



# ASPECTS OF FOREIGN AID

*by*

Arthur Z. Gardiner, Director  
United States Operations Mission  
in Viet-Nam

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# Aspects of Foreign Aid

*by Arthur Z. Gardiner, Director  
U.S. Operations Mission in Viet-Nam*

I am glad of this opportunity to discuss with my fellow members of the Saigon Rotary Club some aspects of the foreign aid program, which has for so long been an important element in the national policy of my country.

I should like to remind you of an old story that went the rounds some years ago concerning a certain country which had been for some time the recipient of a very substantial volume of aid from the United States. The Prime Minister of this nation, however, had reason to believe that the volume of aid might be reduced in the near future, and this gave him very considerable concern. In order to decide how to meet the situation, he first of all called on his Planning Staff for a study of the possibilities. The result was most interesting. After 2 weeks the staff advised him that there was one measure left to take. The country could not possibly survive with a lower level of aid, and the staff had noticed that the United States was particularly generous in its treatment of nations defeated in the Second World War. This seemed somewhat incongruous to the staff, as they could not understand why the United States should be so generous to recent enemies while at the same time it cut down the volume of aid to nations which were its friends. However, there was a clever solution which the staff

suggested to the Prime Minister. That was to declare war on the United States, as after the war had been lost, it would obviously be necessary for the United States to resume its aid program on a level higher than ever.

Now, this solution seemed to present a ready solution for the problem which the Prime Minister faced. The Prime Minister was struck by the ingenuity of his staff but decided to reflect on the matter for a few days longer in consultation with his inner cabinet. While the Prime Minister was giving the matter a second look, the Chief of the Planning Staff asked for an appointment a day or so later, which the Prime Minister granted. The Chief of Staff came in with a very long face and said that he was sorry but that he and his group had made one major error in their calculations. They had neglected to take into account the possibility that the result of the war might be a victory for their own country and in that event it would be quite impossible, considering the local financial situation, to provide assistance to the United States, which the United States, under such circumstances, would have every right to expect and to need. Therefore, the whole plan was junked.

This story circulated in Washington some years ago. Today I believe it is the basis for a new motion picture.

## **Why U.S. Aid Is Given**

I have told it to illustrate what I consider to be a very important point; and that is that the amount and the volume of American aid extended to another country is not directly related to the measure of friendliness and cooperation between the United States and the other country. We are on cordial, close, and intimate relationships with countries to whom we give no aid whatsoever. We aid other countries with whom our relationships may be more nearly cor-

rect than cordial, because we believe that it is in our interests to maintain friendly contacts with their governments and their people and to keep them from going behind the Iron Curtain.

We aid nations with whom we are closely allied in today's struggle to the extent that our resources can be effectively and usefully transferred to aid those nations to maintain and improve their military defenses and their economic and social progress. It is ironic but true that the more progress is made here in Viet-Nam—for example, in increasing the volume of its exports and its domestic manufacturing plant to reduce imports—the less Viet-Nam needs aid. The fact that less aid is needed is a cause for congratulation to the Government and people, as it is a witness of the success of their own efforts to improve their agriculture and the development of industry. The fact that under these circumstances the volume of aid is reduced should not be taken as a reflection of any loss of interest or loss of will on the part of the United States to support a faithful ally. It is simply a recognition of the fact that our friends no longer need so much as formerly they did and they are attaining their goal of economic independence, hand in hand with political independence. We helped friend and foe in Europe and in Asia after the World War. Aid ceased when it was no longer needed.

Tonight I am not going to talk about immediate problems of aid levels or reveal any secrets regarding allocations of future assistance. I could not do so if I chose, because I know no such secrets; the volume of our aid will depend on developments which are still unknowns. Rather, I think that it can be profitable for all of us from time to time to appraise the nature of the longer range courses of action on which we have embarked and some of the philosophies and thinking that lie behind them.

## **Beginnings of U.S. Aid**

The technique of aid administration by our Government goes back at least as far as the Lend-Lease Act, which was voted by the Congress prior to the entry of the United States into World War II. We then determined, under the leadership of President Roosevelt and with the support of the Congress, that our national interests would best be served if we made available supplies and equipment to Great Britain and the active allies of Great Britain to assist in the war against Nazi Germany.

Following the cessation of hostilities of the Second World War, the United Nations Relief and Rehabilitation Administration received abundant support from the United States in its efforts to supply the varying deficiencies which were so obvious at the conclusion of the war in Europe and in Asia. UNRRA helped friends and former foes alike, but it soon became clear who were our real friends and who our foes. For this reason, so far as United States aid was concerned, UNRRA was soon replaced by a program of direct United States assistance to Europe under which commodities, mostly agricultural, were sent from the United States, and then by our Greek-Turkish Aid Program inaugurated by President Truman.

## **Greek-Turkish Aid**

It was with Greek-Turkish aid that the United States first embarked on a broad plan of cooperation with other sovereign countries in the effort to reestablish their economy and security and to prevent their surrender to Communist propaganda and eventual Communist domination. This applies with special truth in the case of Greece, where the country was engaged in a brutal guerrilla war.

I very recently reviewed some personal files and found a speech which I made in 1948 on the subject of the Greek aid program. I have

shown this paper to some of my colleagues and friends here in Viet-Nam. I mention it because, with a few changes of dates and of terms and of names, what was said about Greece in 1948 applies with almost equal force to the circumstances and to the situation in 1960 in Viet-Nam. I devoutly hope that the outcome of the Viet-Nam program will be as successful as was the outcome of the Greek aid program.

The points which concerned us in 1948 about Greek-Turkish aid involved economic instability, difficulty of reestablishing agricultural production, banditry and subversive pressure from the northern neighbors of Greece, and various intricate monetary problems. Greece was short of fuel and of power. The Greek transportation system suffered greatly from wartime damage, and a large roadbuilding program was indicated. A very substantial commodity import program was necessary in order to make up the deficiencies of the Greek economy. These were the highlights of my 1948 talk.

As I reviewed this statement made a dozen years ago, naturally my thoughts turned to the success of the Greeks in solving their manifold problems and the fact that American efforts worked out so well in harmony with the efforts of the Greek Government and the Greek people. Naturally this bit of history gives me good reason for optimism in considering the future possibilities of the people of free Viet-Nam and of their determined Government.

### **Technical Assistance**

But to continue with the progress of American aid—the Greek-Turkish program was swallowed up in the much larger concept of the Marshall plan, which envisaged the rehabilitation of all of Western Europe. No sooner was the Marshall plan well launched than President Truman, in his 1948 inaugural address, sug-

gested the idea of point 4, a technical assistance program designed to share techniques and skills available in the United States on terms of mutuality with other nations throughout the world. It is to President Truman's leadership that much of the thinking which surrounds today's aid programs is due. His conception was a noble one and defies the cynic. The idea then expressed voiced the aspiration of millions of Americans to enable citizens of many other nations—whether or not they had been devastated by war—to share in the material and social progress which was characteristic of our national life in the 20th century.

This program of technical assistance, as distinct from the Marshall plan, did not involve the transfer of substantial capital funds. It did call for a determined and purposeful effort of Americans and their associates in friendly countries, but it was not adapted to meet the growing menace of international communism, particularly in Asia. For this reason, during the last decade our program of technical aid has been supplemented in many countries—and notably in Viet-Nam—by a program of financial assistance on current and on capital account, with the operations of which we are all very familiar.

I would most certainly agree that there is a variety of motives that underlie the support which this program here in Viet-Nam, and similar programs elsewhere, find among the American people. It is in part the concept of point 4 and realization of the need of people everywhere to improve the social standards of their nations. It is in part realization that in certain countries governments and peoples desire to remain on the free-world side of the Iron Curtain, although their own resources are not adequate to achieve and to maintain independence from Communist pressure. It is in such countries that the United States has intensified its efforts in past years, and in such countries

I anticipate we will continue intensified efforts in the future.

I am certain, however, that we shall look to, and depend on, support for our efforts of this nature from other countries, particularly countries of Western Europe. Western Europe has made giant forward strides in recent years. This progress is in some measure the result of American aid furnished under the Marshall plan and a tribute to its success. It follows most logically that such evidence of the value of international cooperation will have great weight in determining the policies of all the nations of the free world and especially those of Western Europe. The assistance rendered by France to foreign countries in the past 3 years, which has exceeded the equivalent of \$2 $\frac{1}{4}$  billion, is indicative of this important trend.

### **Procedural Problems**

I think that no discourse on aid would be complete without more than a passing reference to procedural problems, which so often are a cause of vexation, frustration, and annoyance. Let us, say we all, get the scissors and cut the red tape. Why does this aid take so long to reach us? Why cannot USOM wave a wand and produce it tomorrow? Why, indeed? Why must one wait nearly 1 year after the conclusion of a line of credit before the first of the projects to be financed thereunder begins to take shape?

Speaking of American aid, I would be the first to agree that procedures and paper loom large in the scheme of things. And yet these challenges to speedy action are in the great majority of cases the prudent exercise of combined judgment on which my people, for one, will insist if their funds are to be devoted to a program of the magnitude, scope, and importance of the foreign aid program of the

United States of America. But, however that may be, there is one principle that has guided us, and will, I hope, continue to guide us, and that is that we furnish the right sort of aid in the right way and so as to avoid preventable confusion and preventable waste. This is the reason for our planning and the reason why at times we wish to stop and look about before we move.

I know that some of my listeners in this room have seen us move forward with dispatch and with precision once a good case has been made out and our project has been well launched with adequate justification and support, and all three elements—capital, labor, and management—have been well secured. There is more than one important factory in Viet-Nam today whose construction is due in some part or another, greater or less, to USOM and its Washington parent organization, the ICA. It is my observation, after 2½ years on the scene here in Viet-Nam, that the best of these operations are those where there has been least talk of procedural difficulties and great readiness to go to the heart of procedural questions and answer the questions.

For what is it the ICA wishes to know before we undertake to finance an aid transaction? We wish to be sure that the project is needed by the economy—that it will contribute to the maintenance of the economy or better still to the growth of the economy, that its component commodities will be well and honestly bought, in the best interest of Viet-Nam, from that free-world country which can best produce the article required on the most favorable financial terms. In a nutshell this is what ICA documentation requires to be demonstrated to justify ICA finance. To my way of thinking these are reasonable demands; and, if they are so regarded by competent men of affairs, to meet their requirements poses no special obstacle.

## Commodity Aid vs. Cash Grants

It has been said that we have given the wrong kind of aid to Viet-Nam, that some other kind—financial aid perhaps, as distinct from commodity aid—was necessary in the best interests of the program. I find this difficult to accept. The difficulty with cash grants is that cash is not aid. If a country needs no resources but only cash, then it does not need massive U.S. aid; it needs only some technical advice in money and banking. Until the cash is converted into commodities there is no aid. There is only stored-up unused aid—something very hard to justify on economic grounds, as well as to the U.S. taxpayer. For we are human enough to wish to be consulted as to the ends to which our aid will be put. The United States policy here in Viet-Nam is to encourage the use of aid for high priority producers goods and to eliminate gradually all consumer goods from the aid program. For these reasons we prefer to provide actual resources and do not look kindly upon suggestions that our aid should take the form of cash, which, as I have indicated, produces no fundamental good or real economic advance until it is spent.

We have at times also been criticized for not being more generous with U.S. aid. Frankly I have never understood what was meant by such suggestions. It has yet to come to my knowledge that a good project here has not been undertaken for lack of grant aid funds. What cannot for one reason or another be financed by such aid may well be financed by other means. We have been glad to see Viet-Nam's own national credit used to finance new business. New factories now taking shape in Viet-Nam, some financed by American aid, others by other sources of credit, give proof to what I say.

As aid administrators or as purveyors of technical skill, our mission has necessary limits. It

can only aid; it cannot and should not organize and manage. It can and does give enterprise, be it public or private, a friendly lift; but it can never substitute for local enterprise and local management. Such is not within our scope; nor would we fail to arouse resentment if we exceeded our proper role and tried to supply lacking ingredients in any industrial project, no matter how praiseworthy, other than financial and advisory services.

And so, to sum up, I would say that one of the criteria which we have put and will continue to put on our aid is the criterion of need and utility.

There are other criteria. The American people wish to make it as certain as they can that American aid helps the people of a country whom we are directed to assist, not merely a small group of its leaders. Before undertaking an aid project we ask ourselves how well it meets this test. Does it assist large numbers of Vietnamese, or just a few well to do? As a corollary we inquire whether it is understood generally, throughout the community of smaller traders, farmers, and mechanics, what we are doing and whether we are helping them and their families, their wives and children.

## **Project Aid**

Let us consider what we call project aid as distinct from nonproject aid, or commercial aid, carried out under the program of private importation, and then consider the connotation of military aid in the Vietnamese scene today in the light of this standard.

Our project aid has involved roads, road-building, and roadbuilding equipment; and training in mechanics and organization. It has involved extension into the provincial district and village organizations through our programs of agricultural and medical assistance, rural first aid stations, wells to provide clean

potable water, and our help to the antimalaria campaign. The antimalaria work of the Government, assisted by WHO and USOM, now protects half the nation. Equally, American aid has affected many villages, as our educational group has had a hand in helping to build no less than 3,000 classrooms in the villages, in preparing texts for thousands of elementary students, and helping train many hundreds of elementary teachers. Our agricultural programs have, to my way of thinking, also been of great value to the farmer throughout Viet-Nam, especially in those areas where new crops have been successfully introduced, and where agricultural credit has reached thousands of small farm families.

I think that our organization has succeeded in these programs and in many others to help the lot of all Vietnamese, country folk and city folk alike. For my colleagues who have done so much along these lines I wish to express gratitude for the many appreciative words of thanks which we hear from our friends in Viet-Nam. Our project aid does meet this test—of helping many people in conception and very largely in execution; and thousands of Vietnamese know this to be a fact.

The commercial import program interests me just as much, and in many ways its ramifications and its influence are so much more subtle than project aid that it repays most careful study. Does commercial aid help the nation, or does the good it achieves stop with the importer and trader, whose lifeblood commercial aid in Viet-Nam has so long nourished? Does it get down to the villager? Would it matter to the small farmer if such aid were given up forthwith?

## **Accomplishments**

Having asked these questions, I have already answered them to my own satisfaction, if not to

the satisfaction of this audience. The farmers in Quang Ngai, in the plateau area, and in the delta have benefited greatly from this sort of American aid. It has provided medicine and clothing; it has given fertilizer; it has helped secure cement and steel for buildings; it has bought trucks and bulldozers as well as the petroleum products needed to bring farm produce to market. It has contributed to Viet-Nam's strength by adding steadily to its industrial plant. True, this is not obvious to many people, in or out of Saigon. These goods are bought from the normal supplier. The price paid is fixed by the laws of supply and demand—or perhaps by the laws or decrees of Viet-Nam. And as one pays for it, he may not be aware that it is still in the nature of a gift from the American people—all of us—to the Vietnamese—all of you—and that in paying for it one is keeping alive channels of trade and commerce on which one must in the long run depend for a livelihood. For the payments made by the ultimate consumer are necessary to maintain the incentives of a free economy.

Aid, except to the country as a whole and to the indigent, cannot and should not be free; but aid remains aid, even if it is not free to the eventual receiver. The fact that he is often unaware that his purchase was made possible through foreign aid is not an indication that such aid failed to achieve its purpose. It was never intended to evoke gratitude. So long as it contributes to your country's strength it has served its objective.

Now these payments made for commercial aid—merchandise imported from many countries to Viet-Nam, from France, from Japan, from the United Kingdom, from the United States—find their way to the Government of Viet-Nam. The initial import credit is paid by an importer; his piasters go to the National Bank, are credited to the counterpart fund,

which is a source of current revenue to the national budget. Taxes on the import, if assessed, go to the same account. Other taxes on the distribution of these imported goods go to swell the budgetary revenues of Viet-Nam, and in this way the aid again affects all persons in Viet-Nam, city folk and country folk, poor and rich, because these funds are used to support services of security and of national welfare. Without the security services life would be very difficult indeed in Viet-Nam. Without support to civilian services the future would indeed be very bleak.

The necessary reduction in commercial aid which follows greater self-sufficiency poses today domestic fiscal problems for your Government, as it means that taxes must be levied to replace counterpart. Our program of commercial aid, furthermore, has been and will continue to be of great assistance to local private investment which seeks to finance manufacturing facilities. At the same time these new facilities thus financed will displace imports, which previously have created sources of governmental revenue through the operation of counterpart deposits. This displacement will require Viet-Nam to find new sources of budgetary revenues.

It is my conclusion that both types of aid—aid for investment and aid for current consumption—help Vietnamese in all walks of life, and that special fiscal problems will require special solutions in the periods of difficult transition which face Viet-Nam on her path to economic independence.

Naturally I welcome this opportunity to express these thoughts to such a friendly and understanding audience as the Rotarians always afford. In closing I can only hope that the close association which is symbolized here in this room will long continue and that, as time goes on, the help which reaches you from

the United States will serve more and more to increase your productive power and to benefit your people in ways that cannot be forgotten. Let us hope that, as Viet-Nam continues to prosper, we shall continue our cooperation in ways that will result in the best possible use of all our resources, dedicated as both our nations are to the well-being of mankind.

