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# REVIEW OF DEVELOPMENT POLICIES AND PROGRAMS IN AFRICA AS DIRECTED BY THE PRESIDENT

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Recommendation A: The United States should continue to concentrate its major economic assistance in those key African countries where the United States has major economic development or political and security interests.

This section is designed to deal, in a general and summary way, with the structure of our present assistance effort on the continent.

In the proposed FY 1967 programs of AID and PL 480 (Titles I, II and III*), $345 million is spread among 33 countries and some regional activities. Of this, $221 million is AID and $124 million is PL 480 (See Appendix a.)

There is at present a decided concentration of our economic assistance, with 75% in eight countries: Congo (K), Ethiopia, Guinea, Liberia, Morocco, Nigeria, Sudan and Tunisia. With the exception of Liberia and Nigeria, these countries are not only the major recipients of AID assistance but also of PL 480.

Thereafter, the correlation between the amount of assistance and the "importance of the countries, becomes very hazy. The combined AID and PL 480 programs of 16 countries come to more than $1 million each. Of these, only 4, Tanzania, Kenya, Rwanda and Sierra Leone have over $1 million each of both AID and PL 480. The ultimate distribution of $18 million of Development Loans will, of

*Title IV programs totaling $30 million are excluded because of their quasi-commercial terms.

course, modify this pattern considerably; there are projects under consideration in 20 countries in addition to the 4 for which DL financing is already projected.)

Assuming the new Food for Freedom Act enters into force, substantially amending the present PL 480 -- the House version does just this, although the Senate version appears still to retain many of the less attractive features of the present law -- it will become necessary to integrate PL 480 and AID assistance much more carefully. Title I, dollar repayable after 1970, will have to be treated as the same type of resource as AID loans (just as scarce, too, in the sense that the availability of a major commodity like wheat is expected to be reduced by about 25% in 1967). Title II and III commodities will also have to be programmed more carefully as alternatives to AID assistance. This should lead to more rational decisions regarding total assistance levels for each country, and less likelihood of the uncorrelated pattern between AID and PL 480 assistance to the less important countries.

As is stated elsewhere in this report, the United States has committed itself to assisting, in a major way, the economic development of Nigeria and Tunisia. Although the decision to make the United States commitment was based in large part on long-run political factors, our aid to these countries properly focuses on long-term development. The discovery of oil in Nigeria should allow us to modify the form and reduce the dollar volume of our

aid to that country beginning in 1969. Our program in Tunisia could be substantially changed by the discovery of oil and by the nature of any association arrangements worked out between the EEC and the Maghreb. For the next year or so, however, no changes are called for in either program.

Our relatively large programs in Ethiopia and Liberia have a less pronounced, but still clear, economic rationale. Neither country has a former metropole as a source of assistance. In both, and particularly in Liberia, the United States has long played an important role. And in both, particularly in Ethiopia, we have security interests which require support through economic assistance.

In the Congo (K) we are engaged in a rehabilitation effort, in concert with the Belgians, aimed at providing the minimum resources needed to hold the country together until its government and people can organize themselves to put to use the potential natural wealth which the Congo holds. In Ghana our efforts, together with the IMF and other countries, are directed to short-term stabilization; Ghana, now burdened with the massive debts inherited from the Nkrumah regime, will be in a position to make rapid economic progress without U.S. bilateral assistance if the short-term debt problem can be resolved.

The rationale for our large programs in Morocco and the Sudan is incomplete. Morocco became accustomed to large

quantities of U.S. assistance given in connection with the former U.S. bases there. This, combined with French-Moroccan frictions which have led to reductions in French aid, has tended to keep us locked in, although Morocco does have long-term development potential. In the Sudan, political instability has reduced the effectiveness of our assistance. However, the IBRD has established a consultative group which should be able to respond to the Sudan's needs when and if political conditions make it possible for its undoubted economic development potential to be realized.

Looking toward the future, it is reasonable to expect that some of these eight major recipients of economic assistance will not retain their present rank. There are other countries, however, which may join this group of important aid recipients. At present, a likely possibility is East Africa, including Kenya, Tanzania and Uganda together with the assistance being given to their joint organization EACSO, they now have a total AID-PL 480 program of about $16 million -- higher than three of the major recipients.

We also wish to encourage the restructuring of the East African Federation. Kenya and Uganda have a good long-term potential for agricultural and industrial development, and Tanzania shares a potential for tourism with both.

Of the remaining African nations, we have excluded from this discussion four countries that are members of

the OAU: the United Arab Republic, Algeria, Congo (Brazzaville) and Libya. The UAR receives U.S. assistance but is not, for the purpose of this report, considered an African state. The U.S. program there is administered by the Bureau for Near East and South Asia of AID. Algeria, a special case in both economic and political terms, has extraordinary potential, but the direction of its evolution is unpredictable at this point. We have no diplomatic mission in Congo (B) and give no assistance to that country. Our aid to Libya has been terminated because of its sharply rising oil revenues; with its foreign exchange holdings rising, Libya is rapidly becoming a potential supplier of capital for the Maghreb. The rest (other than Madagascar) are also accidents of colonial history and cut across tribal groups and economic regions. They continue to rely for external aid primarily on their former colonial powers (France, United Kingdom, Belgium, Italy). On the average, U.S. assistance represents less than one-tenth that supplied by the ex-metropole.

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