

# **FOREIGN AID AND U.S. NATIONAL SECURITY**

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OUR SUBJECT is foreign aid and national security

During recent weeks it has been often said—by the Clay Committee, by Secretary of State Dean Rusk, and by myself—that the essential reason why the United States is putting resources into programs of economic and military assistance is because they contribute to the national security of the United States. Such a statement is often misunderstood because it is assumed that it means that the United States has an interest only in aiding those countries which are contributing to the military security of the United States and of the Free World. We do indeed help support military forces in many countries around the world which have added substantially to the security of our country and of the Free World in the narrow military sense. We need make no apologies for that.

But when we say that the United States foreign aid program benefits the United States national security we mean a great deal more than that it helps defend us in a military sense. This is true because the United States has committed itself to the proposition that our national security is promoted by the development of independent, self-supporting nations achieving economic and social progress through free institutions.

This broader concept of United States national security is not new. Since the end of World War II, we have supported very important countries whose views on international political matters were quite different from ours. India until recently has been the most prominent illustra-

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*DAVID E. BELL, who became Administrator of the US Agency for International Development in December 1962, appeared before the final session of the SID 5th World Conference in New York on April 6, 1963. Speaking without a prepared text, his words were recorded and are here reproduced with only minor editorial revision.*

*Mr. Bell's Washington career began before World War II in the Bureau of the Budget. After military service, he returned to Washington as an Administrative Assistant to President Harry S. Truman. From 1953 to 1961 he was associated with Harvard University (from 1954 to 1957 as head of the Harvard Development Advisory Team in Pakistan), lecturing on economics and serving as secretary of the Littauer Graduate School of Public Administration. In 1961 he returned to the Bureau of the Budget as its Director, a position he held until his AID appointment.*

tion We did not assist India because it contributed substantial military strength to the defense of the Free World, we aided her because India was endeavoring to become an independent, self-supporting nation basing its economic and social development on free institutions. Both our political parties—Republicans and Democrats alike—have agreed that such aid has been in the national interest.

Now let me make a few comments which stem from this conception. *First* I would call to your attention how this view harmonizes the United States interest with the interest of the countries we are assisting. We want for them the same thing they want for themselves. They too want to become independent and self-supporting and to achieve economic and social progress through free institutions. We and they have a natural, combined, harmonized interest in the process by which their resources plus those that we contribute are applied to this common objective. The fact that we want what the countries we are working with want is a great asset of United States foreign policy and stands in strong contrast to the general objective of the countries in the Communist bloc who by and large seek satellites rather than independent partners.

A *second* comment is that the security objective I have expressed, that of assisting other countries to become independent and self-supporting, establishes a target for terminating outside assistance. In this country, in recent months, we have faced the question of whether the U.S. foreign aid program is endless. Does it have any termination or does it simply go on and on without any end in sight or, as the Clay Committee put it, even without any end in mind?

The fact is that the foreign aid program does have an end in sight and an end in mind and it is to assist countries to establish conditions under which aid is not necessary. This is what we sought through the Marshall Plan and this is what happened in Europe. It took about five years of economic assistance and it has since taken about ten years more of military assistance, but today the countries of Europe are virtually all of them independent and self-supporting in the sense I have used the words. Fifteen years of assistance to Europe is now coming to an end.

What will be the time span to achieve the same objective with respect to other countries? So far we do not have enough knowledge about the development process to have a clear and precise answer to that question. We can see, however, some less developed countries which today are approaching the end of the need for economic aid. Greece is an illustration, Israel is an illustration, the Re-

public of China on Taiwan is another illustration. All of these and others should within the next five years be quite capable of moving into an economically self-sustaining situation in which progress can be achieved with no more than the normal access to world trade markets and the world capital markets (Military aid where it is necessary—and in Greece and Free China it would be necessary—may very well need to go on a good deal longer as it did in Europe.)

Other countries whom we are assisting have no such immediate prospects of economic self-support. When you look at the situation in Korea, India, Pakistan, Bolivia and many other countries, you necessarily must expect a substantial period of time during which outside resources will be required on what the technicians call concessionary terms, meaning by gift or by very soft loan. But our goal remains the same—to work toward the termination of foreign aid by achieving independence and self-support.

### **Internal Resources and External Aid**

A THIRD COMMENT, and this is perhaps the most important lesson we have all learned in the last fifteen years of the aid business, is that success in achieving independence and economic self-support rests primarily on the people, the governments and the institutions of the developing countries, and not on what is done for them from outside.

This again is not a new idea. I was reminded by Paul Hoffman within the last two or three months that when the Marshall Plan began there was a body of distinguished American citizens appointed by President Truman to make a report on it to him. Paul Hoffman told me he wrote only the opening sentence in that report, but he thought today that it was the most important sentence. It ran, "Only the Europeans can save Europe."

This is the element of wisdom I think we are all prepared to accept today as applying, not only to Europe, but to every country around the world. Most of the resources almost invariably will come from inside the developing country. More important, the policies and legislation and spirit and leadership to mobilize those resources and to apply them properly, whether they are from inside or outside, must come, indeed can only come, from the people and the institutions and the governments of the developing countries.

It is worth recalling also that in assisting countries to reach conditions of self-sustaining growth, we are not talking simply about a level of material welfare. We're talking instead about the achievement of institutional arrangements with respect to the pattern of savings and investment or to

the method by which skills and technology are acquired and transmitted—the building of institutions, in short, which establish the incentives and attitudes which will make development happen

These institutional achievements undoubtedly will result in a steady rise in income and frequently in an improved distribution of income, but they are not dependent upon any particular level of material well-being. The Japanese are certainly moving forward through their own energy and initiative, but the *per capita* income in Japan is still, I believe, \$300 or less. Development therefore is not to be measured solely by levels of income, but by the achievement of self-generating processes which enable a country to move forward under its own power. Outside resources can help if the inside will, energies and policies are present.

This is why, it seems to me, all outside assistance, whether through an international organization or bilaterally, should be made available on conditions. Not "political strings," but conditions such that the receiving countries do in fact undertake the measures which are essential to achieve the objectives which both they and we seek.

All of you know very well, of course, that there are great differences among countries as to the degree to which they are able or willing to apply appropriate and necessary self-help standards and measures. One of the first things we learn when we enter the development business is that we must start from where things are, not from where we wish they were. We must work with countries in a wide variety of circumstances and with a wide variety of degrees of understanding of their own situations and of willingness to embark on the hard measures which will be necessary for success. Consequently, any program of foreign aid, whether it be bilateral or multilateral, is going to be different in different countries and must be adapted to local circumstances.

Having regard to this fact, it is still our role to exert such influence as is possible. Sometimes it can be done most effectively through international channels and sometimes through bilateral channels. However it is done—by persuasion, cajolery, bargaining—our objective is to bring about as much improvement as possible in the policies of the recipient countries, to insist upon a reasonable degree of local contributions to the projects and programs which are being undertaken, to work with and help the local leaders to face up to the problems that confront them. It cannot and must not be our purpose to help developing countries avoid their problems, it must be our purpose to help them meet their problems.

## Europe and Japan

MY FOURTH COMMENT is that the development of independent and self-supporting nations is obviously not only a United States interest, it is an interest equally of other advanced countries. There has been in the last two or three years a very impressive increase in the volume of resources made available through various types of foreign aid programs by the countries of Europe and by Japan. These countries a few years ago were themselves recipients of assistance. Today they are donors. This is a process which we welcome and which we hope will be followed by many other countries over the years to come.

The United States has had some concern that the terms on which such assistance was being made available were not as comparable as they might be. For the last several months a special working party under the Development Assistance Committee of the OECD has been considering appropriate terms of aid among the different DAC countries. I was earlier this week in Paris at a meeting of the Development Assistance Committee which considered that working party report and I was very glad to find that there was agreement on the following propositions:

First, that the terms on which aid should be made available ought to be adjusted and adapted to the particular circumstances of the recipient countries. Thus a country like Greece or Free China or Mexico, which is relatively close to achieving economic self-support, might well receive outside assistance on quite different terms from Korea or Pakistan where the balance of payments for some years to come does not look overly promising.

Second, having regard to the recent terms on which aid has in fact been made available, that it is desirable to achieve a larger degree of comparability than has been true in the last year or so.

And finally, that in practice this means, at the present time, that some of the "harder" lenders, to use the colloquial phrase, some of those who have made their aid available on relatively short maturities and at high interest rates, will need to move in the direction of softening those terms.

These agreements, reached at the Paris meeting, will obviously have to be applied to the different circumstances of each donor nation, each of which has its own legislative and budgetary situation to work with. Nevertheless, I think a considerable gain in the spirit of understanding among the advanced countries has been brought about.

### The Limits of Foreign Aid

LASTLY, I would like to make one more comment related to my major theme—the relationship of foreign aid to national security—and this is to stress the limits of foreign

aid as a means for achieving the objective of which I've been speaking.

For one thing the improvement of economic conditions in less developed countries and their achievement of independence and economic self-support is only one measure and in many instances not the most important measure by which to build the security of the United States and of the Free World in general. We have many other instruments through which US resources must be applied. The direct military activities of the United States, our information programs, our diplomatic negotiations—all of these are clearly related to US and Free World security. The foreign aid program does not stand alone; it stands as one element in the effort to achieve US world security.

Secondly, as I've indicated, economic growth is plainly a mutual process. The United States cannot achieve it by itself. It must be achieved primarily by the countries that we are trying to help. In consequence, and by, I think, irrefutable logic, the United States national interest in this field is something that depends not only on ourselves, but on what others do. In the future, therefore, as in the past, we shall undoubtedly encounter a great many situations which will lead to considerable frustration among those in the United States who have not been able to disengage themselves from what Dennis Brogan used to call "the illusion of American omnipotence."

Finally, it is, I think, very important for us to recognize that what we are trying to achieve cannot be achieved by government resources alone, either in the recipient country or in the United States. There's been a great deal of argument and there will be, I'm sure, a great deal more argument over the relative merits and demerits of this or that line being drawn between the public and private sectors. I don't think there is any disagreement, however, that the private sector must play a major role in any country in achieving effective growth. And the agency that I head should be conceived in large part as an organization which seeks to mobilize private United States resources to contribute to the growth process abroad—resources in business, labor, co-operatives, saving and loan associations, universities, in all the varied and diversified institutions that exist in our pluralistic society.

The same thing should be true of a development program in any less-developed country although most of us would agree that it's not easy to bring about. The stimulation and use of private initiative and private energy in a developing country should be a major preoccupation of those who are attempting to bring about a sustained and lasting forward movement.

For you in the Society for International Development this should be a matter of special concern because you represent so many resources, private as well as public, both in the United States and abroad. If you can contribute to a better understanding of how the development process takes place and what can and should be done, in particular environments, with particular cultural backgrounds, to achieve economic self-support and the development of free institutions you will be making a distinct contribution to the national security of the United States and to the international security of the entire world. 48

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