

[COMMITTEE PRINT]

COMMITTEE ON FOREIGN AFFAIRS

POINT FOUR
BACKGROUND AND PROGRAM
(International Technical Cooperation
Act of 1949)

Prepared for the use of the Committee on Foreign Affairs of the House of Representatives by the Legislative Reference Service, Library of Congress, largely from materials supplied by the Department of State.

JULY 1949



UNITED STATES
GOVERNMENT PRINTING OFFICE
WASHINGTON : 1949

94053

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LETTER OF TRANSMITTAL

THE LIBRARY OF CONGRESS,
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Washington 25, D. C., July 20, 1949.

HON. JOHN KEE,
*Chairman, Committee on Foreign Affairs,
House of Representatives, Washington, D. C.*

DEAR JUDGE KEE: The report Point Four: Background and Program is transmitted herewith in response to your recent request. It comprises a summary of the proposal for aid to underdeveloped areas made by President Truman on January 20, 1949, and the subsequent development of a program by the Department of State with the assistance of the interdepartmental advisory committee on technical assistance and the staff of the National Advisory Council. The report also contains summaries of two pertinent bills, H. R. 5594 and H. R. 5615 and the major statements of President Truman on assistance to the economically underdeveloped areas.

In keeping with the policy of the Legislative Reference Service, no recommendations are made with regard to the proposal or program of the executive branch.

Sincerely yours,

ERNEST S. GRIFFITH,
Director, Legislative Reference Service.

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THE POINT FOUR PROGRAM

1. INTRODUCTION

Origin of the program.—In his inaugural address, President Truman referred to the key role of the United States in rising to “the supreme need of our time”—that men “learn to live together in peace and harmony.” To meet this need, he outlined four main courses of action for our foreign policy. These were: first, unfaltering support of the United Nations and related agencies; second, continuation of such programs for world recovery as the ERP and the reciprocal trade agreements program; third, strengthening of freedom-loving nations against the dangers of aggression; and fourth (hence the name “Point Four”), aiding the development of the economically underdeveloped areas by making available technical resources and, on a cooperative basis, fostering capital investment in them.

Need for the program.—President Truman’s proposal arose from a major world problem and the interest of the United States in its solution. In most areas of the world, living conditions of the inhabitants fall far short of potentialities and in many places they are at the barest subsistence level. To a great extent this situation is brought about by inadequate agricultural techniques, limited transportation, lack of basic health facilities, and the absence of modern manufacturing skills and equipment. Inability to escape from unremitting poverty prevents the peoples of the underdeveloped areas from realizing even the most modest human aspirations. Consequently, they are prey to any ideology, however specious, that holds out the promise of relief from their misery.

The United States and other free nations have a clear-cut and immediate concern in the material progress of these people. It arises not only from humanitarian impulses but also from the fact that such progress in the underdeveloped areas will advance the cause of freedom and democracy in the world, expand mutually beneficial trade, and help to develop international understanding and good will.

Nature of the program.—The export of skills and capital to less developed economies is not alien to United States experience. It has long been an integral part of the operations of American business abroad. Private philanthropic organizations such as the Rockefeller Foundation and various religious and educational groups for decades have contributed to the advancement of the well-being of peoples outside the main stream of world technological progress. The United States Government itself already maintains or shares the support of many agencies which extend financial and technical assistance to other countries. Rather than the nature of the program, therefore, it is the breadth, scale, and integration of activity contemplated for achieving development which makes Point Four a new and positive step in United States foreign policy.

Although the United States and other economically advanced nations can supply valuable assistance, the main impetus for development must come from the peoples directly involved. The importation of machinery and knowledge alone is not sufficient to insure progress. In many instances, development will require substantial social and cultural change. It will depend in part upon saving habits, willingness to work, and the adaptability of the indigenous peoples. It will demand sound and stable governments capable of real leadership in the economic and social fields.

The principal contribution which the United States and other outside nations can make to the progress of the underdeveloped areas lies in sharing knowledge and encouraging investment in facilities and equipment. Technical knowledge could flow through the channels of private enterprise and government. The greater part of the needed capital, however, will have to come from the local areas themselves. Many of the relatively inexperienced countries will need advice and assistance in devising methods to foster capital formation. Imported capital can play an important supplementary role. To insure its flow, it is essential that stability prevail in the underdeveloped areas and that mutual guaranties of fair treatment are provided.

The United States recognizes that it does not have a monopoly either of modern technology or exportable capital. Point Four will bear cooperative program operated through the United Nations and its agencies wherever practicable. Some activities, however, will be carried on in cooperation with other international bodies and others will be pursued on a bilateral basis. Insofar as possible all projects will be designed to complement and mutually support each other.

In no sense is the program an attempt to force American ways or capital on other peoples. The United States will act only in response to applications. Our role is solely one of cooperative assistance and ultimate responsibility for development rests with the requesting country.

Special privileges will not be demanded for American capital. "Dollar imperialism" has no place in the program. However, fair and nondiscriminatory treatment will be sought for private United States investors.

Point Four is a long-range program so that spectacular results should not be expected immediately. Today's needs, however, are urgent. The highest priority, therefore, will be given to projects that can be undertaken promptly and which will yield the greatest net contribution within a reasonable period.

The costs of Point Four, as compared with other assistance programs, will be extremely modest. Huge contributions of basic commodities are not entailed. Rather such expenses as are involved will derive largely from salaries and other outlays for a few thousand technicians, experts, and students. The effect of their efforts, however, will be multiplied many times as they stimulate increasing and more productive activity on the part of the populations of the underdeveloped areas.

2. BENEFITS OF THE PROGRAM

To the underdeveloped areas.—The primary purpose of the program is to help the peoples of the underdeveloped areas to utilize their human and material resources more efficiently and to raise their

standards of living. A major effort will be directed toward lifting general educational and health standards. The latter benefit, however, creates one of the most serious problems arising under Point Four, namely, rapid population increase in areas already overpopulated under present economic conditions. As the death rate is lowered by the extension of modern sanitation and health techniques, population is likely to expand rapidly at least until urbanization and industrialization are well advanced. Then, experience indicates, population growth should be curtailed by a declining birth rate.

There is reason to expect, however, that an intelligently administered over-all development program will result in an increase of productivity adequate to compensate for the initial population rise. This increase would come not only from improved and new methods of production but also from the greater human efficiency of healthier people living longer lives.

To the world economy.—While the inhabitants of the underdeveloped areas will benefit most directly from Point Four, their progress is expected to have beneficial effects on the rest of the world. An increase in their productivity should enlarge the share of the underdeveloped areas in international trade, helping thereby to provide both greater balance and heightened activity in the world economy. Furthermore, by making more effective use of their agricultural and natural resources, the underdeveloped areas will be able to utilize their available foreign exchange for the purchase of types of goods produced more efficiently abroad. This change in the make-up of their trade should mean a long-term expanding market for the capital goods of western Europe and the United States. In this connection, it is important to note that capital goods long have been a major element of United States exports.

The world economy also stands to benefit from the expansion of production of various important minerals and raw materials in the underdeveloped areas which the program should stimulate. Many of these commodities are already in short supply and some are becoming exhausted from existing sources. The reduction of these shortages will be accompanied by a flow of increased purchasing power to those underdeveloped areas which provide new sources.

To the United Nations.—The program will strengthen the United Nations by enlarging and extending those of its activities connected with assisting the underdeveloped areas. The organization and its related agencies have already done considerable work in this field with excellent results. As they carry out additional projects, the faith of the participating nations in the effectiveness of the United Nations will grow, and its influence in all spheres of activity will rise accordingly.

To the United States.—In addition to sharing directly in the benefits to the world economy which Point Four is expected to yield, the United States should receive other less tangible returns. By working side by side with United States personnel, other nationalities will have an opportunity to become acquainted with the American way of life and the democratic way of doing things. Furthermore, the demonstration of this country's willingness to help, coupled with the visible evidence of their progress, should increase the good will of the recipient peoples toward the United States and their readiness to

support American policies and ideals. In short, the various benefits of Point Four ultimately converge in a major contribution to the United States policy objectives of building a "stronger structure of international order and justice."

3. SCOPE OF THE PROGRAM

While it is not possible to delineate the precise scope of Point Four in advance, sufficient information and experience has accumulated to indicate the general lines along which the program is likely to develop. The United States has participated, for example, in similar programs in Latin America. There have also been numerous requests and inquiries concerning assistance which throw light on the possible scope of the program. Finally, there exists a considerable amount of general knowledge of the needs and circumstances of the underdeveloped areas.

Geographic scope.—Priority in the program will be given to those areas of the globe which have the lowest standards of living. They are to be found in most parts of Latin America, the Middle East, the Far East, and Oceania. In general, technical assistance would be extended to countries desiring to participate which demonstrate a readiness to cooperate with peace-loving nations in furtherance of the purposes of the program. Aid provided through the United Nations will be based on conditions established by that organization. These conditions should include a willingness to contribute to the cost and the acceptance of appropriate arrangements for UN observation, reporting, and control of the program.

Assistance under Point Four normally will be extended on the basis of projects for individual countries. But arrangements involving two or more nations in cooperative undertakings or regional development are also possible.

Non-self-governing areas.—The purpose of the program is to help people. Point Four applies not only to independent countries but also to the more than 200,000,000 inhabitants of the 72 non-self-governing territories. These regions are among the least developed in the world. They are also sharply spotlighted in the ideological conflict with totalitarianism. ECA already is providing machinery and funds for developing the non-self-governing territories of some western European countries but these areas also constitute a field for developmental activity under the Point Four program.

Relationship to other United States foreign-aid programs.—The United States already carries on a number of international assistance projects of a recovery nature. These include the ERP, Chinese and Korean aid under ECA, Philippine relief and rehabilitation, and Greek-Turkish aid. The Point Four program, however, in concept and in contemplated operation is designed to complement rather than to overlap these other economic undertakings.

4. FIELDS OF ECONOMIC DEVELOPMENT

Different countries have different needs and possibilities for development and these variations must be considered carefully in designing specific projects. Furthermore, it will be necessary as far as possible to reconcile activities under the program with a wide variety of social

and legal structures, local customs and practices, and national aspirations. The order in which projects are undertaken also will differ in the various recipient countries. In addition to the consideration of all these factors, it is essential finally to integrate projects so as to produce maximum effectiveness.

General economic development.—The first step in economic development normally will be an analysis of a country's needs and resources and the determination of a course of action. Such over-all studies are of basic value provided they are followed with a clarification of the problems of development and an attack upon them.

Basic development.—Among inhabitants of the least-developed areas, basic improvement in education, health, and agriculture are essential before there can be an increase in production or a rise in the standard of living. Since such people live very close to the land, projects for them must emphasize efficient techniques in agriculture and forestry.

To meet basic education needs, experts will be made available to train local teachers and to establish proper training systems. Other projects stressing the techniques of teaching basic literacy, sanitation, and farming will also be included in the program.

If the populations of the underdeveloped areas are to acquire the minimum health standards necessary to further development, the health problem must be tackled at the core. Much can be gained by education in good nutrition and in the protection of mother and child. Improved techniques for the purification of water and the disposal of sewage will contribute to the elimination of typhoid fever, dysentery, cholera, hookworm, and similar diseases which afflict large areas. In many instances, large potentially productive areas, rendered practically unfit for habitation by the prevalence of disease, can be salvaged for human use.

The United States and other economically advanced countries which rely heavily on quarantine for protection against epidemics, have a particularly large stake in the health program. Infectious diseases know no boundaries and with today's accelerated transportation, they can spread more easily across national boundaries.

Improvements in the basic health of the underdeveloped areas can best be effected by the use of experts to help organize public health services, by demonstrations and by training local workers. Specific diseases can be attacked by doctors adequately equipped and supplied and assisted by the indigenous peoples. The health program should also include research projects to study those diseases in some of the underdeveloped areas which are not yet sufficiently understood to be controlled.

Agriculture and forestry.—In many of the underdeveloped areas, agriculture is either in a state of serious decline from a formerly highly developed technique or it never did advance much beyond the most primitive methods. Generally, the inhabitants of such regions simply do not raise enough food to feed themselves at a level adequate to maintain health and productive energy.

As mentioned previously, improvement in agriculture, if it is to be effective in raising standards of living, must be rapid enough to outstrip the growth in population. Furthermore, as industrialization advances, improvement also must be sufficient to permit the decreasing proportion of rural population to raise enough food for themselves and for the growing urban centers as well.

Assistance in this field involves the sharing of techniques for increasing yields from existing acreage as well as the conservation and extension of the total cultivable area. Improvements in methods of animal husbandry and the expansion of dairy and poultry production also will help. In addition, aid is necessary in providing adequate facilities in all phases of food processing and distribution. The program, finally, may include assistance in establishing agricultural cooperatives in order to secure the benefits of large-scale operations.

In many of the least-developed areas, housing has never advanced beyond the very primitive—a condition which invites apathy and disease. Wartime destruction intensified the shelter problem in a number of countries. Modern techniques of construction adapted to local conditions could improve the situation considerably.

Development of resources and industries.—Development in basic education, health, and agriculture will speed the development of resources and industries. The latter phase of the program, in turn, is associated with progress in a number of specific fields. A major aspect is the development of water resources for the benefit of agriculture, industry, and transport. The program will center on the supplying of experts in all aspects of water development and the provision of training opportunities for qualified persons of the underdeveloped areas.

Minerals are of great significance in the Point Four program because they are an important source of foreign exchange and because they are essential when and if the underdeveloped country moves in the direction of industrialization. The development of mineral resources offers one of the most fruitful fields for governmental and private investment.

Technical assistance in this field at the outset can be extended only on an extremely modest scale because of the shortage of qualified experts. It will include geologic investigation, help in developing and applying techniques, and training programs.

The introduction of improved methods for catching, preserving, and distributing fish would add substantially to the food supply of the underdeveloped areas and contribute to improved human health and efficiency. A program for fisheries development under Point Four should be built around the provision of technicians, training, and demonstration projects and plants.

The inadequate transportation facilities which exist in most underdeveloped areas affect adversely the health and well-being of the peoples, curtail trade, retard mining and forestry, cause serious losses in agricultural produce, limit markets, and make raw materials expensive. Outside assistance in the surveying, planning, and management of such facilities will be of great value in improving and extending existing transportation systems.

Modern telecommunications and postal systems are essential to development. Technical assistance in these fields will be included under the program.

Under Point Four, aid will be provided to develop labor skills and to prepare vocational-training teachers. No attempt should be made to establish a uniform pattern of labor relations, but projects should be undertaken on request in the fields of employment standards, labor legislation and inspection, industrial health and safety, industrial training and apprenticeship, employment of women and children, and employment in agriculture.

The underdeveloped areas tend to stress the desire for industrialization in the belief that it is the key to development. This view is frequently too narrow since industrial development is a gradual process which cannot be divorced from the whole complex of social and economic change.

The transition from a primitive agricultural economy to a more productive industrial economy, however, can be facilitated. Establishment of widely diversified enterprises using local raw materials will help, as will advice on the development of appropriate rural industries. Among those that are particularly appropriate are cement plants, small-tool factories, glass factories, textile fabrics, and hand weaving.

In the more advanced of the underdeveloped areas, there is room for aid in the form of personnel training, demonstrations and pilot projects in the more intricate industrial methods. Assistance in engineering and business administration also may be expected to become increasingly important; and eventually there will be need for the establishment of commercial and marketing research centers.

Aids to governmental activities.—The effectiveness of government and administration in an underdeveloped area will control in large measure the progress of any program for economic development. Technical assistance in the several fields of governmental activity, therefore, should be included under Point Four. In general, such assistance should take the form of the provision of experts to assist the recipient governments in perfecting their operations and of the training of indigenous personnel either within their own countries or in advanced centers abroad. Among the most important fields of government in which outside aid could prove effective are public administration, finance, statistics, hydrographic and geodetic survey, weather reporting, and social services.

5. LIMITING FACTORS

Certain serious obstacles are present in the program which must be overcome if it is to be successful. The difficulties discussed below are not reasons for discounting Point Four, but they do serve to emphasize the need for a realistic approach.

Internal conditions in recipient countries.—The first set of limitations inherent in the program is to be found in the underdeveloped countries themselves. In some, civil strife affects adversely what might be done through international cooperation. Certain types of extreme "nationalism" exist such as the Soviet Union's of minimizing all contacts with the outside world. Others are expressed in antagonism against foreign technicians, foreign investment, or both. These factors undoubtedly will reduce the potentialities of cooperation below what they would be if need alone were the criterion.

The process of development.—A second set of limitations arises from the nature of economic development itself. There is no miraculous formula which will lead at once to improved standards of living. Economic development is a cumulative process which accelerates toward higher living standards as it progresses. Time, however, is a most important factor and there are limits to the effectiveness of short cuts.

Availability of technicians.—A third limiting factor is the availability of technicians both in the underdeveloped areas and abroad.

Not only is their number limited but most technicians are satisfactorily employed in their own countries. Attractive arrangements will be necessary to induce them to go abroad. It is due largely to this critical limitation that the program places so much emphasis on training of indigenous personnel.

Availability of capital.—Most developmental investments must come from local sources but in many of the countries institutions for savings are lacking and the habit of sterilized investment in land, precious stones or metal is deeply ingrained. The potentially adverse effect of such a situation on the program is evident. Similarly many governmental restrictions have hampered the flow of foreign investment during the postwar years. The funds needed to transmit technical skills will not be large but the lack of capital will remain a major limitation on the effective use of such skills for a long time to come.

Organizational difficulties.—A final limitation on Point Four is found in the organizational difficulties connected with the establishment and maintenance of so many types of projects in so many different areas. Decentralization of administrative responsibility can reduce this difficulty but only if it is coupled with the most careful coordination in planning, policy, and procedures.

6. DURATION AND MAGNITUDE

Duration.—The timetable for the attainment of economic development "is measured in decades, not in years." Point Four, which seeks to encourage this process, therefore, must be a dynamic and continuing program. It is not designed to reach a specific goal in terms of standard of living and then terminate. Rather, it is in the nature of a challenge and invitation to all nations to join in a general long-term cooperative effort for world progress. From time to time Point Four should be reexamined carefully by the United States and all the other participating countries with a view to making the changes which become desirable in the light of experience.

Magnitude.—Point Four will be limited at the outset by the ability to supply technical assistance. As additional technicians become available, there should be an expansion of the program for several years. Eventually, a tapering-off point should be reached as many countries acquire a greater capacity to meet their own technical needs. The investment aspect of the program should gather momentum after the preliminary technical work is done and obstacles to capital flow have been removed. To be successful, Point Four must be developed in such a way that other countries contribute an ever-increasing share to the total program.

7. CARRYING OUT THE PROGRAM

It is not possible to establish a rule to determine automatically whether a particular project should be carried out by an international body such as the United Nations or the Organization of American States or by the United States and the recipient country on a bilateral basis. In general, the intent is to work through international agencies as far as practicable. The United States, however, will undertake bilateral projects when such a course is preferable.

UN and related specialized agencies.—The following related organizations and agencies may make an important contribution to the program if their operations are successfully coordinated:

1. The UN (especially through the Economic and Social Council and its three regional commissions).
2. Food and Agriculture Organization (FAO).
3. World Health Organization (WHO).
4. International Labor Organization (ILO).
5. International Monetary Fund (IMF).
6. International Civil Aviation Organization (ICAO).
7. International Telecommunications Union (ITU).
8. UN Educational, Scientific and Cultural Organization (UNESCO).
9. International Bank for Reconstruction and Development (IBRD).

Because of its large contribution to the budgets of the United Nations and other agencies, the United States will have considerable influence in determining their policies. Its position, however, is not and should not be one of control, in order that the projects undertaken may be of a bona fide international nature.

Organization of American States projects.—It is anticipated that regional organizations, such as the Organization of American States (OAS), will make contributions to the program. The Pan American Sanitary Bureau, for example, has been an agency for technical cooperation among all the American Republics since 1903. Other associated organizations include the Pan American Union itself, the Inter-American Institute of Agricultural Sciences, the Pan American Institute of Geography and History, and the Inter-American Economic and Social Council.

Caribbean and South Pacific commissions.—These are consultative and advisory agencies on economic and social matters relating to dependent territories in the Caribbean and South Pacific regions. They are intended to facilitate the use of resources and research on a cooperative basis, by surveying needs and avoiding duplication in the work of existing agencies. While neither of these commissions has an organic relationship with the United Nations, both cooperate with the United Nations and its specialized agencies. They are expected to be helpful in surveying the needs of their member governments, which surveys may be used in planning and negotiating bilateral or multilateral projects.

United States bilateral projects.—Many of the projects undertaken on a bilateral basis, of course, will be a continuation or expansion of work already under way.

Programs for the interchange of scientific, technical, and cultural information and skills with the other American Republics have been in effect since 1938 and have been carried on by close to 20 Federal agencies. Such activities are coordinated by the Interdepartmental Committee on Scientific and Cultural Cooperation (SCC) under the chairmanship of the State Department.

Under the new program, these activities would be expanded and would be coordinated both with other United States bilateral projects and with United Nations projects.

The United States agencies, other than the Department of State, which will have extensive responsibilities under the new program are—

1. Department of Agriculture: Soil conservation, plant entomology and development, extension service, forestry, statistics, etc.
2. Office of Education, Federal Security Agency: Exchange of students and teachers, fundamental and vocational education.
3. Public Health Service, Federal Security Agency: Development of public health services, research and control measures, training, improvement of vital statistics and public health statistics.
4. Department of the Interior: Geological surveying for mineral and water resources, mining and metallurgy, reclamation and irrigation, fish development, public land management, etc.
5. Civil Aeronautics Administration: Aviation.
6. Public Roads Administration: Highways.
7. United States Army Engineers: Inland waterways and port development.
8. Interstate Commerce Commission: Railroads.
9. Department of Labor: Standards of employment, statistics, industrial hygiene, women's employment, trade-union grants, apprenticeship training, training in industry.
10. Social Security Administration and Office of Vocational Rehabilitation, Federal Security Administration: Social-welfare services, social insurance (old-age, unemployment), employment service, maternal and child welfare, vocational rehabilitation.
11. Department of Commerce: Census and statistical procedures, national income and balance of payments research, information on foreign economic development opportunities for American business, coast and geodetic surveying, weather, standardization and laboratory testing, tidal and magnetic observations.
12. Housing and Home Finance Agency: Shelter and urban development.
13. Federal Communications Commission: Telecommunications.
14. Treasury Department: Taxation, fiscal policy, customs administration.

Experts may be engaged as needed for the program from or through other specialized agencies. All Federal agencies involved may be expected to discharge some of their functions under Point Four through cooperative channels already developed with State governments, private organizations, and business.

Institute of Inter-American Affairs (IIAA).—This organization, a corporate agency under the Secretary of State, since 1942 has conducted cooperative programs with the Latin-American governments, principally in public health, sanitation, agriculture, and education. The United States and the other countries arrange for financing and direction through so-called *servicios* (jointly staffed special agencies). A similar unincorporated administrative unit for other areas is contemplated under the Point Four program.

Private agencies.—Over the years, private organizations, both profit and nonprofit, have carried out programs considerably larger than those financed by government. The Point Four program contemplates the encouragement of such private initiative. Nonprofit

agencies can be supplied with relatively inexpensive equipment. In addition, the skills and experience of their personnel should prove of immense value in the program.

Wherever possible the services of private engineering and consulting firms will be utilized. The Government also will establish a clearinghouse of information concerning the underdeveloped areas so that American businessmen and investors may be kept fully informed on foreign needs and prospects.

Selection of projects.—Requests for assistance undoubtedly will exceed the immediate capacity to meet them. Careful consideration, therefore, must be given to the question of selection. In general, acceptance of projects must depend on two fundamental criteria. First, the request must represent the free choice of the requesting country and be in its interest according to its determination. Second, the request must contribute to the basic objective of enhancing the living standards of the peoples of the underdeveloped areas by enabling them to utilize more fully their human and material resources.

The granting of any request must be preceded by a determination of the ability of the requesting country to utilize effectively the type of assistance sought. In general, those projects which make the greatest contribution to development and national income will receive priority.

8. FINANCING THE PROGRAM: TECHNICAL ASSISTANCE

International agencies.—It is not possible at this time to detail the manner in which financing through UN agencies and other international agencies will be arranged. As a participant in these bodies, however, the United States will work for the establishment of the following principles:

1. If additional budgets for the program are necessary, no increase in a member country's proportionate share should be made without its consent. In no event is it envisaged that the United States should raise the percentage scale of its contributions to *regular* budgets of the organizations involved. Increased operations of these agencies in the technical fields should be handled by special budgets. In order that the United States may participate fully in the work of the international bodies, modifications of United States legislation which now set ceilings on contributions to the FAO, the ILO, and the WHO will be required.

2. Countries receiving assistance via international organizations should pay a considerable share of the costs. In most cases, they should be expected at least to cover expenses incurred in local currency.

3. If an assistance program for any country should involve setting up more or less permanent institutions (such as schools), the costs of these institutions should be progressively assumed by the assisted country.

United States projects.—Bilateral arrangements in the past have been flexible, following the general principle that the recipient country should pay some part of the cost. In the operations of the Institute of Inter-American Affairs, for example, the United States has contributed up to 50 percent of the costs on some projects, but its average share has amounted to only 16.5 percent.

This country has normally paid the salaries, external transportation, and per diem of technicians sent abroad on bilateral projects. Exist-

ing practices should be altered to the extent that the United States will be in a position to cover a part of the material and equipment costs for some important projects.

9: FINANCING THE PROGRAM: CAPITAL INVESTMENT¹

In many instances, technical assistance alone will result in increased economic well-being. Generally speaking, however, economic development is likely to be most rapid if it is combined with capital investment.

Sources of investment.—The greater part of the capital needed for development must come from sources within the countries themselves. The supply of international investment funds is not inexhaustible, and there are limits to the capacity of underdeveloped areas to service foreign debts. As has already been pointed out, the program contemplates the extension of advisory and other assistance to the recipient countries to aid them in mobilizing local capital and in encouraging its participation in development.

Loans from the International Bank, supplemented by those from the Export-Import Bank, should prove particularly effective for carrying out projects which generally are not appropriate for governmental development. Among these are port and harbor development, road building, flood control, and power and transport. In many instances, such projects must precede the flow of private foreign capital into underdeveloped areas.

The program places primary emphasis on fostering private investment. This source is expected to provide most of the foreign capital necessary for the program. The International Bank and the Export-Import Bank both can serve to stimulate private investment by guaranty and by joint financial operations. In addition, the direct sale of foreign securities in the American market is likely to increase, as investment possibilities in the underdeveloped areas become more attractive.

In such fields as manufacturing, mining, distribution, and services, there is an opportunity to enlist the participation of private capital in direct investment, which normally is accompanied by the services of private enterprise, managerial experience, and technical knowledge.

Relationship of foreign investment to the United States economy.—General economic benefits from the program to the United States as a member of the world economy have already been discussed. In addition, the expansion of United States foreign investment will prove a helpful factor in maintaining domestic production and employment at a high level. It will make more dollars available abroad for purchases in this country. Without such investment a grave dollar shortage could arise at the end of ERP which would have domestic repercussions, especially in the United States' export industries. Furthermore, such a shortage might bring on the collapse of our efforts to establish multilateral, nondiscriminatory trade on a world-wide basis.

If investment flows abroad in a steady, continuing stream, at some distant time the total return in interest and dividends should catch up with and surpass the net outflow of new capital. The United States then would have to be a net importer of goods and services if

¹ The initial legislative expression of this section of the program is found in H. R. 5594, introduced by Mr. Spence and referred to the Committee on Banking and Currency. See p. 18.

it were to benefit from its accumulated foreign investment. This situation, approached gradually, need create no difficulties at home provided the United States economy has continued to expand.

Recent private foreign investment experience.—At the end of 1948, private long-term investments abroad totaled \$17,000,000,000. Of this amount, 11.3 billion dollars was in the form of direct investment (foreign enterprises controlled in this country). Approximately 20 percent of these investments was located in Europe, and the remainder largely in Latin America and Canada. The principal fields of direct investment are manufacturing operations (one-third), such service operations as utilities, railroads, and distribution (less than a third), and extractive enterprises (40 percent).

Since the end of the war (1945-48), the net outflow of United States capital has totaled 14.2 billion dollars of which 12.1 billion dollars, or 85 percent, was supplied by the Government (including United States share of participation in the International Bank and the International Monetary Fund) and the balance by private investors.

American private capital going abroad as direct investment totaled \$650,000,000 net in 1947 and \$850,000,000 net in 1948. This flow has been concentrated both on an industrial and a geographic basis. The preponderance of new investment has been undertaken by a few large United States firms, largely in petroleum and manufacturing operations, and principally in Canada, Venezuela, and the Middle East.

Earnings on foreign investment.—Income from direct investments abroad has increased steadily since the war. From 1928 through 1945, it totaled \$499,000,000 a year. In 1946 it reached \$622,000,000, in 1947 \$834,000,000, and in 1948 (preliminary estimate) \$997,000,000. Reinvestment (not included in the above figures) was approximately one-third of total earnings. In general, the rate of net return on foreign investments since the end of the war has been somewhat higher—but not excessively so—than that on domestic investment.

Obstacles to private foreign investment.—In recent years, the attractive domestic opportunities for investment have tended to reduce the flow of capital abroad. Unstable political conditions in some capital-seeking countries also have served to discourage venture into the foreign field. In many areas, profitable investment cannot take place prior to the fostering of basic technical development and the improvement of the health and skills of the local labor force. Lack of knowledge in the United States of foreign countries and generalized misconceptions as to investment risks in them also have served to discourage foreign investment.

Among the most serious obstacles to the flow of international capital are the restrictions imposed by the recipient governments. Nationalization and expropriation without compensation are not unusual occurrences. There are prohibitions against the entry of foreigners into certain industries and locations. In many countries, foreign companies are restricted in the management aspects of their business, and frequently their profits are subjected to discriminatory regulation.

Several factors underlie these restrictions. Unpleasant experiences with some predatory foreign investors have provided fuel for general antiforeign prejudice in many underdeveloped areas. Extreme nationalism tends to keep foreigners out of all or many aspects

of economic development, although intelligently directed nationalist sentiment can be a strong contributory factor in encouraging such participation. Finally, the burden of exchange stringencies frequently results in severe restrictions on the withdrawal of foreign capital or earnings.

Overcoming the obstacles to private foreign investment.—Most obstacles to private investment stem from the actions of foreign governments. Some are temporarily unavoidable. Others have roots deep in differing economic and political philosophies.

These barriers will be broken down not by a single line of attack but rather by a composite program which attempts to provide a common meeting ground for the foreign country and the United States investor. The United States is moving toward this goal over many approaches. Our general foreign policy is seeking to create a sense of international security, to establish a greater and more balanced world trade and to correct the economic dislocations of the war. Such actions all tend to eliminate the fears and uncertainties which give rise to extreme nationalism. This country also intends to negotiate basic bilateral treaties which insure fair and reasonable treatment to United States investors while protecting the legitimate rights and interests of the capital-receiving countries. Tax inducements are contemplated as still another method of breaking through the barriers to foreign investment. Involved are the liberalizing of our own tax laws and the negotiating of equitable tax conventions with other governments. The entire technical cooperation phase of the program, in and of itself, is expected to operate to overcome many of the obstacles to the flow of capital.

The various deterrents to private investment abroad will not be removed completely, however, by the measures outlined above. Therefore, the extension of governmental guaranties against the risks peculiar to investment abroad is also proposed. The most important of such risks are: (1) loss through nonconvertibility of returns; (2) loss through seizure, confiscation or expropriation; and (3) loss through physical destruction incident to international war.

10. ADMINISTRATIVE ORGANIZATION IN THE UNITED STATES GOVERNMENT

Organization within the Government for technical cooperation.—The successful operation of the technical assistance program will demand close coordination of many United States Government agencies and international organizations and continuing cooperation with a large number of private organizations and enterprises. Since Point Four is a basic element of United States foreign policy and since it requires considerable negotiations with international organizations and foreign governments, it is expected that the President will delegate authority over the program to the Secretary of State. The Secretary, in turn, would charge one official with general responsibility for coordinating, planning, and execution.

Existing agencies of the United States Government competent to participate in the program will receive responsibilities in their respective fields from the State Department. Interdepartmental coordination will depend on the usual executive procedures and also on the establishment of more formal methods of consultation respecting

Point Four. Some regular procedure probably will be devised to secure advice from private citizens and groups.

Development of United States position on programs of international agencies.—The United States positions will be presented by official representatives in intergovernmental organizations. The Department of State will have central responsibility for developing such positions but it will do so in consultation with other appropriate agencies and departments of the United States. The statutory functions of the National Advisory Council in coordinating policy on international finance and monetary problems would not be changed.

Project planning.—The Department of State will be responsible for establishing general policies and procedures and will exercise functions of screening and review. United States field representatives will work with local officials in preparing projects of technical assistance. The substantive agencies within the United States Government will develop operating plans in accordance with policies and standards laid down by the State Department.

Project management.—After funds have become available, the State Department will allocate them to other agencies in accordance with approved projects. The latter will develop the technical scope, the methods and objectives of any given project, within the framework of policy and procedure established. They will also carry on recruitment, subject to review by the Department of State for suitability of personnel for assignment to a specific area.

In general, personnel arrangements will conform with the standards prevailing in the Foreign Service Reserve.

Employees will be under the administrative direction of the particular agency handling the specific project but when abroad will be subject to guidance and instruction by the United States Ambassador on the spot. The Department of State will establish requirements for reporting and the channels of communication.

The local government normally will provide working space, supplies, clerical and support personnel, and local services. The United States Embassy, however, will be prepared to supplement these contributions in certain cases.

Procurement and shipment of technical materials and supplies furnished by the United States will be the responsibility of the administering agency. Such costs will be included in estimates and allocations.

Agreements with countries receiving assistance.—An essential factor in the success of the program will be the enlistment of the understanding and initiative of recipient countries in undertaking projects. It is far more important to encourage a receptive and enthusiastic attitude than to negotiate rigid agreements. For this reason, it is not planned to require comprehensive bilateral agreements as a basis for United States assistance. There will be, however, written executive agreements for certain projects or groups of projects. The latter generally should include a joint definition of purposes and methods, provision for reciprocity on certain types of aid, commitments on the dissemination of information, and undertakings designed to promote the domestic application of the knowledge gained through the program. United States policy in international bodies will seek to require similar commitments under the latter's aid agreements.

There is no assurance that recipient countries will make effective use of the knowledge and skill conveyed to them. The most that can be done is to stimulate local initiative through planning and operation, to improve our methods for conveying knowledge and skill and to evaluate as we go along so as to apply the lessons revealed to future operations.

11. PROGRAM FOR FISCAL YEAR 1950

The United Nations program.—In response to a United States-sponsored resolution introduced in the Economic and Social Council on February 25, 1949, the Secretary-General prepared a report covering an expanded program of technical assistance. This report, issued on June 2, 1949, recommended increased activity by various United Nations bodies in the fields of agriculture, transport, industry, labor, finance, health, welfare, and education. The broad program envisioned involves an expenditure of 35.9 million dollars the first year and 50.2 million dollars the second year, to be divided between the United Nations and the specialized agencies as follows:

	First year	Second year
United Nations.		
Through United Nations itself.....	\$4,855,500	\$7,743,500
Through specialized agencies ¹	1,034,500	1,601,500
Total.....	5,940,000	9,345,000
Specialized agencies:		
International Labor Organization.....	4,678,400	6,793,500
Food and Agriculture Organization.....	9,425,456	11,345,383
United Nations Educational, Scientific, and Cultural Organization.....	6,150,000	10,705,500
International Civil Aviation Organization.....	516,200	1,067,400
World Health Organization.....	9,152,520	10,983,024
Total, United Nations and specialized agencies.....	35,862,576	50,179,807

¹ Additional to the totals for specialized agencies listed below

It is expected that these recommendations will be acted upon at the current meeting of the Economic and Social Council. Before they could be applied effectively, however, considerable planning must be done by the individual countries desiring assistance. Much is known of their needs and wishes, but the detailed projects need to be worked out within the limits of assistance available before work actually begins.

The United States program.—Because the United Nations program is still in the preliminary planning stage, the estimated United States requirements for funds are stated in terms of functions broken down by regions rather than in terms of individual projects for particular countries. When and if allocations are made they will be based on approved projects negotiated by the United States with individual countries or made as contributions to budgets negotiated with international organizations. Funds must be available before such negotiations can be meaningful.

The United States program for fiscal year 1950 is derived largely by weighing need for assistance against availability. Information on needs came largely from specific requests, official and diplomatic reports, past experience, miscellaneous intelligence, numerous public

and private economic surveys, etc. Information on the availability of assistance was provided by United States agencies and various international organizations.

Proposals were then considered not only in terms of these two factors but also for compliance with the objectives and principles of Point Four, for duplication, for feasibility under existing political conditions in the particular country, and for balance in the particular economy. This screening process has provided reasonable insurance against overlapping between United Nations and United States projects.

In arriving at a figure for the requested appropriation, necessary adjustments were made both for the funds expected to come from non-United States sources and for the fact that the United States program will not be under way until the fall of 1949 and United Nations projects not until calendar 1950.

The program for fiscal year 1950 includes budgetary requests for funds previously sought for assistance projects, except those coming under the International Aviation Facilities Act, the Philippine Rehabilitation program and the ECA. It includes funds for pertinent parts of the activities heretofore authorized under the Smith-Mundt Act and the entire request of the Institute of Inter-American Affairs and the merchant marine training program of the Maritime Commission.

The fiscal year 1950 program involves the expenditures of about 85.6 million dollars for technical assistance in the various functional categories previously discussed. Of this total, the United States or the international agency would bear 57.1 million dollars and the recipient nations 28.5 million dollars.

The estimated share for Latin America is 32.3 million dollars, for Asia and the Far East 26.3 million dollars and for the Near East and Africa 27 million dollars. The total new appropriation requirement growing out of the program is 35 million dollars. This figure is arrived at as follows:

Total program, including cost to recipient countries.....	\$85,620,000
Less cost to recipient countries.....	- 28,510,000
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Cost of program to United States or international agencies.....	57,080,000
Less programs for which appropriations have already been requested or which will be met from regular budgets of international agencies to which the United States contributes	- 10,200,000
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Additional 1950 program.....	46,880,000
Less costs of UN program borne by other cooperating countries and "lapses" in United States programs.....	- 15,388,000
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Net additional program costs in fiscal year 1950.....	31,492,000
Net administrative cost.....	+ 3,008,000
For the Department of Commerce service to business for foreign economic development.....	+ 500,000
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Total appropriation requirement for fiscal year 1950.....	35,000,000

¹ Includes—

Interdepartmental Committee on Scientific and Cultural Cooperation programs (Public Law 402).....	\$3,276,000
Institute of Inter-American Affairs.....	4,858,000
Maritime Commission.....	33,000
UN and specialized agencies (estimated).....	2,033,000

12. LEGISLATIVE STATUS

The President's message, June 24, 1949.—President Truman sent a message to the Congress, dated June 24, 1949, requesting a program of assistance to peoples of underdeveloped areas (H. Doc. No. 240). To inaugurate the program, he recommended an appropriation of not to exceed \$45,000,000 which included some \$10,000,000 already sought in the 1950 budget for similar activities. In addition, the President recommended that the Export-Import Bank be empowered to conduct an experimental project of guaranteeing investors against certain risks peculiar to foreign investment.

H. R. 5594.—On July 12, 1949, Representative Spence introduced a bill (H. R. 5594), which was referred to the Committee on Banking and Currency. It provides for an amendment to the Export-Import Bank legislation to empower that organization to guarantee United States private capital invested in productive enterprises abroad which contribute to economic development in foreign countries against risks peculiar to such investments.

Additional appropriations are not involved in this bill.

H. R. 5615.—The technical assistance aspects of Point Four are covered in a bill, H. R. 5615, introduced by Mr. Kee and referred to the Committee on Foreign Affairs on July 12, 1949. H. R. 5615 proposes legislation to be cited as the "International Technical Cooperation Act of 1949" to promote United States foreign policy and to authorize United States participation in a cooperative endeavor to assist in developing the economically underdeveloped areas of the world.

The legislation would welcome the United Nations, the Organization of the American States and their related agencies to share in carrying out the program wherever practicable. It also would encourage private agencies and persons to participate.

The bill defines "technical cooperation programs" as "activities serving as a means for the international interchange of technical knowledge and skills which are designed primarily to contribute to the balanced and integrated development" of underdeveloped areas. Such activities might include economic, engineering, medical, educational and fiscal surveys, demonstration, training, and similar projects. Specifically mentioned as not falling within the proposed legislation are those activities, not primarily economic, of the United States Information and Educational Exchange Act of 1948 (62 Stat. 6), the activities undertaken pursuant to the International Aviation Facilities Act (62 Stat. 450), the Philippine Rehabilitation Act of 1946 (60 Stat. 128), the Foreign Assistance Act of 1948 (62 Stat. 137), and the activities undertaken by the armed forces in the occupied areas.

Under H. R. 5615 the President would have general executive authority to carry out the purposes of the proposed legislation, including the right to terminate United States participation in any or all programs. He is also authorized to delegate his authority to the Secretary of State or any other employee of the Government. The Secretary of State is empowered to establish an Institute of International Technical Cooperation within his Department to further the objectives of the act.

Personnel employed within continental United States under the terms of H. R. 5615 would be subject to regular civil-service procedures, except that the President, with the consent of the Senate, could appoint one person at a salary not to exceed \$16,000 annually. Outside continental United States, employment practices generally would follow those established under the Foreign Service Act of 1946 (60 Stat. 999). United States employees may be detailed to noncompensated positions with foreign governments without loss of pay and rights with the United States Government. Experts and consultants may be engaged at a rate not in excess of \$50 per diem. Employees could be hired under this legislation without regard to the ceilings set on Federal civilian employment by the Federal Employees Pay Act of 1946, section 14a (60 Stat. 219).

The legislation would require the President to submit an annual report of operations under the act to the Congress.

H. R. 5615 would authorize activities under appropriations made pursuant to the International Technical Cooperation Act of 1949, and, pending enactment of such appropriations, under authority enter into contracts granted in other appropriations acts.

When specifically provided for in appropriations acts, H. R. 5615 permits the carrying over of unobligated balances into succeeding fiscal years.

The President would be empowered under this legislation to allocate any part of the appropriations to any United States Government agency to carry out the purposes of the program.

APPENDIXES

APPENDIX I

EXCERPT FROM PRESIDENT TRUMAN'S INAUGURAL ADDRESS, JANUARY 20, 1949

Fourth, we must embark on a bold new program for making the benefits of our scientific advances and industrial progress available for the improvement and growth of underdeveloped areas.

More than half the people of the world are living in conditions approaching misery. Their food is inadequate. They are victims of disease. Their economic life is primitive and stagnant. Their poverty is a handicap and a threat both to them and to more prosperous areas.

For the first time in history, humanity possesses the knowledge and the skill to relieve the suffering of these people.

The United States is preeminent among nations in the development of industrial and scientific techniques. The material resources which we can afford to use for the assistance of other peoples are limited. But our imponderable resources in technical knowledge are constantly growing and are inexhaustible.

I believe that we should make available to peace-loving peoples the benefits of our store of technical knowledge in order to help them realize their aspirations for a better life. And, in cooperation with other nations, we should foster capital investment in areas needing development.

Our aim should be to help the free peoples of the world, through their own efforts, to produce more food, more clothing, more materials for housing, and more mechanical power to lighten their burdens.

We invite other countries to pool their technological resources in this undertaking. Their contributions will be warmly welcomed. This should be a cooperative enterprise in which all nations work together through the United Nations and its specialized agencies wherever practicable. It must be a world-wide effort for the achievement of peace, plenty, and freedom.

With the cooperation of business, private capital, agriculture, and labor in this country, this program can greatly increase the industrial activity in other nations and can raise substantially their standards of living.

Such new economic developments must be devised and controlled to benefit the peoples of the areas in which they are established. Guaranties to the investor must be balanced by guaranties in the interest of the people whose resources and whose labor go into these developments.

The old imperialism—exploitation for foreign profit—has no place in our plans. What we envisage is a program of development based on the concepts of democratic fair dealing.

All countries, including our own, will greatly benefit from a constructive program for the better use of the world's human and natural resources. Experience shows that our commerce with other countries expands as they progress industrially and economically.

Greater production is the key to prosperity and peace. And the key to greater production is a wider and more vigorous application of modern scientific and technical knowledge.

Only by helping the least fortunate of its members to help themselves can the human family achieve the decent, satisfying life that is the right of all people.

Democracy alone can supply the vitalizing force to stir the peoples of the world into triumphant action, not only against their human oppressors, but also against their ancient enemies—hunger, misery, and despair.

APPENDIX II

THE PRESIDENT'S MESSAGE TO THE CONGRESS ON "POINT FOUR LEGISLATION"

To the Congress of the United States:

In order to enable the United States, in cooperation with other countries, to assist the peoples of economically underdeveloped areas to raise their standards of living, I recommend the enactment of legislation to authorize an expanded program of technical assistance for such areas, and an experimental program for encouraging the outflow of private investment beneficial to their economic development. These measures are the essential first steps in an undertaking which will call upon private enterprise and voluntary organizations in the United States, as well as the Government, to take part in a constantly growing effort to improve economic conditions in the less-developed regions of the world.

The grinding poverty and the lack of economic opportunity for many millions of people in the economically underdeveloped parts of Africa, the Near and Far East, and certain regions of Central and South America, constitute one of the greatest challenges of the world today. In spite of their age-old economic and social handicaps, the peoples in these areas have in recent decades been stirred and awakened. The spread of industrial civilization, the growing understanding of modern concepts of government, and the impact of two world wars have changed their lives and their outlook. They are eager to play a greater part in the community of nations.

All these areas have a common problem. They must create a firm economic base for the democratic aspirations of their citizens. Without such an economic base, they will be unable to meet the expectations which the modern world has aroused in their peoples. If they are frustrated and disappointed, they may turn to false doctrines which hold that the way of progress lies through tyranny.

For the United States the great awakening of these peoples holds tremendous promise. It is not only a promise that new and stronger nations will be associated with us in the cause of human freedom, it is also a promise of new economic strength and growth for ourselves.

With many of the economically underdeveloped areas of the world, we have long had ties of trade and commerce. In many instances today we greatly need the products of their labor and their resources. If the productivity and the purchasing power of these countries are expanded, our own industry and agriculture will benefit. Our experience shows that the volume of our foreign trade is far greater with highly developed countries than it is with countries having a low standard of living and inadequate industry. To increase the output and the national income of the less-developed regions is to increase our own economic stability.

In addition, the development of these areas is of utmost importance to our efforts to restore the economies of the free European nations. As the economies of the underdeveloped areas expand, they will provide needed products for Europe and will offer a better market for European goods. Such expansion is an essential part of the growing system of world trade which is necessary for European recovery.

Furthermore, the development of these areas will strengthen the United Nations and the fabric of world peace. The preamble to the Charter of the United Nations states that the economic and social advancement of all people is an essential bulwark of peace. Under article 56 of the Charter, we have promised to take separate action and to act jointly with other nations "to promote higher standards of living, full employment, and conditions of economic and social progress and development."

For these various reasons, assistance in the development of the economically underdeveloped areas has become one of the major elements of our foreign policy. In my inaugural address, I outlined a program to help the peoples of these areas to attain greater production as a way to prosperity and peace.

The major effect in such a program must be local in character; it must be made by the people of the underdeveloped areas themselves. It is essential, however, to the success of their effort that there be help from abroad. In some cases, the peoples of these areas will be unable to begin their part of this great enterprise without initial aid from other countries.

The aid that is needed falls roughly into two categories. The first is the technical, scientific, and managerial knowledge necessary to economic development. This category includes not only medical and educational knowledge, and assistance and advice in such basic fields as sanitation, communications, road building, and

governmental services, but also, and perhaps most important, assistance in the survey of resources and in planning for long-range economic development.

The second category is production goods—machinery and equipment—and financial assistance in the creation of productive enterprises. The underdeveloped areas need capital for port and harbor development, roads and communications, irrigation and drainage projects, as well as for public utilities and the whole range of extractive, processing, and manufacturing industries. Much of the capital required can be provided by these areas themselves, in spite of their low standards of living. But much must come from abroad.

Two categories of aid are closely related. Technical assistance is necessary to lay the groundwork for productive investment. Investment, in turn, brings with it technical assistance. In general, however, technical surveys of resources and of the possibilities of economic development must precede substantial capital investment. Furthermore, in many of the areas concerned, technical assistance in improving sanitation, communications, or education is required to create conditions in which capital investment can be fruitful.

This country, in recent years, has conducted relatively modest programs of technical cooperation with other countries. In the field of education, channels of exchange and communication have been opened between our citizens and those of other countries. To some extent, the expert assistance of a number of Federal agencies, such as the Public Health Service and the Department of Agriculture, has been made available to other countries. We have also participated in the activities of the United Nations, its specialized agencies, and other international organizations to disseminate useful techniques among nations.

Through these various activities, we have gained considerable experience in rendering technical assistance to other countries. What is needed now is to expand and integrate these activities and to concentrate them particularly on the economic development of underdeveloped areas.

Much of the aid that is needed can be provided most effectively through the United Nations. Shortly after my inaugural address, this Government asked the Economic and Social Council of the United Nations to consider what the United Nations and the specialized international agencies could do in this program.

The Secretary-General of the United Nations thereupon asked the United Nations Secretariat and the secretariats of the specialized international agencies to draw up cooperative plans for technical assistance to underdeveloped areas. As a result, a survey was made of technical projects suitable for these agencies in such fields as industry, labor, agriculture, scientific research with respect to natural resources and fiscal management. The total cost of the program submitted as a result of this survey was estimated to be about \$35,000,000 for the first year. It is expected that the United Nations and the specialized international agencies will shortly adopt programs for carrying out projects of the type included in this survey.

In addition to our participation in this work of the United Nations, much of the technical assistance required can be provided directly by the United States to countries needing it. A careful examination of the existing information concerning the underdeveloped countries shows particular need for technicians and experts with United States training in plant and animal diseases, malaria and typhus control, water supply and sewer systems, metallurgy and mining, and nearly all phases of industry.

It has already been shown that experts in these fields can bring about tremendous improvements. For example, the health of the people of many foreign communities has been greatly improved by the work of United States sanitary engineers in setting up modern water supply systems. The food supply of many areas has been increased as the result of the advice of United States agricultural experts in the control of animal diseases and the improvement of crops. These are only examples of the wide range of benefits resulting from the careful application of modern techniques to local problems. The benefits which a comprehensive program of expert assistance will make possible can only be revealed by studies and surveys undertaken as a part of the program itself.

To inaugurate the program, I recommend a first-year appropriation of not to exceed \$45,000,000. This includes \$10,000,000 already requested in the 1950 budget for activities of this character. The sum recommended will cover both our participation in the programs of the international agencies and the assistance to be provided directly by the United States.

In every case, whether the operation is conducted through the United Nations, the other international agencies, or directly by the United States, the country receiving the benefit of the aid will be required to bear a substantial portion of the expense.

The activities necessary to carry out our program of technical aid will be diverse in character and will have to be performed by a number of different Government agencies and private instrumentalities. It will be necessary to utilize not only the resources of international agencies and the United States Government, but also the facilities and the experience of the private business and nonprofit organizations that have long been active in this work.

Since a number of Federal agencies will be involved in the program, I recommend that the administration of the program be vested in the President, with authority to delegate to the Secretary of State and to other Government officers, as may be appropriate. With such administrative flexibility, it will be possible to modify the management of the program as it expands and to meet the practical problems that will arise in its administration in the future.

The second category of outside aid needed by the underdeveloped areas is the provision of capital for the creation of productive enterprises. The International Bank for Reconstruction and Development and the Export-Import Bank have provided some capital for underdeveloped areas, and, as the economic growth of these areas progresses, should be expected to provide a great deal more. In addition, private sources of funds must be encouraged to provide a major part of the capital required.

In view of the present troubled condition of the world—the distortion of world trade, the shortage of dollars, and other after-effects of the war—the problem of substantially increasing the flow of American capital abroad presents serious difficulties. In all probability novel devices will have to be employed if the investment from this country is to reach proportions sufficient to carry out the objectives of our program.

All countries concerned with the program should work together to bring about conditions favorable to the flow of private capital. To this end we are negotiating agreements with other countries to protect the American investor from unwarranted or discriminatory treatment under the laws of the country in which he makes his investment.

In negotiating such treaties we do not, of course, ask privileges for American capital greater than those granted to other investors in underdeveloped countries or greater than we ourselves grant in this country. We believe that American enterprise should not waste local resources, should provide adequate wages and working conditions for local labor, and should bear an equitable share of the burden of local taxes. At the same time, we believe that investors will send their capital abroad on an increasing scale only if they are given assurance against risk of loss through expropriation without compensation, unfair or discriminatory treatment, destruction through war or rebellion, or the inability to convert their earnings into dollars.

Although our investment treaties will be directed at mitigating such risks, they cannot eliminate them entirely. With the best will in the world a foreign country, particularly an underdeveloped country, may not be able to obtain the dollar exchange necessary for the prompt remittance of earnings on dollar capital. Damage or loss resulting from internal and international violence may be beyond the power of our treaty signatories to control.

Many of these conditions of instability in underdeveloped areas which deter foreign investment are themselves a consequence of the lack of economic development which only foreign investment can cure. Therefore, to wait until stable conditions are assured before encouraging the outflow of capital to underdeveloped areas would defer the attainment of our objectives indefinitely. It is necessary to take vigorous action now to break out of this vicious circle.

Since the development of underdeveloped economic areas is of major importance in our foreign policy, it is appropriate to use the resources of the Government to accelerate private efforts toward that end. I recommend, therefore, that the Export-Import Bank be authorized to guarantee United States private capital, invested in productive enterprises abroad which contribute to economic development in underdeveloped areas, against the risks peculiar to those investments.

This guarantee activity will at the outset be largely experimental. Some investments may require only a guarantee against the danger of inconvertibility, others may need protection against the danger of expropriation and other dangers as well. It is impossible at this time to write a standard guarantee. The bank will, of course, be able to require the payment of premiums for such protection, but there is no way now to determine what premium rates will be most appropriate in the long run. Only experience can provide answers to these questions.

The bank has sufficient resources at the present time to begin the guarantee program and to carry on its lending activities as well without any increase in its authorized funds. If the demand for guarantees should prove large, and lending activities continue on the scale expected, it will be necessary to request the Congress at a later date to increase the authorized funds of the bank.

The enactment of these two legislative proposals, the first pertaining to technical assistance and the second to the encouragement of foreign investment, will constitute a national endorsement of a program of major importance in our efforts for world peace and economic stability. Nevertheless, these measures are only the first steps. We are here embarking on a venture that extends far into the future. We are at the beginning of a rising curve of activity, private, governmental and international, that will continue for many years to come. It is all the more important, therefore, that we start promptly.

In the economically underdeveloped areas of the world today there are new creative energies. We look forward to the time when these countries will be stronger and more independent than they are now, and yet more closely bound to us and to other nations by ties of friendship and commerce, and by kindred ideals. On the other hand, unless we aid the newly awakened spirit in these peoples to find the course of fruitful development, they may fall under the control of those whose philosophy is hostile to human freedom, thereby prolonging the unsettled state of the world and postponing the achievement of permanent peace.

Before the peoples of these areas we hold out the promise of a better future through the democratic way of life. It is vital that we move quickly to bring the meaning of that promise home to them in their daily lives.

HARRY S. TRUMAN.

THE WHITE HOUSE, *June 24, 1949.*

