private investment is large and increasing. American private investments alone amount to more than \$1 billion, Canada and Western European countries have substantial interests, and the Japanese are also beginning to make themselves felt. American companies are developing iron ore reserves (and may develop more as a result of United States Geological Survey work under the technical-assistance program in Minas Gerais), and there is no difference in principle between private development of iron ore and private development of petroleum.

The technical-assistance program in Brazil is the largest in South America, amounting to \$4.8 million a year. Like many other South American programs, it was started during the war, in this case to get rubber out of the Amazon Basin. It concentrated in health, and the Brazilian health *servicio* is a large, well-established organization which operates health centers, hospitals, water-supply systems, and carries on sanitary engineering work. There are the usual problems of turning projects back to the local government, but in Brazil some techniques have been worked out to make the transition smoother. Many water systems which were built by the *servicio*, for example, have been turned over, not to a municipality, but to an autonomous municipal corporation. Water users pay for the service they receive, and there would seem to be no good reason why the rates should not be high enough to amortize the original investment and enable the corporation to repay the *servicio* for the cost of construction. Legislation to enable that to be done is pending in the Brazilian Congress.

Legislation is also pending to provide the Brazilian contribution to the health servicio in a lump sum. The contribution is now appropriated with earmarking for specific projects. As a result, health centers, hospitals, and water systems are sometimes built in areas which have the most influential congressmen and not necessarily those which need these facilities the most.

There is also a sizable agriculture program in Brazil, which deals not only with agricultural production, but also with rural living. I visited a school at Fazenda Ipanema in the State of Sao Paulo where farm-extension agents and home-demonstration agents are trained. It is largely a Brazilian operation, with only one American. The home-demonstration unit is particularly impressive. The girls' quarters, which they have decorated themselves, are neatly and simply done in good taste and are clean. The master kitchen is partitioned into four sections, each with the type of equipment which the girls may encounter in their later work, ranging from the extremely primitive rural facilities to more modern equipment. The girls also learn how to make simple but ingenious home furnishings from materials readily available on most Brazilian farms.

In summary, there is no doubt that Brazil could do a great deal more for its own economic development and that it could assume a larger share of the responsibility for many of the technical-assistance projects which are now carried out by servicios. The country is so tremendously important to the United States, that it may be worth while to do things for political reasons that would not otherwise be justified. In the present state of affairs in the Embassy in Rio, however, it is difficult, if not impossible, to make determinations of this kind. For one period of several weeks during the North American summer, there was neither an Ambassador nor an International Cooperation Administration country director on the job. This kind of hiatus tends to downgrade an operation which badly needs upgrading. These comments are not intended as a reflection on other Embassy and International Cooperation Administration personnel who are hardworking, who understand the problems involved, and to whom I am grateful for their help while I was in the country. The point is that Brazil needs a good deal more consideration at a higher level.

ECONOMIC AID AND TECHNICAL
ASSISTANCE IN AFRICA

REPORT BY SENATOR THEODORE FRANCIS GREEN

February 21, 1957

PREFACE

When the Subcommittee on Technical Assistance and Related Programs filed its report on May 7, 1956, it was pointed out that an on-the-spot survey of the programs in Africa still remained to be conducted. In view of the increasing importance of this huge continent in international affairs, such a survey was regarded as essential to the completion of the study authorized by Senate Resolution 214 (83d Cong.) and subsequent resolutions (S. Res. 36 and S. Res. 133, 84th Cong., and S. Res. 162, 84th Cong.).

As chairman of the Subcommittee on Near Eastern and African Affairs, I therefore undertook, from September 4 to October 18, to examine the operation of United States aid programs in 13 countries of Africa. One of my principal objectives was to discuss Africa's many problems not only with government officials at all levels, but also with private individuals in all walks of life, in order to ascertain the point of view of the people themselves.

The present report embodies the results of this study mission. It is submitted in the hope that it will be useful to other members of the subcommittee in preparing their final report, and in the evaluation of the United States aid programs by the Committee on Foreign Relations.

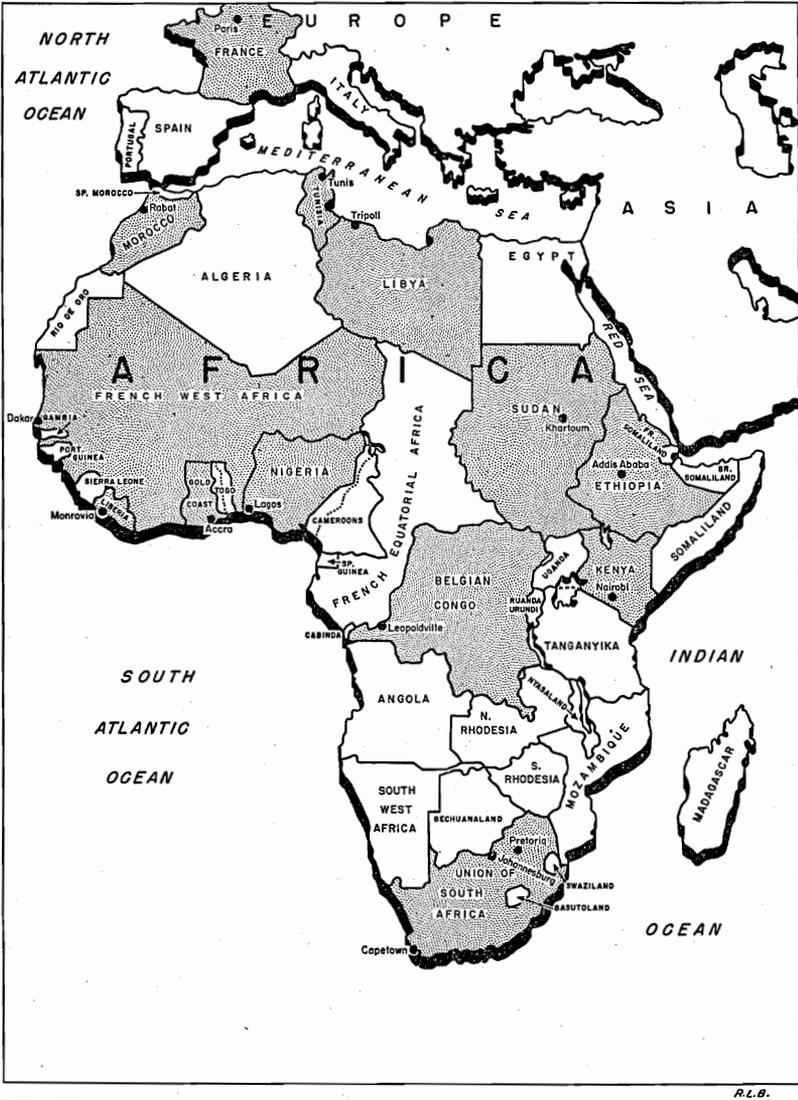
I was accompanied on my visit to Africa by Dr. Alwyn V. Freeman of the staff of the Committee on Foreign Relations. His assistance was very valuable and I wish to take this opportunity publicly to express my high appreciation of it.

A detailed itinerary, together with an accounting of dollar and counterpart expenses incurred on the mission, is included in an appendix to the report. All sums referred to in this report are given in United States dollars, unless otherwise indicated.

THEODORE FRANCIS GREEN.

FEBRUARY 21, 1957.

Countries Visited by Study Mission



ECONOMIC AID AND TECHNICAL ASSISTANCE IN AFRICA

1. INTRODUCTORY COMMENT

To a considerable degree the problem of American aid to Africa, and the larger problem of our foreign policy toward this immense continent, involve difficulties and dilemmas not exceeded anywhere else in the world. These difficulties are almost as diverse as the countries comprising it—a continent which, apart from some few exceptions, is rushing toward world political stature. It is a continent which long since has assumed global importance economically. This importance, to be sure, will increase. But the drive toward political independence is gaining momentum at a rate which is unparalleled for what are still largely primitive communities.

Africa may very justly be described as a continent in ferment, and the description is equally apt for those areas which are only now emerging from tutelage, as for those which have already acquired independence. It is a continent which will not be satisfied with conditions now prevailing, a continent which is planning for the future to a remarkable degree.

Our policies toward Africa have failed to keep pace with these developments, or indeed, to anticipate their relentless sweep. Although what we have done in certain areas is to be commended, on the whole we have given insufficient attention either to the needs of this great region or to our own important stake in its future. Particularly in respect to the dependent overseas territories (DOTS) our basic outlook and approach should be reviewed. Despite the obstacles which exist in these territories to effective programming—many of which will be noted in this report—it will not do to defer our planning, or the offer of either development or technical assistance to some future uncertain date when independence is attained. If we do, the inevitable economic and social gaps which exist will invite action on the part of those whose primary interest is other than the preservation of human freedom.

Yet we cannot formulate a responsible policy or policies toward this part of the world unless we first determine what our own objectives are to be. These objectives are not necessarily identical for all areas in Africa. In some, requirements of security may demand that emphasis be placed on military assistance. In others, this factor may be nonexistent. Whereas general development assistance may be needed in some, technical assistance alone may suffice in others. To cite examples, although the economy of Ethiopia could be made self-sufficient, the country is greatly underdeveloped. What is needed is technical assistance, and the American program for Ethiopia is properly confined to that kind of aid. Liberia is in a similar situation, with its existing and potential resources. On the other hand, Libya is an area with hardly any wealth and its needs are manifold.

So, our program there should be necessarily broader in scope, and because of the inability of the country to sustain itself, this program will, in our own interest, have to be continued for the foreseeable future.

These considerations point up a second major deficiency in our African aid programs: the lack of a clear conception as to how we can help the peoples of Africa advance their well-being. In part, this is due to the uncertain political phase through which many of these countries are now passing. In part it is due to the resistance met in some of them to American aid, a resistance related to the factor just mentioned.

On the other hand, in several areas where our Government had undertaken to provide desired assistance, it was disturbing to find that we were unable to supply the necessary technical personnel. There would seem to be something amiss in an administrative performance which produces this result.

Fundamentally, the interests of the United States are of an economic and strategic as well as humanitarian order. It is for us to convince the Africans that their aspirations will be best served by their free association with the rest of the free world. But the techniques for accomplishing these goals may differ depending upon the stage of development reached in a given country, and its degree of political maturity—that is, whether it is still wholly dependent, whether it is in a transitional period, or whether it enjoys complete autonomy.

In territories bordering the Sahara, a further element complicates the picture. There we have sought to ride two horses, championing independence while simultaneously seeking to maintain a close alliance with the mother countries. To perform this feat requires a kind of wizardry few governments possess. Recent events afford small room for complacency over our success in accomplishing it.

Africa is a highly complex area. There is nothing simple about its racial, economic, or social elements or, for that matter, about its topography. There are many problems, many differences and many factors which militate for disunity even within the national groupings. Boundary lines which arbitrarily divide racial units must also be reckoned with. Nor are the political pulsations emanating from this land mass always easy to understand. Sometimes a position ostensibly taken by a particular government will be misleading or unintelligible unless interpreted with a due regard for the practical considerations underlying its policy. To give one example: it is impossible to evaluate accurately the appearance of solidarity with Egypt, which the Sudanese Government manifested not long ago in the Suez dispute, without remembering that the 20 million pounds of currency which circulates in the Sudan is Egyptian, and that it is of considerable importance to the Sudanese that this currency be redeemed by the issuing government. Likewise certain evidences of pro-Egyptian sympathies by officials of the Libyan Government may or may not be explainable by their interests in the Egyptian economy or by the fact that numerous administrative positions in Libya are filled by Egyptian civil servants who are paid by both governments.

More disturbing is what I view as a serious error in our Nation's policy toward Ethiopia. The Ethiopian Government has been most cordial to the United States, and has given many evidences of its

friendship. It was one of our staunchest allies in the Korean war. Yet we are in grave danger of jeopardizing this valuable association by what the Ethiopians regard—rightly or wrongly—as the almost cavalier and shortsighted fashion in which we have treated Ethiopia under our military assistance agreement. They have considerable difficulty understanding why we make generous grants to countries which have frequently opposed us in world councils, and yet are so niggardly toward nations which have consistently shown us their friendship. Our offer to assist in constructing the Aswan high dam for Egypt was bewildering to the Ethiopians—and some other countries—as placing a premium on noncooperation.

These are some of the principal impressions I have drawn from a 6-week study of our various aid programs in Africa, during which time I visited 13 countries.

2. NATIONALISM AND RELATED PROBLEMS

Throughout most of Africa one is impressed with the tide of nationalism which runs strongest in the north, west, and central regions, and somewhat less so in the remainder of the continent. Several nations in Africa have recently won their independence and are confronted with the usual problems which such independence brings in its wake. Others are eagerly anticipating the day when they, too, shall acquire complete control over their destiny. The Gold Coast is to become independent of the United Kingdom on March 6 of 1957. Independence movements elsewhere of more or less intensity are already of sufficient importance to compel benevolent changes in the policies of the mother country, or at least so that they can no longer be dismissed as inconsequential.

Probably the two most enlightened administrations of any colonial territories of Africa have been the Sudan (before it acquired independence) and the Belgian Congo.

Rarely in Khartoum does one hear any bitterness or resentment against the former British administration. It left the Sudanese with a tradition of law enforcement, a competent public administration, and an excellent educational system, including a great university. And beyond this, it initiated an agricultural development plan—the Gezira canalization scheme—which is the foundation of most of the Sudan's present economic progress and future potential.

The Belgian Government's administration has been of a somewhat different—though nonetheless progressive—order. It is a benevolent paternalism designed to blunt the impulses toward national independence by anticipating and satisfying those demands which usually stoke the fires of nationalism.

In many other dependent territories where independence is not yet an issue substantial autonomy has been granted in the conduct of local affairs. We may be on the threshold of a sharp about-face in French policy with respect to its colonial holdings south of the Sahara. It is quite apparent that some serious doubts are arising in France as to the desirability of retaining responsibility for the development of areas which have in the past contributed something to enhance French prestige, but which in bald reality served principally as drains upon the French budget. These doubts are coming to be shared not only by

the man in the street, but also by French officials. Evidence in point is furnished by a series of articles published last year in the popular magazine *Match* by Jacques Cartier, which suggest very strongly that it would be in the French national interest to cut its central African holdings adrift. Such articles would have had a very cool reception a few years back. Today they reflect a rising sentiment of the French public, and to some degree of French officialdom, that the billions of francs poured into West and Equatorial Africa could be put to better use than to support dubious political-economic ventures away from home.

3. SCOPE OF UNITED STATES ECONOMIC AID PROGRAMS IN AFRICA

In comparison with our Government's overall program of foreign economic aid, the amount budgeted for Africa has been very small, both in proportion to the funds allocated, as well as in relation to the size and accelerating importance of that continent. Of a total sum of approximately \$1,546.7 million¹ appropriated for fiscal year 1957, it is estimated that somewhat less than \$25 million will be allocated to Africa, or 1.6 percent of the total. Here, as elsewhere throughout this report, all program sums referred to are given in United States dollars, unless otherwise indicated.

The following table shows the distribution of sums provided under the current program:

[In dollars]

	Fiscal year 1956 ¹	Fiscal year 1957 to Mar. 31
Belgian.....	18,892	5,000
British territories.....	920,180	50,000
Egypt.....	6,962,369	400,000
Ethiopia.....	2,923,156	287,000
French territories.....	19,003	5,000
Liberia.....	1,781,695	300,000
Libya.....	7,641,269	670,000
Portuguese territories.....	70,033	15,000
Somalia.....	60,240	15,000
Regional.....	16,940	12,000
Total.....	20,413,777	1,759,000

¹ Includes reallocations in fiscal year 1956 of prior year's funds deobligated in fiscal year 1956.

As of March 31, 1956, Africa had received since 1948 a total of approximately 738 millions of dollars in United States assistance,

¹ This sum does not include \$17 million in funds earmarked for technical assistance programs of the United Nations and the Organization of American States.

including loans in the amount of \$191 million from the Export-Import Bank. The cumulative totals, by countries are as follows:

Cumulative summary of United States assistance to Africa

[Through Mar. 31, 1956, unless otherwise noted]

[In thousands]

	Strategic and basic materials ¹	Overseas development fund (special reserve fund)	European fund	Technical cooperation	Development assistance	Export-Import Bank	Total, United States
Belgian Congo.....	\$1,550.0	\$17,073.0	-----	\$133.9	-----	-----	\$18,756.9
British Africa.....	51,602.0	8,637.0	-----	1,638.0	\$4,964.0	-----	66,841.0
French Africa.....	32,347.0	29,472.0	\$297,670.6	1,210.2	\$4,933.3	-----	365,633.1
Somalia (Ex-Italian Somaliland).....	-----	-----	-----	736.2	\$300.0	-----	1,036.2
Portuguese Africa.....	4,630.0	-----	-----	161.0	-----	\$17,000.0	21,791.0
Ethiopia and Eritrea.....	-----	-----	-----	12,351.0	-----	3,000.0	15,351.0
Liberia.....	-----	-----	-----	7,647.0	-----	21,350.0	28,997.0
Libya.....	-----	-----	-----	8,075.0	5,000.0	-----	8,075.0
Egypt ²	-----	-----	-----	21,667.0	40,000.0	-----	61,667.0
Sudan.....	-----	-----	-----	-----	-----	-----	-----
Union of South Africa.....	-----	-----	-----	-----	-----	149,685.0	149,825.0
Total.....	90,269.0	55,182.0	297,670.6	53,619.3	55,197.3	191,035.0	737,973.2

¹ April 1948 to Dec. 31, 1955, from report to Senate Subcommittee on Minerals and Materials, May 2, 1956.

² Local currencies made available through sec. 550 surplus agricultural commodity sales.

³ Figures as of June 30, 1956.

In addition to Egypt (which was not visited on this study mission) the only African country to receive straight economic aid or "development assistance" is Libya. The Libyan Government received from the International Cooperation Administration and its predecessor agencies \$3 million in fiscal year 1955 and \$5 million in fiscal year 1956. Seven million dollars has been programed for fiscal year 1957. All of this aid has been on a grant basis, supplementing special funds made available by the United States Government. Currently, the remaining programs in Africa are primarily concerned with technical cooperation. The only independent countries of Africa which are receiving neither development funds nor technical assistance under our aid program are the Sudan and the Union of South Africa. The latter, however, has had a loan from the Export-Import Bank.

In the past, assistance to the newly independent states of Tunisia and Morocco has been made available as a part of the assistance to France. This, of course, is the procedure which is still followed in respect to United States assistance to dependent overseas territories (DOTS). In Africa, that assistance began in 1948 under the European recovery program as a part of assistance to countries in Europe. Today it is still extended under agreements with the mother country, and can only be made available to such territories and for such purposes as the mother countries may wish to designate.

I shall have occasion later in this report to point out some of the disadvantages and handicaps inherent in this procedure, so far as improving the well-being of the local population is concerned. Until 1954, apart from limited amounts of technical assistance, most of the aid from the United States went to finance development projects in such fields as transportation and power and was in the form of loans or grants. Today the emphasis in the dependent territories has shifted over to technical cooperation with varying degrees of support from the home countries. In the fiscal year 1956, technical assistance was furnished in the following amounts: \$1.8 million for Liberia; \$3 million for Ethiopia; \$2 million for Libya (in addition to \$5 million for development assistance), and \$1.2 million for the dependent overseas territories of the Gold Coast, Nigeria, Uganda, Somalia, and the Central African Federation.

The character of the United States program in the dependent areas necessarily differs from that in the independent territories, in view of the substantial assistance furnished by the metropolitan countries. Primarily, our aid is designed to supplement that assistance in fields where we have shown we possess unique qualifications and experience. Its principal contribution is in agricultural extension education, technical and vocational training and transportation, for which the need is widespread throughout most of Africa.

So much for the general nature and scope of our African aid programs. Its operation in each of the principal countries visited will now be considered.

4. THE INDEPENDENT COUNTRIES

A. TUNISIA

Tunisia acquired political independence from France on March 20, 1956. However, the economic bonds between the two countries are so deep-rooted and extensive that some time may elapse before the Tunisian Government will enjoy the degree of freedom in action usually exercised by independent nations. For example, during the years following World War II, France underwrote an extensive development program by means of 25-year, low-interest (1½-percent) credits. Most of the Tunisian public debt of over \$228 million is owed to France. Government loans in the franc equivalent of more than \$334 million were provided for capital expenditures during the period 1949-53, and an additional expenditure of \$204 million will have been provided by 1957. At the same time, French private and official investment during recent years has averaged from \$55 million to \$69 million yearly, whereas non-French investment has been negligible.

A loan of \$45.7 million which was granted by France for the forthcoming year will be devoted to the expansion of water resources, additional schools, improved communications, and enlarging the industrial capacity of the country. On the other hand, direct bilateral trade agreements between the United States and Tunisia are impeded by the terms of the Economic and Financial Convention of 1955 between France and its former protectorate, because of the requirement of French approval to any such agreements. Private French investment has been encouraged, while American business interests have been deterred by both tariff rates and the shortage of dollar exchange.

There are some signs, however, of the desire of Tunisia to reduce its dependence upon France. One such manifestation was its direct request to the United States for a grant of surplus agricultural products.

These facts necessarily color the nature and degree of any aid program to which the Tunisians themselves might wish to contribute, not only because of the support given by French funds to the Tunisian budget, but also because of the limitations which repayment of these amounts impose upon budgetary freedom. Still, it would be error to assume that this situation will not change and to fail to make provision for Tunisia's requirements in our planning.

There has been no official aid program of any kind directly administered by the United States Government in Tunisia. We have, however, allocated to the French Government (under the French aid program) about \$1.6 million for the development of the Medjerdah Valley reclamation and flood-control project. This fund was administered by the French authorities until the internal autonomy of Tunisia was recognized on June 3, 1955. It is doubtful if the Tunisian public at large is aware of the American contribution, inasmuch as the French made no particular effort to publicize the source of the funds. The sums made available provided for irrigation installations covering some 11,175 acres of land and 11 demonstration farms.

Tunisia's major problems, in addition to the public debt load, are a submarginal standard of living with an expanding population; scarcity of investment capital due to lack of confidence in the country's future since independence; consecutive poor harvests in the past 2 years (which the United States has sought to alleviate by furnishing 45,000 tons of surplus wheat); and heavy unemployment—10 percent of the population being without work. What is needed is a degree of industrialization which would permit Tunisia to process its own important resources of iron, phosphates, and foodstuffs, without being dependent upon France or some other country for that purpose and being compelled to purchase the finished product at a greatly increased cost. Considerable expansion in the fishing industry would also improve the economic picture.

A virtually untapped source of foreign exchange in Tunisia is the extensive Roman ruins at Carthage and Dougga, many of which are in an excellent state of preservation. This attraction could be the basis of an important tourism program. Our future plans for technical cooperation in the country might well take into account the feasibility of providing assistance in the development of tourism.

Tunisia has a dire need for economic and financial aid. Given the necessary material and moral encouragement this new nation could exert a salutary influence in North Africa. While its present orientation seems to be favorable to the West, the future attitude of the population will, of course, be influenced by the position which the United States takes in its relations with other Arab and African nations. Here as elsewhere in Africa, American policy is at the crossroads. In some areas our prestige remains high. In others, it has diminished, along with an ebbing regard for the West in general.

B. LIBYA

From the standpoint of United States policy, Libya is one of the most critical areas in Africa.

Our program in Libya is primarily military and strategic; but not far behind in importance is the effort we are making to help the Libyans achieve a viable economy. The continued availability of the American airbase at Wheelus Field—to say nothing of the western orientation of Libya's policies—may ultimately depend upon the extent to which we can aid the Libyan Government to raise its people's standard of living, and to make the nation self-supporting.

The task is a staggering one. Libya's resources are pitifully inadequate, and its needs are enormous. Few places in Africa have a more acute shortage of necessary technical experts, professional talent, or general educational facilities. Only one institution of higher learning exists (at Benghazi), and it is attended by only 30 students. If ever there were a place for the application of our educational exchange program, Libya is that place; but at present there are a mere six graduate students from Libya studying as agriculture exchangees in the United States. Useful as it would be to increase radically the size of this program, even more so would be furnishing to Libya of outside instructors and professional training aids. American assistance of this kind to Libya has been handicapped, however, by the necessity of providing personnel familiar with the Arabic tongue. Our mission's efforts to meet this need have been unsuccessful. Lacking its own trained civil servants and teachers, Libya has had to turn to that country whose language and administrative and legal system were more akin to its own: and that is neighboring Egypt.

According to the best estimate there are approximately 1,000 Egyptians employed by the Libyan Government in administrative positions, in the judicial system and in the schools. These officials receive salaries from both the Libyan Government and Egypt, a situation fraught with all sorts of political hazards. Because of their very numbers, their influence in Libya is strong; and in view of Egypt's interest in Libya, it is not surprising that their activities are hardly calculated to benefit the American position in the country. They constitute a potential source of propaganda, violence, and sabotage against the Wheelus airbase; but the long-range menace is that they may ultimately destroy the fabric of good relations between Libya and the United States. There is substantial evidence that such has been the policy of the Egyptian Government, a policy which finds common ground with Soviet objectives. Contrary to what was our understanding, the Soviet Union has been permitted to carry on anti-West information activities of a nature paralleling efforts by Egypt.

Unfortunately, we are at a disadvantage in attempting to counteract the broadcasts from Radio Cairo (which are received clearly) because the Libyans have denied us the right to use transmitters in Libya for other than the entertainment of American troops. The Voice of America's signal from Rhodes—the best we have in the area—is too poor to be effective.

It seems evident that the most serious diplomatic problem faced by us in Libya is in Cairo, not Tripoli. It was Egypt which arranged for recognition of the Soviet Union by Libya, and it was Egypt which sought to embarrass the West by offering to sell arms to the Libyan Government. While there is some resentment in Libya at Egyptian attempts to dominate the country, Soviet diplomacy, assisted by the Egyptian Embassy in Libya, has had some success in affecting the attitude of Libyan officials.

In view of the nature and complexity of conditions prevailing in the Mediterranean area, we should try to understand the forces to which the Libyan Government is subjected and to realize the magnitude of its task in keeping the country from going under. Without the support provided by the United Kingdom and United States assistance, Libya would soon founder. Left to its own devices it would probably retrogress to a subsistence level, and gravitate within the orbit of its eastern neighbor. These uncertainties are sufficient to explain the meager interest of private investment capital in the country's future.

The United States aid program in Libya consists of (a) technical cooperation, which involves mainly providing American technicians and their support; (b) contribution to the Libyan-American Reconstruction Commission (LARC) of development assistance funds and (c) relief wheat shipments. United States technical cooperation, which began in 1952 after Libya's independence, has been increased from \$1.4 million in that year to \$2 million in the fiscal year 1955 and an estimated \$2.4 million for 1957. Development assistance funds have increased from \$3 million in 1954 to \$5 million in 1955 and \$7.4 million in 1956.

In addition to these funds, under an economic aid agreement signed in 1954, the United States has undertaken to contribute to LARC on a grant basis \$40 million over a 20-year period for development projects. This sum really represents the consideration paid to Libya for use of our airbase at Wheelus Field; but the funds from this and other development assistance sources are handled identically for development projects. No loan program is practicable for Libya in view of the economic and budgetary condition of the country.

The Libyan-American Reconstruction Commission was created in 1955 in order to make effective use of funds contributed by the United States and the Government of Libya for economic development. Its function is to develop, review, and scrutinize needed projects as well as their financial and economic aspects; it is not an action agency. Specialists of the United States mission participate in its decisions and the cooperation between representatives of the two Governments appears to be excellent. Pursuant to its recommendations a total of over \$12 million has been made available for projects in agriculture, forestry, school facilities, health, public works, and banking.

Our point 4 program has emphasized improvements in agriculture, water resources, health and education. The gradual growth of both the technical cooperation and the development assistance programs is reflected in the following table.

Annual cost of Libyan aid programs

[In thousands of dollars]

	1952	1953	1954	1955	1956	1957
United States technicians.....	\$341.2	\$351.8	\$427.6	\$591.1	\$748.6	\$1,783.3
Training.....		16.0	61.0	52.6	63.2	81.7
Contributions to joint funds.....	791.2	987.2	1,017.6	800.0	836.9	524.8
Development assistance (LARC funds).....				3,000.0	4,188.0	
Total.....	1,132.4	1,355.0	1,506.2	4,443.7	5,896.7	12,389.8
Administrative funds ¹		293.3	276.1	223.4	230.0	220.0
Technical support ²				165.5	320.9	110.2

¹ Total development assistance funds are estimated for the 1957 fiscal year at \$7 million.

² Includes expenses of Office of Director and other divisions of the mission engaged in direction of the program.

³ U. S. Government leased housing offices, equipment, etc.

The pace of this growth is necessarily related to the financial expectation of the Libyan Government under its agreements with the United States and the United Kingdom. A mutual assistance treaty with the United Kingdom provides for the payment of \$3¾ million annually to the Libyans over a 5-year period.

The United States Operations Mission has judiciously sought to stress gradual expansion of production while placing strong emphasis on the training of Libyans for future activities. In this effort account has had to be taken of the limitations upon the absorptive capacity of the country instead of seeking to push-ahead with a rapid, unrealistic program.

A principal obstacle to effective utilization of development funds made available by foreign countries has been the inadequacy of Libyan Government staffs and facilities. Trained technical and administrative personnel are simply not available. Consequently, much of our technical assistance funds has been used for the expenses of trained American personnel to oversee that the money allocated for various projects has been wisely spent.

On the other hand, because of the administrative and political division of the country between Tripolitania and Cyrenaica, the execution of ordinary government functions entails much duplication, waste and budgetary difficulty. Forty-five percent of the Libyan budget is expended on government operations alone. An improvement in this situation would require constitutional reform which is unlikely in view of the difference of outlook, even antagonisms, existing between the two provinces.

Since 1954, the United States has met Libyan requests for surplus wheat to relieve famine conditions brought about by prolonged drought. Up to June 30, 1956, 57,200 tons had been allocated and an additional 25,000 tons will have been delivered during 1956. The total value of these shipments (under Public Law 480, 83d Cong.) is estimated at \$11.5 million, which includes bagging and transportation charges. Local distribution costs are borne by the Libyan Government. The 25,000 tons delivered under the current program will reach more than one-half of the population. It amounts to furnishing about 22 pounds of wheat per person per month over a 9-month period, in other words, it is keeping from one-third to one-half of the people of Libya from starving.

This assistance is being supplemented by the work of United States voluntary agencies. The Cooperative for American Remittances to

Everywhere (CARE), which had just commenced operations in Libya, will provide \$1.9 million worth of surplus milk, cheese and possibly rice or cornmeal to an estimated 100,000 school children, 10,000 orphans, widows and aged, and 6,800 hospital patients. There is satisfactory cooperation between our operations mission and the work being done by CARE as well as by the several specialized agencies of the United Nations (such as the World Health Organization, the United Nations International Children's Emergency Fund, and others) in the area.

On the whole the manner in which our Libyan aid program has been administered has much to commend it. Among other things, effective use has been made of the facilities of the United States Information Service as an adjunct to the technical assistance program. Through the means of pamphlets, signs and audiovisual materials, information as to health, sanitation, well drilling and livestock improvement has been disseminated to the people of various regions. It is suggested, however, that a more intensified effort might be made to recruit Arabic speaking personnel, which would relieve the Libyan Government of the need for relying heavily upon Egyptian officials.

When consideration is taken of our Government's widespread commitments around the globe, it might seem difficult to justify the extensive contributions which we have been making under our aid program in Libya, if it were not for the strategic and military considerations I have already mentioned. The continuation of this aid may well be the determining factor in discouraging a drift toward Soviet and Egyptian influence.

C. THE SUDAN

The outstanding characteristics of the newly independent Government of the Sudan is its intense desire to remain independent of the influence of other nations. So deep is this desire to be free of foreign entanglements of any kind that the Sudanese until now have requested neither economic aid nor technical assistance from the United States or any other government. They have preferred instead to seek the help of the Technical Assistance Board of the United Nations, although from time to time the American Embassy has been asked to aid the Sudan in obtaining American technical experts in the fields of agriculture, central banking, and statistics.

There is, therefore, no United States aid program as such in the country. As they acquire confidence that our motives are completely noncolonial, the Sudanese may wish to ask us for a limited amount of technical assistance. But they are most eager to attract foreign private capital, and are taking measures to make such investments appealing.

This is a country with a bright economic future. Its people are solid, hard working, and progressive. It is unique among countries in the Middle East in the quality and maturity of its civil service, a service which is distinguished not only by its integrity but by its experience and structural capacity to govern the country. The Sudanese themselves recognize the benefits which 50 years of British administration has provided them. As I have already noted, it nurtured a deep respect for law and order—at least in the northern

region of the country—and a basic educational system capped by the University of Khartoum.

In contrast with Libya, it is a country which does not lack the means to sustain itself. With the aid of rainfall and irrigation, its land is being made fertile and productive; and more acreage is steadily being reclaimed under the fabulous Gezira canalization scheme. This project, which was conceived by an Englishman, utilizes the waters of the Nile in a network of gravity irrigation canals to feed over a million acres of farmland on which are grown cotton, sorghum, beans, and other garden vegetables. Originally operated by private companies, the scheme is now under Government management.

The project is one which ingeniously combines a kind of national landholding through compulsory rental from owners at a fixed rate, with private-enterprise tenancy in a manner which seems uniquely suited to the needs of the Sudan. The land thus rented by the Government is allocated to individual tenant farmers (priority being given to registered owners), who receive 40 percent of the net proceeds of their crop. The remaining shares of 40 and 20 percent are retained respectively by the Government and the Gezira Management Board, which provide seeds, fertilizers, supervision, and other necessary support.

The result in the area affected by the scheme has been a revolution in the social and economic life of the country. A nomadic, desert existence has been transformed into a prosperous community civilization, assuring for the Sudan an enormous agricultural potential which will not be wholly realized for several generations. To bring it to its full fruition will, however, require extensive improvement in transportation, which is presently lacking, as well as a larger share in the Nile waters.

These favorable horizons are overcast with ominous clouds, both internal and external in nature. The most formidable political problem confronting the Sudanese at the present time is the division which exists between the northern two-thirds and the southern one-third of the country. The northern portion, which is Arab in heritage, is more civilized and educationally advanced; whereas the south has received little attention except from Christian missionaries. Racially, the disparity is complete, the southerners living as primitively as any indigenous people in Africa. Their dislike of the northerners was responsible for some serious riots in the south early in 1956. On the other hand, the north has determined to implant its culture, the Arabic language, and the Muslim religion on the tribes of the south, an ambitious undertaking which will require long and patient effort to accomplish, even if it proves feasible.

The second major problem complicating the development and economic progress of the Sudan is its relations with Egypt, its northern neighbor. Here ingredients are brewing which have generally gone unnoticed when an appraisal is made of the Sudan's position in foreign affairs.

There is no question but that the Sudan could rapidly be brought to produce an exportable food surplus if it could take greater advantage of the Nile; but under the Nile waters distribution agreement of 1929 (which, the Sudanese contend, failed to make adequate allowance for the future growth of their country) the Sudan has been limited to something less than 10 percent of the water in the river. Egypt

claims the right to the balance. Reduced to its simplest terms, the net result of the agreement is to reserve for Egypt almost the entire flow of the Nile during January 1 to July 15 (the low season) and to make the Sudan dependent upon stored water for irrigation. Since the amount of irrigation is thereby limited, the agricultural development of the Sudan by the Nile waters is limited also.

The Sudanese have no special enthusiasm for the Aswan High Dam project proposed by the Egyptian Government. In fact they consider the project unsatisfactory purely from an engineering standpoint. Moreover, construction of this dam will result in a backing up of the waters of the Nile, creating an enormous lake which would displace 50,000 Sudanese citizens from their homes. And the Sudanese have made it very clear that they will not assent to the Aswan proposal until a satisfactory agreement is reached on the division of waters, and Sudan's interests protected. Such an agreement was a necessary condition which the International Bank for Reconstruction and Development attached to its approval of a loan for the project.

But there is a further reason why the Sudan Government has been reluctant to concur in the high dam. This is the currency problem. The Sudanese monetary unit is the Egyptian pound—a carryover from condominium days. Twenty million pounds of this currency circulate in the country, and the Sudan seems to have encountered some difficulty in persuading the Nasser government to redeem it. Failure to redeem might produce something of a currency crisis for the Sudan; but until this issue is satisfactorily resolved there seems little chance of an agreement on the Nile waters.

Although the industrial potential of the Sudan is modest the Government is quite anxious to attract foreign industries, particularly American industries. This is attributable, first of all, to the desire to ease severe unemployment which presently prevails, as well as to conserve foreign exchange by manufacturing needed products which must be imported, a problem common to the other former colonial possessions I visited. To this end, the Ministry of Commerce has formulated a program of industrialization on the basis of the Sudan's approved enterprises (concessions) bill of 1956. The program envisages the attraction to the Sudan of industrial concerns in the fields of textiles, paper manufacturing, cement, sugar refining and vegetable oil, and gum arabic processing. It would be useful for the United States Department of Commerce to inform American investors of these industrial potentialities of the country.

D. ETHIOPIA

Unlike neighboring Sudan, Ethiopia has actively sought Western aid to develop its resources and improve the condition of its people. The country is only now emerging from centuries of geographic, political, and cultural provincialism, during which time little was done to further its economic progress. The absence of internal and external communications perpetuated a national isolation and impeded development of the country's resources.

These natural handicaps were further aggravated by the Italian occupation of 1936 to 1941, during which time the educated class virtually disappeared. As a result there has been an insufficient number of technically trained personnel to administer the functions of gov-

ernment and to accomplish an expansion and improvement of the rich agricultural resources possessed by Ethiopia. Fortunately, the government, under the enlightened leadership of the Emperor Haile Selassie, is most desirous of improving living standards and the general welfare of the people and is taking what steps it can to that end. The process will involve an evolution of tribal patterns of cultural and economic intercourse, so that the problem is not merely to provide training in agricultural improvement and animal husbandry, but also to demonstrate to disunited communities why it is desirable to have this kind of improvement and to abandon primitive methods of farming and destructive water use and land practices.

The primary obstacles to economic development are: (a) lack of trained personnel; (b) lack of adequate information on resources; and (c) lack of institutions or government structure through which development programs can be operated. The absence of trained personnel is a universal stumbling block no matter what the project undertaken. To give only one example: although a serious health and sanitation problem exists throughout the country, there is only 1 medical doctor for every 400,000 people; and until 1956 there was only 1 Ethiopian doctor in Addis Ababa.

American educational institutions are making a significant contribution to the training of professional personnel. At a luncheon given by a group of young Ethiopian officials I was impressed by the fact that 20 of them had been educated at various colleges and universities in the United States. I believe that an expansion of our educational exchange program in Ethiopia would be very desirable.

It is to the solution of these problems that the United States effort, which is limited solely to technical assistance, has been directed. The program got underway in 1952 under an agreement signed the preceding year. In the early years major emphasis was placed upon education, first agricultural education, then general and industrial trades education. Now the emphasis is being gradually shifted to those projects which will have a direct effect on economic productivity, particularly, agriculture. Starting with \$800,000 in 1952, United States technical assistance for the fiscal year 1956 amounted to \$3 million, in addition to administration costs of \$185,000. In the 4 years that the program has been operating, the total cash contribution of the United States into a joint fund for cooperating services has amounted to approximately \$5 million, which has been more than matched by a contribution of over \$5 million on the part of the Ethiopian Government. In addition to their joint cash contribution, the

Ethiopians furnish land, buildings, and local personnel. The estimated program for 1957 breaks down as follows:

[In thousands of dollars]

Major field of activity	Technicians cost	Trainees cost	United States contributions to cooperative services	Other costs	IEG contributions to cooperative services	Total
Agricultural and natural resources.....	\$505	\$40	\$96	\$90	\$316	\$1,047
Industry and mining.....	92	18	22	15	33	180
Transportation.....	16	0	0	10	0	26
Health and sanitation.....	457	10	264	35	388	1,154
Education.....	516	40	76	40	164	836
Public administration.....	60	18	0	15	0	93
Community development.....	0	0	0	0	0	0
General (Eritrea, etc.).....	221	24	52	45	130	472
Total.....	1,782	150	510	250	1,031	3,723

The agricultural education program illustrates the combination of academic and practical methods which have been used to assist the Ethiopians. Under a contract with the Oklahoma Agricultural and Mechanical College, a technical school has been established at Jimma with a staff furnished by the United States. Its efforts are directed toward developing superior cattle strains, to improving the coffee yield, and to producing improved chicken farms. At the same time, 50 demonstration teams throughout the country are used to acquaint planters with approved methods of processing coffee so that it will bring a better return on the market. Country livestock teams are also used to show the advantages of selective breeding.

Establishment of the school at Jimma was essential because there were no natives trained sufficiently to cooperate with us in the agricultural program. It is an effective and economical operation which has the enthusiastic support of the Emperor.

In addition to the Oklahoma Agricultural and Mechanical College contract, private contracting has also been used for development of management procedures, as well as aeronautical training of Ethiopian pilots, mechanics, and supervisory personnel. There appears to be a tendency on the part of private contract groups to consider themselves as independent of the policies of the mission, but this has not yet been productive of serious difficulties.

One of the most notable achievements of American personnel in Ethiopia has been the road improvement program which is directed by employees of the United States Bureau of Public Roads working through and in conjunction with the Imperial Highway Authority. No United States funds have been utilized for this program, all financing being provided by the Ethiopian Government. A total of \$25 million has been made available for road work, of which \$5 million was obtained from a loan by the International Bank for Reconstruction and Development.

In the utilities field, a positive contribution has been made by reorganizing the operations of the Ethiopian Power Co. under an appropriate charter and rate structure. With the guidance of technical assistance personnel, a Ministry of Education was organized in 1953 and a 10-year plan developed for financing school facilities. American experts have worked in several other ministries, and at the specific request of the Government are currently engaged in a reorganization of the Prime Minister's Council of Ministers. This activity has resulted in much favorable publicity for the United States.

However, results are not so easily evaluated in other fields, principally because most of our program in the initial years was of an educational nature. A few false steps were made which have since been corrected. In commerce and industry, our program did not seem to strike a responsive chord. An initial effort to train Ethiopians was fruitless because none could be furnished by the Government for the purpose. A more appropriate program was adopted in its stead, consisting of a handicraft school and arts and crafts vocational centers. Graduates of these schools (there were 78 last year from the handicraft school) are now teaching handicraft on the outside.

Because most of the technical assistance we have furnished in the first 4 years has had to be of a preparatory or educational nature, it is still too soon to assess the effect of the program on the Ethiopian economy. Many more years may elapse before local people will be ready to take over projects which were started in 1952 and 1953.

From all indications, however, the Ethiopian program has been well administered, and is successful within the limitations imposed upon it by the conditions it faces. It has not sought to move too fast or too far and has about reached the level of Ethiopia's present absorptive capacity. A larger program for the country would not be warranted; and as more and more Ethiopian technicians become available, our own effort should then be tapered down.

The relations between our operations mission and the Ethiopian Government are on an excellent basis, despite the open dissatisfaction expressed by the Emperor with respect to matters of military assistance. Yet this could well be the touchstone upon which continued harmonious relations with the Ethiopian Government depends.

The United States has important military bases in other countries which promise to be somewhat hazardous, if not unreliable, in the kind of crisis now facing the West. I fail to see the advantage in continuing our dependency upon areas where our potential enemies may outnumber our friends, especially when there are countries in the world which would warmly welcome our presence, and which could furnish terrain satisfactory for base purposes. I believe, therefore, that consideration should be given to ascertaining the feasibility of establishing such a base in Ethiopia, as an alternative to some one or more of our existing sites elsewhere.

E. SOUTH AFRICA

The great national wealth of South Africa is so generally familiar as to require no comment in this report. It is one of the most advanced countries of the world, in which modern technology is used extensively in manufacturing, in mining gold, diamonds, uranium, manganese and iron, and in agriculture. There is, therefore, no United States aid program here either on a grant or on a technical cooperation basis.

Apart from some limited military assistance involving the use of a team of Air Force radar experts the only transactions which might be regarded as official United States aid consist of a few self-liquidating loans by the Export-Import Bank to private companies for the development of uranium extraction. These loans have amounted to about \$44.5 million since 1953.

On the other hand, a number of American institutions are engaged in privately financed assistance programs. The Carnegie Corporation of New York provided funds during 1956 to send 5 South Africans to the United States and 2 Americans to South Africa. It has also sent selected United States sociologists to teach at the University of Natal's Institute for Social Research. The Rockefeller Foundation in 1951 provided the Durban Medical School at Natal with \$127,000 for a 5-year program to train nonwhite doctors. \$150,000 was granted by the Ford Foundation to the South African Institute of Race Relations to further its work. To the extent that the private foundations assume this function, just to that degree will United States Government action become less needed.

Valuable technical assistance is likewise furnished to South African enterprises in connection with normal business operations. For example, Westinghouse Electric, instead of entering the manufacturing field through a subsidiary company in South Africa, has undertaken research projects and planning for local capital, to assist in setting up manufacturing plants, with licensing and royalty arrangements between the American and South African companies.

Nevertheless, despite the advanced economy of the country, the future is not free from anxiety. If racial tensions were to exceed the breaking point, serious economic disruption would take place, because native labor has been heavily integrated in South Africa's major industries. At the same time, unless more native workers are brought into the country, its rate of expansion will inevitably be retarded. Continuation of present Government policies seems to be risking this eventuality with disturbing overtones.

Against the inexorable tide of nationalism and the gathering desire for improved social and political status elsewhere on the continent, the Union of South Africa has been pursuing a reverse course called "apartheid". The avowed objective of this policy is to maintain a supremacy of the European white races over the native population.

We in America may not fully realize that this is not merely a program of racial segregation. It is a program calculated to suppress those rights of professional, economic, and social liberty without which an entire class must remain in an inferior position. The supporters of apartheid attempt to justify the policy on the ground that complete intermingling of so-called Europeans and non-Europeans (the euphemistic description applied in the Union to white and black races) will result in the disappearance of the European white population, which is outnumbered by 4 to 1.

I cannot believe that this policy will succeed. Nor do I believe that such injustices as enforced abandonment of homes long owned, the prohibition against acquisition of title to real property, and the creation of a lower class professional and economic group can fail to fan into flame the smoldering embers of resentment. Such efforts to turn the clock back are bound, I believe, ultimately to create conditions favorable to a tragic explosion. Faced with this unhappy dilemma,

America in setting the course of its policy toward South Africa must balance, on the one hand, its desire for friendship with the Union Government and its policy of noninterference in the domestic affairs of another nation with, on the other hand, its traditional interest in the preservation of human rights and freedoms everywhere.

E. LIBERIA

Liberia's is primarily a rubber economy, which, like the Gold Coast's cocoa crop agriculture, is highly vulnerable to world price fluctuations. It is an underdeveloped country, which is not self-sufficient in food, with inadequate roads, a high incidence of malaria, yaws, and other debilitating diseases, and vast areas of unutilized natural resources. Its people are 90 percent illiterate and there is an almost paralyzing lack of professional and scientific personnel, skilled and unskilled workers, and managerial personnel generally. Yet the future of the country holds much promise. Iron mining, with ore assayed at 60 percent or better, has become a major industry. Great timber reserves await transportation facilities.

Such, in a nutshell, is the problem of Liberia's needs, a country for which the United States has felt special responsibilities ever since emancipated slaves from America settled the western coast of Africa.

United States aid to Liberia has sought to meet these needs by projects in agriculture, health, transportation, cooperative education, and public housing. These projects are designed primarily to train Liberians in skills needed to raise their standard of living. The program is exclusively one of technical assistance, and its accomplishments, while limited by the funds made available, are, on the whole, very gratifying.

Since 1944, when an American economic mission was established in Monrovia, a total of \$12.6 million in aid has been furnished, most of this (\$10 million) being provided in the past 8 years. A breakdown of program costs during the period 1952-56 is contained in the following table:

Total cost, United States aid programs, 1952-56

[Thousands of dollars]

Fields of activity	Fiscal year				
	1952	1953	1954	1955	1956
Agriculture and natural resources.....	215	273	431	315	317
Industry and mining.....	116	372	19	106	112
Transportation.....	86	106	114	244	256
Health and sanitation.....	217	316	231	390	327
Education.....	94	145	212	498	559
Public administration.....	7	43	31	13	46
Community development and housing.....	10	30	101	36	33
Miscellaneous and technical support.....	339	396	25	269	163
Total.....	1,084	1,681	1,164	1,871	1,813

During the same period, the extent of the Liberian Government's contribution was as follows:

Liberian Government's contribution to aid program, 1952-56

[In thousands of dollars]

Fields of activity	Calendar years				
	1952	1953	1954	1955	1956
Agriculture and natural resources.....	288	261	462	347	410
Industry and mining.....	343	388	-----	80	79
Transportation.....	212	449	-----	480	652
Health and sanitation.....	311	291	205	180	216
Education.....	189	194	-----	334	411
Public administration.....	91	21	-----	13	50
Community development and housing.....	42	166	-----	50	36
Miscellaneous and technical support.....	169	92	-----	38	10
Total.....	1,645	1,862	667	1,522	1,864

There were no counterpart contributions inasmuch as Liberia uses only United States currency.

United States loans to Liberia since 1948 have totaled \$14.8 million (including \$19.5 million provided under lend-lease for construction of the free port of Monrovia). Of this amount, loans extended by the Export-Import Bank have amounted to \$21.35 million during 1951-55, of which \$1.35 million was for a water and sewage system, and \$20 million for a road construction program which is not yet completed.

The Government of Liberia sets aside 20 percent of its annual revenues for development purposes. A Joint Liberian-United States Commission for Economic Development plans, supervises, and evaluates all development work. It has been an effective programing device.

Major technical cooperation projects are now being conducted in agricultural experimentation and demonstration, forest survey, malaria control, rural health, transportation and education. All these programs are handicapped by the need for more trained Liberians; and several of them are such as to require their continuation over many more years to produce satisfactory results.

The highway program is extremely important to the country's future economic development, as the absence of roads not only limits the marketing of produce, but increases the price of rice and other staples to the consumer often by as much as several hundred percent. Adequate staffing of the Government's highway division has been impossible because of the lack of trained Liberians. For this reason, the program could undoubtedly use additional American road specialists; yet I see little merit in increasing the funds available for that purpose until the United States can supply the personnel required, especially in view of the fact that six positions on the highway project remained vacant during 1956.

Despite the generally satisfactory relations which have existed between our mission representatives and the Liberian Government, a number of points of irritation were noted. A principal source of complaint against us has been the exasperating delays, as well as inability, on the part of the United States in furnishing technicians, particularly engineers. The Liberian need for this personnel is so pressing that its Government is being compelled to employ technicians

elsewhere than from the United States, four having been obtained from the Philippines. In view of the shortage of engineers in the United States as compared with the exportable surplus of this commodity in the Soviet Union, the temptation to have recourse to Soviet technicians is not one that should be dismissed lightly by our planning agencies.

As just one of the consequences of our personnel deficiency, the entire police-training program has bogged down. Difficulty in recruitment, together with security clearance procedures, has apparently hamstrung the project.

A serious flaw in the general administration of the educational-exchange program was revealed in conversations with Liberian officials. The International Cooperation Administration furnishes students from Liberia (as well as other countries) with \$6,400 per year for study in the United States. After appropriate allowance for international travel, tuition, and books, this means that the grantee disposes of \$4,180 or \$11.45 per day for his living expenses. By contrast, students sent to the United States by the Liberian Government receive only \$2,400 for their expenses. Our policy not only seems excessively liberal, but is calculated to kindle resentment as between students from the same country who may be doing the same kind of work in America. Moreover, inasmuch as no pay thus far received by a grantee returning to Liberia has exceeded \$300 per month, the practice may tend to create a group of malcontents in their own country. Clearly this situation calls for corrective measures.

No comment on Liberia would be complete without referring to the tremendous contribution of the Firestone Rubber Co. to the life and development of the country. Firestone has been a principal catalyst in the evolution of Liberia from a primitive, tribal society, toward a modern economy with the help of private capital. Almost 40 percent of the Republic's tax revenues are derived from Firestone's operations, along with more than 70 percent of its exports. Its impact has permeated almost every phase of the people's life. It is a heartening example of the mutually profitable and beneficial relationship which can be achieved by good will and enlightened restraint on the part of both business and government.

To conclude: the American aid program in Liberia, on the whole, has been successful. Its accomplishments are not only statistical, but visible. To cite a few examples: the country has increased its rice self-sufficiency from 90 to 95 percent in 2 years. Substantial increases have been realized in other agricultural products including cash export crops of coffee, cocoa, rubber, and palm produce. More dramatically, an entire marine fishing industry has been brought into existence as a result of United States assistance in fish refrigeration processing.

The scope of the program has been fairly well adapted to the country's capacity. But the pace of development has begun to quicken, and the point has now been reached where Liberia is not only ready for more technical assistance, but will need development funds to accompany progress in mining and other industries.

In a very real sense much of Africa is watching closely the results achieved in Liberia and the degree to which American assistance is enabling the Liberian people to attain a viable economy. As a kind of American fosterchild, Liberia is more than another candidate for

economic aid, no matter how worthy. It is also a symbol of our country's willingness to support an underprivileged African people in their efforts to vindicate the democratic way of life.

G. MOROCCO

As is true of United States aid to Tunisia, assistance to Morocco, another former French protectorate, has come indirectly, through our aid program to France. While some of this aid was programed for French overseas dependencies, it is difficult to ascertain precisely how much was applied to Morocco. American aid has fallen into three principal categories:

(a) Direct dollar exchange grants to importers of United States products, amounting to \$84.5 million (of which \$71 million was actually paid for in local currency).

(b) Local currency aid grants amounting to \$40 million, reimbursable by Morocco to France. Part of this sum was expended by France on so-called "general areas of economic development"; the remainder was spent on projects specifically approved by the United States Government.

(c) Local currency loans of approximately \$7.5 million. These grants were used for the following purposes:

1. Basic raw materials, mining and farm equipment, transport, lubricants, and consumer goods.....	\$71,382,153
2. Unscheduled counterpart aid (1949-51) used for irrigation and drainage, railroads, roads and water communication, and oil prospecting.....	32,228,571
3. Scheduled counterpart aid (1952) used for Massa irrigation project, Casablanca water and power, Djerada coal mining and water supply, and development of private industry (cellulose).....	7,649,000

An important adjunct to United States aid has been the expenditures resulting from the establishment of American bases in Morocco. These have averaged about \$58 million per year. They have had a stabilizing effect on the Moroccan economy, but cannot begin to solve the problem of Morocco's underdeveloped condition. Although predominantly agricultural—with 80 percent of the population living off the land—there are important mineral deposits, consisting of manganese, cobalt, lead, iron, coal and phosphates (of which Morocco is the world's largest exporter).

Thus, in contrast with the meager resources of Libya, Morocco has significant natural resources, which clamor for private capital. But such investment has been discouraged by a number of factors such as the lack of public order, lack of investment opportunities, foreign exchange controls, shortage of skilled labor and technicians, and inadequate tariff protection for new industries.

Morocco is now in a period of transition, and the United States has a deep interest in the development of its economy. Because of growing dissatisfaction among the Moroccans with the progress made heretofore in the improvement of living standards, the future course of the country is largely dependent upon the development which the present government can achieve. I believe it is in our own interest to assist the Moroccans in this early period of independence, both by long-term loans, if need be, and by encouraging investment of private American capital. The resources are there. Financing is needed. Furthermore, our strategic interest in Morocco more than warrants

any contribution we can make to the stabilization of economic and political conditions.

One such contribution would be the training of technicians and professional people. I found considerable interest among the Moroccans in our exchange of persons program, which is only now getting underway. Provision is being made for 15 Moroccans in 1957; but, in view of the great need for leader specialists, it may be desirable to provide for an increased program in 1958.

5. AID PROGRAMS IN THE DEPENDENT OVERSEAS TERRITORIES (DOT)

A. IN GENERAL

Prior to 1954 aid to the African dependent overseas territories was tied closely to the European reconstruction program. As a consequence, its purpose was to improve the economic position of Europe through development projects which would also increase exports. Little attention was given to the fundamental problems characteristic of underdeveloped colonial areas, such as inadequate food production, lack of a trained labor supply, and the absence of facilities for training native personnel.

During the past few years metropolitan countries generally have come to recognize the need for facing up to these problems. In 1954 the United States policy toward the dependent areas shifted away from development financing to the more limited objective of technical cooperation. In this new policy we have had excellent cooperation from the United Kingdom in developing programs for British East and West Africa. There we have drawn on funds which included \$5 million in sterling acquired as the result of the sale of surplus agricultural commodities to the British in 1954 and 1955. Among other things, the United Kingdom program has included assistance for a western Nigerian agriculture project and training of African medical assistants in Kenya. France alone has failed to show interest in pursuing a technical cooperation program, divorced from a large development program financed by the United States. As of 1956, the French effort had shrunk to less than \$20,000 per year.

Throughout most of the United Kingdom's dependent overseas territories, United States aid has been characterized by delays and inadequate action. This is partly attributable to the fact that program arrangements must be processed through the Colonial Office. Further disadvantages result from the fact that all preliminary negotiations and the decision on agreed projects are not handled between our consular officials and the local authorities of a dependent territory, but between the central International Cooperation Administration mission and the metropolitan government. As a consequence, detailed information of the projects is often not available either in the files of our consulates, or in the archives of the local government itself. The Gold Coast program has suffered from the same cumbersome procedure, although this factor will no longer be operative after independence is acquired next March.

If there is to be a continuation of aid activities in such countries as Nigeria, for example, during the period prior to its acquisition of independence, it would seem advisable for our field representatives to have more direct liaison with Washington, rather than compelling

them to operate indirectly through a European office. Project selection would then benefit by the active collaboration of those most familiar with local problems. It would have the further advantage of enabling our representatives to speak to the local officials with greater authority.

B. KENYA (BRITISH EAST AFRICA)

Since 1951, United States aid to British East Africa (Kenya, Uganda, and Tanganyika) has amounted to over \$12.9 million in grants, loans, and technical assistance. In 1951 a grant of \$1,680,000 was made for one-half the cost of a road in Tanganyika. In 1952, a loan of \$112,000 was extended by the Economic Cooperation Administration from United Kingdom 10-percent counterpart funds for Kyanit stockpiling for the United States. In 1953 the Mutual Security Agency entered into an agreement with the United Kingdom under which there was loaned for port-development programs in Kenya \$5.6 million and in Tanganyika \$1.03 million.

Technical cooperation projects in the amount of \$737,000 have been approved for East Africa since 1954. The projects provide for 40 American technicians to assist in the fields of agriculture, technical education, research and health; but as of the date of my visit to Kenya, no technicians had yet appeared on the scene, although recruitment had been under way for considerably more than a year. This delay points up a serious weakness in our program in several African countries: i. e., the excessive lapse of time—or sometimes even inability—on the part of American officials to furnish technical personnel after projects have been approved by the Governments concerned.

The many obstacles to economic development found in east Africa such as poor agricultural yields, unreliable water resources, inadequate transport, or lack of training and education are comparable to those retarding progress elsewhere in Africa. For a time the terrorist activities of the Mau Mau in Kenya injected an acutely unstabilizing element into the country's social and economic life. These activities have been virtually terminated, and law and order has once more returned. But the underlying frustrations and dissatisfaction with inferior status which gave rise to them, remain. Future difficulties may be expected in western Kenya where the native population, having learned the meaning of a higher living standard, now wish this for themselves.

On the other hand, the agricultural development programs financed in part out of International Cooperation Administration funds appear to be making good progress. Moreover, in contrast to other dependent territories, there is a growing appreciation among non-governmental circles of the role being played by the United States in Kenya's development.

Considerable assistance of a voluntary nature has been contributed by United States missionary groups. The American Friends Board of Missions has been particularly active in Kenya, with a membership of over 26,000—an astounding figure when it is remembered that there are only 120,000 Quakers in the United States. One out of every 15 schools in west Kenya is run by the board. The Friends African Mission Hospital treated 14,000 patients in 1955.

All this work is much to the good, but it has brought new social problems in its wake; it has had an unsettling effect upon established tribal customs; and improvement in health has created additional population pressures which have aggravated discontentment with a meager economic existence. It evidences once again the hazards inherent in any attempt to improve the welfare of backward peoples, and the great care which must be taken in preparing our programs so as to avoid these pitfalls. America's warm heart must be controlled by a cool head.

C. THE BELGIAN CONGO

The Belgian Congo is one of the most progressive areas in Africa today. This is due largely to the remarkable variety of its exportable agricultural products. Yet the Congo will remain underdeveloped for some time to come due primarily to inadequate transportation and a pressing need for education. Domestic market potential is also limited by the fact that 80 percent of the Congo's Africans still live in primitive poverty.

An attack on this problem is being made by the Belgian Congo Government in a 10-year plan (1950-1960) envisaging a total expenditure of \$962 million with annual rates of about \$120 million. As is true of other dependent overseas territory programs, the United States aid to the Congo has been negotiated and administered entirely through our missions in the home country, in this case Brussels. Although at other posts this indirect system has had certain disadvantages, in Leopoldville the procedure appears to have proved satisfactory.

Most of this aid is furnished through loans because of the strong financial position of the Belgian Congo, but a small amount of grant aid is provided for technical assistance. Since the close of 1953 United States aid has been limited to technical assistance work on a share-the-expense basis between the two Governments.

The American efforts have been designed to supplement and educate the substantial corps of technicians already developed by the Belgian Congo Government. Under the technical assistance program some of these technicians have been sent to the United States to study such matters as highway construction and to do agricultural and forestry research.

Loans from Economic Cooperation Administration-Mutual Security Agency funds to the Congo have amounted to \$18.9 million, the first loan in 1950 (\$1.5 million) being for the purchase of heavy road-building equipment. In 1951 a loan of \$15.5 million was made to the Belgian Congo Government for overall development. At the present time the only technical assistance project in operation is one which began in 1954 on reclamation and irrigation.

In conjunction with the United States Information Service, members of the American consular staff at Leopoldville have been giving English lessons voluntarily to Africans. They have contributed generously of their time and effort. This would seem to be an excellent means of acquainting the local population with American ideas and ideals. It is a praiseworthy example which might well be followed in some of our other missions.

I was much impressed by the innate artistic talent manifested by members of the native population in the Congo. In any future expan-

sion of our technical assistance program in the area, I believe consideration should be given to developing this talent as is now being done on a small, private scale in Leopoldville, and by a French Mission school at Brazzaville.

By a soundly administered benevolent paternalism, the Belgians have brought the Congo to a point where its inhabitants are now expressing a desire to have some say in its political evolution. Provisions are being made for local elections. It is to be anticipated that, barring unforeseen developments, great economic and political strides will be made in the Congo during the next few years. This evolution will necessarily have a bearing upon the direction and scope of our policies in that area.

D. FRENCH EQUATORIAL AFRICA

Neighboring French Equatorial Africa presents an entirely different picture, being one of the poorest and most underdeveloped countries in the world. With but little fertile soil and few proven resources, it is plagued with the problems repeatedly encountered elsewhere on the continent, i. e., lack of trained workers, inadequate capital, poor transportation, and an unbalanced economy relying too heavily on coffee, cocoa, palm and cotton. Thus its economic prospects are rather depressing.

At the present time United States aid to this colonial area (administered, of course, through funds allocated to France) consists of a combined program of economic aid and technical assistance amounting to \$2.4 million. This fund is being devoted to the development of livestock in the Tchad region, a project whose purpose is to build up the income of an impoverished area, to make fresh meat available at reasonable prices, and to create needed foreign exchange through export. In financial assistance \$2.2 million is being provided for construction of an abattoir, well drilling and installation of an experimental ranch. By the end of the 1957 fiscal year the French and local governments will have made available over \$7.5 million during the 1953-57 period for the Tchad project. Progress in the venture is hardly such as to arouse national pride; for by early 1956 it had hardly gotten started, apparently because of the difficulty of coordinating fund allocations between Paris, Brazzaville, and the Tchad region.

Despite the natural disadvantages of the country coupled with the usual French trade and exchange controls, prospects for future private investment may be improved should pending operations of the Bethlehem and United States Steel Corp. in the exploitation of manganese and iron ore deposits prove successful.

E. THE GOLD COAST

On March 6, 1957, the Gold Coast will acquire its independence from the United Kingdom. It is, therefore, a country in the final phases of a transition from colonialism to control over its own destiny. Since 1954 it has had an all-African government and almost complete control over its internal affairs.

Many of the weighty problems which the new nation will face in the future are linked to the fact that the Gold Coast has been primarily a one-crop economy, most of its income being derived from cocoa.

This necessarily has meant that needed programs of school and road construction, welfare work, water supplies, and other rural and urban facilities must be dependent upon the course of world cocoa prices. The depression in the cocoa market in 1955 compelled the Government to restrict its development program, and its financial situation will be subjected to further strains after March 6. Certain fixed operating expenses of the Government such as the organization of a Foreign Service and assumption of defense costs formerly borne by the British Government will also increase the burden on the country's budget. It seems highly likely, therefore, that the Gold Coast will require some degree of assistance from abroad during the period immediately following independence, both for community development and for the expansion of important agricultural and mineral resources. This assistance could well take the form of long-term, low-interest loans.

There have been four United States aid projects in the Gold Coast since 1948, amounting to a total cost of approximately \$1.8 million in grants. No loans have been made, nor are any pending.

Of the four projects, the most important is a direct Economic Cooperation Administration grant of \$1.4 million in 1951 for work on the Achiasi-Kotoku rail link between Takoradi and Accra. This is another instance, commonly found on this survey, of insufficient publicity being given to the American contribution. The people generally were unaware of United States participation, as hardly any mention was made of it until the railway was open.

A number of other programs have already been completed. In 1952, Economic Cooperation Administration funds provided 20 graders and 12 tractors with spare parts for road construction and maintenance at a total cost of \$385,000. An investment opportunity survey made in 1954 under a private contractor involved an expenditure of \$18,700 in addition to \$9,240 in counterpart distribution. The remaining grant for \$3,850 (balanced by a comparable sum in counterpart) financed a leader grant visit to the United States in 1955. Under the educational-exchange program, about 10 grantees are being sent to the United States annually.

At the present time there are no United States aid programs in operation in the Gold Coast. Three have been approved but have not yet been initiated. One program provides for a land-planning and soil-conservation team of eight Americans in the northern territory, at a dollar cost of \$306,449, which is more than matched by the counterpart contribution. Another is for the treatment of livestock blood diseases at an estimated cost of \$57,000 in International Cooperation Administration funds, and \$29,000 in counterpart.

The third project is for a team of seven mechanical engineers from the United States to supervise field units under the rural-community development program of the Gold Coast Government. The total cost is estimated at something over \$1 million, of which the United States share is to be \$372,000. This third project is badly needed for its training value and promises to be a most productive form of technical cooperation. It contemplates the construction of small bridges and drains. Unfortunately, no American engineers have yet been supplied, although a year and a half has elapsed since the program was agreed to between the Colonial Office and the United States. The Gold Coast has set aside its contribution, but we are in the mortifying position of having fallen down on our agreement. Although recog-

nizing that the universities with whom this work would be contracted may be having difficulty in supplying candidates, nevertheless, a delay of this kind in implementing completed negotiations is clearly excessive even allowing for the requisite security checks.

F. NIGERIA

The Federation of Nigeria is the largest of the British Dependent Territories with an area four times that of the United Kingdom and a racially homogeneous population of over 32 million. The country is in the process of sweeping constitutional revision, involving a transfer of political power from British to locally elected representatives. Under the latest constitution adopted in 1954, it acquired a federal-regional form of government. Increased self-government, to which all major political parties are committed in Nigeria, will probably emerge from the 1957 constitutional conference. Eventual independence is on its way; the only uncertainty is the date.

As of 1956, some 10 United States aid projects had been approved, relating to livestock disease control, water conservation, manual training, and irrigation practices. These projects contemplate a total United States commitment of approximately \$700,000, of which \$500,000 will be expended in the development of land resources and agriculture. Thus far our Nigerian aid program has proved one of the least satisfactory in its implementation of all those which I examined in Africa. Principally, this is because there has been so much delay in getting it started. In fact, although considerable time has elapsed since it was approved, virtually no progress has been made.

When Premier Awolowo visited the United States in March of 1956, the International Cooperation Administration agreed to furnish 10 technicians for the purpose of surveying and advising on the western region's educational and agricultural problems. Only two had arrived and completed their assignments by the time I reached Lagos. Although local officials are aware of the difficulties the International Cooperation Administration has encountered in recruiting suitable personnel, our failure to perform as promised has naturally created some doubt among these officials as to the ability of the United States to perform its commitments. As already noted, this situation in Nigeria is not unique.

One of the basic needs of Nigeria is education and training, not only in administrative but in professional fields. Our educational exchange program has not reflected this need. To some extent the appeal of the program has been compromised by a tendency on the part of the British colonial officialdom to discriminate in favor of students educated in the United Kingdom. The permanent under secretaries in the Nigerian ministries commonly are British civil servants. Their inclination to disparage American education has been so marked that the Minister of Labor was required to intervene on several occasions in order to obtain employment for qualified Nigerians educated in the United States.

Nevertheless, I believe it is important that the program be accentuated and that appropriate planning be made to increase the facilities which will be needed when independence is acquired.

The need for trained technical personnel is nowhere more acute than in connection with truck and automobile maintenance. Due to

the lack of maintenance facilities and competent mechanics, new trucks purchased for Nigeria in the United States or elsewhere, have a life expectancy of only about 6 months. This would seem to be an area of technical assistance in which the United States might make a real contribution. It should be explored by International Cooperation Administration officials with the view to providing for it in future programs.

G. FRENCH WEST AFRICA

By March of 1957, when the Gold Coast will be acquiring its independence, French West Africa will have attained a substantial measure of autonomy. This is being achieved pursuant to the provisions of the so-called Loi Cadre of June 23, 1956, the reforms of which are already being attacked in the territories as obsolete.

Agitation in favor of greater independence has undoubtedly been stimulated by the more advanced status which France has bestowed upon the Trust Territory of Togoland. There is, therefore, an atmosphere of uncertainty concerning the precise direction which the political evolution of the seven territories of French West Africa will take. A contributing factor to the steadily expanding pressure toward nationalism is the influence of Cairo, through the Muslim religion, and of Moscow, through the labor unions and schools. The force of Islam has been making itself felt particularly among the scores of black Africans who return each year as fanatic Mohammedans from El Azzhar University in Cairo. International communism, carefully avoiding the raiment of communism, has likewise been accelerating its propaganda program. It is my conviction that a premature extension of independence to these territories, which do not appear ready for self-government, may produce grave difficulties.

It is estimated that the total of procurement authorizations allocated by France to its overseas possessions for American supplies and equipment amounted to \$300 million between 1948 and 1952. Of this the sum of \$70 million was channeled to French West Africa along with an additional \$3 million of direct aid from the United States. These funds have been used on economic development projects, for road-building, mining, and transport equipment and the like.

Since fiscal year 1952, United States aid to French West Africa has been negligible. We have no technical assistance program in the territory, as the French Government has been unwilling to receive American technicians for that purpose.

As in other dependent territories, stringent regulations concerning imports, the establishment of businesses, foreign exchange and licenses, have combined with preferential tariffs and the policy of promoting French trade to reduce the attractiveness of investment to foreign capital. Of a total of \$340 million in postwar private investment some \$23 million have been invested by foreign interests principally in mining or petroleum distribution.

6. UNITED NATIONS TECHNICAL ASSISTANCE

In several of the countries I visited, technical assistance programs under the aegis of the United Nations were in operation. Since 1950 Libya has received such assistance from a number of U. N. agencies which have been providing over 80 technicians in the fields of health, agriculture, and administration. The United Nations International

Children's Emergency Fund (UNICEF) conducts a school-feeding program in cooperation with the Libyan Government. Liberia has been the beneficiary of a U. N. program involving 20 specialists, amounting to over \$150,000 annually. Projects in irrigation, social welfare, and community development are being conducted in the Gold Coast.

The Food and Agriculture Organization, World Health Organization, United Nations International Children's Emergency Fund, International Civil Aviation Organization, and United Nations Educational, Scientific and Cultural Organization have been active in Ethiopia. However, the United States mission has operated in only three areas in which technical assistance is being furnished by these agencies: Public health, animal disease control, and community education. Generally, multilateral assistance is reputed to have certain advantages over bilateral aid; but in a number of respects the United States technical-assistance program in Ethiopia has tended to be more effective than that of the United Nations specialized agencies, doubtless because the United States has resources which the United Nations agencies often lack to assist in completing a specific project. Because of this lack of funds for supplies and equipment in demonstration and training programs, the United Nations organizations have occasionally encroached on our technical assistance activities so as to benefit by the equipment provided. The multilateral agencies have also manifested an overreadiness to take an undue share of the credit for a project in which United States assistance has been the major contribution.

Apart from minor problems of this kind, relations between the United States and United Nations groups have been fairly satisfactory, with a reasonable degree of coordination.

7. SOVIET AID EFFORTS

Until now economic aid activities (as distinguished from academic training and indoctrination) of the Soviet Union and its satellites in Africa have been very limited. A vague offer of financial assistance accompanied Soviet overtures to Liberia to establish a diplomatic mission, which was rejected. Ethiopia and Libya have received equipment and vehicles as part of the Soviet bloc contribution to the United Nations expanded technical assistance program. A quasi-technical assistance function is performed by an excellently run hospital in Addis Ababa which is staffed and operated by Soviet doctors. It also serves as a convenient medium for propagandizing needy patients. Elsewhere in Africa there are no Communist economic aid programs of any kind in operation. There is no doubt, however, that we can anticipate *démarches* by the Soviet Union in the future toward those countries which have newly acquired independent status. The Soviet bloc has been manifesting increasing interest in economic relations with South Africa and other countries.

8. PROJECT PUBLICITY

In some of the countries visited I found little or no indication to the people that the United States had anything to do with projects we are supporting. Thus, in Addis Ababa, a worthwhile crafts training project is identified by a sign over the outer entrance merely as

"Her Imperial Majesty's Handicraft School." Nor was there any external identification of the United States with the Agricultural Technical School at Jimma, Ethiopia, which was organized and is being operated under an International Cooperation Administration contract with Oklahoma A. and M. College.

By contrast, a prefabricated war memorial sent by Tito to the Emperor, and erected in the center of a principal city square, is plainly marked as the gift of Yugoslavia and greatly admired by the local population.

Again, near Tunis, a demonstration farm conducted by our mission is identified solely by a small sign with the words "Exploitation Pilote," under which is found, in almost unnoticeable letters, the now meaningless symbol "FOA." American Information Service libraries, earmarked to the public solely by the esoteric letters "USIS" inadequately acquaint the public with the facilities made available.

There seems to be an exaggerated reluctance on the part of officials administering our programs abroad to attribute any credit to the United States for projects to which the American taxpayer has been contributing. If this is pursuant to Washington mandate then some changes are clearly called for. Admittedly, we should not publish our support for underdeveloped areas on a scale to be offensive either to the host state or its people; but there is a happy medium which does not necessitate a designed concealment of the assistance Americans are giving to help those less fortunate than ourselves.

9. MORALE OF THE FOREIGN SERVICE

Throughout the course of this study mission I found the morale of the United States Foreign Service personnel generally to be very high. This is particularly gratifying inasmuch as many of the countries visited qualify as hardship posts in the starkest sense of the phrase.

Housing ranks high on any priority list of factors contributing to morale. At some posts, staff housing was so far below the most elemental requirements as to impair work efficiency. To give but one example, staff members of the United States operations mission in Monrovia have been forced to utilize a dilapidated set of accommodations provided by a former Navy installation. Not only are satisfactory residences virtually unavailable in the Monrovia real-estate market, but rentals exceed the prescribed quarters allowance by as much as 100 percent.

The Department of State's Office of Foreign Buildings has recently taken commendable steps to overcome housing deficiencies at African posts by lease and purchase; and it is to be hoped that corresponding improvements can be made in Monrovia, Leopoldville, and other needy areas.

Another subject of concern is that of recreation. I believe that the Department of State has given insufficient attention to providing adequate recreational facilities for American representatives of our African missions. It is not a question of pampering the Service when elementary means of relaxation are lacking; when such diversions as motion picture theaters, radio programs, and athletic facilities are nonexistent; when there is not even a daily newspaper and when the ordinary conduct of a household is accompanied by obstacles and

frustrations sufficient to make the average American housewife despair.

Steps should also be taken to increase the amount available to Foreign Service officers as representation allowances, particularly for lower echelon personnel. In almost all countries, the sums provided for entertainment necessitated by official duties is so restricted as to require substantial outlays by these employees from their own savings. There is no reason why procedures for appropriate reimbursement should not be provided, at least within a reasonable maximum and under necessary accounting safeguards, in accordance with customary business practices.

I am glad to report that, in general, I found our Foreign Service personnel to be of high caliber and to give evidence of a deep understanding of the problems facing the countries to which they are accredited in Africa. As in other countries I have visited, I came away with a feeling of pride in the vital service which these men and women are performing for America, often at considerable inconvenience and the risk of serious health hazards.

10. OBSTACLES TO EFFECTIVE PROGRAMING

I have already had occasion to call attention to some of the obstacles which hamper effective implementation of our programs in Africa. The difficulty of recruiting competent personnel to undertake projects agreed upon by the two governments, is a serious handicap. This was found to be the case in respect to certain projects in Nigeria, the Gold Coast, and on one instance, in Liberia, where personnel requirements could not be filled.

There are two primary explanations for this shortcoming. First is the unavailability of trained technical personnel in the United States. Second, and doubtless an equally deterrent influence, is the nature of the living conditions found in the project area, from a health and a comfort standpoint.

In a real sense, where serious personnel deficiencies develop, it attests to improper planning. It would seem preferable not to undertake to do a job, if we cannot furnish the manpower to perform it. The result can only be to foster resentment and diminish the prestige of the United States.

Where a project is regarded as vital, yet no American personnel can be supplied, the alternatives are either to forego the project possibly in favor of United Nations activity, or to give consideration to a relaxation of present requirements so as to permit contract hiring of reliable foreign personnel, a solution which is not free from drawbacks. An increase in the salary levels might provide the inducement needed to fill the required quota of technicians.

More fundamental is the congenital short-term defect by which our technical assistance programs have been straitjacketed. Many projects require extended periods of time to complete properly. To be compelled to set program sights at the next fiscal year inevitably means unsatisfactory planning and waste. It may also discourage otherwise qualified personnel who are understandably unwilling to incur the inconvenience of transferring their homes to a foreign country for an uncertain stay.

The remedy, it seems to me, is congressional appropriations over longer periods of time, or at least, a declaration of policy calling for annual appropriations during such period.

11. CONCLUSIONS

On the whole, as I have already had occasion to mention in this report, our African program is proceeding satisfactorily within the limitations which have been set for it. Perhaps not as much has been accomplished as might have been hoped for during the limited time it has been operating, but we are making progress; and the countries we have sought to help are not only grateful but can draw assurance from the knowledge that American assistance comes with no political strings attached.

It is, of course, fitting that the United States should support the aspirations of dependent peoples who desire to achieve a national existence of their own. But these laudable and idealistic sentiments should not blind us to the risks inherent in encouraging less advanced peoples to break prematurely with the metropolitan countries. It is a disservice to any people to turn it loose in the community of nations before it is ready to assume the responsibilities not only of government administration but of sustaining a satisfactory economic existence. The economic difficulties which have troubled Libya point this up most clearly of all the countries in Africa I visited. To pay excessive homage to the concept of self-determination may bring in its wake a country's future bondage and the delivery of an entire people to some alien domination.

If, therefore, we support a country's yearnings for national autonomy it seems clear that we must also be prepared, in its interest as well as our own, to extend to it in an appropriate degree the kind of assistance which it requires to preserve that independence.

Yet we should not be disturbed if the peoples of Africa, and particularly the black races, tend to view with some reservation our desires to help them. During my visit to the Gold Coast, I was bluntly asked by a newspaperman how the United States could truly be concerned with the welfare of his people in view of the segregation problem in the United States. Skepticism of our motives cannot be dispelled by any professed altruism on our part. It will only disappear when these people understand that their national aspirations and those of the United States coincide; and that it is to our advantage that the people of underdeveloped territories remain free.

Africa stands on the threshold of a burgeoning social and political upheaval. As country upon country enters the international scene newly independent, two doors invite them. One assures a continuation of their independence. The other may set them on a course leading inexorably to an alien yoke which is not the less tyrannous because its imperialism is concealed.

What the United States does may well determine which door these nations will open. The stakes are high. The cost of American development and technical assistance is relatively so modest that to withhold it would be tantamount to a dereliction of national duty.

APPENDIXES

APPENDIX A

Itinerary: September-October 1956

	Leave—	Arrive—		Leave—	Arrive—
Sept. 4	New York....		Sept. 29	Capetown....	Johannesburg.
Sept. 5	-----	Paris, France.	Sept. 30	Johannesburg..	Leopoldville.
Sept. 7	Paris.....	Tunis.	Oct. 3	Leopoldville..	Accra, Gold Coast.
Sept. 10	Tunis.....	Tripoli, Libya.	Oct. 6	Accra.....	Lagos, Nigeria.
Sept. 14	Tripoli.....	Khartoum, Sudan.	Oct. 9	Lagos.....	Monrovia, Liberia.
Sept. 17	Khartoum....	Addis Ababa, Ethio. p.	Oct. 11	Monrovia....	Dakar, French West Africa.
Sept. 22	Addis Ababa..	Nairobi, Kenya.	Oct. 13	Dakar.....	Rabat, Morocco.
Sept. 24	Nairobi.....	Salisbury, Rhodesia.	Oct. 15	Rabat.....	Paris, France.
Sept. 25	Salisbury....	Johannesburg, South Africa.	Oct. 17	Paris.....	
Sept. 27	Johannesburg..	Pretoria, South Africa.	Oct. 18	-----	New York.
Sept. 28	Pretoria.....	Capetown, South Africa.			

NOTE.—All travel was by commercial airlines except between Tripoli and Khartoum, where commercial air service was not available, and between Dakar and Paris where such service was impracticable for the scheduled itinerary.

APPENDIX B

Expenses of Senator Theodore Francis Green, member, and Alwyn V. Freeman, staff member, Senate Foreign Relations Committee, September 4 to October 18, 1956

DOLLAR EXPENSES

Visa photographs.....	\$2.00
Maps, books and other papers.....	5.00
Cab fare.....	23.20
Baggage transfer and porter fees.....	38.44
Postage, telephone, and telegraph.....	2.84
Bank fee for travelers checks issued.....	28.00
Per diem in lieu of subsistence, not covered by counterpart funds:	
Sept. 3-4: En route (2 days at \$12 each).....	48.00
Sept. 14: En route (1 day at \$12 each).....	24.00
Sept. 24: En route (1 day at \$12 each).....	24.00
Sept. 25: En route (1 day at \$12 each).....	24.00
Sept. 26-29: South Africa (4 days at \$12 each).....	96.00
Sept. 30: En route (1 day at \$12 each).....	24.00
Oct. 1-3: Belgian Congo (3 days at \$12 each).....	72.00
Oct. 4-6: Gold Coast (3 days at \$12 each).....	72.00
Oct. 7-8: Nigeria (2 days at \$12 each).....	48.00
Oct. 9: En route (1 day at \$12 each).....	24.00
Oct. 10-11: Liberia (2 days at \$18 each).....	72.00
Oct. 12-13: French West Africa (2 days at \$14 each).....	56.00
Oct. 15: En route (1 day at \$12 each).....	24.00
Oct. 18: En route (1 day at \$12 each).....	24.00
Total.....	731.48

Expenses of Senator Theodore Francis Green, member, and Alwyn V. Freeman, staff member, Senate Foreign Relations Committee, September 4 to October 18, 1956—Continued

COUNTERPART EXPENSES

Sept. 5-6 (French francs, Paris, 35,235)-----	\$100.67
Sept. 7-9 (French francs, Tunis, 27,160)-----	77.62
Sept. 10-12 (Libyan pounds, Tripoli, 40.90)-----	114.52
Sept. 15-16 (Egyptian pounds, Khartoum, 72.36)-----	¹ 202.62
Sept. 17-21 (Ethiopian dollars, Addis Ababa, 260)-----	² 104.83
Sept. 22-23 (East African shillings, 292)-----	44.88
Oct. 14 (Moroccan francs, Rabat, 19,100)-----	54.57
Oct. 15-16 (French francs, Paris, 37,205)-----	106.30
Total-----	806.01

¹ Includes cost of chartered air transportation (\$199.82) for study mission and embassy staff from Khartoum to Wad Medani, the headquarters of the Gezira canalization scheme.

² Includes cost of air transportation for mission and embassy staff from Addis Ababa to Jimma Agricultural Technical School.

NOTE.—Commercial airline tickets, Washington to Washington, were paid for in counterpart Italian lira by the Department of State.

TECHNICAL COOPERATION IN THE ANDES
COUNTRIES OF SOUTH AMERICA

REPORT BY SENATOR MIKE MANSFIELD AND
SENATOR BOURKE B. HICKENLOOPER

March 1957

LETTER OF TRANSMITTAL

MARCH 1, 1957.

DEAR MR. CHAIRMAN:

As members of the special Subcommittee on the Technical Assistance Programs we visited South America during the month of December 1956 in connection with the inquiry of the special Subcommittee on Technical Assistance Programs. Although we traveled separately, the accompanying report reflects our combined observations and conclusions. It covers United States technical cooperation programs in certain of the Andes countries, notably Peru, Ecuador, and Bolivia.

These countries afford an unusual opportunity to study the programs. In the first place, the need for technical cooperation is considerable and obvious. Further, the present programs are sufficiently limited in extent to permit a grasp of their fundamentals during a short visit. Finally, these programs have been in operation for a comparatively long period of time (in some cases for 15 years) so that extensive experience with their functioning has accumulated.

As this report discloses, we found that the technical cooperation programs are operating effectively in the Andes countries. They are making a significant contribution to the welfare of the people of Peru, Bolivia, and Ecuador. They are also advancing the economic and other interests of the United States. They are, in short, mutually advantageous programs pursued at relatively small cost to this country, as compared with other types of overseas activities.

We should like to take this opportunity to thank the Ambassadors of the United States in the three countries, Gerald A. Drew (Bolivia), Theodore C. Achilles and counselor of Embassy, Clare H. Timberlake (Peru), and Christian M. Ravndal (Ecuador) and their capable staffs, the directors and staffs of the United States Operations Mission and the Department of Defense for their cooperation in making arrangements and otherwise assisting us in carrying out this mission. We especially want to commend Mr. Francis R. Valeo, consultant to the committee, for his outstanding work and his much appreciated assistance and counsel in connection with the survey.

Sincerely,

MIKE MANSFIELD.
BOURKE B. HICKENLOOPER.

TECHNICAL COOPERATION IN THE ANDES COUNTRIES OF SOUTH AMERICA

I. INTRODUCTORY

Nature of technical cooperation

The function of technical cooperation is to transmit abroad scientific knowledge and skills which may be useful to other peoples in developing their societies along modern lines. This function is set forth in the legislation providing for the program.

Perhaps it is easiest to make clear what technical cooperation is or should be, by pointing out what it is not. As defined by Congress, the program does not involve in any substantial degree the transfer of cash, commodities, or equipment to other nations. It has no direct connection with the building of military strength abroad. It does not include large-scale loans or grants for the economic development of other nations.

Objectives of technical cooperation

The technical cooperation program of the United States Government has humanitarian aspects which are not unlike the overseas activities of some religious organizations and private institutions. It can act to improve general living conditions elsewhere by demonstrating modern methods in health, education, and other fields and by providing education and guidance in their application.

The program also has objectives of national interest. Through technical cooperation scientific information in many fields can be obtained abroad which is of direct benefit to research and development in this country. Further, by stimulating progress elsewhere, technical cooperation opens up new opportunities for commerce and investment from which the citizens of the United States as well as other countries may profit. Finally, it should be noted that the program, properly administered, can undergird all our relations with others with an element of friendly personal contact of durable value to this country.

Effectiveness of technical cooperation in the Andes countries

The technical cooperation programs in Peru, Bolivia, and Ecuador in general are undertakings of the kind described above. These programs are yielding constructive results in terms of benefits to the peoples of the Andes countries and in terms of returns to the United States.

In a survey such as we made, the contributions of technical cooperation to the localities directly affected are readily apparent. Specific projects can be seen which act to improve health and sanitation standards, to reduce illiteracy and to increase production. There is no question, for example, that certain jungle areas of Peru once virtually uninhabitable are now being opened up to productive use because of the pioneering achievements of the United States and

Peruvian technicians working together to eliminate malaria and other diseases. There is no question that program-trained Latin Americans are playing a significant part in extending modern agricultural services in all of the Andes countries. There is no question that illiteracy is being reduced in these countries and that technical cooperation is an important factor in this progress.

Examples of this type could be multiplied and it would be easy to reach the superficial conclusion that technical cooperation is a kind of miracle drug for the accumulated social and economic ills of centuries. It is, of course, nothing of the kind. Modern progress in the Andes countries, as elsewhere, stems from a complex of causes. It proceeds at different rates, determined largely by the nature of each country's physical and human resources, by historic lags, and by existing political, economic, and social circumstances. Most of all, it derives from the degree of determination of the peoples directly involved to develop their country and the effectiveness of their indigenous leadership for that purpose.

There is no question that Peru, Ecuador, and Bolivia are all in the midst of significant change at the present time. In varying degrees they have registered a remarkable advance during the past few years. The technical cooperation program has been a factor in the advance and this contribution should not be overlooked. By the same token, however, it should not be overestimated.

Returns to the United States

What of the returns to the United States from technical cooperation in the Andes countries? It is possible to note specific advantages which derive directly from the program. When United States agricultural scientists, for example, obtain important data from their Peruvian colleagues on wheat and corn genetics as they have, it is clearly a gain for our agricultural experimentation. When a municipal government installs a new system of water meters on advice of our program specialists and the meters are purchased from United States firms that, too, would be a clear and direct return. When production of minerals and other commodities in short supply in this country is increased in the Andes region as a result of the program, the benefit to our economy is readily apparent.

Less obvious, however, is the impact of technical cooperation on our total commerce with the Andes countries. Their trade with the rest of the world has undergone a great expansion since the end of World War II and the share of the United States in that trade has increased sharply since the prewar years. In the case of Peru, for example, we supply today 55 percent of that country's imports whereas prior to the war the figure was in the neighborhood of 30 percent. Part of the increase is explicable in terms of new channels of trade developed in consequence of World War II and to other causes. Nevertheless, there appears to be little doubt that the technical cooperation program has played a part in laying the groundwork for an expansion of these commercial relations.

Even less tangible are sentiments of friendship which are generated by the technical cooperation programs and which have a salutary effect on all our relations with the Andes countries. Goodwill, of course, cannot be bought by the simple and costly expedient of increasing foreign aid expenditures. On the other hand, it would be

wrong to assume that aid provided by the United States in establishing a public health center in an Ecuadoran city or in eliminating malaria in the Bolivian lowlands produces animosity toward this country. On the contrary, if such undertakings are pursued with professional dedication and without undue fanfare there is every reason to believe that they do result in friendly feelings toward the United States.

In this connection, we wish to stress again the danger of miscalculating the role of technical cooperation. We repeat that it is not a panacea. The general tone of our relations with other countries—the Andes countries are no exception—comes from the sum of all our contacts with them. Goodwill which might be generated by technical cooperation can be offset by other aid activities which are ill adapted to the needs of the local situation. It can be undermined by unpopular diplomatic actions, by ineffective official personnel, by adverse reactions originating in any of the hundreds of contacts which go to make up the relations, both official and unofficial, between nations.

The technical cooperation program, in short, does not operate in a vacuum. We emphasize its limits for purposes of perspective in this report. Within these limits, it can make and we believe it is making an outstanding contribution to our relations with the Andes countries. It is likely to continue to do so for some years to come, provided it remains within the scope established by Congress and provided its administration is continually and effectively adjusted to changing circumstances.

II. SETTING FOR THE TECHNICAL COOPERATION PROGRAMS

In the Andes countries, the technical cooperation programs operate in one of the least known regions of Latin America. The three nations covered in this report—Ecuador, Bolivia, and Peru—extend southward from the Equator in western South America. Together they cover over a million square miles of territory, almost the equivalent of the area of western Europe. Their combined population is scarcely 16 million while that of western Europe is above 250 million.

Geographic and social factors

The Andes dominate all three countries. Ranging generally from north to south, these mountains, which reach heights approaching 25,000 feet, exert powerful influence on the prospects for progress in the region. They act to divide the social structure of each country into isolated segments, and tend to make integrated development exceedingly difficult.

A short plane flight within the boundaries of Peru, Bolivia, or Ecuador will span a wide range of climatic possibilities from the tropical to the frigid. The same flight will span three distinct timelags in social and economic development, all within the boundaries of a single country. In Peru, for example, the capital, Lima, is scarcely a decade behind the cities of the United States in the comforts and services which we regard as the hallmarks of modern progress. In the villages of the Andes highlands, however, the timelag is in terms of centuries and among the tribal Indians of the Amazon regions, millenniums.

A similar pattern is found in all three countries. Each country possesses a vast and virtually unknown jungle to the east. These

regions are sparsely inhabited, largely by primitive tribal peoples. Their culture is stone age, with hunting, fishing, and the most rudimentary agriculture the primary occupations. The principal, and for the most part the only form of transportation, is by river on the upper tributaries of the Amazon.

While some exploitation of the immense forest resources of the jungle areas has taken place under the aegis of capital and labor from elsewhere, it has scarcely affected the way of life of the indigenous inhabitants. Technical cooperation in the jungle regions of the Andes countries, in short, means literally beginning at the very beginning.

The great bulk of the population, however, lives not in the jungles but in the upland valleys and plains at altitudes of roughly 5,000 to 15,000 feet. While the few large cities, including the capitals, Quito, Ecuador (9,350), and La Paz, Bolivia (11,909), have substantial European derived populations, the inhabitants of the highlands are almost all Indian or mixed Indian. They are descendants of the Incas and other Indians, whose cultures were well developed before the coming of the Spaniards in the 16th century. Their principal languages are unrelated to Spanish.

The highlanders live in isolated mountain communities, largely by subsistence agriculture and pasturing. They are also engaged in crafts of various kinds, and they supply labor for the tin and other extractive industries.

As noted, the Indians and mixed Indian inhabitants of the highlands constitute the vast majority in the three countries. It is to them that the principal efforts of the technical cooperation programs are directed. Most of them still live under standards of health, diet, and education, and use productive technologies which are centuries behind those of the modern world.

By contrast, the principal cities of the three countries, and especially those of Peru and Ecuador, are not unlike those of Europe. As already noted, Lima is an example. It is a modern city in every sense of the word, with problems of "development" comparable to those of urban areas elsewhere in the world, including the United States. They involve such familiar matters as traffic congestion, slum blight, and inadequate water supply. These are problems, we might note, in which our need for "technical assistance" is probably at least as great as our capacity to extend it.

Until recently, the principal cities have been isolated from the rest of the region. The isolation has been partly geographic, but even more important it has been a cultural isolation. To a large extent, the cities still remain islands of Spanish-derived cultures with a European-North American outlook in the midst of a little known and, heretofore, little regarded sea of Indian life.

Political setting

Since the expulsion of Spanish authority in the early 19th century, Bolivia, Peru, and Ecuador have had constitutional governments modeled after that of the United States. Despite the forms of democracy, however, the vast majority of the people have had little voice in the affairs of government until recent times. They have been saddled with a succession of military dictatorships alternating with revolutionary governments. In this constant shuffling of political

power, their needs and interests were largely ignored or suppressed.

There are now signs that the vicious cycle may be coming to an end. All these nations appear to be in the midst of a significant political transition. The impetus for the change stems primarily from the extension of nationalism outward from the cities where it has long prevailed to the Indian-inhabited highlands—in short, from the few to the many. At the same time, there is a spreading awareness among the inhabitants of the latter areas of the potentialities of modern material progress and a growing restlessness with their present poverty-stricken existence.

On the whole, these are promising developments. As in all major transitions, however, the dangers of extremism are not lacking. Both totalitarian communism and an indigenous racialism are latent factors in the situation. In combination, they could act to touch off a fire of violence in the Andean highlands which would not stop at national boundaries. A development of this kind is not likely, however, if the free institutions which now exist are broadened and strengthened to the point where they will be adequate for dealing with the social and economic problems of the vast majority of the people of the three countries.

In this connection, it is not without significance that the Governments of Peru, Ecuador, and Bolivia all changed hands during 1956, not in the usual pattern of dictatorship-revolution, but in consequence of orderly elections. These elections may well reflect not only a growing stability in their political affairs, but also an increased responsiveness on the part of political leaders to national needs rather than the interests of powerful pressure groups.

If that is the case, it opens up possibilities for more rapid progress and for a more effective utilization of technical cooperation. As already noted, these programs do not operate in isolation. It is not enough that the United States be willing to help in development. Nor is it enough that peoples are determined on development in the modern sense. There must also be indigenous leadership which desires to translate the help and the determination into constructive action. There are reasons to believe that in the Andes countries the necessary leadership is coming into being.

Natural resources for development

Once such a leadership is firmly established, the natural potentialities of the Andes countries for development are very great. Mention has already been made of the jungle regions with their important forest resources which have scarcely been touched.

Valuable mineral resources are also present. These resources have been of great significance ever since the early Spanish quest for gold and silver. They are destined to become even more so in the present era. That is because the Andes countries contain not only gold and silver but tin, copper, petroleum, coal, iron, possibly uranium, and innumerable other scarce minerals essential to modern industry. Considerable local and foreign capital is already invested in the development of these resources. While much of the latter comes from the United States, certain of the European countries and Japan have also evinced an interest, particularly in petroleum and iron ores.

Agricultural resources

As already noted, the bulk of the inhabitants in the Andes countries live by subsistence farming. There is also, however, an important segment of agriculture given over to a plantation type production of such crops as coffee, sugar, bananas, and cacao for the world markets.

All three countries have extensive cultivable land which is either not in production or not yielding anywhere near full potentialities. Agricultural specialists believe, for example, that a large part of the farmland of Peru is capable of producing 3 to 5 times its present output and a comparable situation probably exists in the other countries. It is an ironic fact that the Andes countries which are predominantly agricultural are deficient in foodstuffs to the extent of near famine in parts of Peru and Bolivia. This situation is partly explicable in terms of prolonged drought and inadequate transportation. In its deeper implications, however, it is a reflection of an ineffective organization and use of available resources which has persisted for a long time.

Foreign trade

The three countries have a substantial foreign trade. Ecuadorian exports and imports, for example, each total about \$100 million annually. This trade depends heavily on the export of a very small number of primary products. In Ecuador the key commodities are bananas and cacao. In Bolivia, the sale of tin and other minerals makes up 95 percent of the foreign exchange income.

This high degree of specialization has its economic advantages but it is not without drawbacks. It accounts in part for the neglect of rural agricultural areas with the consequent growth of cultural disunity between the cities and the other parts of the country. Except for the relative few who are directly or indirectly associated with the export trade, specialization has failed to produce tolerable levels of living for the peoples of these nations.

On any scale of economic development the Andes countries would fall far below Western Europe, and not much above the Far East. In Peru, for example, the average per capita income is probably about \$100 per year. And for the great majority of the inhabitants it is much lower.

In pointing out these matters we are not suggesting that specialization for export is undesirable. On the contrary the production of commodities readily marketable abroad should be intensified since it provides vitally needed foreign exchange. We are suggesting, however, that it needs to be supplemented by the development of other sources of productivity in all three countries.

The role of technical cooperation in development

The basic problem of development for each of the Andes countries is to convert a far greater proportion of potential wealth into more fruitful levels of living for their citizens. This report is not the place to catalog the specific actions which are essential to bring about further progress in this conversion. They are largely actions which only the citizens and governments of the countries themselves can take. Insofar as they involve areas in which technical cooperation can be of help, however, they have to do with the modernization of agriculture and fisheries, the extension of basic techniques of public

health and sanitation, the elimination of illiteracy, the improvement of public administration, the reform of labor practices, the expansion of transportation and the development of appropriate industrial enterprises. Primary responsibility for action in these and similar matters lies with the Andes people and governments. For what is involved constitutes the basic work of free and independent nations in the modern world.

An attempt to assume these responsibilities by the United States would serve not only to bring eventually upon ourselves the antagonism of aroused nationalism but it would also be highly presumptuous. In the cities of the Andes region, there are technicians who compare favorably with our own or counterparts anywhere in the world. As a matter of fact in some of these cities there are outstanding training institutes in health and sanitation and other fields which attract students from other parts of Latin America.

The work of development which needs to be done in the Andes countries, however, is enormous and there is no question that technical cooperation can act to supplement indigenous efforts. In this connection technical cooperation serves most effectively when it is a response to clear and specific local requests to provide training and education, and to fill temporary gaps in scientific knowledge. It serves least effectively when it presumes to substitute our initiative for local initiative. Within this context the technical cooperation programs in the Andes countries are on the whole well-trying and successful ventures.

III. THE TECHNICAL COOPERATION PROGRAMS IN THE ANDES COUNTRIES

Origins

The technical cooperation programs in the Andes countries began during World War II. In the early stages of that conflict, the United States was cut off from Far Eastern sources of rubber, chinchona (quinine), tin, and other strategic commodities. The United States enlisted the cooperation of the Andes countries and other Latin American nations in an attempt to increase the supplies of these commodities. To that end this country sent out technicians in agriculture, health, and education and trained Latin American specialists in these fields.

The early cooperative programs were clearly in the common security interests of the entire Western Hemisphere. They also served in other ways the mutual interests of each of the countries involved. From our point of view they contributed to an increase in the supply of materials essential not only to the prosecution of the war but to prevent drastic cutbacks in civilian consumption. The Latin American countries profited both from the sale of commodities and from the training in modern scientific techniques.

The servicios

At the time that the point 4 concept was introduced by the President in 1949 the technical cooperation programs were still operating in the Andes countries. They had evolved by then, moreover, into an effective organizational structure centered on the so-called *servicios*. These were governmental units, staffed by technicians supplied by the United States and by indigenous personnel, within the departments (i. e., Health, Education, or Agriculture) of the indigenous governments.

The servicios are still the key organizational element in the technical cooperation programs in the Andes countries, acting as a kind of spearhead for change. They are assigned responsibilities by the governmental departments in which they operate. These responsibilities involve the improvement of existing public services or the introduction of new services and frequently their management until such time as the department is prepared to incorporate them into its regular functions.

In recent years, servicios have functioned not only in the basic fields of health, agriculture, and education but also in labor, transportation and others. Their acceptability and effectiveness appear to lie in the fact that while they remain under the control of the country's government they have sufficient independence coupled with the requisite skills to introduce innovations. Moreover, they provide not only a channel for the injection of modern techniques into local practices but also a channel out for United States technicians once these techniques have taken root.

Cost of technical cooperation

The technical cooperation programs over the years in the Andes countries has been relatively inexpensive as compared with other types of foreign aid. Since their inception in 1942, they have cost the United States approximately \$30 million. Over the same period, the governments of the Andes countries have provided in the neighborhood of \$50 million for the joint operation of the servicios.

During the current fiscal year (1957) the expenses of the technical cooperation programs are estimated as follows:

[In millions]

	United States contribution	Andes country's contribution
Peru.....	\$2.8	\$8.5
Bolivia.....	3.2	1.8
Ecuador.....	1.7	1.4
Total.....	7.7	11.7

Contrasting with the outlay of \$30 million over a 15-year period for technical cooperation in all three countries is the high cost of other aid. Although they have been in operation for less than 5 years, economic and military aid programs of various kinds already have cost in the vicinity of \$100 million.

In Bolivia, a direct economic assistance program began scarcely 3 years ago. Yet, it has already involved grants in excess of \$70 million in that country alone, more than twice the total cost of technical cooperation in all three Andes countries for 15 years.

This direct economic aid program began in 1954 when a threat of starvation existed in parts of Bolivia as a result of dislocations accompanying a revolution. About \$11 million was provided the first year. As has so frequently occurred under foreign aid, however, what began as an emergency measure has tended to become a permanent and growing program without clear indication of specific objectives or the time it will take to achieve them. Thus, in 1955, \$19.7 million in economic assistance was provided for Bolivia, in 1956, \$20.4 million and in 1957, \$22 million.

Undoubtedly there have been unusual circumstances in the Bolivian situation. Nevertheless, it is important to recognize that a dangerous trend is set in motion when what starts as an "emergency" tends to become permanent. Our assistance begins to underwrite on a quasi-continuing basis another nation's economy. This state of affairs, if it persists, is, to say the least, of dubious value either to us or to that nation. It involves high costs to the United States. At the same time it is an invitation to inaction on the part of others in undertaking urgently needed measures of improvement.

It is particularly disturbing in the case mentioned above since an undetermined but substantial amount of the food provided under the direct assistance program for the relief of near-famine in parts of Bolivia has been diverted from this purpose. It has been carried across the borders into Peru by local operators in search of windfall profits. The responsibility for this state of affairs is as much ours as it is the Bolivian Government's. Inadequate effort has been made to control the end-use of this aid.

Military aid

Apart from technical cooperation and economic assistance, the United States has extended military aid to Peru and Ecuador. Small in size as compared with military programs in other parts of the world, this assistance to the Andes countries is intended to promote cooperation in the common defense of the Western Hemisphere. That is an eminently desirable objective. We wish to note, however, that extreme care must be exercised in the extension of military aid to countries in which responsible government has scarcely begun to take root. An increase in the military potential in such countries may serve the desirable objective of defense against aggression. It may also be used for questionable ends such as the seizure or maintenance of arbitrary power.

Further, it should also be noted that there are boundary disputes and other elements of tension in the Andes region and the ratio of available military power among the countries there may well have a direct relationship to keeping the peace.

Export-Import and International Bank loans

The operations of the Export-Import Bank and the International Bank are not aid in the strict sense. They are mutually advantageous activities, essentially commercial in nature. The Export-Import Bank has authorized over \$200 million to the three countries, almost half of which has actually been advanced. Loans totaling \$50 million have been provided by the International Bank to Peru and Ecuador. None of these advances which carry good rates of return is in default on either principal or interest.

The loans have been used largely for mining development, highway and transportation improvement; to purchase various types of machinery for agriculture and industry, and for other useful purposes. The preponderance of the purchases were made in the United States.

One of the projects made possible by loans of this type is the Santa Cruz-Cochabamba highway in Bolivia which was inspected during the course of this mission. This investment has not only provided better access to petroleum deposits but it has also had a highly beneficial effect on agriculture in an extensive region of that country.

In many instances, loans by the Export-Import and the International Bank are a logical outgrowth of technical cooperation. They act to carry economic development a step further in the Andes countries from the base established by the programs.

Other programs in the Andes countries

The United States contributes to technical assistance programs of the United Nations, its specialized agencies and the Organization of the American States, all of which operate in the Andes countries. While smaller than the United States programs, the United Nations and the agencies conduct substantial technical assistance operations in the three countries. In 1955, over \$700,000 was allocated for this purpose and about 70 United Nations specialists were maintained in the region.

Mention should also be made of the existence of extensive programs conducted by United States religious groups and other private organizations. Finally, there is the work of private United States business organizations which carry on extensive training programs for local personnel both in the Andes countries and in the United States. These programs are a part of regular business operations but they serve to transmit knowledge of modern methods of industry and commerce to the nations involved.

Operation of a typical technical cooperation program—Peru

In each of the Andes countries, technical cooperation operates in essentially the same pattern. There are variations growing out of local problems but, in general, the scope and administration of the programs are comparable. The details of the program in Peru are set forth here for purposes of illustration.

Since 1942, most of the United States expenditures for technical cooperation in Peru have gone for the salaries and expenses of United States technicians and other personnel. Over the years, the Peruvian Government has borne the preponderance of the cost of technical cooperation activities.

At the present time, the program in Peru revolves about five principal servicios and several advisory services. In addition, the program includes contracted projects which are being carried out by the University of New Hampshire (for education in chemistry) and the University of North Carolina (for assistance in improving education in textile engineering and agricultural research methods).

The servicios are active in the following fields: rural development; agriculture and natural resources; health, welfare, and housing; education; and labor. The advisory services are providing assistance to the Peruvian Government in census taking, archives management, mining and metallurgy, transportation, and in the survey and management of mineral resources.

In general, the tasks which have been assigned to the servicios are in the nature of pioneering projects in basic development. With respect to agriculture, they have involved the establishment and initial operation of an agricultural extension service, a fisheries and wildlife service, assistance in irrigation projects and in the advancement of rubber cultivation.

In the field of health, the responsibilities of the servicios include the administration of medical posts in certain jungle regions, the

management of several hospitals, the development of an industrial hygiene program, and the provision of safe water supply.

The educational *servicio* is concerned primarily with improving methods and facilities for teacher training and rural education. In the latter connection, it has developed a system of rural "nuclear school units" in the Andes highlands. These act to modernize existing schools and to expand the rural educational system.

The *servicios* in labor and rural development are relatively new. The former is assisting in the development of a national employment service. The latter has been helping in projects which involve integrated rehabilitation of small rural communities.

The concept of integrated development is now being extended on a vast scale to embrace all of southern Peru. This sector of the country in the vicinity of Lake Titicaca contains 2½ million inhabitants, about 25 percent of the total population. They are among the most poverty-stricken people of Latin America. Recently, their living conditions have undergone a decline to the edge of famine due to a severe drought. For the moment, food allocations under Public Law 480 appear to have staved off a disaster. These shipments, however, are at best only a palliative.

As a permanent solution, the Peruvian Government, with technical cooperation from the United States mission in Lima, hopes to launch a wide-scale attack on the problems of the southern region. In the immediate future the contemplated program involves concentration on public work projects for the relief of the drought-stricken inhabitants, health programs, technical aid to agriculture and the expansion of educational facilities. At the same time a broad study of natural resources and the present economic use of the region will be made as a preliminary to investment in the most promising opportunities for development.

The results

If a technical cooperation program is effective it will introduce new methods which improve the living conditions of the populace affected. If it is effective, it will also provide for the eventual withdrawal of United States assistance without subsequent loss of the advances brought about by the new methods. In short, the other country must be able at some point to carry on useful innovations without further assistance from this country.

The Department (Province) of Loreto was visited in an effort to determine how well this transition has taken place with respect to the health programs in Peru. This province embraces virtually the entire upper watershed of the Amazon from the eastern slopes of the Andes to the Brazilian border. It is inhabited largely by primitive Indian tribes. Prior to the beginning of technical cooperation, there were virtually no public health or medical facilities in the region.

Joint health work undertaken by the United States and Peru started in the province in 1943 with the establishment of a dispensary and medical service in the village of Caballococha for gatherers of wild rubber. In the ensuing years, 15 separate projects were launched by the health *servicio*. On January 1, 1954, all programs in the Department of Loreto were transferred from the *servicio* to the Peruvian Ministry of Public Health and Social Assistance. The transfer terminated American technical cooperation in the area. Peru assumed the full cost and responsibility for continuance of the programs.

The programs which were taken over included the operation of 4 hospitals, 4 medical dispensaries, a nurses' home, a preventive medical center, 7 medical posts, 14 sanitary posts, a children's dispensary, a maternal health center, 3 emergency medical launches on the Amazon, a leper colony, malaria and yellow fever control, and general development of all public health services.

There is every reason to believe that these projects are continuing to operate effectively under the direction of the Peruvian Ministry of Public Health. Several of the projects in the Amazonian city of Iquitos were inspected during the course of the study. Despite limited resources, the Peruvian doctors, nurses and health workers—many of them educated in the United States under the technical cooperation program—were serving the people of the city in keeping with the finest traditions of their professions.

On the wall of the reception room of one hospital was a bronze plaque which had been installed at the insistence of the Peruvians more than a decade ago. The plaque credits the establishment of the hospital to the joint efforts of the people of the United States and Peru. This unsolicited tribute reflects the potentials of the technical cooperation program for cementing friendly relations between nations when their citizens cooperate in the common cause of humanity.

IV. CONCLUDING COMMENTS AND RECOMMENDATIONS

As already noted, it is our belief that the technical cooperation programs are serving the interests of both the Andes countries and the United States. They are doing so at relatively small cost and with a high degree of effectiveness.

On the whole, the level of operations appears to be well suited to the existing situation in Peru, Bolivia, and Ecuador. It is entirely possible that occasion may arise in which additional opportunities will present themselves for constructive work. If they do, then consideration should be given to strengthening these programs.

At the same time, it is essential to maintain careful surveillance against any tendency toward expansion of economic and military aid activities in the Andes. Further, these activities must be kept entirely distinct from the technical cooperation program. While they may be necessary, at least for the present, every precaution should be taken to see that they do not inadvertently undo the slower but more certain progress which is being registered under the technical cooperation programs.

With respect to the latter programs, it is essential that administration be constantly improved and kept attuned to the changing circumstances in the region. In this connection, we recommend that the executive branch or the Congress, as the case may be, give consideration to the following matters:

1. *Improvement in coordination of the United States technical cooperation program and other aid programs*

As already noted, not only the United States programs but those of the United Nations and the Organization of the American States operate in the Andes countries. There is little evidence that coordination among those various programs is other than perfunctory. The executive branch might well direct study to this question to determine

whether the present utilization of these various channels, all of which involve substantial United States expenditures, is the most effective.

In particular, we recommend that consideration be given to the possibilities of expanding the role of the Organization of the American States in a technical cooperation program geared to the total needs of the Western Hemisphere. Peru and other countries have outstanding technicians and training facilities which could be of great utility in the development of other nations in the hemisphere. Some interchange of this kind is already going on among the Latin American nations but the entire field of coordinated technical cooperation on a hemispheric basis warrants further exploration.

2. Transfer of control of projects developed under the program

United States technicians ought not to be withdrawn from specific technical cooperation projects before these projects have taken root. On the other hand, it is essential that the process of transfer to full local control be not too long delayed. Unless the transition comes as promptly as possible there is not only a waste of the scarce manpower and financial resources of the program, but an undermining of local initiative. We recommend that, wherever possible, target dates for transfer of specific projects to local control be established in consultation with the country involved. We also recommend that every effort be made to imbue United States personnel with the philosophy that their highest contribution to the program will lie in, as one outstanding administrator put it, "working themselves out of one job after another as quickly as possible by training local technicians to carry on the work." If this philosophy is to prevail, the administering agency's personnel policies must be such as to reward rather than penalize those who are most successful in following it.

3. Interchange in the Andes countries

Although the problems of technical cooperation are very similar, the staffs in each of the Andes countries have had little contact with one another. That is most unfortunate since experience in one country might be helpful in the others. We recommend, therefore, that the administering agency make provision for periodic conferences among the United States technicians working in the various Andes countries for the purpose of interchanges of ideas which might make the program throughout the region more efficient.

4. Improvement in the exchange program

A key element in effective technical cooperation is the training of local technicians in the United States and Puerto Rico. Numerous complaints were registered with us concerning the delays and interminable red tape involved in this exchange program. We strongly urge that the program be strengthened and that the executive branch examine present procedures for handling exchanges with a view to simplifying and speeding up the process.

5. Increasing the "mutuality" of the program

There is some tendency to overstress our part of the technical cooperation program. It should not be forgotten that these programs operate most successfully and with greater satisfaction to both parties when they operate on a mutual basis. We recommend, therefore,

that the administering agency explore possible avenues whereby the program may contribute more heavily to our own development. There is every reason to believe that the Andes countries would welcome opportunities to make contributions of this kind. As one outstanding political leader in the region put it: "It is a misnomer to call these programs technical assistance. They are more accurately described as technical cooperation." What is needed is to give added substance to the word "cooperation."

6. *Technical cooperation in public administration*

As already noted, the modern progress of any nation rests largely on the efforts of the people directly involved and the capacities of their leadership. In the Andes countries, there are many outstanding public servants but the traditions of an impartial professional civil service are little developed. Yet without such a service, it will be difficult to consolidate the improvements in public health, public education and the like which are produced by technical cooperation. We recommend, therefore, that the programs be expanded for the purposes of improving public administration, provided such expansion is sought by the Andes countries. The specialists who handle assignments in this field must be selected with extreme care because it involves an area of national sovereignty where the borderline between friendly advice and interference is not a very distinct one.

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The recommendations which we have advanced are prompted by our personal observations and the problems which were brought to our attention during the course of this recent study. We emphasize, however, that the situation is constantly changing. The question of technical cooperation in atomic energy matters, for example, is now coming into prominence. It is the responsibility of the executive branch both in Washington and the field, to be alert to such changes and to their implications for the programs.

Technical cooperation in the Andes countries, measured by any yardstick, is a worthy undertaking. It warrants the encouragement of the Congress and the American people as long as it is effectively pursued in the mutual interests of the peoples of those countries and the United States.

