

**AMERICAN LEADERSHIP SEMINARS**



**Seminar Number One**

**THE UNITED STATES  
AND  
THE DEVELOPING NATIONS**

**Background Folio III**

## AIDING THE UNDERDEVELOPED NATIONS:

### THE AMERICAN EXPERIENCE

#### I. The Rocky Road from 1812

The initial effort was inauspicious. In the spring of 1812 the first Venezuelan republic was in trouble--racked by earthquakes that took 30,000 lives and battling unsuccessfully against the colonial forces of royalist Spain. In the U.S. sympathy was all on the side of the republican cause, and to prove it Congress unanimously passed an act providing \$50,000 in commodity aid for the hard-pressed Venezuelan republicans.

In the end this first American venture in foreign aid proved a failure. The bulk of donated U.S. foodstuffs fell into the hands of Spanish royalists, who seized several of the U.S. vessels carrying the aid cargo for good measure. Almost 3,000 barrels of donated flour were sold for \$100,000! By December 1812, the first Venezuelan republic had collapsed, and all U.S. citizens resident in Venezuela were ordered to pack up and leave.

From the start, then, the American experience in foreign aid has not been smooth. In the late 19th and early 20th centuries the U.S. government sporadically undertook modest programs of technical assistance to less-developed countries. But after studying these scattered efforts, two historians concluded: "What is clear is that technical aid abroad is no simple or sure method of improving international relations. Such missions almost inevitably generate opposition, and opposition breeds discontent and conflict."

Thus, in its broadest sense, foreign aid is not a new instrument of American foreign policy. What is new about foreign aid--since the end of World War II--is the large amounts expended upon it together with the important role and purpose it has assumed in our nation's foreign policy. From 1945 to 1962, the U.S. spent more than \$97 billion in aid to 101 countries, for a variety of purposes under a variety of programs. The sheer size and complexity of the postwar effort have inevitably propelled foreign aid into the realm of high political controversy. The Congress which appropriated \$50,000 for Venezuela a century and a half ago did it unanimously and spared Secretary of State James Monroe a follow-up investigation. The Congress which appropriates foreign aid funds today is neither so united nor so forbearing in its attitude.

#### The Postwar Record

Broadly speaking, U.S. foreign aid since the end of World War II has fallen into five general categories: aid for relief, for recovery, for military and defense support, for economic development and for a variety of limited political objectives of U.S. foreign policy. In the years 1945-47, before the cold war had fully frozen the world in its grip, American aid flowed to war-torn areas in the form of relief designed to maintain minimum levels of consumption and to alleviate disease and unrest. The United Nations Relief and Rehabilitation Administration (UNRRA), 72 percent of whose operations were financed by the U.S., was the backbone agency for this humanitarian task.

But even before UNRRA expired in the summer of 1947, the exigencies of a rapidly developing cold war were already beginning to alter U.S.

foreign policy objectives. In March 1947, the Truman Doctrine providing military and economic aid to Greece and Turkey was announced. With that, containment of Communist global ambitions became a keystone of U.S. policy, and a peg upon which many a subsequent foreign aid voucher would be hung.

To restore the shattered economies of Western Europe and shore up resistance to Communist pressures, the U.S. next embarked upon its massive European Recovery Program, popularly known as the Marshall Plan. In the four years from 1948 to 1952, the Marshall Plan poured \$13.6 billion into Western Europe. Well-timed and well-conceived, this recovery program was a major factor in helping European nations rebuild stable, vigorous economies.

U.S. legislation enacting the Marshall Plan established tough guidelines for the 16 European nations choosing to participate. For example, recipient nations were required to plan specific production targets, undertake comprehensive steps to stabilize their monetary and fiscal difficulties, and cooperate with one another toward lowering trade barriers. Most important of all, they were required to work together, pooling their resources and allocating the available funds on a basis of mutual agreement. The various "strings" attached to Marshall Plan aid by the U.S. not only encouraged European businessmen to modernize their procedures but also gave impetus to the economic integration which has proved such a boon to Western Europe in recent years.

The success of the Marshall Plan led some to think that American aid could do for the poverty-stricken underdeveloped areas of the world what the Marshall Plan did for Europe. That idea quickly faded. Development

of traditional societies, it became apparent, was a matter very different from recovery of war-torn industrial nations.

In Western Europe, despite the toll of war, a base of experienced entrepreneurs, educated managers, and skilled workers existed upon which to rebuild. A capable and sophisticated civil service remained intact, administering for the most part modern fiscal and monetary policies. Health and sanitation facilities were but temporarily in disarray. Education, including that beyond primary and secondary levels, had continued even through the war. The talent and the ability for a rapid recovery, in other words, were present. Therefore the infusion of capital in the right amounts and at the right places, combined with the application of American industrial techniques, proved successful stimulants to recovery. In underdeveloped areas, however, a far more difficult and complex challenge awaited.

#### Economic Development to the Fore

Crisply ticking off the points in his January 20, 1949 inaugural address, President Truman came to "Point Four":

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 ideas put forth in Point Four have characterized American efforts to aid underdeveloped countries ever since, though the focus of such aid

has shifted from region to region and priority to priority. Point Four technical assistance began on a modest budget (an initial appropriation of \$26.9 million) and a high note of optimism (typical was the remark of Secretary of Agriculture Brannan that technical assistance in agriculture should "bring back 100 fold whatever we have invested in it"). But almost before the program got under way, it was overshadowed by a rush of military aid prompted by the outbreak of the Korean war in June 1950 and by arms requirements of the North Atlantic Treaty Organization. Symptomatic of the altered climate was the title given new foreign aid legislation in 1951: the Mutual Security Act of that year replaced the Foreign Economic Assistance Act of 1950.

From July, 1950 to July, 1956, under successive Mutual Security Acts, the U.S. allocated more than \$32 billion in foreign aid funds. Approximately half of this amount went for military programs. Forty percent of the \$16 billion remaining in nonmilitary assistance went to Europe. Less than 2 percent of all economic aid appropriated during the period went to Africa; Latin America received 10 percent; the Near East and South Asia 20 percent; and the Far East about 28 percent. Not until the Korean war was past and the recovery of Western Europe complete did the concept embodied in Point Four--assistance for the development of underdeveloped countries--come out of the shadows to assume its place in the foreign aid sun.

By 1957 more than 80 percent of all economic aid was being earmarked for underdeveloped areas, less than 20 percent going to Europe. From that date on, in addition, military assistance was to take a progressively smaller slice of total foreign aid outlays.

Of significance to this latter trend was a recommendation in the 1959 report of the Draper Committee, one of a series of specially-appointed Presidential "task forces" called upon for critical examinations of U.S. foreign aid programs. (The report of the latest of these, the Clay Committee, is discussed below.) The Draper Committee examined U.S. military assistance programs and strongly recommended a shift in emphasis to nonmilitary economic aid. Other studies came to similar conclusions, and in recent years both President and Congress appear to have lent a sympathetic ear to the recommendation. The table on the following page, summarizing U.S. foreign aid programs since July 1, 1945, indicates to what extent.

TABLE I

U.S. Foreign Aid Appropriations - Summary by Fiscal Year and Program  
(Millions of Dollars)

FISCAL YEAR	ECONOMIC AND MILITARY	ECONOMIC	MILITARY	TOTAL A. I. D. PROGRAMS*	EXIM BANK LOANS	FOOD FOR PEACE (PL 480)
1946-48	\$ 14,536.0	\$ 14,054.8	\$ 481.2	\$ --	\$ 2,033.1	\$ --
1949-52	22,189.6	19,350.7	2,838.9	14,504.8	853.5	82.5
1953	6,885.1	2,612.6	4,272.5	1,958.2	389.2	4.2
1954	5,830.9	2,419.3	3,411.6	2,227.8	37.9	69.4
1955	5,236.2	2,727.3	2,508.9	1,862.0	331.4	524.8
1956	5,642.6	2,663.7	2,978.9	1,549.9	195.7	878.6
1957	5,458.4	3,324.2	2,134.2	1,664.9	445.1	1,145.1
1958	5,398.5	2,994.0	2,404.5	1,641.1	547.2	789.9
1959	5,789.1	3,628.6	2,160.5	1,927.0	757.5	931.2
1960	5,245.7	3,401.0	1,844.7	1,887.7	303.1	1,119.7
1961	5,943.6	4,511.6	1,432.0	2,081.4	1,028.3	1,321.6
1962	6,721.7	5,170.3	1,551.4	2,528.4	584.2	1,629.1
<b>TOTAL 1946-62</b>	<u>97,674.7</u>	<u>66,615.2</u>	<u>31,059.5</u>	<u>33,590.9</u>	<u>7,506.4</u>	<u>8,496.0</u>

\* This category includes that portion of TOTAL ECONOMIC AND MILITARY aid administered by the U.S. Agency for International Development and its predecessor agencies, namely the International Cooperation Administration, Foreign Operations Administration, Mutual Security Administration, Technical Cooperation Administration, and Economic Cooperation Administration. It excludes such items as Export-Import Bank loans and, Food for Peace, which are listed separately.

AID and aid

Through most of the 1950's, U.S. aid programs for underdeveloped areas proceeded fitfully on a year-to-year, ad hoc basis. In its role of watchdog, Congress twice fixed "termination dates" for mutual security programs, once for 1954 and again for 1958. But as each date passed with no end in sight, the hope that foreign aid could be thought of in terms of "years" gradually gave way to the realization that "decades" might be a more realistic estimate.

So it was that the Kennedy Administration, upon assuming office, formulated plans for a "decade of development," in which foreign aid efforts through the 1960's would be concentrated on promoting economic development in underdeveloped areas important to the security of the free world. To this end, the Administration presented to Congress in 1961 its Act for International Development. This established within the State Department an Agency for International Development (AID) to assume the functions of the predecessor International Cooperation Administration and Development Loan Fund.

Current U.S. aid programs serve three objectives of U.S. foreign policy: (1) helping underdeveloped countries in their quest for economic and social progress; (2) shoring up the military and defensive capabilities of nations allied to the U.S. or under Communist pressure; (3) contributing to a variety of political, tactical and humanitarian goals, such as providing emergency relief during natural disasters, obtaining rights for U.S. bases or keeping a Communist country like Yugoslavia from becoming a Soviet satellite. But most important, as far as AID's responsibilities are concerned, is the task of assisting in the economic development of underdeveloped countries.

(1) Development Aid. For this enterprise, the major tools of AID are development grants and development loans. In some emerging countries, where the development process is just getting under way, the capacity to absorb large amounts of capital is not great. Such countries do not require steel mills or power dams; they need basic reforms: in public health, education, agriculture, administrative methods. These reforms may not be costly in themselves but they are slow in coming about. And unlike capital development projects, they do not immediately yield returns that are translatable into foreign exchange which would permit repayment of hard currency loans. Hence grants are in these cases more realistic aid tools than loans.

In more advanced underdeveloped areas, both loans and grants are employed, with the emphasis placed on loans. U.S. development loans are currently more than double the volume of development grants (see chart). They bear low interest rates (or are interest free) and provide generous terms of up to 50 years, with extensions granted. AID currently favors this emphasis on loans as opposed to grants because loans are said to generate a more business-like and development-oriented attitude on the part of recipient nations. Supposedly, they spark a greater spirit of self-help than do grants, though there are those who dispute this view. At any rate, increasing stress on the principle of self-help is much in evidence in AID's programs today.

TABLE II			
AID Economic Assistance--Loans Versus Grants (millions of dollars)			
YEAR	LOANS	GRANTS	PERCENT LOAN
1956	209	1,341	13
1957	322	1,343	19
1958	417	1,224	25
1959	632	1,299	33
1960	570	1,316	30
1961	705	1,376	31
1962*	1,351	1,612	45
1963*	1,784	1,527	53

\*Proposed by AID

Since the process of development is itself a long-term one, the general thrust of AID programs is to place both grants and loans in the context of long-term development needs and over-all, rather than project-by-project, development plans. Recent AID presentations to Congress have shown a marked tendency toward concentrating assistance in a handful of underdeveloped nations, such as India and Nigeria, which show special promise in meeting development goals.

U.S. aid for economic development also draws upon sources other than development grants and loans to achieve its objective. AID, for example, administers a large guaranty program for private personal or corporate investment in underdeveloped areas. These investment guaranties are designed to protect, and hence attract, private U.S. capital into underdeveloped areas. Guaranties issued in fiscal 1962 covered \$361 million in private investment, a jump of 300 percent over the amount covered in 1961.

An additional source of assistance is the AID-administered Food for Peace program (Public Law 430--sale of U.S. surplus agricultural commodities). This important program generated more than \$1 billion in local currency funds for AID development projects in fiscal 1962. Under Food for Peace, recipient countries pay for U.S. foodstuffs in local currency which is, in turn, applied to development programs under joint administration with AID. In this way substantial local resources are released from the grinding task of providing for subsistence and can be applied instead to the development process.

Outside of AID, other U.S. agencies are also devoting considerable assistance to underdeveloped areas. The U.S. Export-Import Bank granted some \$584 million in medium- and long-term loans to underdeveloped nations in fiscal 1962. (The terms are more stringent than AID's development loans.) The Peace Corps sends technical assistance in the form of human skills to nations struggling to join in the "Great Ascent." And through various agencies the U.S. supplies funds (about \$150 million last year) to international organizations engaged in aiding the underdeveloped.

(2) Defense Aid. This second objective of foreign aid sometimes contributes to economic development as well as to the general security interests of the U.S. Its purpose: to help allied nations of strategic and political importance to the U.S. whose economies cannot support the military establishments they need to maintain for their security. Strictly military aid to U.S. allies in fiscal 1962 accounted for more than \$1.5 billion in U.S. aid funds. In addition, so-called "supporting assistance" (defense support) consumed about 30 percent of AID funds under the broad

"economic programs" category in the same year.

Defense support assistance is heavily concentrated in nations such as South Korea, South Vietnam and Turkey, contiguous to the Communist bloc. Since a military road built with supporting assistance funds can also contribute directly to a nation's economic development, defense support can have a broadly economic as well as a strictly military purpose. On the other hand, there are no doubt cases where development aid also contributes to a nation's defensive strength, and hence to our own security. This cross-stitching of purposes serves in some ways to confuse the often-debated issue: Which serves more the U.S. national interest--development aid or defense support for our allies?

(3) Short-term and Other. The third and final objective of current American aid programs comprises a catch-all of political-strategic and humanitarian considerations. Here would fall such items as political aid designed to win support for U.S. foreign policy goals, to flatter uncommitted regimes, or to beat the Russians to the punch with a U.S. assistance program. AID's "contingency fund" helps meet some of these objectives and provides assistance for unforeseen or emergency situations. Here, again, there could be an impact on economic development, though generally such would not be the case.

#### U.S. Aid in the Context of World-wide Aid

The U.S. and more than a dozen other nations are now dispensing foreign aid, in addition to such international organizations as the United Nations, the International Bank for Reconstruction and Development and the Inter-American Bank. Feeling special responsibilities toward their former colonies, America's European allies have in recent years been

increasing their economic assistance to less-developed areas. In 1961 seven nations of Western Europe plus Japan extended almost \$2.5 billion in aid to the less industrialized. As a percentage of its national income, France extended more in aid (mostly to its former colonies in Africa) than any other nation in the world, including the U.S.

The Soviet Union began its program of foreign aid in 1954 and by June 30, 1962 had pledged itself to some \$5.6 billion in assistance to 25 countries (some in the Communist bloc)--\$3.6 billion in economic aid and \$2 billion in military. In addition, East European satellites pledged an additional \$1 billion and Communist China \$410 million. In the same period also, international organizations contributed another \$5 billion in aid, by far the largest amount (about 80 percent) coming from the International Bank for Reconstruction and Development. The U.S., be it noted, supplies 30 to 40 percent of all aid funds spent by international organizations. At present, U.S. aid amounts annually to about 57 percent of the world-wide total. Some argue that we carry a disproportionate share of the foreign aid burden and that our industrialized allies in particular can and should do more. But in view of the need for aid, there are those who ask: Even if others can be persuaded to give more, would the U.S. be right in cutting back its own contribution?

## II. Economic Aid in the Field

"Perhaps our principal error lies in committing ourselves to a work where success requires nothing less than the attributes of divinity--infinite compassion, infinite wisdom and infinite power."

--John D. Montgomery in The Politics of Foreign Aid

The problems involved in dispensing foreign aid in the field are numerous and knotty. They are perhaps best suggested by the story of the rich Bengali, who when told that someone really hated him cried out, "Why should that person hate me? I never helped him in my life!"

There are countless ways in which U.S. economic aid missions abroad find their tasks frustrated in the field--by recipient country bureaucrats, by local Communists, by the press (theirs and ours), by suspicious or frightened local populations, by incompetent U.S. personnel, by, indeed, the sometimes herculean nature of the task itself. Some of these problems will be discussed in more detail below. But first let us turn to a survey of the forces--the men, money, and materiel--being marshaled into underdeveloped areas under U.S. programs.

It is estimated that of the \$97 billion spent on foreign aid since the end of World War II, \$67 billion has been channeled into nonmilitary assistance. Of that sum (\$67 billion), about half was managed by agencies within the U.S. government charged with economic development programs, AID or its predecessors. And of the half managed by AID, about \$13.5 billion went into the European Recovery Program. That leaves \$19 billion for other AID (or the former Mutual Security) programs. Finally, of this \$19 billion, about half was used to meet a variety of U.S. security needs--get rights for U.S. bases, win backing for U.S. foreign policies, provide defense support, etc. That leaves somewhat less than \$10 billion which has, strictly speaking, been devoted to economic development of underdeveloped areas.

For the current fiscal year (1963) Congress appropriated \$3.9 billion for AID operations, \$2.2 billion of which is for nondefense purposes.

Of this, about \$1.7 billion will go to long-range development programs, the rest being spent to further short-term political objectives. As of December 31, 1962, some 6,238 U.S. nationals were overseas administering these AID funds. The table below provides a breakdown by the seven largest aid recipients of U.S. funds and personnel in 1962.

TABLE III					
AID Commitments and Personnel - By Seven Largest Recipients and Total					
(Thousands of Dollars - Fiscal Year 1962)					
COUN- TRY	TOTAL AID (ECONOMIC)	DEVELOP- MENT LOANS	DEVELOP- MENT GRANTS	SUPPORT- ING ASSISTANCE	NUMBER OF PERSON- NEL*
India	\$465,103	\$445,900	\$19,203	\$ --	204
Pakis- tan	240,888	207,900	7,938	25,000	337
Korea	125,600	25,150	7,950	92,500	246
Viet- nam	124,144	--	11,286	112,858	385
Brazil	84,330	74,500	2,377	--	248
Turkey	72,854	10,000	4,854	58,000	221
Ghana	63,947	62,000	1,947	--	51
Iran	54,450	6,000	4,550	44,000	215
Total all Coun- tries	2,539,408	1,096,419	294,218	704,498	6,238

\* Both AID personnel and U.S. nationals contracted by AID as of December 31, 1962.

### The Aid Mission Approach

Currently, some 95 underdeveloped countries and territories are host to U.S. aid missions, ranging widely in both size and scope of operation. In some of these areas the aid missions are little more than tokens of good will--in Africa's Togo, for example, where 12 U.S. AID-men administer a little more than \$1 million a year in assistance, or in Uruguay, South America where four administer about \$300,000 a year. Other underdeveloped countries--such as India--pose different requirements. Here U.S. aid is on a massive scale, and here, too, aid is largely integrated into over-all development plans.

Even in countries where U.S. aid is massive, however, aid missions vary in size and nature of task. In India, for example, considering the extent of the U.S. commitment, the mission of 114 AID officials and 90 contract personnel is relatively small. There are two major reasons for this. First, India has drawn up, with the assistance of foreign technicians, a development plan which is essentially her own creation. Second, as a major nonaligned nation India is highly sensitive to any suggestion of outside dictation of her internal affairs. Thus the U.S. aid mission is confined for the most part to giving advice and encouragement.

On the other hand, 264 AID-men and 121 contract personnel administer the U.S. mission in Vietnam. Unlike India, Vietnam needs substantial outside assistance in helping to shape her economic policy. Moreover, because of the Communist threat in Vietnam and the heavy U.S. military commitment there, the U.S. has taken a more active hand in the administration of Vietnamese aid. The function of the U.S. aid mission, therefore, goes considerably beyond mere advice and encouragement.

On the whole, American aid missions overseas must approach their tasks as widely varying needs and conditions dictate. Thereby hangs a tale of the appalling complexity confronting AID administrators seeking to shape a coherent and unified program.

### The Ugly American?

AID's front-line forces are the men and women in the field who must deal with these complexities firsthand. Their conduct overseas has been subject to critical and in some cases sensationalized treatment in recent years. Yet in a task as complex as foreign aid, with all its grinding uncertainties, contrived obstacles, and inherent difficulties, how heavily should the normal inadequacies of human nature weigh in the balance of success or failure?

Underdeveloped areas are not generally known for their comforts. AID personnel must frequently live in environments of squalor, disease, and hardship and work under the frustrating influences of corruption, ignorance, and, occasionally, whistling bullets. And through it all they are expected to smile; to perform as trained economists, capable administrators, smooth diplomats, and shrewd politicians; to prevent waste but of fend no one; to promote sound development programs without interfering in internal affairs; to fight Communists, feel the pulse of the people, and flatter visiting congressmen; to help uproot old institutions, change outmoded ways of thinking and living; and to win the confidence and friendship of the natives!

One expert has noted that the productivity of the U.S. aid mission in Saigon, Vietnam was continually reduced by about 20 percent due to such

afflictions as dysentery, hepatitis, malaria, dengue fever, tapeworm, pinworms and ascariasis. Forty percent of the mission's staff visited the dispensary each month for treatment of one illness or another.

What might be called "congressional fever" cut into the productivity of the aid mission in Vietnam, too. During 1958 and 1959 some 28 congressmen, six congressmen's wives, and 30 congressional staff aides visited the U.S. mission there for a total of 304 days. When Congressman Otto Passman stopped by for a two-day visit in 1958, the mission devoted 328 man-days to preparing staff papers and other arrangements. It is estimated that one third of the time of AID personnel, in Washington and in the field, is spent in one way or another on servicing Congress.

All this is not to deny that instances of "ugly Americanism" abroad take their toll on the effectiveness of U.S. aid programs. U.S. personnel do tend to live in compounds. Some of them do not venture forth to "mix" with the native population in its local habitat. Others may, as the Burmese press alleged a decade ago, appear "inefficient and conceited." But the problem of finding capable people, willing to yield the comforts of America for the rigors of underdevelopment, is undoubtedly complicated by sensationalized attacks on the quality of AID personnel overseas. Until perfection becomes a national characteristic, the so-called problem of the "ugly American" will probably continue to haunt the foreign aid program in one form or another.

#### Strings that Bind

Attaching "strings" to foreign aid is not a strictly American pastime. Recipient countries impose conditions on aid, too, and often enough the

mutual qualifications imposed by donor and donee lead to trouble for AID programs in the field. As has already been pointed out, strings attached by the U.S. to Marshall Plan aid worked out favorably for both sides in the long run. But the circumstances of underdevelopment are different.

For one thing, many underdeveloped countries view the road to development as a public one, paved, so to speak, with socialist bricks. Even in Taiwan, American efforts to encourage economic development through private enterprise clashed head-on with the Chinese preference for public enterprise. For another thing, not all government officials in underdeveloped areas are truly interested in industrialization, especially if they have had a taste of the painful process involved. It is much more immediately gratifying to apply aid funds to lifting consumption levels or building prestige symbols--a university where there are few high school graduates, for example, or a "commercial" airline where few but government officials fly.

Nevertheless, in recent years U.S. programs of aid for underdeveloped countries have sought increasingly to influence domestic economic and social policies. Among the tough criteria that have been evolving over the past several years: Recipient countries must prepare development plans showing a broad grasp of their problems and possibilities, and give evidence of an ability to implement them; a "shopping list" of desired projects will no longer suffice. They must be willing to mobilize their own resources in a self-help effort to wring the greatest advantage from aid that is forthcoming. And they must be willing to tackle land, tax, monetary, and administrative reforms where such reforms are needed.

Such strings to U.S. aid are a cornerstone of the Alliance for Progress program for Latin America.

The U.S. has already had considerable experience in seeking to tie such strings to various aid programs: land reform in Taiwan, tax reform in Vietnam, currency reform in Laos, and administrative reform in Thailand. But seeking reform and getting it are two different matters. Aid agreements are solemnly signed by U.S. officials in the field and officials of the recipient government. And though they detail in advance a financial description of the aid program, though they define U.S. and recipient contributions and responsibilities, though they establish a work plan and a time schedule for meeting it--even so, such aid agreements can be, and are, broken by recipient governments. A simple declaration of sovereignty over internal affairs generally suffices as grounds. In recourse, U.S. officials can only cajole, or threaten to terminate the agreement and the aid altogether.

#### The Problem of Mutuality

Ideally, U.S. aid technicians in the field and their local counterparts should work closely, efficiently and agreeably toward that goal which is their mutual end: economic development. In many cases they do. In many they do not. There are simply too many points on which it is possible for them to differ: private versus public enterprise, agricultural versus industrial priorities, what to grow and what to manufacture, what to export and what to import, where to tax and where to spend, and countless lesser matters of technique and administration.

Still other types of complications stand in the way of mutuality: local politics and the needs of local politicians, bureaucratic rivalries, the

stirrings of local Communists, the ax-grinding of the local press. The story of the tilapia fish in Vietnam, for example, amply illustrates both the wonders of technical assistance and the cunning of local Communists. For \$20,000 U.S. technicians imported from African lakes the sturdy and fast-breeding tilapia, a cheap and nutritious addition to the diet of Vietnamese peasants and landlords alike. At first the public could not get enough tilapia fish, but a Communist smear campaign soon made them a drug on the market. The Communists simply induced lepers to eat tilapia, then paraded them around to show the "results"--leprosy.

Similarly, rivalry between the army and the Ministry of Agrarian Reform in Vietnam almost ruined the farm credit cooperative program sponsored there by American aid. U.S. aid officials finally intervened sharply against the army by threatening to cancel the program altogether and the cooperatives were saved, though they suffered a two-year set-back in the process.

Mutuality in the field is indeed a desirable goal. It is also an elusive one. Even when the job is over and the results are in, donor and donee are unlikely to reach a post-mortem agreement. As Professor Montgomery says, "For the successes of foreign aid, both governments assume responsibility; for its failures, neither."

### III. Problems on the Home Front

Cement hardening to rock on the docks in Burma . . . . A costly military road sinking into the mud under the weight of heavy equipment in Indonesia . . . . Tons of expensive equipment uncrated and rusting at port in Ghana . . . .

These are the "atrocious stories" of foreign aid, stories typically encountered by anxious Americans glancing over their daily newspapers. They are true stories, of course, and they could be expected to set any taxpayer's blood to boiling, except for one thing--they are all stories about Russian failures in foreign aid. The Russians quite obviously have had their troubles with foreign aid. But so, alas, have the Americans.

It is not always easy to judge what is a success and what is a failure in foreign aid. When congressmen complain that a \$10 million presidential palace for Liberia can hardly be said to contribute to that country's economic development, AID's defenders advise them to look elsewhere--to Liberia's votes in the UN, for example--for an explanation. When they complain, as Representative Otto Passman did last year, that "The nations we help the most...are kicking us hardest in the teeth," they are told that economic growth, political stability, and independence are our key objectives in those countries--not slavish obedience.

"Economic aid is like water coming from a hose," says Harlan Cleveland, Assistant Secretary of State for International Organization Affairs. "The water can be used for many purposes--to put out leaf fires, to wash the car, to cool off the children in summer, to break up a dog fight, or even to water the lawn. To ask, 'Is the water successful?' is to ask another, preconditioning question, 'What was it being used for?'"

We are here concerned with aid for the economic development of underdeveloped countries. What successes and failures can be recorded for American aid in this area? Possibly the most notable success thus far has been Taiwan, once considered a hopeless liability. Here the aid program has so spurred economic growth that the island is now approaching a self-sustaining basis and Administration officials are talking in

terms of "phasing Taiwan out" of the foreign aid program--"mission accomplished."

Several unusual factors have aided the development process in Taiwan. The Japanese, who occupied the island for 50 years until the end of World War II, gave initial impetus to development, including the establishment of an industrial base. Also, the 1949 influx of Chinese Nationalists from the mainland brought in a large number of skilled and educated people. And finally, a truly remarkable degree of cooperation between U.S. aid officials and their Chinese or Taiwanese counterparts blessed the undertaking as well.

An initial accomplishment of American aid in Taiwan was the achievement of what has been called "one of the most successful land reforms in history." The U.S.-sponsored Joint Commission for Rural Reconstruction not only worked to improve substantially the lot of the individual farmer and his family, but scored a technical triumph in boosting Taiwan's rice yield to among the highest in the world. In the seven years from 1952 to 1959, the island's agricultural production jumped by 41.6 percent.

Industrial expansion during the same period was even greater, in both the public and the extremely energetic private sectors. Spurred by U.S. development loans, technical assistance and defense support aid, industrial production climbed 85.6 percent in the seven years, real national income 50 percent, and real personal income 24.4 percent. By 1960 almost 20,000 industrial enterprises were flourishing on the island, each employing 20 to 40 people. The cost of this progress in U.S. aid: \$91 million in development loans and \$632 million in grants, most of which the Nationalist government matched with its own contributions.

It is worth noting that the achievements in Taiwan came about without any over-all development plan, although the government directed many of the individual development efforts. Expansion all along the line was more or less spontaneous, with aid and effort rushing in wherever promising prospects or suggestions turned up.

Development, of course, is a long process, and U.S. aid for development has only begun to flow in substantial amounts during the last dozen years or so. Nevertheless, even a partial list of countries, apart from Taiwan, that have benefited from U.S. assistance and taken significant strides on the road to development would have to include Greece, Turkey, Israel, Spain, Tunisia, Pakistan, India and Colombia.

Both Greece and Israel are now considered candidates for aid termination within the next three to five years. U.S. economic aid to Spain, a country which as recently as 1959 teetered on the verge of bankruptcy, has helped bring a surge of stability and growth to that nation's economy. In mid-1962 the U.S. concluded its economic aid program in Spain with the assurance that continued economic progress was possible on a self-sustained basis.

Then, too, another recently initiated aid program has been scoring an excellent record of initial performance in the view of many observers. A little more than a year ago there were only 900 Peace Corpsmen in the field. By early next year, thanks to congressional blessings, there will be more than 9,000. Some predict that the Peace Corps, once it fully swings into gear, will prove itself one of the outstanding successes in the history of American foreign aid.

Less Rewarding Results

Economic development has never been the major motivation for American aid to Laos. About 80 percent of all U.S. funds for Laos have been allocated for military purposes. Nevertheless, U.S. economic aid has flowed at an average level of about \$8 million a year since the Laotian aid program began in 1954--a considerable sum in view of the fact that the entire annual revenue of the government of Laos is but \$3 million today.

Because the military situation and the threat of a Communist coup were constant preoccupations of the U.S. mission, the economic aid program in Laos was loosely administered. Corruption and incompetence within the Laotian government were major problems. An investigation by the U.S. House of Representatives charged that:

"The concentration of the benefits of the aid program to the area around Vientiane and other centers of population, and the enrichment of . . . Lao merchants and public officials . . . tended to lend credence to the Communist allegation that the Royal Lao Government was 'corrupt' and 'indifferent' to the needs of the people."

A Laotian official himself warned that the U.S. aid program was doing more to further communism in Laos than to abate it. "It enriches a minority outrageously while the mass of the population remains as poor as ever," he said.

Despite a complete turnabout in the political situation, Laos will receive about \$35 million in military and economic assistance from the U.S. again this year. The dollars which formerly went to support the right-wing government of Prince Boun Oum and General Phoumi Nosavan are now being marshaled in an effort to keep neutralist Prince Souvanna Phouma's shaky coalition government intact and truly independent.

Even so, after eight years of U.S. aid, basic public services in the Laotian capital of Vientiane, such as a fire department, garbage collection, paved roads, and electricity, are still lacking. And worst of all, since the toppling of the U.S.-backed Boun Oum regime, the country's pro-Western stance has been shattered and the threat of a Communist take-over is ever present.

Laos, though a flagrant example, is by no means the only case where American aid has failed to achieve expected results. With U.S. assistance programs currently embracing some 95 countries and territories, there are unquestionably a number of areas where aid has been wasted because ill-used or where hoped for progress in economic development has failed to materialize. Reasons for this range, according to experts, from the stultifying effects of internal politics in the recipient country to badly administered or poorly conceived AID programs. A total of some \$600 million in U.S. economic aid poured into Indonesia, for example, has failed to solve that nation's dire economic troubles or even place it on the road to development. In this case most observers attribute the failure mainly to internal politics.

Closer to home, there are indications that the Alliance for Progress, a \$1 billion-a-year U.S. program for a "decade of development" in Latin America, is failing to live up to initial expectations. Many Latin American governments continue stubbornly to resist vitally needed social and economic reforms, though reform is supposed to be a key condition of U.S. aid. But the Alliance program is just getting under way, and its main difficulty thus far appears to be promising "too much too soon."

Because American aid is often preventive in purpose--preventing

economic disintegration and social revolution rather than promoting dramatic victories in diplomacy--failures are in many cases as hard to pin down as successes. Newspaper accounts have frequently suggested, for example, that U.S. aid to Vietnam has been "wasted" or, in the favored phrase, "gone down the drain." Even AID's staunchest supporters are willing to admit that some waste has inevitably been generated in a program involving billions of dollars. But the real issue, they argue, is this: Is not waste, inevitable in any large undertaking, more than counter-balanced by the end results of U.S. assistance? Such a viewpoint is implicit in the remarks of ex-Senator Green of Rhode Island. "The most important thing about Vietnam," he said, "is that it exists." In this sense, he maintained, U.S. aid has accomplished something of a miracle.

#### President, Congress and Public

Whatever the balance sheet may show in the way of success or failure, it is a significant fact that every U.S. President and Presidential candidate since the end of World War II has strongly supported foreign aid programs. President Eisenhower defended the program as an essential diplomatic tool. "It not only rests upon our deepest self-interest," he advised Congress, "but springs from the idealism of the American people which is the true foundation of their greatness. If we are wise we will consider it not as a cost but as an investment--an investment in our present safety, in our future strength and growth, and in the growth of freedom throughout the world."

In an address before the Economic Club of New York last December, President Kennedy showed some signs of exasperation with the everlasting need to defend foreign aid before Congress and the public, but nevertheless

strongly supported it.

"I would like to cut out foreign aid he said. It is very unpopular. It is a hard fight each year. President Eisenhower had the same struggle, and so did President Truman. But I must say I am reminded of Mr. Robert Frost's motto about not taking down a fence until you know why it is put up, and this is a method by which the United States maintains a position of influence and control around the world, and sustains a good many countries which would definitely collapse or pass into the Communist bloc."

In his budget message to Congress early this year, the President promised: "...we will be highly selective, stressing projects and programs crucial to the rapid development of countries which are important to the maintenance of free-world security and which demonstrate willingness and ability to marshal their own resources effectively." In his revised foreign aid message, submitted to Congress after the report of the Clay Committee, Mr. Kennedy called for a \$4,525,000,000 aid appropriation. He stressed the need for greater participation by U.S. businesses in underdeveloped areas and asked for authority to grant tax credits to businessmen making new investments in such countries.

But in Congress, Representative Otto Passman, chairman of the House subcommittee on foreign aid appropriations and one of the program's sharpest critics, had already vowed to slash more "fat" from this year's request than his \$1 billion cut last year. Congressman Passman is known for his thundering salvos at AID officials (a sample from 1962 hearings: "There is no indication that all the money you have given has changed the international situation one iota"), but such castigations have not prevented him from ultimately giving his O.K. to 3 or 4 billion dollars a year in foreign aid appropriations. Apparently like many

congressmen, Mr. Passman goes along with foreign aid more in fear of what might happen if it were entirely cut off than from any positive convictions about the program.

Nonetheless, opposition in Congress from those who persistently vote against foreign aid bills has been growing steadily. According to the calculations of Professor David B. Truman of Columbia University, persistent opposition in the House increased from 18 percent in 1953 to 26 percent in 1959, and then to 29 percent in 1961. Professor Truman also notes surveys which indicate that for the American public foreign aid has been the most unpopular item of U.S. foreign policy and that opposition views on it are much more strongly held than favorable ones.

The most recent Gallup Poll on the subject (February, 1963), however, showed surprising results. In response to the question, "In general, how do you feel about foreign aid--are you for it or against it?" 58 percent said they were "for"--a gain of 7 percent over March 1958; 30 percent were "against," and 12 percent had no opinion.

Whatever the case, foreign aid clearly has no devoted group of advocates to lobby diligently on its behalf at home, no constituency of its own. Its more determined critics have formed the Citizens Foreign Aid Committee which fairly bristles with attacks on the entire "un-American, giveaway" program. For its support foreign aid must depend on the shifting assortment of arguments put forth by an anxious President to an increasingly irritated Congress each year, while the public looks on in confusion.

Nor is the picture any better abroad. Says India's Ambassador to the U.S., B. K. Nehru:

"I would say...that foreign aid is as unpopular in the countries that receive it as in the countries that give it, for the same reason, namely that it is a complex subject. Its motivations are different and the simplest way you can explain it--or rather not explain it--but the simplest way the people understand it is as charity. People do not like charity."

#### Mr. Bell's Headache

Mr. David E. Bell, the recently appointed head of the Agency for International Development, is the eleventh man to direct U.S. foreign aid operations in the past 15 years--a fact that in itself is some measure of the difficulties he will be facing. Mr. Bell will have to run his aid program through the gauntlet of 10 separate clearances by both houses of Congress, defend himself and his program repeatedly before at least four congressional committees and subcommittees thereof, win the confidence of the press, the public, and his AID staffers, and administer a program that spends more each year than the Interior, Commerce, Labor, Justice and State Departments combined.

The agency Mr. Bell inherits creaks with bureaucratic stiffness. Around its neck hangs the weight of 15-odd years worth of combined Presidential and congressional shake-ups, reorganizations, and "streamlining." Its administrative hands are tied by a number of legislative restrictions, among them requirements that 50 percent of all foreign aid cargo be shipped in American-flag carriers, that technical assistance in agriculture be confined to crops which are not in substantial surplus in the U.S., and that nations which expropriate U.S. property without offering compensation be automatically cut off from further U.S. aid. In addition, under the program to lessen foreign aid's impact on U.S.

balance-of-payments difficulties, AID will have to purchase the bulk of its assistance materiel (about 80 percent last year) in the U.S. regardless of its suitability, the maintenance facilities available or comparative costs.

Somehow, also, Mr. Bell will have to try to speed AID programing, which can be disastrously slow. Most project requests from underdeveloped areas take at least six months to be approved in Washington. Another six months to a year are necessary for needed supplies to be ordered, paid for and delivered. Then, too, Mr. Bell will have to grapple with the host of U.S. and international agencies that have a hand, one way or another, in the foreign aid program. And as though all that were not enough, he will now have to take account of the recommendations of the Clay Committee, whose report was greeted as sensational fare by Congress and the press.

#### Report of the Clay Committee

Headlines focused on a recommended cutback of \$500 million in foreign aid appropriations. But the general thrust of the Clay Committee's March 20 report to President Kennedy provided broad and encouraging support for U.S. foreign assistance efforts.

The reductions recommended in current activities /the report stated/ should not be construed as minimizing the importance in principle of foreign assistance. On the contrary, we believe these programs, properly conceived and implemented, to be essential to the security of our nation and necessary to the exercise of its world-wide responsibilities.

Nevertheless, the President had asked his 10-man committee, headed by General Lucius D. Clay and formally entitled The Committee to Strengthen the Security of the Free World, for a hardheaded, critical appraisal of the U.S. aid program. That is precisely the approach the

committee took to its task. Here are the key points made in the report:

Phasing Out. Inefficient, ineffective aid programs that fail to contribute significantly to U.S. security or to economic progress in recipient nations should be phased out over a three-year period. Standards for giving aid should be tightened all along the line.

The Private Sector. The role of private enterprise in economic development has been neglected. Recipient countries must make greater efforts to encourage private local and foreign investment and to protect such investment as already exists.

Self-help and Reform. In line with toughened standards, recipient nations must demonstrate greater willingness to undertake needed but painful reforms, give more evidence of self-help. Compliance with such conditions should be a prerequisite of U.S. aid.

Aid from Europe. "We are convinced," the committee said, "that the burden of sustaining foreign assistance to the less-developed countries is falling unfairly upon the U.S. and that the industrialized countries can and should do more than they are now doing." The U.S. should "phase out" of its African aid programs, letting Western Europe fill the gap.

Multilateral Aid. Coordinated aid-giving through a multilateral organization of the U.S. and its allies would increase the effectiveness of all aid programs. National political or commercial interests would then be subservient to the general goal of economic and social development.

Free-world Security. Military aid and defense support assistance are vital elements in U.S. aid programs. "Dollar for dollar, these programs contribute more to the security of the free world than corresponding expenditures in our defense appropriations."

On the whole, then, the Clay Committee sought to take a firm stand on major issues in foreign aid. But in so doing, it succeeded in raising almost as many questions as it sought to resolve. The report's emphasis on U.S. security in relation to the aid program, for example, raised once again the issue of military versus economic aid--which has the greater value to U.S. foreign policy?

Similarly, the report opened anew debate on the question of strings attached to U.S. economic aid. Should recipient nations have the right to formulate their development plans and institutions without regard to the role of private enterprise?

If our allies do assume a greater burden in aiding underdeveloped nations, moreover, why should the U.S. cut back proportionately in its own commitments? Is it wise for the U.S. to pull out of Africa altogether?

#### Running Twice as Fast

If economic development is itself a complex and difficult process--and it surely is--could anything less be said about the American experience in aiding the underdeveloped? General appraisals become risky, indeed, under the circumstances. But there is one point on which perhaps both supporters and opponents of foreign aid would agree: Development is a long, hard process, and its difficulties are easily and often underestimated. Prime Minister Nehru has characterized it as learning to run before you learn to walk, but as the next paper in this seminar indicates, the problem may be that and much more. "It takes all the running you can do to keep in the same place," says the Red Queen in Alice in Wonderland. "If you want to get somewhere else, you must run at least twice as fast as that!"