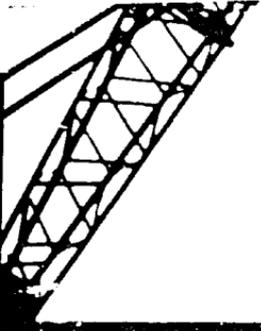


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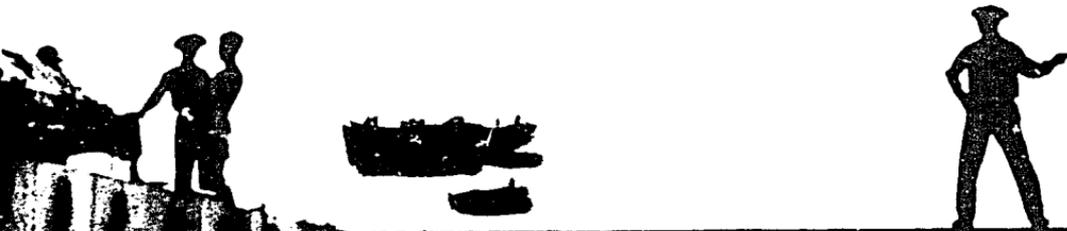
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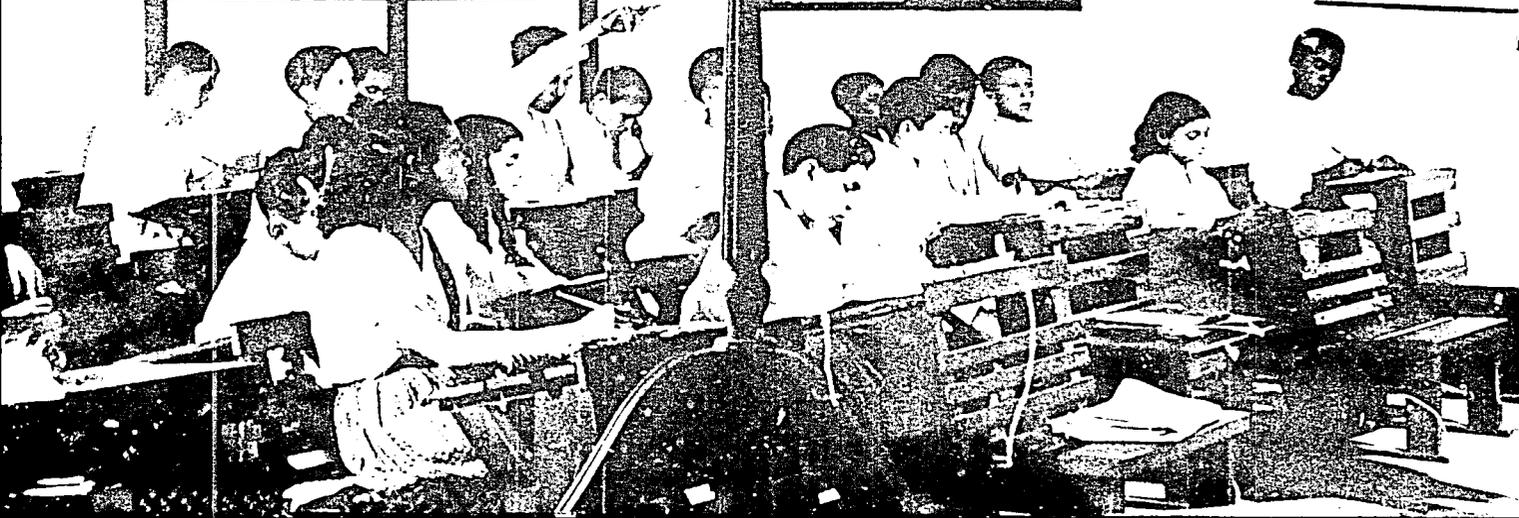
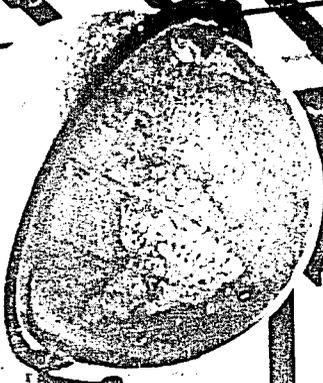
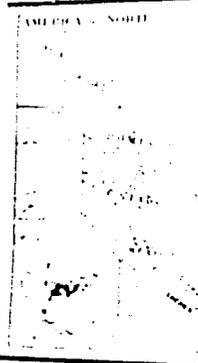
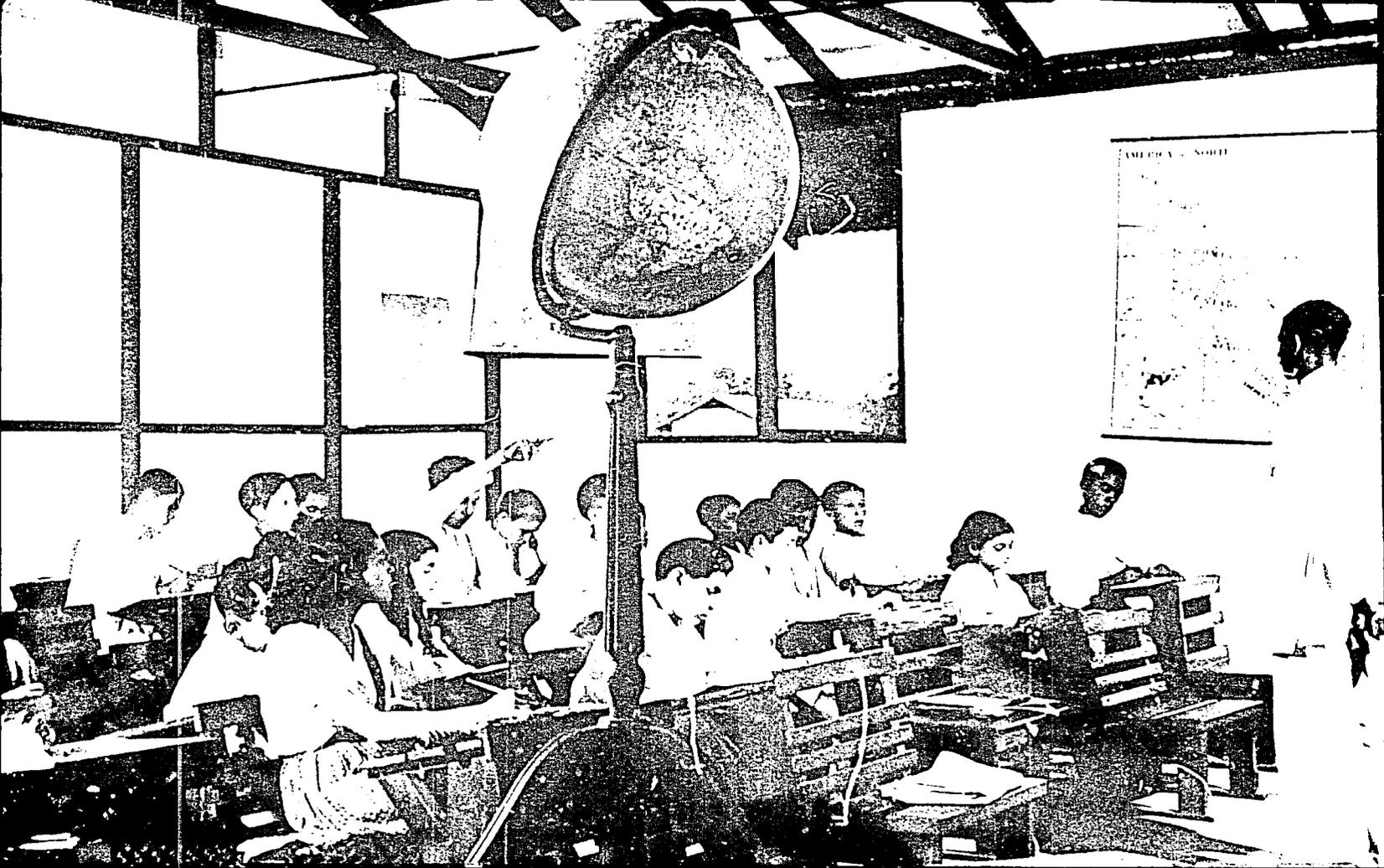
The Story of A.I.D.

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The Agency for International Development





1806

A World Of Partnership

A child in a South American classroom learns to read . . .

A farmer in the Far East wields new tools to cultivate his crop . . .

A railroad engineer in Asia blows the horn of a modern freight locomotive . . .

A herdsman in Africa draws precious water from a fresh well . . .

This is the world of A.I.D., the Agency for International Development.

It is a world in which a school may be built where none existed before; where a farmer mired in ignorance and poverty might grasp the opportunity to achieve a better life; where modern transportation

may free a struggling nation from the donkey path; where the benefits of civilization can flow in a jungle.

It is a world in which the United States can join with other free nations to build colleges, houses, hospitals and dams; in which teachers, scientists, engineers and technicians can impart their training to the less skilled, and money and goods can be mobilized to foster progress.

It is, in short, a world of help—for *those who will help themselves.*

But it is more than that. It is a world of partnership, a world in which the future of a schoolboy in the United States may well depend on whether an African

lad sits at a desk in a classroom or is forced to live out his life as an uneducated pawn of the power-hungry. And it is a world in which the American boy's father, whatever his job or status, has a personal stake in whether a peasant 10,000 miles away tills his soil with a stick or with a tractor.

Why should a United States citizen be concerned? What is A.I.D.? Where does the money for it come from, and where does it go? When did A.I.D. start? And how does it operate?

These are questions that should be asked. This fact book is an effort to answer them.

What is A.I.D.?

In March 1961, President Kennedy called on the nation to undertake a "Decade of Development, on which will depend, substantially, the kind of world in which we and our children shall live."

To carry out this purpose, he asked the Congress to establish a new organization, the Agency for International Development. It would unify existing aid efforts and endow them with fresh focus and sharpened purpose.

The new U.S. agency was to be built on five basic principles: recognition by the recipient nations that they bear the ultimate responsibility for their own development; long-range planning of inte-

grated programs; long-range commitments by both the United States and the recipients: the need for marked social progress for the mass of people in developing countries; and the maximum amount of participation by other nations in the free world.

The Agency for International Development—created by the Foreign Assistance Act of September 1961 and activated in November 1961—is the product of that proposal, and stands on those principles. Headquartered in the Department of State and acting as an arm of that Department, it now operates in some 70 countries around the world.

In order to understand A.I.D. and its mission, it is important to look in some detail at the five principles which underlie it. In simplified form, those principles of the A.I.D. program are:

1. Self-Help

A nation seeking U.S. economic assistance must do more than ask for it, or

show a need for it. The nation must indicate it will share the burden of attaining its goals. This it can do by supplying part of the money, manpower, leadership or materials. A nation that is not willing to bear this sort of responsibility cannot expect help.

Self-help, moreover, must be an inherent part of the requesting country's total development effort. The foreign government must be willing to forego luxuries to attain necessities, to accept sacrifice and discipline to achieve some measure of fiscal stability.

2. Long-Range Planning

In addition to providing and mobilizing resources, the nation seeking aid should have specific goals as well as priorities on steps necessary to fulfill those goals. This does not mean authoritarian central control: it does mean rational organizing. Furthermore, one of the key elements of a requesting nation's plan should be a series of measures designed to stimulate and support the growth of private enterprise.

*SHELTER FOR FAMILIES A young Korean supplies
the manpower to build a dwelling unit in a
housing cooperative erected with U.S. advice.*



Other elements of long-range planning include good budgeting to avoid unbearable strain on the economy, equitable taxation laws and measures aimed to protect credit and foreign exchange. The nation's long-range plan also should include proposals for improving health, education and transportation.

Many of the new nations, of course, had no opportunity to develop plans or a planning capability prior to their independence. And some established nations have lagged in modernizing their resources. Through the A.I.D. program, help is provided by experts and technicians in drafting development plans.

3. Long-Range Commitments

Tied in with the planning and self-help requirements is the provision for making commitments beyond one year. These commitments are pledges by the United States to loan money to nations willing to take the difficult steps and risks involved in a development program.

4. Social Progress

Important as intentions and money may be, the Decade of Development will accomplish nothing unless the *people* benefit. This is the essence of the A.I.D. program, one which recognizes that a nation's ability to govern itself, to withstand the forces that prey on illiteracy, poverty, hunger and desperation, depends primarily on the people of that nation. The A.I.D. program accepts further the principle that if a nation is to stand on its own feet and realize its potential, the people must be protected from exploitation and abuse. They must share in the profits of progress if the program is going to work.

This process includes continued and expanded efforts to bring education, health services and improved sources of cash income particularly to rural people. It also aims to bring better housing, jobs and social services to city dwellers.

In many countries, social progress depends on land reform—so that a farmer may have the right to own his land and

gain a living from it. In some nations, social progress is slowed by extremely unequal distribution of wealth, a remnant of outmoded economic and political systems that today cannot offer the people the greater share in the future they seek.

It is important for a nation to take steps toward social progress if it is to share in U.S. assistance.

5. Free World Cooperation

The United States, although it has been the leader in offering aid to other nations, recognizes that foreign assistance is a cooperative effort by the free world. This need for cooperation is also recognized by the Western European nations that the United States helped revive with the Marshall Plan, and by other countries such as Canada and Japan. In fact, during 1960 other countries contributed \$1.9 billion to modernizing societies as compared to \$2.9 billion from the United States. Another measure of contributions is the gross national product (the total

value of the goods and services produced by a nation's economy before deduction for depreciation): as the chart below indicates, there were some countries that contributed even higher percentages than the United States.

The U.S. aid program is closely coordinated with the activities of the World Bank, an institution formally known as the International Bank for Reconstruction and Development. Under the Bank's auspices, the United States participates in projects financed by groups of nations—called consortia. One new consortium is now in the process of carrying out the vast irrigation and hydro-electric project known as the Indus Waters Development Plan. This project is designed to benefit India and Pakistan, both of which also

are involved in the financing.

Some other international agencies with which the United States cooperates in the task of capital assistance are:

The International Development Association, an affiliate of the World Bank, which provides long-term loans to nations which cannot afford strict terms:

The Inter-American Development Bank, which specializes in Latin American long-term financing:

The International Finance Corporation, which encourages productive private enterprise in its member countries, particularly in the less developed areas: and

The United Nations, which, through its agencies, makes certain types of assistance available for development in many parts of the world.

What Other Help Do We Give?

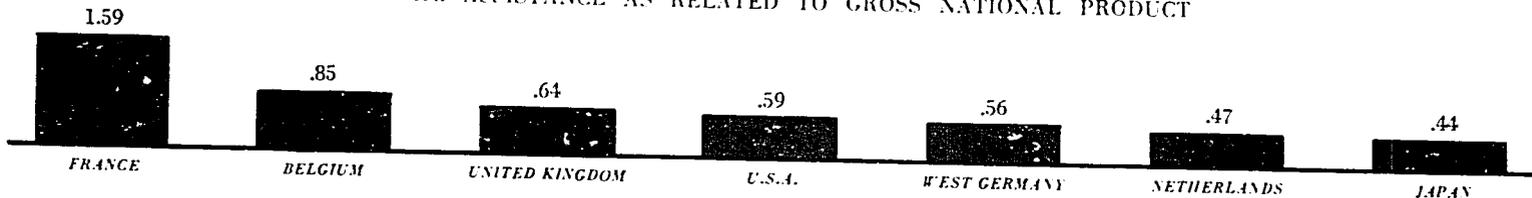
Closely related to A.I.D. in the task of foreign assistance are two other operations of the U.S. Government: the Export-Import Bank and the Peace Corps.

Export-Import Bank

The Export-Import Bank is a separate U.S. agency which finances purchases of U.S. equipment by foreign borrower. All of its transactions are in dollars.

In one phase of its activity, it loans money either to foreign governments or

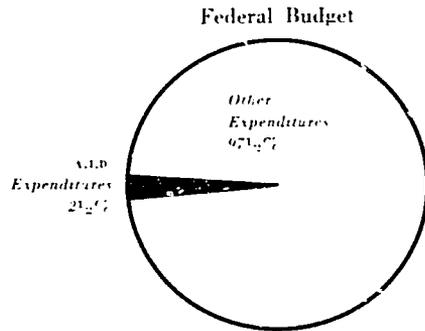
ECONOMIC ASSISTANCE AS RELATED TO GROSS NATIONAL PRODUCT



RAILS FOR MODERNIZATION *Africans use rail's
built with a U.S. loan to open up their continent.*



amount, \$4.5 billion, was spent for economic assistance. However, in fiscal year 1953, of the total of \$5.7 billion spent, \$4 billion went for military aid, the result of the Korean War. In 1961, the amounts spent were nearly even for the two categories: \$1.5 billion, military, and \$1.8 billion, economic. In 1962: \$1.4 billion, military, and \$1.9 billion, economic. As indicated by the circle graph on this page, the expenditure generally is about 2½ per cent of the total Federal budget.



Administered under the International Peace and Security Act, *the Military Assistance Program* is meant to fill the gap between what our allies can do to defend themselves and what must be done as a minimum for the collective security of the free world. It supports the efforts of more than 10 independent nations to maintain themselves against external aggression and internal subversion. The program involves training as well as grants and sales of military equipment. It helps to create the conditions of order

and confidence required for economic and social progress. About 82 per cent of the funds earmarked for military assistance also remain in the United States.

The type of military assistance given a nation naturally depends on the individual needs and requirements. Underlying the program is the premise that the security of the United States and other free nations is indivisible.

While military assistance essentially is to provide for a nation's security, economic assistance emphasizes a more lasting development of resources, one that will provide a better life for that nation's people. Here is how the funds for *the Economic Assistance Program* are allocated within A.I.D.

Development Loans

These loans comprise the largest single element of the A.I.D. program. Emphasis within the program is on orderly economic development rather than on hit-and-run projects. Every effort is made to put

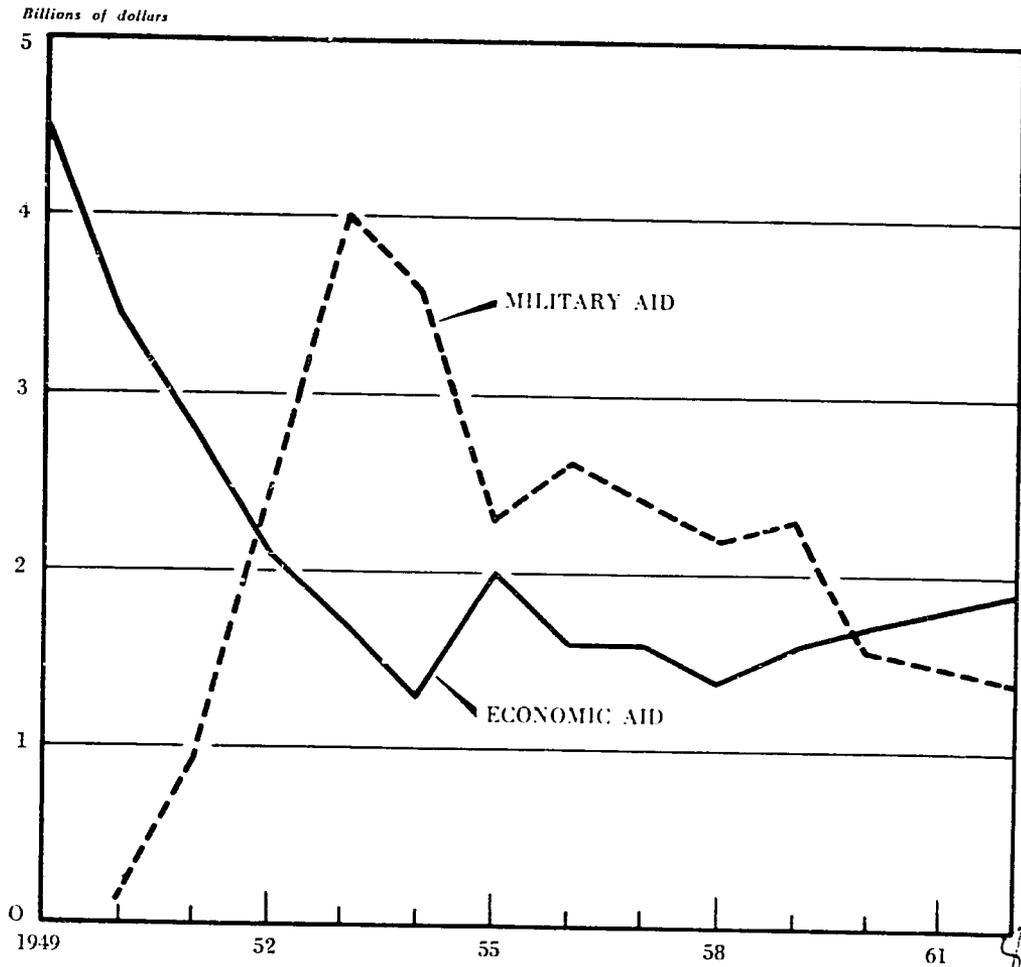
How Much Does It Cost?

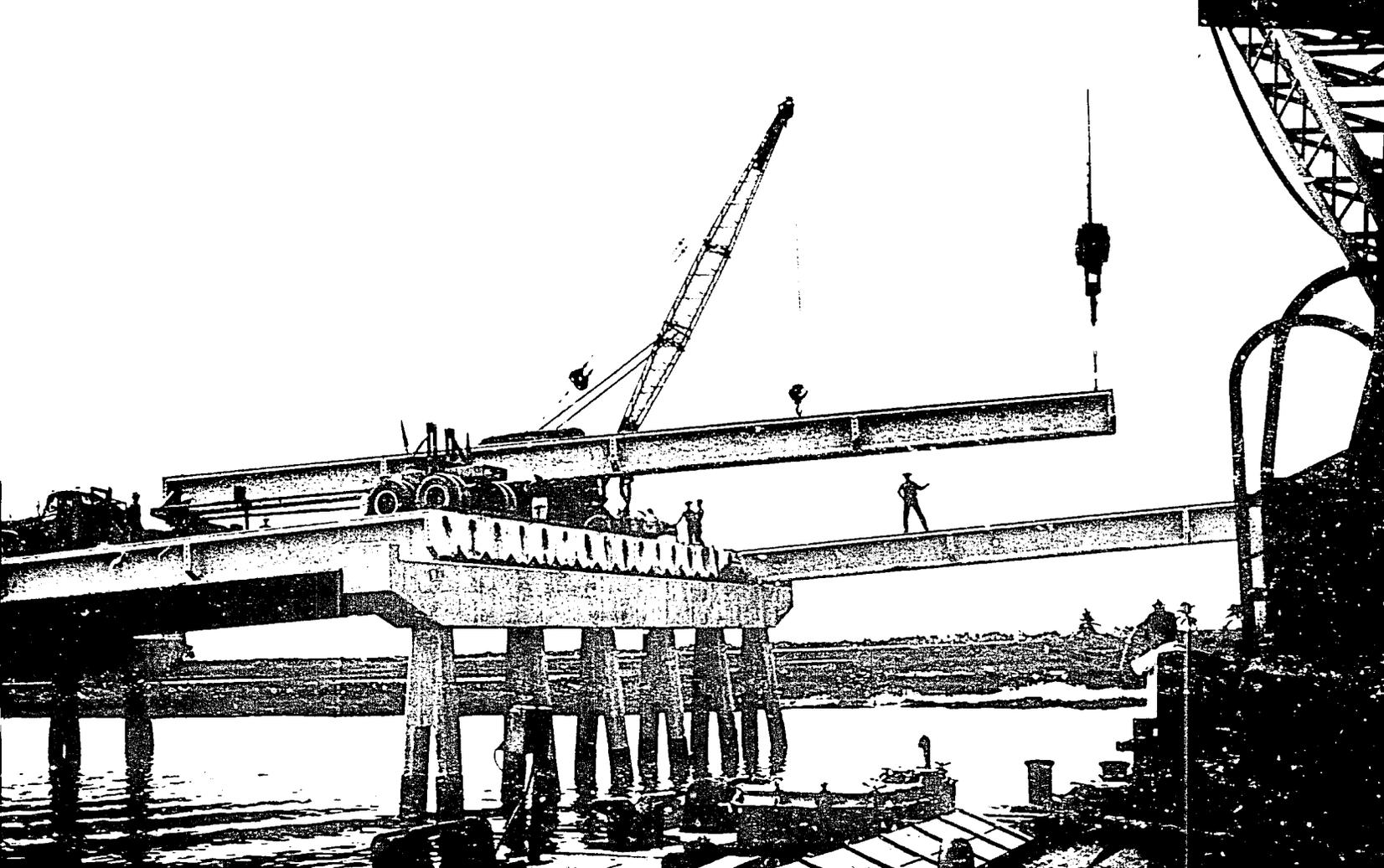
Funds for A.I.D. are appropriated annually by Congress.

Most of the funds actually stay in the United States. About 80 per cent of current funds used for grants, and nearly 100 per cent of the funds for commodities financed through loans, are spent in the United States.

As indicated in the line graph on this page, funds are used for two related programs: military and economic aid. The money which is spent on the two types of aid varies from fiscal year to fiscal year, depending on world conditions. For instance, when the U.S. foreign aid program first began in 1949, the entire

BRIDGE FOR A RIVER Funds from A.I.D. are translated into concrete and steel in an effort to improve transportation in Southeast Asia.





to private firms abroad. This money can be used to purchase heavy capital equipment needed in large projects. These loans may be for a period of 5 to 20 years, at interest rates up to 5 3/4 per cent.

A.I.D. and the Export-Import Bank may be jointly involved in a single overseas project. The President of the Bank serves on the Development Loan Committee, of which the Administrator of A.I.D. is chairman.

Peace Corps

The Peace Corps, a separate agency of the Department of State, provides American volunteer manpower to help fill the gap which exists between highly skilled technical experts and completely unskilled populations in many countries. In addition to being an instrument of economic development, it provides Americans and people of other nations with an opportunity to learn about each other by living and working together.

Who Runs A.I.D.?

The Agency for International Development is headed by an Administrator with the rank of Under Secretary of State. He is assisted by The Deputy Administrator principally responsible for Administration, and by another Deputy Administrator concerned with the Agency's Program.

There are four Bureaus—one for Africa and Europe, another for the Near East and South Asia, a third for the Far East and the fourth for Latin America. Each is headed by an Assistant Administrator with the rank of Assistant Secretary of State. Reporting to these four Assistant Administrators are the Directors of the A.I.D. Missions overseas. Each Mission is attached to a U.S. Embassy.

In A.I.D., there are four additional Assistant Administrators. Three of them head, respectively, the offices of Development Financing and Private Enterprise, Materials Resources and the Congressional Liaison Staff. One Assistant Administrator supervises the offices of Controller, Program Support, Management Planning and Personnel Administration.

Directly responsible to the Administrator and his Deputies are the following staffs and offices: Program Review and Coordination, International Development Organizations, Research and Evaluation, Public Affairs, Engineering, Educational and Social Development. Also directly responsible to the Administrator and his Deputies are the General Counsel and the Management Inspection Staff.

In all, A.I.D. directly employs about 15,000 persons, of whom about 13,000 serve overseas. An additional 2,000 are employed abroad under contract.

These employees include experts from more than 150 occupations.

FRESH WATER FOR SALE Rigs to demineralize water are partially financed by U.S. citizens through A.I.D.'s efforts on Djerba, an island off Tunisia.





as much aid as possible on a loan basis. Quite often the granting of a development loan inspires such confidence in a project that private investors are encouraged to participate. These investors may supply more capital than the United States originally offered.

A.I.D. loan terms, which include repayment in dollars, may vary. Generally, the maximum A.I.D. loan period is 40 years with terms of $\frac{3}{4}$ of 1 per cent. A case in point is a loan of \$33,600,000, to help finance a power station in India, bringing the industrial and social benefits of electrical energy to that area.

Development Grants

In most cases, development grants are made to satisfy the needs of newly developing nations and to advance programs of technical training in the vital areas of education, agriculture, public administration, industry, labor and health.

ADVICE ON FARMING. A U.S. agricultural technician discusses ways in which to improve sugar cane production in eastern Venezuela.

Outright grants are made only where it is felt they will be used for urgent requirements and where it appears that once these requirements are filled, the country can begin a prudent advance toward self-reliance. In Lima, Peru, for example, a regional center to train credit-union leaders has been established; a \$160,000 grant pays for opening costs.

Technical Assistance

Through technical assistance, the abilities of United States experts in literally hundreds of fields are made available to developing nations. Since few of these nations have skilled labor forces and enough professionally qualified people to supervise them, it is often necessary to the success of certain projects that experts be brought in. These experts organize on-the-job training and participate in more formal instructional projects.

At the beginning of the 1962 fiscal year, A.I.D. had employed about 3,500 experts who were working overseas on technical assistance projects, covering such

areas as village sanitation, water development, financial policy-making, public safety and communications.

Supporting Assistance

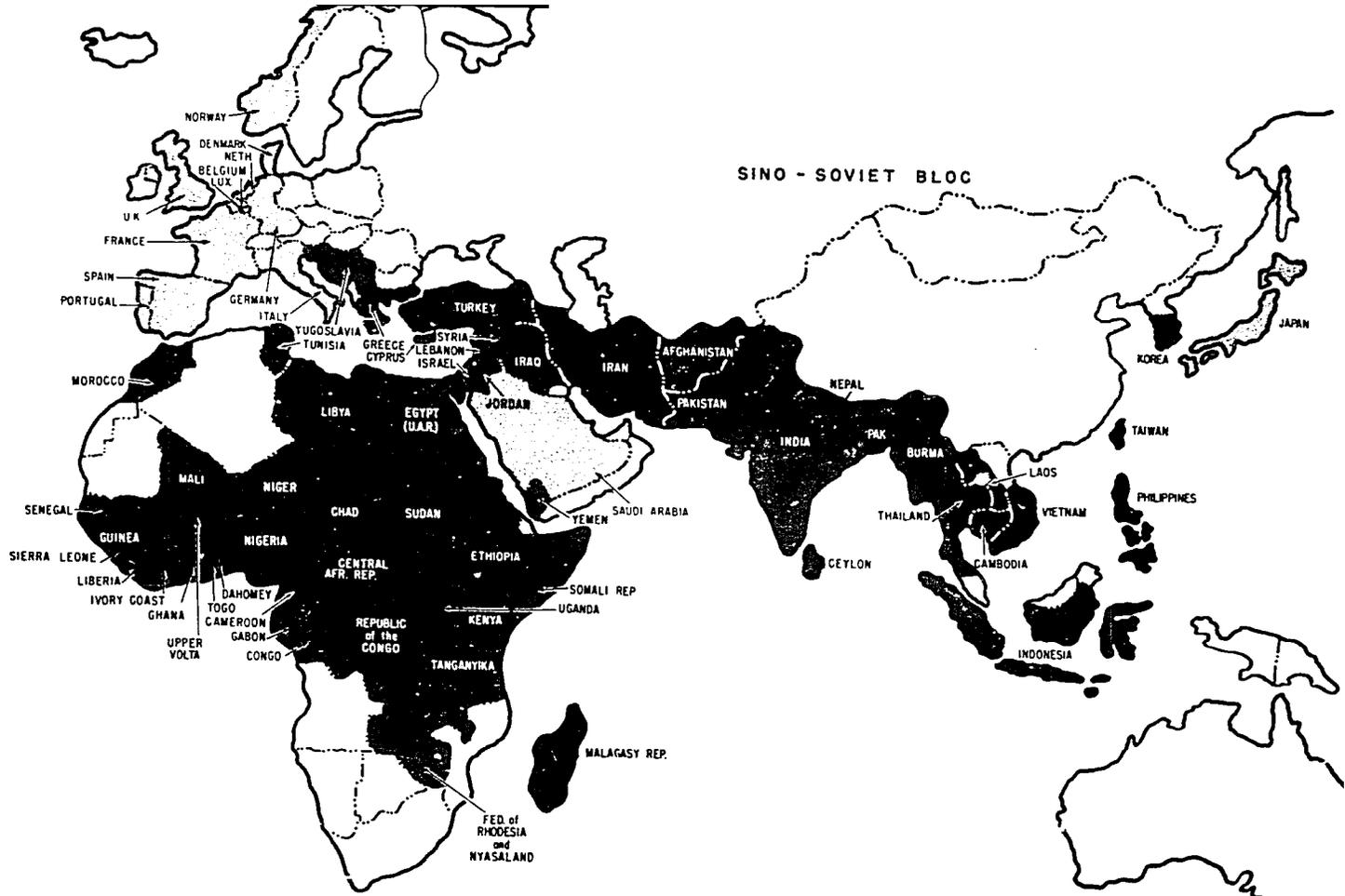
Financial aid in the form of supporting assistance is designed to help relieve the strain on some nations' economies resulting from defense expenditures. Its purpose is to help these nations prevent the disintegration of their economies, to maintain access for U.S. military bases on these nations' soils, or to provide an alternative to complete dependence on the Sino-Soviet bloc. In short, it is designed to permit threatened nations to stay free without running into bankruptcy. For example, a large proportion of the essential commodities being imported into Korea, heavily burdened by defense expenditures, are financed by the U.S. program of supporting assistance.

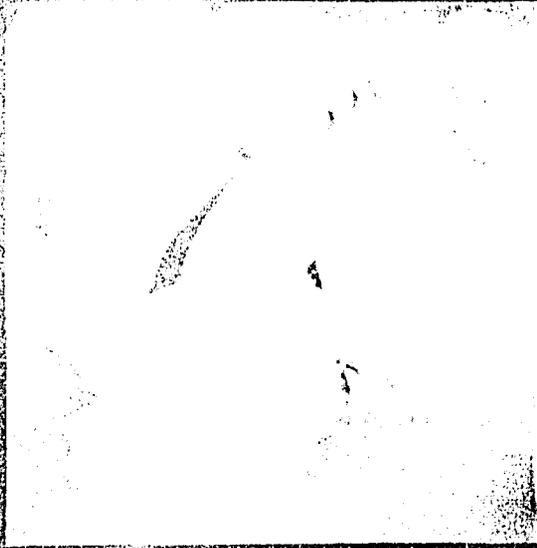
Whenever possible, this supporting aid—although justified for reasons other than economic development—is in a form that furthers economic development.



MAP FOR A.I.D. ACTIVITIES Countries receiving economic and military assistance from the United States are shown at the right.







International Groups

While accounting for a small part of the total foreign aid budget, contributions to international organizations are nevertheless among its most important components. By reinforcing these organizations, we make it possible for others to assume their share of responsibility for international development. Seven of the 11 international organizations receiving A.I.D. funds are agencies of the United Nations. They are the Children's Fund, the World Health Organization, the Technical Assistance Program, the Fund for the Congo, the Relief Agency for Palestine Refugees, the Emergency Force and the International Atomic Energy Agency.

Some other international agencies involved are the North Atlantic Treaty Organization Science Program, the Indus Waters Fund, the Commission for Technical Cooperation in Africa and the Asian Productivity Organization.

MILK FOR A CHILD. A Liberian schoolgirl drinks one of the 70 billion glasses of milk that the U.S. has given to international organizations.

Guaranties and Private Investments

The Foreign Assistance Act authorizes A.I.D. to make guaranties to private U.S. investors and their foreign chartered subsidiaries for overseas projects. "All risk" guaranties may be up to 75 per cent of the investment, for which the investor pays a fee of 2 per cent per year. A.I.D. also may fully underwrite specific risks such as expropriation, inability to convert local currency profits into dollars, war, revolution or insurrection. The first claim under this phase of the assistance program was paid in 1962 to a firm in Oshkosh, Wisconsin; the firm had been unable to convert an interest payment on an investment in the Republic of the Congo. The firm received \$9,921, representing 95 per cent of the dollar value. A.I.D. then sold the local currency to a buyer who could use it in the Congo.

A.I.D. also may share with private investors the costs of studying specific proposed investments overseas.

Authority derived from the Cooley

Amendment to Public Law 430 permits loans to private parties: funds for these loans are derived from the foreign sale of surplus foods. This authority lets U.S. investors, for instance, use local currencies to finance projects in foreign nations. As an example, the United States sold surplus food commodities in Colombia for *pesos* and loaned the *pesos* to a firm half-owned by a company in Wichita, Kansas; this company then used the borrowed *pesos* to build low-cost homes in a developing area of Colombia.

Research

Funds for research make possible the scientific identification of specific problems in developing nations and the recommendation of solutions to these problems. Research makes available and understandable a vast amount of information in the new, exceedingly complex field of international development. In this way, old errors are not repeated and new avenues are opened up.

*CARGO FOR PROGRESS Machinery transported by a
U.S. vessel is unloaded at a port in South Asia.
The cargo is a portion of an A.I.D. shipment.*



6

Some of the important A.I.D. research projects include a study into the need for electric power in community development programs, an analytical study of planning to help developing nations lay out their programs effectively, and an analysis of land reform problems. Teaching, agriculture, and the potential roles of cooperatives and small business are other fields that have been studied by researchers employed by the Agency.

Ocean Transport

From 1948 through the 1961 fiscal year, U.S. flag vessels received more than a billion and a quarter dollars from transporting commodities, equipment and other materials purchased with foreign aid funds to recipient countries. In addition, A.I.D. subsidizes transportation costs for people-to-people gifts which are purchased, packaged and warehoused by private voluntary agencies, such as CARE and other charitable organizations.

Surplus Property

Excess U.S. Government equipment and supplies are potentially of great value in the foreign aid program. This surplus of tools, vehicles and other equipment is available for overseas projects such as vocational training and construction.

Surplus property first valued at \$59.3 million was used in foreign aid programs in fiscal year 1961. Changes in the law increasing the number of eligible recipients and permitting the acquisition of excess property before requirements are fully known are expected to increase this figure to \$100 million for 1963.

An imaginative use of surplus property was the assignment of nine over-age United States warships to provide electric power for coastal cities in Ecuador and Colombia. The ships, virtually useless to the U.S. Navy, were taken out of "mothballs." Their generating plants were hooked into the shore installations to provide needed power and light.

Contingency Fund

A flexible reserve to meet unpredictable situations requiring instant action is provided by a contingency fund. Emergencies may range from storms in the Caribbean to "brush fire" wars that occur half-way around the globe.

Administration

Of the total amount of money appropriated for A.I.D., less than 2 per cent goes for salaries, operation and "housekeeping."

How is Food Used in A.I.D.?

An important interest of A.I.D. is in the coordination of the Food for Peace program within the broader scope of foreign aid. The purpose of Food for Peace is to

19.

use the abundant production of American farms along with other resources, to help less developed countries achieve balanced economic development, ease food problems, preserve foreign exchange and encourage self-help projects.

Food for Peace derives its authority from the Agricultural Trade Development and Assistance Act of 1954 (Public Law 480), as amended. Agricultural surpluses are determined and the terms of their disposal set by the Department of Agriculture and a coordinating Food for Peace office, which has been established in the White House. A.I.D. recommends allocations abroad and administers the proceeds. The Act has four parts (or Titles).

Title I authorizes the sale of U.S. surplus farm products to friendly countries for their own currencies. Proceeds of the sales are deposited to a U.S. account, and may be used by the United States for purposes that include payment of obligations abroad and expansion of various U.S. programs such as agricultural mar-

ket development, international educational exchange, distribution of text books overseas, translation and collection of scientific works, and support of research activities.

Currencies used for such purposes are subject to appropriation by Congress.

Local currency loans and grants may be made to foreign governments. Since 1958, it has been possible to use up to 25 per cent of the proceeds of any sale for loans to private business firms, subject to certain restrictions as to purpose.

Title II authorizes grants of commodities held in stock by the Commodity Credit Corporation (CCC) of the Department of Agriculture for famine relief, emergencies, school lunches, feeding of refugees and, within certain limitations, programs to promote modernization.

Title III permits the donation of surplus foods from stocks held by the CCC to voluntary organizations, such as CARE and United Nations agencies, for distribution to the needy overseas. Barter transactions

FOOD FOR A FAMILY A Taiwan Father accepts staples distributed through an A.I.D. program.

are also authorized under this title.

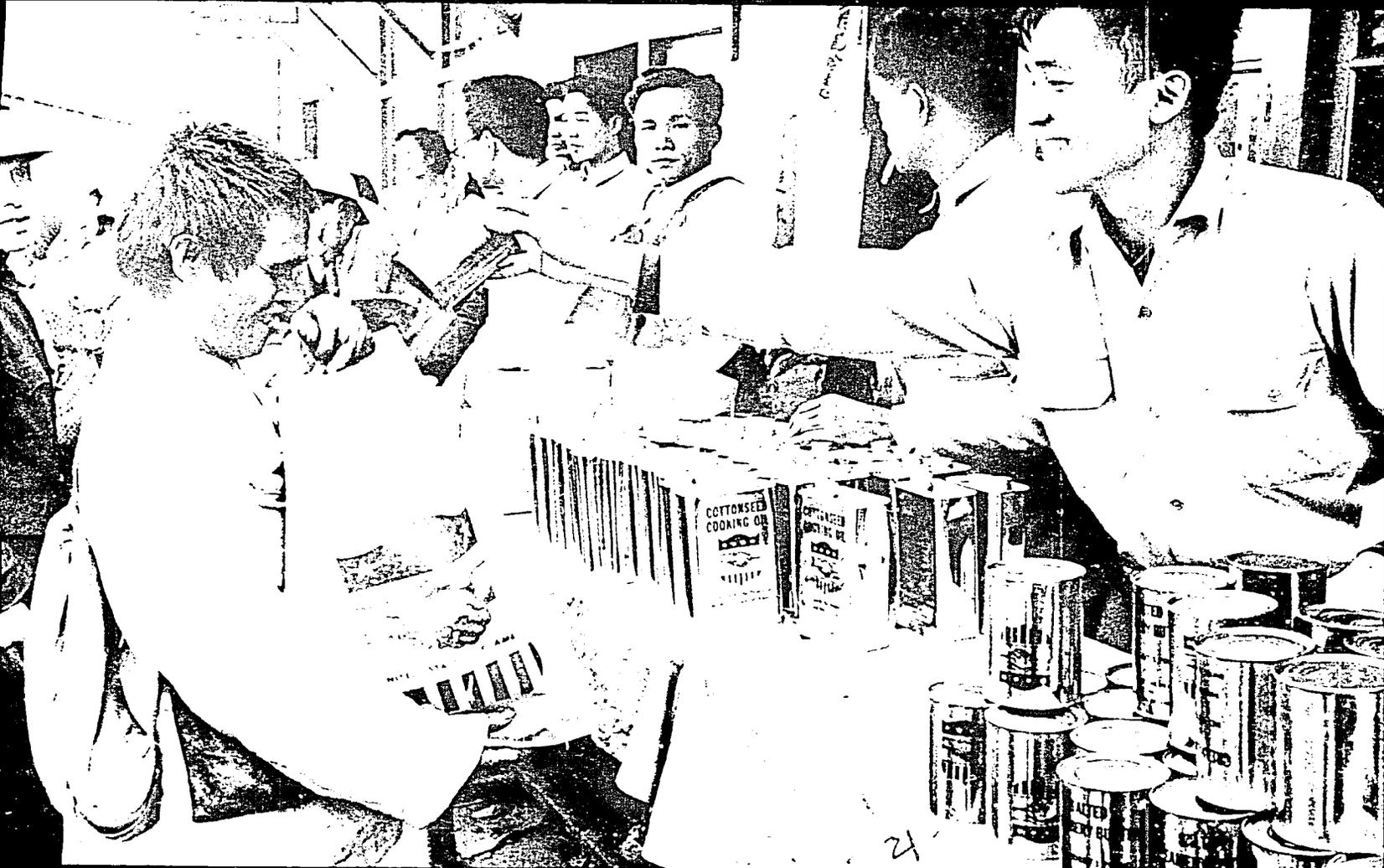
Title IV provides for long-term supply contracts in which surplus commodities may be committed over a period up to 20 years. Repayment is in dollars.

Food for Peace, of course, is not designed to replace commercial transactions between the United States and countries that are friendly.

How Does a Nation Get Aid?

Just as a businessman seeking a loan from his bank must meet certain requirements, so must a nation seeking assistance from A.I.D. fulfill specific requisites.

The nation seeking assistance calls on the officers of the U.S. A.I.D. Mission in



its country. The Mission evaluates the extent of the various needs, taking into consideration the total military situation, economic health, political climate and social conditions.

The U.S. Ambassador to the requesting nation consults with the Mission, A.I.D. officials in Washington for the region in which the nation is located and other staff members. Through these discussions it is ascertained whether the requesting government shows determined self-help efforts, and whether the assistance fits into an over-all development strategy for the country.

With such factors in mind, the A.I.D. Administrator may authorize assistance in the most suitable form. In some cases, supporting assistance is the major requirement; in others, loans take priority. Or the prime need may be for grants in the form of technical assistance. In any case, the aim is to adjust the assistance to the country's individual requirements and demonstrated qualifications.

Where Does A.I.D. Go. and Why?

Latin America

The Alliance for Progress, the vast and unified cooperative development effort undertaken by nations of the Western Hemisphere and given dramatic impetus by President Kennedy, has brought together the resources of the United States and 19 countries for a special 10-year effort to redress social injustices and economic deficiencies in Latin America. The developing countries of the area believe that their own resources will supply \$80 billion over the next decade for their own progress. The United States has pledged to provide, from both governmental and private sources, the greater part of another \$20 billion to spur this effort.

While some areas of Latin American life have grown more prosperous in the last few years, by and large conditions have either remained the same or have become worse. Per capita income has risen only a tiny fraction since 1948. Per capita income in some countries has actually gone down. While population expands dramatically, sources of income for most Latin American countries have not kept pace. Consequently, total export earnings of Latin American republics were lower in 1960 than in 1951.

In most rural areas, and in many cities, education is unknown, life expectancy is about 35, and hunger is a way of life.

In order to achieve economic growth and social progress, Latin American countries need primarily more institutional change and reform, improvement of human resources, more capital investment and better allocation of resources. Through the Alliance, aid is being channeled into development of long-range plans to eliminate the basic causes

of underdevelopment, to finance the specific projects which will contribute most to placing national economies on a self-sustaining basis and to attack welfare problems such as health and housing.

Africa (and Europe)

The speed with which African nations have rushed to independence imposes serious difficulties for both the nations involved and for the watching world. The most elementary task—the building of a human and institutional base for development efforts to come—is a major concern. A few countries are well on their way. Nigeria is a good example. Here the United States has made a commitment founded on plans which have established reasonable goals and defined priorities. But, for the most part, the development of new African nations is still in the earliest stages.

On a continent three times the size of the United States with a population 15 per cent greater, there is a gross national

product amounting to about 3 per cent of the U.S. total. Nine out of 10 Africans cannot read or write. In tropical Africa, which forms the greater part of the area, the average income is \$80 to \$90 a year, one-third that of Latin America.

The primary purpose of foreign aid in Africa is to assist in nation-building. It is a complicated and difficult process. Fortunately, aid to Africa from European and other free world sources is substantial. In fact, it far exceeds the amount given by the United States. Many of the requirements will be met by development loans for long-range projects, but there also will be emphasis on grants for education and technical assistance.

The A.I.D. Bureau concerned with Africa also watches over some residual activities that predecessor agencies initiated in Europe.

The Near East and South Asia

This is an area where mass poverty has existed for centuries. Countries such as

India, Pakistan, Turkey and Iran have large-scale development programs in operation or in preparation. Almost every country in the area has taken the initiative to prepare some type of plan of action. Because the machinery is already in motion, this is an area of the world in which long-term loans and advance commitments can produce dramatic results.

Pakistan is a good example. Since 1954, the United States has been providing Pakistan with military and economic grants to strengthen its essential forces and to sustain its economy. The country had been unable to meet the local cost of these forces due to its depressed economy, and this assistance might have been required indefinitely had not Pakistan conducted a successful development program. Today, as this program continues, Pakistan's ability to support her own armies increases, and much of the aid she receives can now be given in the form of loans, not grants.

Development grants in the region play

a key role in helping to establish educational institutions and to train skilled technical experts. In this way, further development programs can be effectively conceived and managed.

The Far East

The 330 million people of the 11 non-Communist nations of Far Eastern Asia have a big, menacing neighbor, Communist China. Nine of these countries have emerged from colonial rule since World War II. The staggering problems of their early years of freedom have been compounded by the threat—and in seven cases the reality—of Communist attack. Burma, Malaya and also the Philippines fought and won long wars against domestic Communists. The Republic of Korea survived massive Communist aggression. The Republic of China government on Taiwan has been under continuing threat of attack from Red China. Laos and South Vietnam are among the latest targets of the Communist world's recurring "wars

of national liberation."

Under these circumstances, heavy military burdens have been added to the other economic handicaps of most of the new nations of the Far East. U.S. military assistance has helped them bear these burdens. Technical assistance also is being provided in many fields.

How U.S. foreign aid may achieve beneficial results is illustrated in several Far East nations. Japan has agreed to repay a substantial part of its postwar U.S. aid and now is a major contributor of economic assistance to its Asian neighbors. Taiwan, with U.S. assistance, has increased its economic vigor. Thailand is joining the Philippines and Taiwan on the list of nations which will receive loans rather than supporting assistance grants. Generally, in the Far East, there is a strong drive for economic and social progress, a ferment of constructive change in which the people of the United States —through their Agency for International Development—act as a catalyst.

What is the Background of Foreign Assistance?

Secretary of State Dean Rusk said, in addressing the Senate Foreign Relations Committee in 1961, that the decade of the '60s would be the critical years for the free world. He was referring to the fate of the new nations that have sprung into being and the underdeveloped established countries where progress has been slow or nonexistent.

If these nations are to be able to manage their own destinies, they must establish the ingredients for free choice. They need schools to educate their youth; they need trained and loyal government employees; they need hospitals and health services, more productive use of their resources, sound finances, equitable incomes for their people and more jobs.

24

HELP FOR A HARVEST *Iranian farmers reap the results of seeds that were first distributed under a U.S. Point Four program during the 1950s.*



American foreign aid, in this Decade of Development, is a new but logical sequel to various U.S. programs, the most well-known of which may be the Marshall Plan.

Secretary of State George Marshall's Plan, unique in its day, was not actually the first economic assistance program offered by the United States. During World War II, the Lend-Lease program was used as an economic weapon to help win the war. After the war, the United States participated generously in the United Nations Relief and Rehabilitation effort. "Cold war" threats to Greece and Turkey were answered by the Truman Doctrine, whereby U.S. economic aid bolstered these two nations and thus helped to assure their continued independence.

But Western Europe, exhausted and ravaged by war, also was close to economic collapse. In 1947, Communist agents stood ready to move into any vacuum created by such a catastrophe.

To save the fiscal and political stability of these nations, the Marshall Plan came into existence: it offered massive economic resources to enable the ailing continent to spectacularly recreate its vitality.

In 1950, the Congress passed the first Act for International Development, which incorporated the "Point Four" program. Because this program involved sending American technicians abroad to impart their skills to the less fortunate nations, it was known as "technical assistance."

With the start of the Korean War, this sort of assistance could not alone succeed in protecting friendly nations from Communist intimidation: "Point Four" was then supplemented by military aid. Still, training and weapons provided under military assistance program—to help our allies build their own defense forces—were not enough. The armies which they raised had to be fed, clothed and otherwise supported by nations whose economies could not carry such stresses. This occasioned another form of economic as-

sistance called "defense support" or "supporting assistance." This kind of economic aid would not be needed if it were not for the fact that recipient nations were carrying out military programs that were essential to free world security.

Later in the 1950s the United States began programs of exporting our agricultural surplus to less developed nations. These became known as "Public Law 480" programs, and later as "Food for Peace."

In 1957, U.S. assistance entered a new phase—the making of long-term, low-interest loans for overseas economic projects. A new agency, the Development Loan Fund, administered this program.

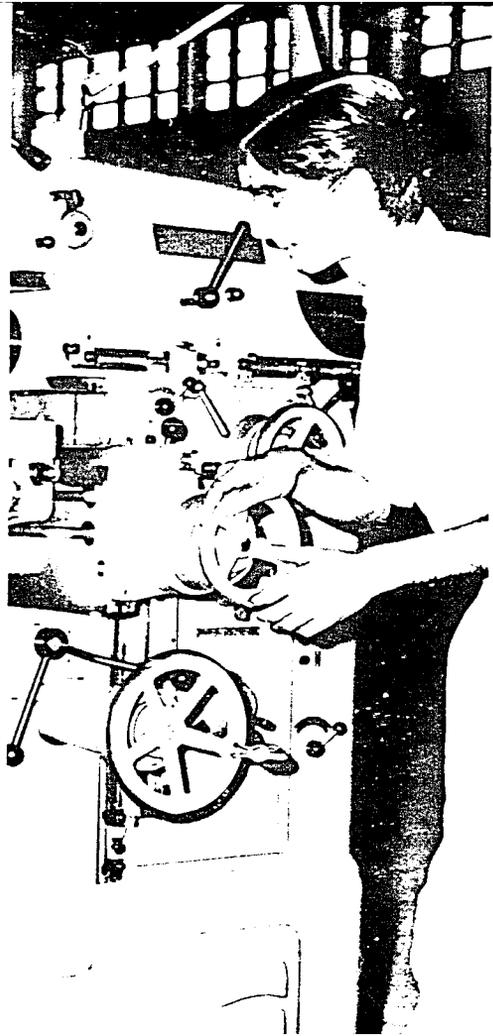
As emphasis changed, new agencies were created to administer the operations. The economic programs were successively administered by the Economic Cooperation Administration, the Technical Cooperation Administration, the Mutual Security Agency, the Foreign Operations Administration and the International Cooperation Administration. The Develop-

ment Loan Fund was an independent agency. The military assistance program was carried out by the Department of Defense. The single name given to all of these separate activities was the Mutual Security Program.

The economic and military aid programs are and always have been instruments of the Department of State in helping to carry out U.S. foreign policy.

How Does A.I.D. Affect the U.S.?

Foreign assistance plays a vital role in the U.S. economy. A significant portion of all U.S. exports (12 per cent) is financed by the A.I.D. program. This financing, of course, creates and maintains jobs for Americans in private industry. It is estimated that more than 700,000 jobs in the United States are dependent on purchases of agricultural, manufacturing,



mining and transportation goods or services by the economic aid program.

And, as previously noted, the major share of all money spent on A.I.D. projects stays in the United States. This policy is paramount in A.I.D. procurement: it was emphasized by the President in a determination of policy on October 18, 1961, when it was stated that the bulk of procurement would be made in the United States. Limited amounts would continue to be obtained outside the United States in those underdeveloped nations which need dollars and which could provide some goods needed in other aided nations.

In addition to directly financing U.S. exports, A.I.D. helps indirectly to boost our foreign trade. U.S. engineers and A.I.D. technicians abroad introduce American equipment and goods that may have been unfamiliar to foreign peoples. Under the A.I.D. program, U.S. products and techniques become known in places where

CUSTOMER FOR GOODS An Indian worker operates an American-made drill, part of \$400,000 worth of equipment provided to a government school.

they may never have been seen or used. Trade connections are established, and a market for replacements is created.

Also, since one of the aims of A.I.D. is to build more prosperous economies abroad, it follows that more valuable markets are being created.

While a guiding principle of U.S. foreign aid has been that this country and all free nations will benefit if productivity and standards of living are raised throughout the world, it has also been recognized that economic assistance may have an adverse effect on some segments of the U.S. economy. Accordingly, projects under study are examined with this in mind.

Yet there is more than economic importance to the United States in this period of overseas development. In a world of competing ideologies, the boy in a Kansas classroom, the housewife in an Oregon kitchen, the steelworker in a Pennsylvania mill are more secure if other people of the world are also productive, prosperous and peaceful. The A.I.D. purpose is to achieve

this end by promoting economic development and social progress, helping to maintain law and order, strengthening new governments in new nations and, at the same time, preventing or resisting aggression. The Communist threat throughout the world consists not only of external aggression but, also, increasingly, of internal subversion. The United States economic assistance programs are designed to give beleaguered countries the additional strength needed to enable them to resist this threat. The better they are able to resist, the stronger are the prospects of world peace.

Foreign aid is significant to the United States for one other reason: Americans have traditionally felt a sense of humanitarian obligation to help other people.

Through the foreign assistance program, the people of the United States have fed millions of people all over the globe. They have played an important role in wiping out malaria and reducing tuberculosis in Taiwan. They have helped

CAMPAIGN FOR HEALTH *Part of A.I.D.'s world-wide program to eradicate malaria is carried on by spraying homes in Central America.*

to reshape and brighten the lives of thousands through the dramatic redevelopment of the Rapti Valley in Nepal and the Karnafuli Valley of Pakistan. Their experience and guidance have transformed salt marshes into farms and villages in Egypt, and cut the death rate of infants in Liberia.

The spirit behind these examples was voiced by President Kennedy in 1961. In his Inaugural Address, he said:

To those people in the huts and villages of half the globe struggling to break the bonds of mass misery, we pledge our best efforts to help them help themselves, for whatever period is required—not because the Communists may be doing it, not because we seek their votes, but because it is right. If a free society cannot help the many who are poor, it cannot save the few who are rich.

26

