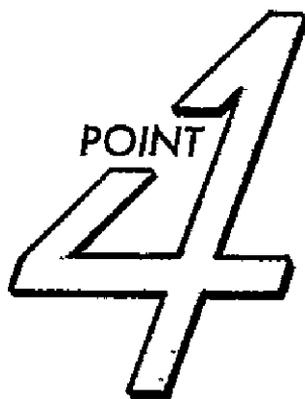


# **GUIDELINES**

**FOR**



**RECOMMENDATIONS  
OF THE  
INTERNATIONAL  
DEVELOPMENT  
ADVISORY  
BOARD**

**WASHINGTON, D. C.  
JUNE 5, 1952**

# INTERNATIONAL DEVELOPMENT ADVISORY BOARD

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June 5, 1952

Dear Mr. President:

It has been two years today since you approved the Act for International Development, embracing the "bold new program" which you announced in your inaugural address in January, 1949, as the fourth point of our program for peace and freedom.

In these two years, this program has been organized and carried forward into thirty-four of the underdeveloped countries of the world.

It has become, in our opinion, a strong and effective instrument of the foreign policy of the United States.

Though still developing, it is safely and soundly on its way. Behind it is a record of real achievement. Before it is an almost unlimited opportunity to bring new hope to millions and to strengthen immeasurably the defenses and resources of the free world.

The Board has therefore felt this to be an opportune time to take a bearing, as it were, and to offer the attached recommendations as a guide to further progress toward the objectives of Point 4.

Respectfully yours,

Eric Johnston, Chairman

The President

The White House

Washington, D. C.

## FOREWORD

The International Development Advisory Board was established by the President in September, 1950, to advise and consult on general and basic policy matters arising in connection with the Point 4 program authorized by Congress in the Act for International Development.

These recommendations of the Board relate specifically and exclusively to the bilateral technical cooperation programs authorized under the Act and administered by the Technical Cooperation Administration of the Department of State.

They do not relate to the programs of military aid and economic assistance now being prosecuted by other agencies of the Government to implement the foreign policy of the United States. These programs—together with Point 4—form a total pattern of action to extend American economic support and assistance to the other nations of the free world.

The Board is here concerned only with that part of the total pattern authorized by the Congress in the Act for International Development—the technical cooperation program now identified most directly with the idea projected by the President as Point 4 of his inaugural statement of foreign policy.

These recommendations are intended to clarify and identify the nature and scope of the Point 4 program, as the Board sees it, and to offer helpful guidelines along which it hopes the program may progress even more swiftly to real accomplishment.

## NATIONAL POLICY

The Act for International Development says—

That we have an interest in the freedom and in the economic and social progress of all peoples . . .

that 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 . . .

that it is the policy of the United States to advance these broad objectives of world well-being by helping the people of underdeveloped areas to develop their resources and improve their working and living conditions . . .

that the United States will implement this policy by encouraging the exchange of technical knowledge and skills and the flow of investment capital to underdeveloped countries . . .

that these countries must provide conditions under which our assistance and capital will be effective in raising standards of living, creating new sources of wealth, increasing productivity, and expanding purchasing power . . .

## OBJECTIVES

Point 4 objectives might therefore be stated in this way—

to help the people of underdeveloped countries realize the economic progress and political freedom which is the common aspiration of the common man wherever he may be . . .

to demonstrate that the democratic way is the surest way to realize this hope . . . and to make the aspiration for a better life the parent of adjustment rather than the nursery of communism . . .

to develop new sources of wealth and higher levels of productivity in order to strengthen not only the underdeveloped countries but the entire community of nations of the free world . . .

## TIME FACTOR

The Act for International Development clearly contemplates a long-range program.

Point 4 is developmental. It is an instrument of orderly change, an attack upon the status quo.

The Board believes that any serious departure from this concept will tend to diminish the acceptance and effectiveness of the program.

It believes that Point 4 cannot and should not encompass operations calculated to produce quick results through large and dramatic projects.

At the same time, the Board recognizes that it may be necessary or advisable, in certain circumstances, to accelerate or expand operations in one country or another. This should be done, however, without resort to measures at variance with the fundamental character of Point 4.

The Board believes the Point 4 program, so far as the time factor is concerned, should be thought of this way:

"Development is a state of mind. People have to develop themselves before they can change their physical environment and this is a slow process. . . . It involves changes in relations between classes and races. It requires the improvement of governmental organization and operation; the extension of social institutions, schools, courts, and health services. These things take much longer than the building of factories and railroads and dams. . . . Habits of thought and of conduct are the most stubborn obstacles to development . . ." \*

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\* Robert L. Garner, Vice President, International Bank for Reconstruction and Development.

## RELATION TO OTHER FOREIGN AID

The Act for International Development contains no indication that the Point 4 program is to be related directly or indirectly to military defense activity abroad.

Other agencies functioning under the Mutual Security Act are concerned with programs of direct military aid and economic assistance.

The Board believes there is a fundamental distinction between the philosophy underlying Point 4 and the philosophy underlying programs of military assistance.

It believes these philosophies and the programs deriving from them should be kept separate and apart. It believes that Point 4 operations are fully justifiable without reference to military or military-support objectives.

The Board feels that the creation of sound economic defenses against political aggression is as necessary as the creation of military defenses against armed aggression.

## LINES OF ACTION

The Act for International Development contemplates two lines of action to implement Point 4 . . .

. . . on the one hand, a program of technical cooperation calculated to help the peoples of the underdeveloped countries acquire the knowledge and skill they need to develop their own economic resources and productive capacity.

. . . on the other hand, an effort to encourage private capital, both domestic and foreign, to invest in enterprises conducive to the economic development and stability of these countries.

The Board believes that Point 4 is neither one nor the other of these but both. They should be pursued with equal vigor. They should be integral parts of a balanced and coordinated developmental plan.

This is not to disregard the question of emphasis. First things come first. . . and in most of the less-developed countries, the first thing, obviously, is to attack the fundamental problems of hunger, disease, and illiteracy.

The Board believes, therefore, that technical cooperation directed toward an alleviation of these elementary problems should normally have priority in terms of time.

The Board believes, however, that the attack upon these problems should include efforts to improve existing industrial facilities and encourage new industrial development through private capital investment.

It believes that sound industrial development can contribute to the social and economic well-being of the people of a country no less than direct technical assistance. It believes that the development of industrial and commercial potentials may often be the means of financing greater economic and social advancement.

## GRANTS IN AID

The Act for International Development authorizes the President . . .  
“to make . . . 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 . . .”

The Board notes that advances and grants are to be made “in aid of technical cooperation programs.” It believes that grants and advances under the Act should, therefore, be incidental to the main purpose of helping people to help themselves.

The Board believes that grants, whether of money, material, supplies or equipment, should be employed only as the means to an end. They should not be permitted to become the end itself.

At the same time, the Board clearly recognizes the importance of providing tools to make the work of technicians effective. Whether these tools are in the form of machines for an industrial project, improved seeds for an agricultural project, of vaccines or stethoscopes for a public health project, of books and blackboards for an educational project—their form is beside the point, so long as the purpose of helping to impart knowledge and stimulate self-help is clear.

The Board believes the grant-in-aid authority was intended to be used for one purpose only—to provide the wherewithal of an effective technical cooperation program. It believes it neither feasible nor wise to attempt to limit grants in aid by establishing a fixed ratio between expenditures for supplies and equipment and expenditures for technicians and training. This is an equation that will differ greatly from country-to-country and project-to-project, as the circumstances in each case differ.

The Board believes the grant-in-aid authority should be used only to provide material, equipment, or supplies which cannot be furnished by the cooperating government itself.

## FAIR SHARE

The Act for International Development provides that "assistance shall be made available only where the President determines that the country being assisted pays a fair share of the cost of the program."

The Board fully subscribes to the "fair share" concept as a matter of principle.

It believes the Point 4 program will be effective in proportion to the stake the cooperating countries have in its success.

The Board believes insistence on the "fair share" principle is the surest way to avoid the implications of a "give-away" program and put Point 4 objectives on a sound cooperative basis.

The Board believes, however, that the "fair share" of a cooperating country should not be computed solely in terms of direct allocations by the host government for specific projects.

Instead, the Board believes the "fair share" of the cooperating country should include cash, supplies, equipment, facilities and services, which the Government, municipalities, or the people concerned may contribute directly and expressly to the prosecution of a specific project.

The Board believes that the "fair share" so calculated, should, at a minimum over any reasonable period, be in the ratio of at least one to one. It believes, moreover, that the "fair share" of the cooperating country should increase gradually as the program develops and economic well-being increases until, ultimately, the country assumes full responsibility.

# INDUSTRIAL DEVELOPMENT

The Act for International Development authorizes technical assistance programs—

“ . . . 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.”

The Board believes that the “balanced and integrated development of economic resources and productive capacities” calls, in many cases, for the improvement of public works and local industrial facilities and, where circumstances warrant, the development of new industrial and commercial enterprises.

The Board feels that emphasis on improvement in agricultural techniques, public health standards, and education should not be permitted unduly to delay the extension of technical assistance for industrial development. It believes, on the contrary, that in some instances improvements in agriculture, education, health and other community services, will demand increasing emphasis on the development of local industries and commerce.

The Board believes, therefore, that the assistance of technicians and experts in industrial development and management should be made available as an integral element of the technical assistance program.

The Board is opposed in principle to the use of Point 4 funds for direct grants of capital for private industrial and commercial development.

## PRIVATE CAPITAL

The Act for International Development puts equal reliance upon technical cooperation and private capital investment to do the Point 4 job.

The Board believes that technical cooperation alone, on any conceivable scale, will be inadequate to give the underdeveloped countries the degree of economic strength and stability that represents the Point 4 objective.

The Board believes that economic development, in the full sense of the term, requires an investment of capital resources far in excess of any amount now or likely in the future to be available from public funds.

The Board believes that positive efforts to open the way for economic and social development through the investment of private capital, local and foreign, are urgently necessary and indeed indispensable to the ultimate success of the Point 4 program.

It believes that steps to this end should be taken without delay, through incentive legislation, negotiation of commercial treaties, and exploration of investment potentials in the underdeveloped countries.

The Board believes that foreign capital should be encouraged to invest in the underdeveloped countries in partnership with local capital and in a spirit of cooperation rather than of exploitation. It believes that foreign capital in these countries should be creative as well as profitable; contributing to economic growth and better lives for the people of the country, recognizing their national pride and national interests. It should make friends, not lose them.

The Board believes the initiative in developing a rounded program to encourage private investment under the Act for International Development should come from the agency designated by the President to administer that Act. It believes this initiative should be expressed, however, in terms of enlisting the active participation of other agencies in matters properly coming within their special fields of competence, such as the negotiation of commercial treaties.

## PARTICIPATION OF PRIVATE AGENCIES

The Act for International Development stipulates that "the participation of private agencies and persons shall be sought to the greatest extent practicable" in carrying out the Point 4 program.

The Board believes this provision opens the way for a considerable expansion of Point 4 activities abroad through the facilities of private organizations, communities, universities, philanthropic institutions, and similar voluntary agencies.

It believes that the efforts of these private institutions can often be more effective than governmental operations and that they should be employed to supplement and strengthen the Point 4 program in each of the underdeveloped areas.

The Board notes that the assistance of voluntary agencies, in the language of the Act, should be "sought" and not merely accepted if proffered.

This implies the necessity of positive steps to enlist their cooperation and the need of coordination and direction to avoid diffuse and ill-advised undertakings.

The Board believes that TCA, as the agency responsible for administering the Act for International Development, should be prepared to supply these essential elements of coordination and direction.