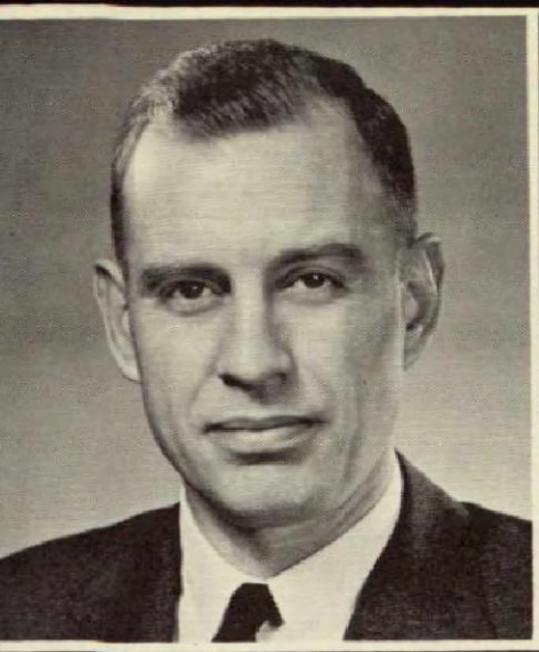


*Foreign Aid:*

*Emphasis Vietnam*

**Agency for International Development  
Washington, D.C.**



**David E. Bell**

On February 21, 1966, David E. Bell, Administrator of the Agency for International Development, spoke to the Public Affairs Forum, Memphis, Tennessee. The following is excerpted from that address.

# *Foreign Aid:*

## *Emphasis Vietnam*

---

### I

---

The United States has carried on a substantial program of foreign assistance for about 20 years, but it is a very different program today from what it was 20 years ago.

First, it has changed in geographic coverage. Ten years ago we successfully completed our economic aid programs under the Marshall Plan for Western Europe and our post-war assistance to Japan. In recent years our aid programs have succeeded, and have been terminated, in a number of countries where the job was not post-war reconstruction, but starting up a modern, self-sustaining economy. These include Spain, Greece, and most recently Taiwan, where our economic assistance ended last June 30.

As a result, our economic aid programs today are entirely limited to the less-developed countries of Latin America, Africa, and Asia. Even in these very low-income continents there are a number of countries that are doing quite well and where our economic assistance is clearly in its closing stages: Israel, Mexico, and Venezuela are illustrations.

A second major change in our economic aid program in recent years has been to place much stronger emphasis on self-help by aid-receiving countries as a condition for American assistance. The President has made this emphasis even more emphatic in his program for the coming fiscal year. The logic is simple and clear.

We have an aid program in order to help other nations become strong, independent, and self-reliant—because that is necessary to our own security and welfare.

If aid-receiving countries are to become strong, independent, and self-reliant, they must do what they can for themselves, and our aid must be employed to support their own self-help measures. Our aid, no matter how useful, can never provide more than a small portion of the resources any nation needs to become self-supporting. And we cannot make for any other country the tough decisions necessary to mobilize domestic resources, to apply sound fiscal and monetary policies, to follow strict priorities in applying limited resources.

We have learned much in recent years about how to apply a standard of maximum self-help, and we have steadily increased the firmness with which we have applied the standard to actual situations. As one result of this strong emphasis on self-help, 92 percent of direct country assistance during the next fiscal year is planned for 20 countries out of some 70 to be helped, while 84 percent of development lending will go to only eight countries—Brazil, Chile, Colombia, India, Korea, Nigeria, Pakistan, and Turkey.

In each of these eight countries we expect that the government will be following strong programs of self-help, so that their resources and ours will result in maximum progress toward economic self-support.

A third major change in economic assistance in recent years is the entry of many new nations into the aid field as donors and not recipients. For the last several years, the aid programs of other economically advanced countries have been steadily enlarged and strengthened. Last year the Western European countries, Canada, and Japan together provided over \$2 billion in economic assistance to Asia, Africa, and Latin America. To date, the original beneficiaries of the Marshall Plan have provided as much aid to others as we did to help them.

The terms on which other countries offer aid have also been improving. We believe there are still some aid-giving countries whose interest rates and repayment schedules are not generous enough to fit the economic circumstances of most developing countries. Nevertheless, it is noteworthy that the United States no longer has the most generous terms for economic aid loans. Canada and Britain both make loans to developing countries on easier terms than the minimum authorized under present U.S. law.

In addition to what we and other countries do through bilateral aid programs, there has been a steady enlargement and strengthening of international aid-giving institutions and of regional programs. The United States has played a strong role in establishing such institutions, ranging from the World Bank, which was established right after World War II, to the new Asian Development Bank. These multilateral aid institutions are all financed by several countries, with the U.S. share usually on the order of 40 per cent of the total—a favorable proportion from our point of view since the United States gross national product is about 60 per cent of the total GNP of all the advanced countries.

The **fourth** important change in our economic aid program in recent years has been the sharp reduction of the impact of aid on our budget and on our balance of payments.

President Johnson has insisted that we must budget our resources for the foreign aid program with just as much care and prudence as for any other element of our national budget. As an ex-Budget Director, I am naturally in thorough sympathy with this view, and I believe we are carrying out the President's instructions. Moreover, we have substantially improved our systems of accounting, auditing, inspection, etc., to make sure that the aid we commit goes in fact for the purposes we intended and ends up in finished schools, factories, highways, fertilizer plants, and the like, and is not used for unnecessary or doubtful purposes.

In each of the last two fiscal years, President Johnson has been able to submit budget amounts for economic and military assistance which were lower than the previous year. Because of the increasing costs of the Vietnam situation, that downward trend has been reversed and there has been some inevitable rise both in the present fiscal year and in the program now before the Congress for fiscal year 1967.

Even taking the cost of Vietnam fully into account, however, the aid budget recommended by President Johnson for the next fiscal year is well under half of the total amount appropriated in the peak year of the Marshall Plan. Considering the enormous growth of the American economy in the years since the end of World War II, the relative burden of the aid program has fallen even more sharply.

Moreover, in the last five years we have radically changed our policies in order to limit the impact of the aid program on our balance of payments. In the 1950's, aid funds appropriated by the Congress were spent wherever in the world prices were lowest. Since 1959, however, the use of aid funds, with small exceptions, has been limited to the purchase of American goods and services.

This has undoubtedly required us in some cases to pay slightly more for some items, but it has steadily reduced the balance of payments costs of the aid program. More than 88 per cent of AID expenditures in 1967 will be for purchases of U.S. goods and services, compared to about 42 per cent in 1960. For the most part, therefore, our aid program today does not consist of exporting American dollars, but instead of exporting American goods, manufactured right here in the United States, and the services of American technical experts.

Just as the foreign assistance program has changed over the years in response to changing

needs, so it is still changing today. In three inter-related messages to the Congress this month, the President announced that major new emphases will be given to agriculture, to education, and to health, including problems of population growth.

The new proposals call for a foreign aid program of about the same magnitude as that approved by the Congress this year, including supplemental funds the President has asked Congress to provide primarily for use in Vietnam. But there will be increased emphasis on attacking the root causes of poverty—hunger, disease, and ignorance—which must be overcome if the developing countries are to stand on their own feet and move forward to meet the needs of their people by their own efforts and without continuing dependence on foreign assistance.

To summarize these points, I think it is fair to say that the American aid program today is more strongly focused on the development of self-reliant economies, is less of a burden on our economy and our balance of payments, and is a part of a stronger worldwide aid effort, than was the case in the past.

Our purpose is clear. We want to help developing countries achieve economic strength and momentum so they can provide for a better life for their own people, using their own knowledge and their own resources—and at that point we want to end our aid.

The case of Taiwan illustrates very clearly what we have in mind. Taiwan's economy has been growing strongly for several years; it is clearly now in a position to continue moving forward without further grants and soft-term loans from us, and our economic assistance has been brought to an end. It is very important to note that Taiwan is still a poor country. The average per capita income in Taiwan is around \$150 per year per person, compared to over \$2,500 per year per person in the United States. But even at that average standard of living, it is

clearly possible for the people of Taiwan to continue an economic growth rate higher than that of the United States, without any extraordinary assistance from us.

We therefore consider that the job of economic aid has been done in Taiwan. We continue to have the strongest interest in their future well-being. The Export-Import Bank and the World Bank are finding good projects for which to lend money to Taiwan at regular commercial rates. Private American businessmen are finding good opportunities for investment in Taiwan. The educational and cultural ties which have been established between Taiwan and the United States in the course of our aid relationship should continue to grow in the years to come. In fact the continuation of such ties with countries no longer needing aid is a major purpose of the President's proposed new International Education Act.

The outcome in Taiwan is what we are aiming at all through the under-developed world, and we see no inherent reason why it cannot be achieved in country after country over the years to come.

---

## II

---

In order to reach objectives of this kind, however, there are obviously far more than economic obstacles to be overcome. The most difficult cases are those in which we face the extraordinary, difficult challenge of what General Maxwell Taylor has called subversive insurgency.

This is, of course, the situation in Vietnam.

For five years after the Geneva agreements of 1954, the United States aid program in South Vietnam was not much different from our aid programs in other countries. And, despite severe

hardships, a good deal of progress was made. In those five years, the country doubled its rice production, was moving strongly to eradicate malaria and cholera, had built the basis of an industrial sector, and was beginning to advance in education.

But, beginning in 1960, a new and ruthless attack was launched by the Viet Cong—a combination of military action, terrorism, and propaganda—skillfully and strongly directed from North Vietnam, which has turned much of the Vietnamese countryside into a battlefield in a new kind of war. The Viet Cong conduct a bitter, stealthy, brutal operation. Their weapons are the sneak attack, the ambush, the assassination. They have focused much of their attention on the elimination of the ordinary instruments of community and government action. They have killed literally thousands of civilians who were village leaders, school teachers, agricultural experts, chiefs of district governments. The intent and purpose of their policy has been to create chaos, to break morale, to open the way for Communist domination.

It is very difficult to counter the Viet Cong attack in all its dimensions. Part of the response has to be military. As you all know, the scale of the United States' engagements in Vietnam has changed sharply over the last several months. Our military moves have responded to the large scale, and still growing, invasion of South Vietnam by regular military forces of North Vietnam. The commitment of American, Korean, Australian, and other free world troops to augment the Vietnamese armed forces has denied the Viet Cong a military victory, but has not yet assured victory by the Government of Vietnam. What has happened is that a new dimension of military operations has been added to the older but still central struggle of government and villagers against the Communist guerillas, with the villagers caught in the middle.

A successful program to counteract the Viet Cong must encompass much more than military action.

As President Johnson has said: "Until the peoples of the villages and farms of that unhappy country know that they personally count, that they are cared about, that their future is their own—only then will we know that real victory is possible." A military victory without this, the President said, would bring "only a brief delay until the aggressor returns to feed on the continuing misery of the people."

To support the economic and social improvement in Vietnam that is an essential part of winning this particular kind of war, the United States is providing a variety of types of assistance.

On the economic side, the United States is providing very substantial financing for imported goods needed by the Vietnamese economy — cement, fertilizer, iron and steel, drugs and medicines, and many other items. With the increase in the tempo of the fighting, the economy of Vietnam has faced severe inflationary pressures of the same kind that helped the Communists in China. The United States commodity import program is one major element in keeping this threat in check.

One often reads that our aid program is not reaching the people of Vietnam. I can assure you this claim is not accurate. The facts are that our AID-financed commodities do reach the people, both in the cities and in the countryside. Officials of AID are at work in all the 43 provinces of Vietnam. I have visited many of them and talked with many more. They are on the ground; they know what is happening; and they have assured me that despite the transportation difficulties and interruptions to traffic caused by the Viet Cong, the great bulk of the food, the clothing, the medical supplies, the construction materials, and other things we supply do in fact reach the people for whom they are intended.

More than commodities are needed in Vietnam. We are helping to build schoolrooms and train teachers; we have provided more than eight million textbooks. We are helping to train doctors and nurses—and to provide medical services. Today the United States has about 250 doctors

and medical technicians working with the civilian population of Vietnam, and the number will be doubled in six months. Incidentally, medical teams are in Vietnam from several other countries as well—Australia, New Zealand, the Philippines, Taiwan, Germany, Iran—and others will be arriving soon.

We are working in agriculture, in transportation, in public administration. All this is positive, constructive work that is showing many good results. The recent trips to Vietnam by Vice President Humphrey and the Secretary of Agriculture have demonstrated our resolve to do more and have revealed a number of possibilities for making our aid more effective.

I do not want to leave an overly optimistic impression. A tremendous task is ahead. The Government of Vietnam, with support from the United States, has stated that its highest priority objective in the coming year is to expand the area of security and progress in the countryside. This is an extremely difficult and complex problem. To accomplish it in any area, Viet Cong and North Vietnamese military units must be broken up and driven out of the area, and sufficient military force must be available to keep them out. But that is only the beginning of the job. Local security must be established, using militia-type forces, police, and intelligence networks, in order to prevent hit-and-run raids, terrorism, and assassination. The political extension of the Viet Cong—the hidden Viet Cong cells of persons living in the villages—the so called “invisible Viet Cong government”—has to be identified and eliminated. New and stronger Vietnamese government institutions need to be established—institutions which will serve the villages and which will involve the participation of the villagers. And, finally, the expansion of education and health facilities, the improvement of agriculture and transportation, the gradual economic and social uplift of the village people must be commenced and continued.

All these types of activity—military, governmental, economic, and social—must be geared together in integrated action programs which gradually and slowly bring permanent change, one step at a time, to areas of the countryside of Vietnam.

This is the policy both of the Vietnamese leaders and of the U.S. leaders now in Vietnam. The very able Vietnamese Cabinet Minister in charge of this program was a prominent participant in the Honolulu meetings. Major resources are being committed to this task. Specially trained teams of people from the countryside are being organized to live and work in the villages—one village at a time—to accomplish this work—what the Vietnamese call, in a very good phrase, the work of rural construction.

No one should expect overnight results. As General Walt, the Marine General commanding at Danang, said to me with reference to an area just south of Danang where these efforts are underway, "The Viet Cong have been working effectively in that area for 11 years, and we can't expect to convert it overnight."

But I believe the plans and programs that I saw in Vietnam and that were carefully reviewed in Hawaii are more realistic and better supported than any that have been tried before. And both the Vietnamese and the United States Governments, together with assistance now being made available by over 36 other free world countries, are determined to follow through on this line. It is necessarily a slow and expensive process, but it is the only way to do the job.

And, if the Vietnamese are successful, they will have demonstrated that a country whose leaders and people are determined to sustain their own freedom can do so, with the help of other free countries, even against the most bitter and ruthless efforts of Communist insurgency. In view of the declared intent of the leaders of the major Communist countries to encourage and support subversive insurgency throughout the less-developed world—in Latin America and

in Africa as well as in Asia—it is of great importance to the security of all the free world that the free people of Vietnam learn how to overcome subversive insurgency and replace it by strong and effective institutions of free government and of social progress. I think some real headway is being made in that direction.