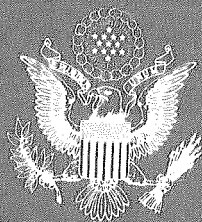


300

Highlights of PRESIDENT KENNEDY'S

New
ACT for
INTERNATIONAL
DEVELOPMENT



We live at a very special moment in history. The whole southern half of the world—Latin America, Africa, the Middle East, and Asia—are caught up in the adventures of asserting their independence and modernizing their old ways of life. . . . The 1960's can be—and must be—the crucial “decade of development”—the period when many less developed nations make the transition into self-sustained growth—the period in which an enlarged community of free, stable, and self-reliant nations can reduce world tensions and insecurity. . . . Our job, in its largest sense, is to create a new partnership between the northern and southern halves of the world, to which all free nations can contribute, in which each free nation must assume a responsibility proportional to its means.

PRESIDENT JOHN F. KENNEDY
Message to Congress,
March 22, 1961

**Highlights of
PRESIDENT KENNEDY'S**

New

ACT for

INTERNATIONAL

DEVELOPMENT

DEPARTMENT OF STATE

NOTE

Part I of this pamphlet, "Building the Frontiers of Freedom," is the statement made on May 31, 1961, by Secretary of State Dean Rusk before the Senate Foreign Relations Committee in support of the Act for International Development and the International Peace and Security Act.

Part II is the summary outlining the international development program, which appears in the booklet *An Act for International Development, Fiscal Year 1962* (Department of State publication 7205, for sale by the Superintendent of Documents, U.S. Government Printing Office, Washington 25, D.C., price 75 cents).

Building the Frontiers of Freedom

by SECRETARY OF STATE RUSK

. . . Every age, historians remind us, is an age of transition. But some ages are surely more transitional than others. I cannot but feel that ours is preeminently such an age and that here, just beyond the middle of the 20th century, humanity stands, for better or for worse, on the threshold of a new historic epoch.

Behind us, great historic forces, sweeping nations and institutions and ideas along in a tumultuous flood, have brought mankind to the point where the old ways of ordering our affairs are being manifestly transformed by the new demands of our decade. Ahead of us stretches an unknown future—but a future which our own actions in the present can endow with direction and content.

What we decide now will determine whether the second half of the 20th century records a plunge into chaos or a steady ascent into more effective coherence and order. Our decisions by themselves can have only a partial effect on the rest of the world. Yet this effect, if limited, may also in many parts of the world provide the indispensable margin which makes the difference between a peaceful order and the law of the jungle. That is why President Kennedy has rightly called the economic measures here under consideration “the single most important program available for building the frontiers of freedom.”

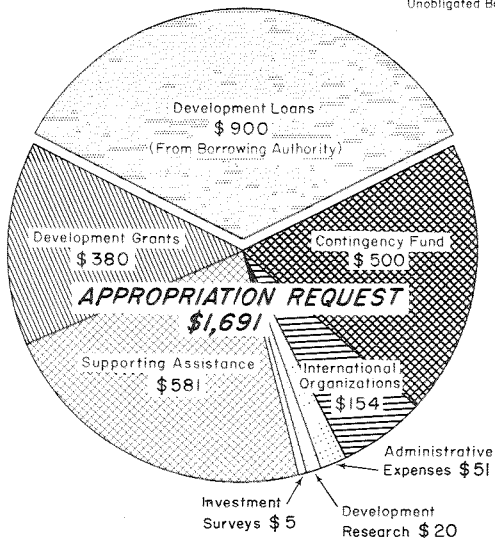
The frontiers of freedom, we hope, will be the symbols of the new international order which it is our purpose to promote. What will the characteristics of this international order be? What kind of world are we Americans striving for?

We want, of course, a world of peace and progress under law. And I would lay particular stress on the word “progress.” For there can be no greater error than to regard peace as a permanent ratification of an unacceptable *status quo*. Peace in such terms would be quickly shattered by the explosive forces of change. The object of peace is not to bring change to an end: It is to provide peoples the opportunity to achieve essential change without war.

We seek, in short, not a static but a dynamic peace. We hope for a world in which frontiers will mark national identity and not national self-assertion; in which peoples can peacefully revise their own insti-

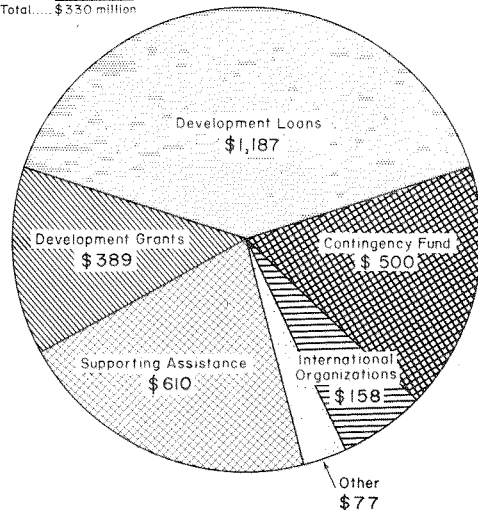
FY 1962 REQUEST AND PROGRAM

FY 1962 REQUEST*



Total \$2,591 million

FY 1962 PROGRAM



Total \$2,921 million

Difference between FY 1962 Request and FY 1962 Program:

| | |
|--|-----------------------|
| Loan Repayments | \$ 287 million |
| Unobligated Balances Carried Forward | 43 million |
| Total | \$ 330 million |

* Excludes Peace Corps, Refugee and Migration Programs, and State Administrative Expenses.

NOTE: An additional \$16 billion in borrowing authority is requested for each of the four succeeding fiscal years for Development Loans.

tutions to meet their own national needs; in which nations differing in their internal forms of organization will dwell together in mutual self-respect and freely exchange goods and persons and ideas; in which competition among national states will lose its cutting edge as nations work together in the common interest of mankind; in which the dignity of the individual will be securely established on the basis of social justice, civic freedom, and international order.

We seek, above all, a world of free choice in which a great diversity of nations, each faithful to its own traditions and its own genius, will learn to respect the ground rules of human survival. We do not wish to make the world over in our own image—and we will not accept that the world be made over in the image of any society or dogmatic creed. Against the world of coercion, we affirm the world of choice. We believe that the revolution of human liberty will never come to an end.

The world today is a very different world from what it was at the end of World War II. The Soviet Union has grown in economic, technical, and military strength. Western Europe, with its astonishing economic recovery, has resumed its place as a potent factor in international affairs. The nations of Latin America, of Asia, and of Africa, rising on the tide of nationalist aspiration, are demanding their places in the sun.

Such a world contains contradictions, perplexities, and dangers. Wider distributions of power increase the hazards of world affairs in a nuclear age. At the same time this new world offers exceptional opportunities for positive, flexible, and imaginative effort. Wise policy in this new world requires a number of things from the United States.

It requires a sufficiency of military force to restrain nations from aggression—and sufficiently diversified military capabilities to deter or meet aggression at every level, from the thermonuclear holocaust to assassination in the jungle.

It requires, equally, a strong and sincere determination to advance the cause of disarmament—to do everything possible to establish the conditions under which nations may reduce their military establishments and know that, in doing so, they are not exposing themselves to enemy attack.

It requires, too, an active and affirmative policy of building the social, economic, and moral strength of independent nations so that they will have the capacity within themselves to throw off the virus of totalitarianism and pursue national objectives in a climate of expanding freedom.

The first thing I would say about the programs under consideration today is that they reflect to a degree our own national experience.

We were once an underdeveloped country ourselves. We grew through a combination of foreign assistance, public aid, and private investment and enterprise. We know that a free society under representative institutions can achieve extraordinary economic growth. Our opportunity today—and our obligation—is to assist other nations to reach a stage of secure national independence and self-sustaining economic development.

The need today is for the United States and the other developed nations to open to the emergent societies of Latin America, Asia, and Africa opportunities for a continuous and concurrent growth of independence, of democracy, of industry and agriculture, of social justice, and of the institutions and ideals which express and safeguard the dignity of man.

The battleground of freedom, as the President said last Thursday, is the whole southern half of the globe. Here over 40 new nations have attained independence since the war, 19 since the beginning of last year. Here nations, old and new, are struggling to convert formal independence into true nationhood. Everywhere people are awakening from the stagnation of centuries. They decline any longer to regard poverty and oppression and squalor as the law of nature. They are determined to have for themselves and their children the food they need, housing fit for human habitation, the benefits of their farming, schools, sanitation and medicine, and honest, responsible government. They are determined to claim these benefits of modern life without delay.

And if the democratic world cannot satisfy this passion for modernization, then the Communists can leap aboard this great revolution of freedom, seize it, direct it to their own ends, and make it the instrument of their own limitless imperialist ambitions. We would be false both to our own national interest and to our obligations to others were we to allow this to happen.

Our task is made more difficult because the Sino-Soviet bloc has systematically focused its political, economic, and propaganda assault on the underdeveloped world in the last half-dozen years. They have exploited their capabilities with considerable effect. They have spread the illusion that rapid development is their monopoly. They have shown speed and flexibility, a minimum of red tape, a readiness to make long-term commitments, and a willingness to accept goods in repayment of loans. They are competing hard, with mixed results, but with an energy which ought to concern those committed to freedom.

But this competition or national self-interest alone is not the essence of the program we are discussing. We need no other reason to support

these measures than the profound and overriding fact that they are right.

It is right to do these things because peoples are in need of help and we are able to help them to help themselves; because their children sicken and die while we have the science to save them; because they are illiterate while we have the means of education and knowledge; because their agricultural methods and tools win them an annual income of \$50 from the soil while we have the technical skill and capital to help them live like human beings.

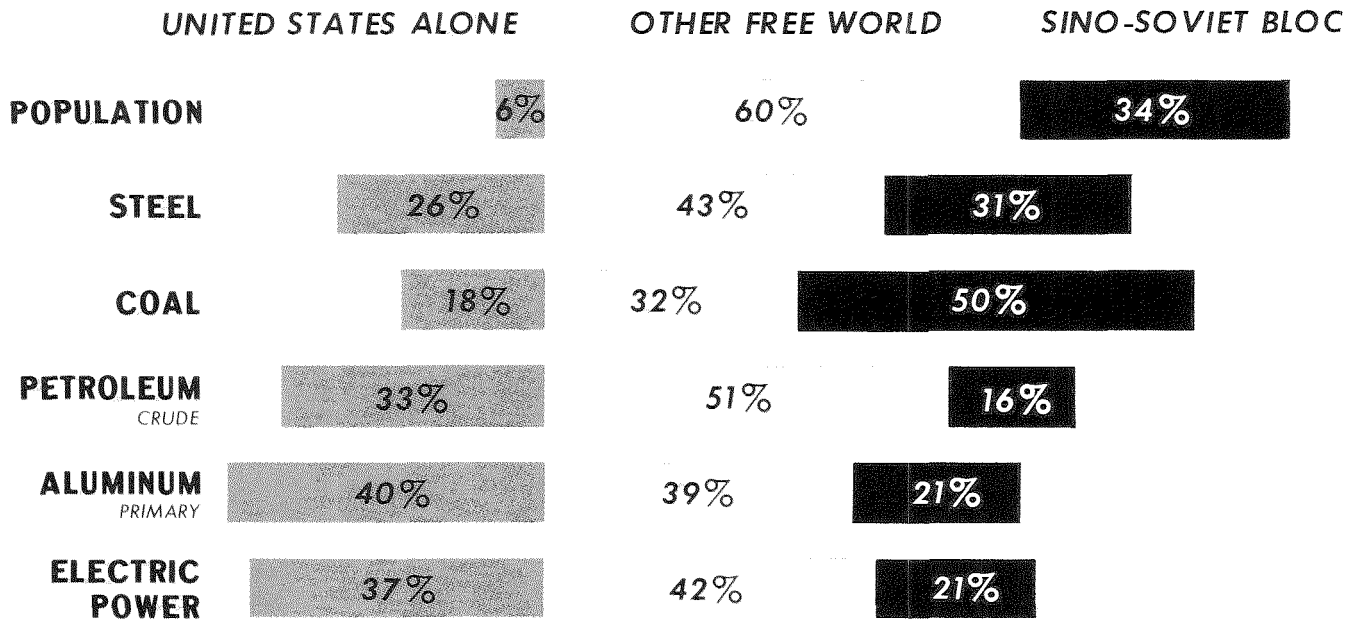
Nor is there assurance that this aid will save the underdeveloped world. But those who oppose foreign aid must accept the consequences of their opposition. They must understand that, if they succeed, they deny the peoples in the emergent societies their last great hope for independent development and therefore condemn them to the high probability of Communist servitude—and us to Communist world encirclement.

PAST EXPERIENCE WITH AID

Both Democrats and Republicans, in Congress and in the executive departments, have been active participants in the development of our aid programs. Many members of this committee have worked at these programs throughout the postwar period and have observed them in operation in all parts of the world. Despite shortcomings and disappointments which can be cited, I believe that the American people can take great satisfaction from the total result of the effort expended.

In the years immediately following World War II, UNRRA and other interim aid quite literally saved the people and the political freedom of Austria, Italy, and France. Greece and Turkey were assured of independence against severe pressures by timely action and aid. The Marshall plan, one of the most dramatic chapters in history, restored the nations of our oldest friends and staunchest allies to economic health. The vitality and capacity of these nations to take up a large share of the struggle for freedom are sources of great strength for the decade of the sixties. Before the European recovery program was finished, it became apparent that help was needed for the Republic of China, Korea, and for southeast Asia. Another great humanitarian concept was added in President Truman's point 4 program, the fruitful beginning of technical assistance throughout the world. Economic assistance, known as defense support, was used to strengthen those joined with us in common defense. During the Eisenhower administration, when these types of assistance proved inadequate for the capital needs of long-term development to achieve self-sustaining growth, there was added the Development Loan Fund. And for 6

WHERE THE BALANCE OF WORLD RESOURCES LIES



years we have made substantial quantities of our surplus foods available under Public Law 480, as a valuable adjunct to our aid program.

These programs of aid in the past 15 years, economic and military together, have cost a great deal of money and deserve our thoughtful and critical reflection. The sums amount to approximately 1.5 percent of our gross national product during the period. We can never know, fortunately, what our costs—or our fate—might have been otherwise, for history does not reveal its alternatives. If we have not accomplished all that we had hoped, perhaps our hopes were too sanguine, our understanding of this turbulent epoch too limited. What has been achieved is a great deal—an opportunity for a free people, associated with friends and allies in all parts of the world, to continue the effort to build a decent world order.

A new administration has an opportunity to sit down with Congress and review aid programs, taking advantage of what can be seen and learned from the experience of the past 15 years. Each will have his own list of “lessons,” but as one who has observed these programs both from within and outside of government, I would emphasize the following:

First, we need simplicity—in legislation and in administration. We need authority to move promptly and authority in the hands of responsible and identifiable individuals rather than in faceless committees or in a diffused bureaucracy. Timely action is both less expensive and more effective. The ability to decide affects our capacity to enlist the help of others—governments, international bodies, and private institutions and agencies. Many countries receiving aid need help with good public administration; one way to teach it is to practice it.

Second, short-term financing, hazardous and uneven, makes it difficult for us and those we are trying to help to plan ahead for the efficient use of both our and their resources. This is even more important to the receiver of aid than to us, for theirs is by far the larger effort. At most we can provide the critical increment to add a stimulus to the best which they can do. Economic and social development takes time, although the rate of improvement can be rapid. Realistic development requires that first things be done first—such first things as the preparation of talent, the building of essential administration, provision for basic public services, and the enlistment of the interest and energies of an entire people. Short-term plans tend to emphasize the dramatic over the basic, the facade over the foundations.

Third, the critical bottleneck in development is in the skills and talents of people. This is especially true of assistance provided by one country to another and is true both of those who give and those who receive. We staff our own public and private aid programs through

voluntary recruitment. It has to be said that there is a serious shortage of men and women who combine the highest professional qualifications with a deep commitment to serve in distant and sometimes difficult parts of the world. We can be grateful for the gallant and dedicated service which those in our aid programs have rendered, but the search for talent is never-ending and must be a central preoccupation of our efforts.

Fourth, the burden of assistance is not one which we can or need carry alone. Our obligation is to do the best we can, within the human and material resources at our disposal. But what we do can be joined with the efforts of others in a serious undertaking to help the lesser developed peoples to move economically and socially into the modern world. Other free and advanced nations are ready to help. International organizations can multiply our resources and add to the talent of which we are in short supply. A great variety of private and voluntary agencies in our own and other countries are playing a most significant role. Countries receiving aid will discover that they can help each other in regional cooperation. Stimulating opportunities for multiplying the effort can be found through imaginative and flexible administration.

Fifth, there are conditions which should be met before the commitment of our resources to foreign aid. It is true that our own interest and our hopes for a better world compel us to share our resources with others. It is essential that we try to do so without the "strings" which humiliate, offend, or impair the freedom of others. But we do believe that our investments should be good investments, that we should be given something to support, and that honest and diligent administration are indispensable if outside help is to be productive. Self-help must be our principal "string"—and an insistent one.

Sixth, economic and social development can occur only through advance on a broad front—in education, health, economic productivity, and good administration. Attempts to advance a narrow sector alone are likely to fail. Development requires an entire people to be on the move—interested, alerted, energetic, and self-reliant. National development cannot be imported; it can come only from within. Outside help can stimulate and encourage and can fill critical gaps, but only a people inspired by their own leaders can develop themselves.

Finally, the mood and spirit of our aid are relevant to its success. We should seek performance, not gratitude, from those receiving help, because the yield in friendship is more enduring if it is not extorted. If we have something to teach, we have much to learn. Our objectives in foreign aid will not be won by quick, flamboyant successes but in

quiet and persistent effort, applied in complex and unfamiliar situations, as we help others to achieve a larger share of the common aspirations of man.

THE NEW ECONOMIC ASSISTANCE PROGRAM

With these thoughts in mind we lay before you our proposals for a new Act for International Development, a program of aid essential to support our national policy. The legislation calls for the following:

(a) Authority to the President to borrow from the Treasury \$900 million in fiscal year 1962 and \$1.6 billion in each of the succeeding 4 fiscal years.

(b) Authority to the President to utilize approximately \$300 million annually for each of 5 fiscal years derived from repayments on certain outstanding loans.

(c) The authorization of \$1.69 billion in annual appropriations.

The first two elements form the foundation for development lending, and the third covers other tools of assistance including development grants, development research, investment feasibility surveys, supporting assistance, and a contingency fund.

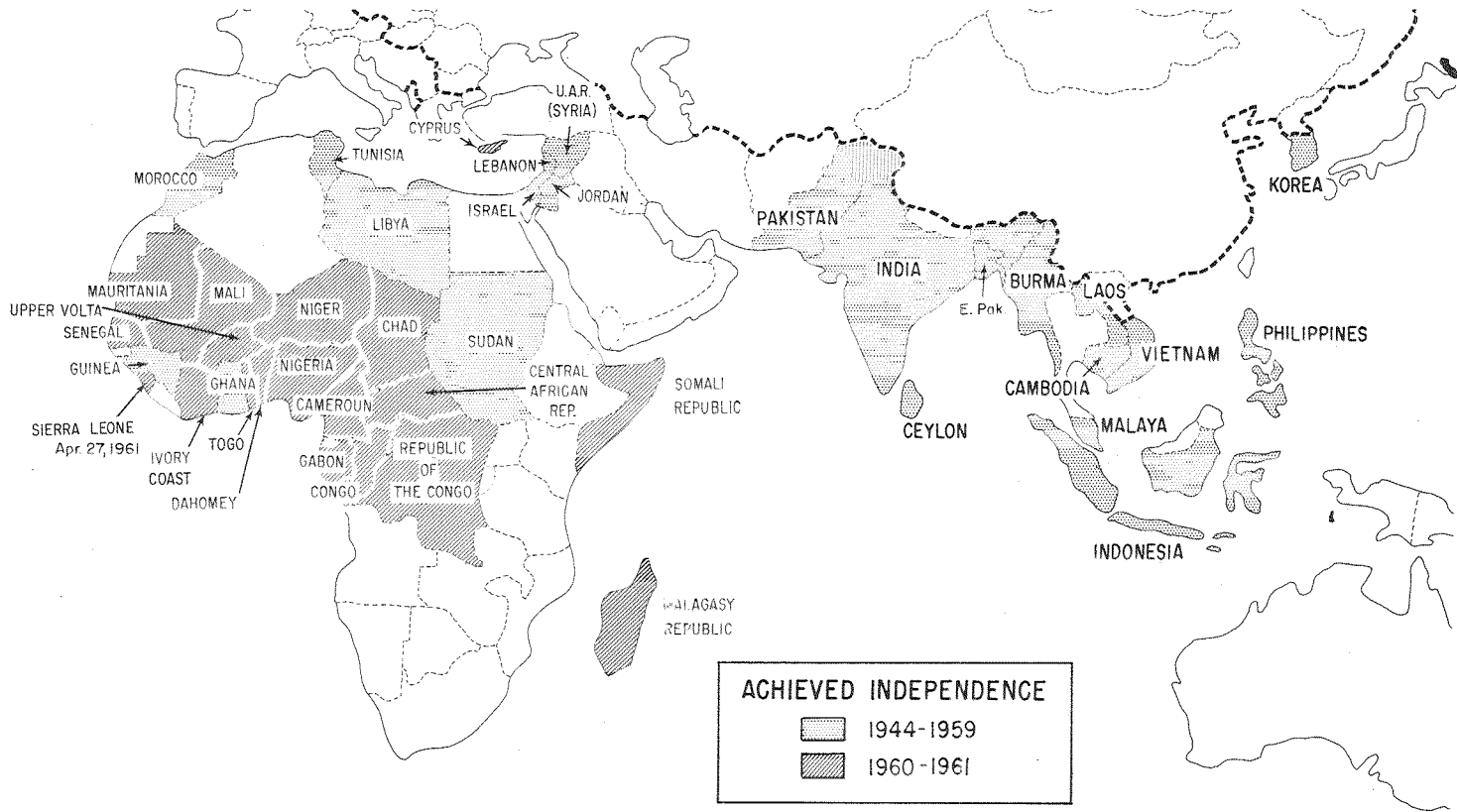
Those members of this committee and of the Appropriations and Armed Services Committees who participated in the remarkable study of foreign aid made in 1957 will recognize the origins of a great deal which is new and best in the proposals now before you. The fact that the study was given the most thoughtful consideration in the preparation of this new program will, I believe, be evident to you. . . . I should like to discuss certain features briefly.

Long-Term Development

If we are to achieve our major political objective of giving effective help to nations willing and anxious to undertake long-term development, it is essential that we be able to do so on a long-term basis and in amounts which are adequate to the ends in view. We must attempt to forestall crises—not simply live from crisis to crisis. The heart of the new program, therefore, is the President's request for authority to make long-term commitments for development.

Our ability to make these long-term commitments is fundamental to the full support of long-range country plans to achieve self-sustaining economic growth. It is fundamental to the adoption by recipient countries of maximum self-help measures—measures which more than

NEWLY INDEPENDENT COUNTRIES



anything else will insure that the people of each such country will share the benefits of economic and social progress. It is fundamental also to our efforts to lead the other industrialized nations to increase their share in helping the less developed countries along the paths of development. And it is fundamental to planning needed by the International Bank, the Inter-American Development Bank, and other international financing institutions to make the most effective use of their resources in aid of long-term growth. In short, we have no right to expect other nations to make long-range commitments and realistic plans unless we ourselves are able to inform them of the part we can play over a considerable time period.

You will recall that 4 years ago President Eisenhower and Secretary Dulles urged the Congress, in the establishment of the Development Loan Fund, to authorize it to borrow specified sums from the Treasury for loans. This proposal was approved by your committee and by the Senate. Its failure of adoption by the Congress has been a constant impediment to the long-term planning required for sound economic growth.

One material change has been made in our new proposal. The request made by the executive branch at that time was for funds to be lent for repayment in soft currencies. The request now is for funds for loans to be repaid in dollars.

We believe that the purposes of long-term planning can be served while at the same time providing effective congressional control over these funds. You will note that the proposed statute does not make the funds available all at once, but only by annual increments. Criteria are established for their use. Quarterly reports to Congress on lending operations are proposed. Standards for loans will be set by an interagency loan committee. There will be an annual presentation of aid legislation to both the authorizing and the appropriating committees of the Congress, during which all development lending operations will be described. The Congress would not only have opportunity to change the lending criteria and other provisions covering loans but also to curtail or end the borrowing authority or any part of it. The executive branch also proposes in the new legislation that the lending operations would be subject to the provisions of the Government Corporations Control Act under which the President must submit to the Appropriations Committees an annual budget for lending operations.

This is the kind of authority essential to a lending operation and now available to the Export-Import Bank, the Commodity Credit Corporation, and I understand some 20 other lending agencies of the Federal Government. It is critical to the success of the new program and our hopes for effective long-term development.

THE FINANCIAL TOOLS

are translated into...

THINGS and PEOPLE

used...

TO MEET FREE WORLD NEEDS

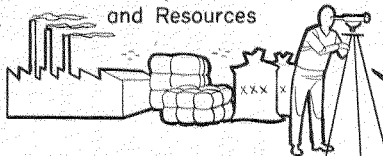
DEVELOPMENT LOANS

DEVELOPMENT GRANTS

SUPPORTING ASSISTANCE

FOOD FOR PEACE

Capital Equipment
Industrial Raw Materials
Consumable Commodities
Human Skill, Understanding
and Resources



BASIC ECONOMIC FACILITIES

Roads, Bridges, Harbors
Power, Communications

AGRICULTURAL DEVELOPMENT

Farm Equipment, Irrigation, Improved
Techniques, Marketing, Loans to
Farmers

INDUSTRIAL DEVELOPMENT

Shops, Factories, Loans to Industry,
Small Business, Modern Methods

EDUCATION, HEALTH AND
HUMAN RESOURCES

Better Nutrition, Higher Living
Standards, Physical Health,
Developing Communities

POLITICAL AND SECURITY NEEDS

Stable Society, Free World Advance
Military Bases, Common Defense

Aid to Social Progress

Any program adequate to this decade must provide—and the new program does provide—for institutions of social progress and the development of human resources. Capital projects in the form of mines, ports, highways, steel mills, and fertilizer plants can create wealth to permit increasing standards of living. But the benefits of such growth ought to be fairly available to the peoples of the countries involved. We have already seen in Latin America the need for a new program of social progress. Your committee recommended this program last September and the Congress made appropriations for it last week. The funds will assist in farm development for the benefit of those who till the soil, the provision of low cost housing for rural and urban families, for sanitation and health facilities, and for the construction and equipping of schools. This new proposal will endeavor to help bring about these and other social and institutional advances in other areas of the world and will continue to provide the technical assistance which the point 4 program has made a hallmark of America abroad.

Supporting Assistance

While our emphasis must be on long-term development, we know very well that there are, and will continue to be, a number of countries where supporting assistance will be needed for some time. These include allies which are undertaking a substantial military burden, friendly countries facing economic collapse, and other countries which provide valuable assistance to our security effort through bases and other facilities.

These and others must be helped. We intend, however, to encourage those countries receiving supporting assistance to use it in ways more closely related to economic and social development. As this occurs, the amount of supporting assistance should decline and assistance can be transferred to development loans and development grants.

We are confident that for many countries, supporting assistance will not be needed indefinitely. We believe that several countries have already made such progress that supporting grants may be ended with the current fiscal year.

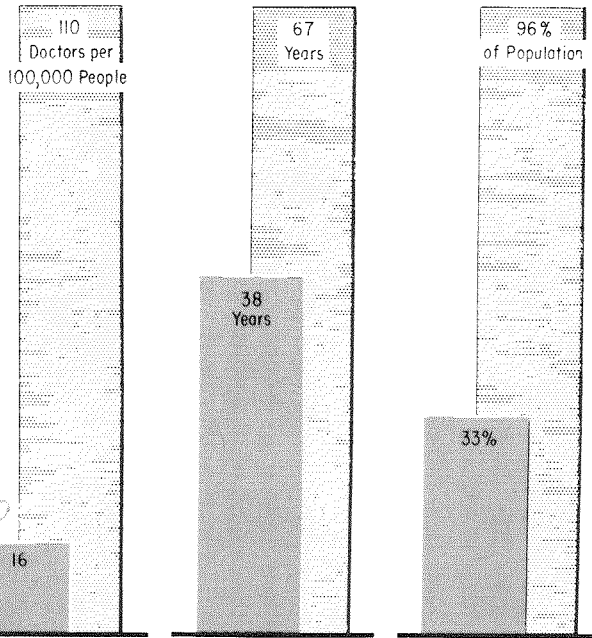
Development Research

The experience of the last 15 years has shown us that we have much to learn about the process of assistance to the economic and social progress of other nations. The President has therefore proposed that

THE GAP BETWEEN THE UNDERDEVELOPED AND THE DEVELOPED COUNTRIES

The Underdeveloped Countries are Deficient in Health and Education

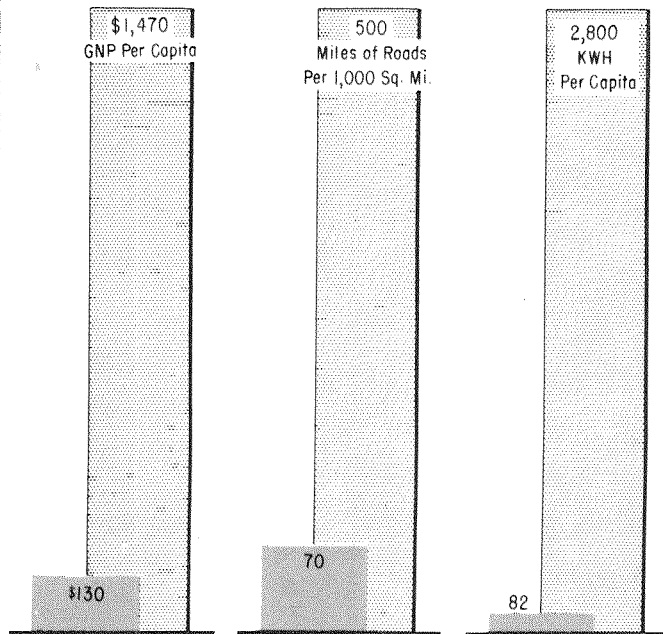
THE DEVELOPED COUNTRIES HAVE:



THE UNDERDEVELOPED COUNTRIES:

Few Doctors Low Life Expectancy Low Literacy

The Economic Handicaps of the Underdeveloped Countries



Low Incomes Lack of Roads (Improved Roads) Inadequate Electric Power (Production Per Capita Per Year)

there be initiated a program of research to increase the effectiveness of our aid effort. This problem has been studied by the development assistance panel of the President's Science Advisory Committee, which has made recommendations for the creation of a unit within the development assistance program to stimulate and finance intensive research on the most effective use of development assistance resources. Although the funds requested for this program are relatively small, its potential significance is very large.

Flexibility

The flexibility which we have had in our aid program in the past must be increased in the future. Experience has shown us that the most careful planning will still leave the events which cannot be foreseen. For the current year the Congress authorized and appropriated first \$150 million and later an additional \$100 million for a contingency fund to meet needs which were uncertain or unknown. Even this has proved inadequate and has been supplemented by a transfer from the military assistance appropriation.

The President had at first planned to ask for the same sum for the coming fiscal year, but as we can see from the daily headlines, the pace of events is now such that the President has indicated to the Congress that he is requesting an additional \$250 million. This latter sum would be used only upon a presidential determination in each case where a sudden and extraordinary drain of regular funds makes necessary the use of this emergency reserve. In these uncertain times we must have the flexibility to respond not only to new crises but to new opportunities, as yet unknown, which we believe will almost surely come.

Food for Peace

We must make the maximum possible use of one of our greatest assets, the productivity of our farms, through a Food-for-Peace Program. Although legislation for Food for Peace is not included in this bill, Food for Peace is an integral part of the foreign aid program. For the future, instead of considering food "an agricultural problem" we must consider it a national asset and use it in the most effective way possible to support our foreign policy.

Unified Administration

The administration of the new program must make the most effective use of the funds, men, and resources available to it. We cannot

afford waste, delay, or confusion. It is therefore intended that there shall be a single agency in Washington and unified administration in the field.

Although the aid program is directed to the achievement of short- and long-term economic goals, its total purpose is to support the foreign policy of the United States. It will therefore be in the Department of State headed by an Administrator of Under Secretary rank, reporting directly to the Secretary of State and the President. Central direction and responsibility for the program will be fixed in the Administrator.

In order to be most effective in carrying forward the development of individual countries according to a country plan and to center in one spot and one man the responsibility for all U.S. assistance to the development of each country, the internal organization of the aid agency will be along geographic lines. There will be Assistant Administrators heading four regional bureaus for Latin America, the Far East, the Near East and South Asia, and Africa and Europe. These four administrators will rank equally with the Assistant Secretaries of the comparable geographic bureaus of the Department of State and will work with them on the closest possible basis.

The new agency will embrace and will have available to it the functions now served by the International Cooperation Administration, the Development Loan Fund, the local-currency lending activities of the Export-Import Bank, the Food-for-Peace Program in its relation to other countries, and the related staff and program services now provided by the Department of State and the ICA.

The Help of Others

We must not assume that we can or should attempt to do the job of assistance to economic and social growth alone. We intend to seek multilateral action. The program before you continues our participation in the work of international organizations engaged in economic development and other aid activities. We will look also, however, to an increased effort by other industrialized nations. We are confident that this effort will be forthcoming. The Organization for Economic Cooperation and Development will continue the work of the Development Assistance Group and will be the instrument for bringing the nations of Europe whose recovery we have assisted into the common effort to assist the progress of the less developed nations.

PEACE CORPS

I turn briefly to the Peace Corps, an imaginative new instrument for world peace and human understanding.

The President on March 1 sent to the Congress a message recommending the establishment of a permanent Peace Corps through which skilled American men and women could be sent overseas, either by the United States Government or through private organizations and institutions, to help foreign countries meet their urgent needs for trained manpower.

The Peace Corps grows out of the crying need of the underdeveloped nations for men and women to do work for which they themselves lack skilled people—to teach in their schools, to survey roads, to work in community development projects, to introduce modern methods in agriculture and sanitation, and to perform scores of other services.

In addition to this unfulfilled need there also exists in this country a desire on the part of increasing numbers of Americans to serve abroad in the greatest task our lifetime will see, the development of some threescore nations in all parts of the world.

The idea for combining this need with this desire originated here in the Congress with Members of both Houses. This congressional interest led to the enactment of a provision in the Mutual Security Act of 1960 which called for a study of the means by which this idea could be realized.

The Peace Corps has now had 3 months of existence. In this time a number of pilot programs have been explored and developed. Projects in Tanganyika, Colombia, and the Philippines have already been announced, and others will be announced soon. The Peace Corps has also begun to recruit and prepare intensive training for the American men and women who will participate in these activities this year.

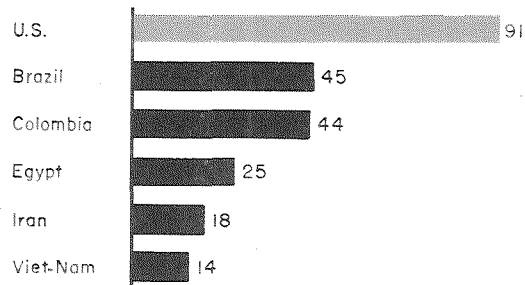
Practical experience thus far, the studies which have been made, and the extensive advice submitted by universities, voluntary agencies, student groups, labor unions, and business and professional organizations—all strongly supporting this new endeavor in the cause of peace—have provided the information upon which proposals for legislation may now be made.

It is intended under the proposed legislation that the Peace Corps continue as an agency in the Department of State and that it will be headed by a director, Robert Sargent Shriver, Jr., who will have the rank of an Assistant Secretary of State. . . .

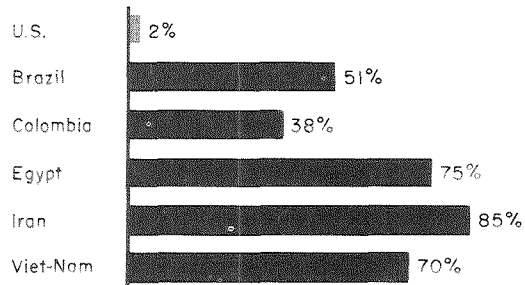
We have already found that the governments and peoples of many countries are enthusiastically receptive to the idea of help from the Peace Corps. Eager and able young Americans, men and women, are coming forward to serve.

EDUCATIONAL FACILITIES ARE LIMITED AND FEW GO TO SCHOOL

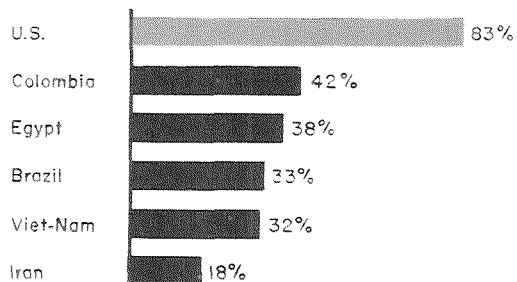
TEACHERS (per 10,000 Population)



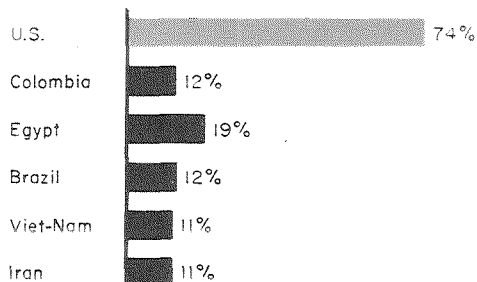
ILLITERACY



PERCENT OF PRIMARY AGE CHILDREN IN SCHOOL



PERCENT OF SECONDARY AGE CHILDREN IN SCHOOL



The young men and women we send abroad will learn as much as they give. The Peace Corps offers us an opportunity to show to the peoples of the world the picture of eager, skilled, pioneering men and women willing to work hard, side by side with peoples of other lands, in common tasks. The good which can come of this—in terms of furthering world peace and understanding and making clearer to the world what the United States really is and what it sincerely desires—can be immense.

INTERNATIONAL PEACE AND SECURITY ACT

Thus far I have dwelt on the need for economic and social growth and the means by which we may assist in their achievement.

I turn briefly to part II of the bill before you—proposals to help achieve international peace and security. . . .

First, I wish to underscore the inescapable partnership between economic and social progress on the one hand and conditions of essential security on the other. One cannot long exist without the other. In placing new emphasis, as we are, on the programs of economic assistance, we do not mean to minimize in any way the continuing necessity of military assistance.

While economic penetration by aid and trade are new weapons in the Communist arsenal, the old weapons of force in all its manifestations not only continue to exist but are daily visible. In Cuba, for example, what appeared to be a people's revolution against oppression has been stolen from the people and has become an instrument of oppression. In Laos, cadres of outsiders, hardened invaders masquerading as local revolutionaries, have been attempting to dominate the country. In Viet-Nam invaders from the north are waging a campaign of terror and assassination to capture the country.

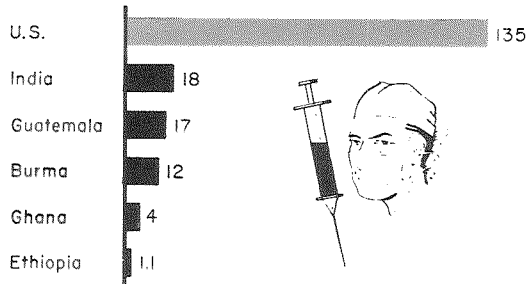
Elsewhere, both on the borders of the Communist bloc and half a world away, Communist agitators, infiltrators, and guerrillas are at work or moving into chosen positions. Within the bloc itself, there remain huge nuclear capability and expanding delivery systems as well as formidable conventional forces.

It has been the determined policy of the United States to support the United Nations and other arrangements for the maintenance of peace to the end that force shall not be used except for individual or collective self-defense. An enduring peace is a great objective which is central to policy. We shall use our best ability to achieve universal control of weapons of mass destruction and universal regulation of armaments and armed forces, under safeguards to protect complying nations against violation and invasion.

HEALTH FACILITIES ARE LIMITED AND LIFE SPAN IS SHORT

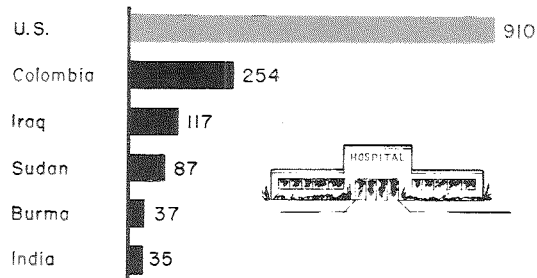
DOCTORS

per 100,000 Persons



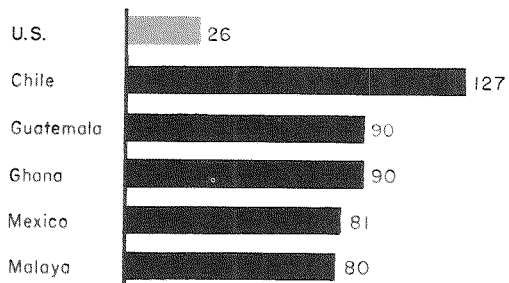
HOSPITAL BEDS

per 100,000 Persons



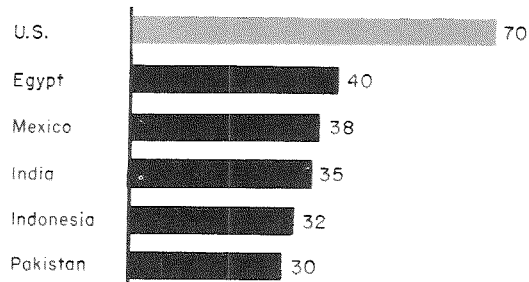
INFANT MORTALITY

per 1,000 Live Births



LIFE EXPECTANCY

(Years)



While we work toward these goals, however, we cannot let down the shield of our security. The nations of the Communist bloc continue to use internal subversion, paramilitary action, and the shadowing threat of military attack to bring other peoples under their domination. It is from that source that the peace of the world, and with it the security of our nation, are endangered. Under these circumstances we must support a policy of collective security.

The methods and means of actual and potential aggression are undergoing change. The methods and means of defense must be adapted to meet the shifting threat. We have been engaged for the past several months in a reexamination of all aspects of this problem. The proposals before you are based upon the conclusions we have reached thus far. These studies have also shown that our program of military assistance must in the future take certain new directions. The plans and programs we believe are needed can in many instances be worked out only after consultation with our allies. They will be presented to the Congress in future years.

The Proposed Program

Meanwhile the program to be presented to you will require appropriations of \$1.885 billion, which we believe to be the minimum required to maintain our essential security. Well over half of the program now proposed is to maintain forces in being and to cover essentially fixed charges. About 40 percent is to provide modernized and improved weapons for those areas under most immediate pressure. By far the greatest regional share of the program is for the Far East, where we have allies with substantial armed forces and where the situation in southeast Asia, particularly, demands the availability of additional strength.

Means must be found to counter growing threats to the internal security of many of our friends in the free world. A new approach to internal security, particularly in Latin America, is proposed, and to make it possible, the new bill drops the present statutory bar to internal security programs for that region. The ceiling on military aid to Latin America is also absent, although the new program we have in mind will not require large or expensive equipment. The need of freely elected Latin American governments for this specialized type of help to defend their countries from externally inspired revolution is now apparent.

You will find also that the proposed bill has deleted a number of conditions, added 10 years or so ago, to be required of recipients. Experience has shown that those requirements, designed principally

to fit relationships with treaty allies, simply are not practical when we are attempting to shore up free, friendly, but in some cases politically neutral nations.

One final point. The contingency fund which is now available to both the economic and the military programs is proposed for the future to be available only to the economic. It is therefore proposed that, when the President determines it is vital to the security of the United States, he may order up to \$400 million (in any fiscal year) of defense articles from the stocks of the Department of Defense and of defense services to be used for the purposes of part II. This strict test insures that the authority will be used only after the most careful consideration of relative needs of our entire defense effort. Any such transfers must be promptly reported to the Congress and will be subject to reimbursement from subsequent appropriations for military assistance.

In conclusion, Mr. Chairman, let me just say that the proposals before you are a central part of the main business of the Nation in our relations with the rest of the world. Whatever the environment around us, we would be committed to the enlargement of freedom in a decent and tolerable world order. There is much in our proposal which we should attempt were there no Sino-Soviet threat. But what would then be a welcome opportunity is now an urgent necessity. We are involved in what some have chosen to call a cold war which we did not invent and which is not sustained by any appetites of ours. We are in an arms race which we took up reluctantly and which we should gladly halt if it can be done with assurance for the peace of the world. The costs of our combined tasks may seem large, but we can afford to do what has to be done. What we cannot afford is to fail to undertake the effort—and a sufficient effort. For if we do, we must expect the failure also of many free nations in their struggle to meet the just demands of their people for a better life. We would have to expect from many of them an inevitable collapse, which, as President Kennedy has said, “would be disastrous to our national security, harmful to our comparative prosperity, and offensive to our conscience.”

This national effort which we are discussing has never been a matter of partisanship. Its greatest concepts have come from Presidents of both parties, from congressional leaders of both parties, and in both Houses. It must continue to deserve and have that support. The bill before you is offered in that spirit.

Summary

THE DECADE OF DEVELOPMENT

The International Development program outlined in this volume is based on these premises:

- By providing long-term support for development plans created by the less developed nations themselves, the United States can, during the decade of the sixties, help decisively a large number of these nations along the road to economic growth.
- Continued progress in any less developed country will not be assured until that country accepts and fulfills its own responsibilities to help itself.
- Any development assistance program of the sixties must take into account all of the factors that contribute to growth—capital, technical assistance, the development of sound public administration and modern institutions, skilled labor forces, managerial skills, and the creation of the necessary motives and interests.
- Each nation must be permitted to develop in its own image.
- Systematic research can develop new skills in development assistance.
- Development assistance will come to be recognized during the sixties as a collective responsibility of all free industrialized nations.
- Foreign aid to the less developed countries should not be endless. The peak requirements should occur during the decade of the sixties, and by the end of this period a significant number of recipient countries should be capable of continuing their growth without large amounts of extraordinary assistance.

THE REQUIREMENTS OF DEVELOPMENT

The process of fostering the development process requires many things:

First, a recognition of the range and scope of development needs—including needs for the surveying of a country's resources, the improvement of its manpower skills, the creation of new organizations and institutions, and the acquisition and acceptance of new ideas.

A NEW PROGRAM WITH NEW CONCEPTS

- **A Unified Administration**

- Tying together existing aid units
- Centralizing programming
- Clarifying responsibility
- Attracting professional personnel of high quality

- **With a Flexible Set of Tools**

- LONG-TERM LOANS repayable in dollars
- SUPPORTING ASSISTANCE for strategic purposes
- DEVELOPMENT GRANTS chiefly for education and human resources
- FOOD FOR PEACE
- PEOPLE: Administrators, advisors, Peace Corps

- **And Long-Term Availability**

- Through 5-year borrowing authority for loans
- Grants available beyond end of fiscal year
- Recognizing that the next few years can be critical for the Free World

- **To Stimulate and Respond to Sound Country Programs**

- By nations willing to budget their resources for growth and to take necessary measures of social, fiscal, and governmental reform.

- **Using Systematic Research**

- To improve the effectiveness of our assistance efforts

- **Drawing on the Financial and Management Assets of Private Enterprise, through**

- Broader guaranties and
- Investment surveys

- **Mobilizing Free World Aid Sources**

- Coordinating multilateral programs
- Increasing amounts of aid
- Lengthening commitments

Second, a recognition that countries pass through various stages of development and that priorities for any country must take into account the unique stage of development of that particular country.

Third, the preparation of an overall integrated development plan for each country in order to avoid a piecemeal approach.

Fourth, the encouragement of self-help by giving sustained aid to those countries making serious self-help efforts, by withholding or limiting aid to those not yet willing to make such efforts, and by the encouragement of those groups within governments who favor self-help. By self-help is meant a proper devotion of public resources and monies to the development effort, the tapping of the energies of the entire population, and establishment of proper standards of public honesty.

Fifth, the encouragement of a long-term approach—in order to take into account (a) the long “lead time” required on many development projects, (b) the necessity of preparing long-range development plans, and (c) the need to allow sufficient time for self-help measures to work themselves out.

Sixth, the provision of sufficient aid to make possible and encourage sound development and self-help, geared to the capacity of a given country to absorb external assistance as well as to the extent of aid available from other industrialized countries. The level of aid proposed in this bill is the minimum needed to meet these requirements. In fact, the request for development lending funds allows very little margin over the lending projects already in sight, and the development grant funds requested allow only \$125 million for new projects throughout the world, over and above projects already underway.

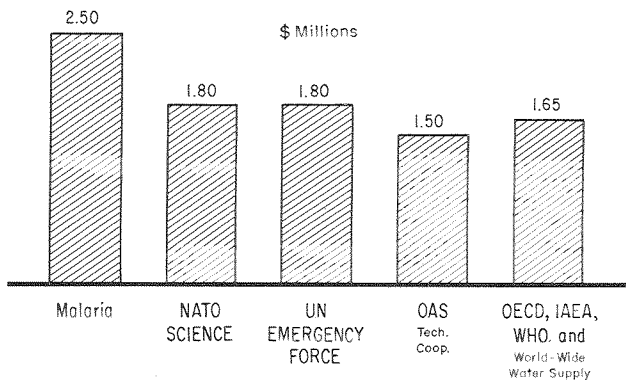
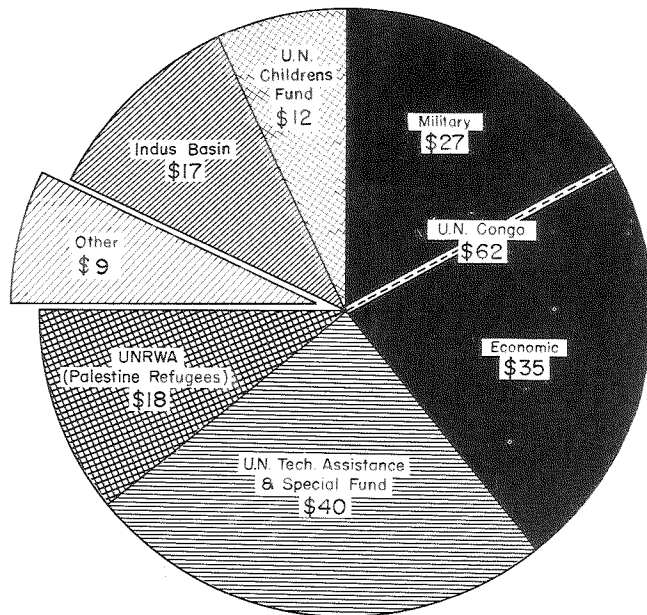
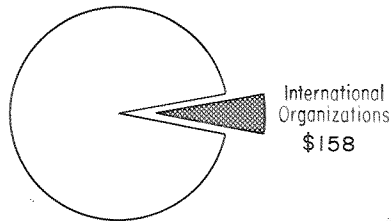
Seventh, the stimulation and coordination of the assistance efforts of all the free industrialized nations of the world, both to avoid overlapping and duplication and to try to make the conditions for granting aid as uniform as possible among all donor countries. Much of this will be achieved through the new Organization for Economic Cooperation and Development (OECD) and its Development Assistance Committee.

Eighth, the initiation of a program of research to discover new techniques of assistance and to make our aid efforts more effective. Development assistance is a new field. Corporations find it profitable to invest from 5 to 10 percent of their total expenditures on research; research funds requested in this program are only .7 percent of the total. Research will be carried out both in the economic field (e.g., in improving agricultural production in tropical areas) and in the field of

CONTRIBUTIONS TO INTERNATIONAL ORGANIZATIONS PROPOSED F. Y. 1962 PROGRAM

Total A.I.D. Program

\$ 2,921 Million



Total Contributions... \$158 Million

the development of human resources (e.g., in accelerating educational processes in a backward area).

Ninth, recognition of the trade problems of the less developed countries—of the fact that many of them are one-commodity-exporting countries and that, if they are to achieve self-sustaining growth, the industrial world must provide continuing markets for their exports.

To adjust the U.S. aid program to these new concepts and criteria will require a period of transition, partly because there are a great many projects already underway which cannot—or should not—be changed, partly because in many cases it will take time to develop comprehensive country plans, partly because many of the nondevelopmental considerations governing the granting of aid (the protection of military bases, the maintenance of friendships and alliances, et cetera) will not disappear overnight. A year from now it should be possible to present a program which more fully reflects the new approach.

THE TOOLS FOR ACTION

Aid to be granted under the Act for International Development is divided into four principal categories:

(1) Support of relatively urgent strategic and political requirements (Supporting Assistance—used primarily for financing commodity imports).

(2) Contributions to long-range economic and social development (Development Loans—mainly for capital projects; Development Grants—mainly for aid for education, technical assistance, and in some cases for roads, harbors, communications systems; and Development Research).

(3) Support of International Organizations.

(4) Funds to meet unforeseen events and emergencies (Contingency Fund), expenditures from which may fall under any of the above three headings.

Compared with previous aid programs, the expenditures proposed in this program call for four shifts in emphasis:

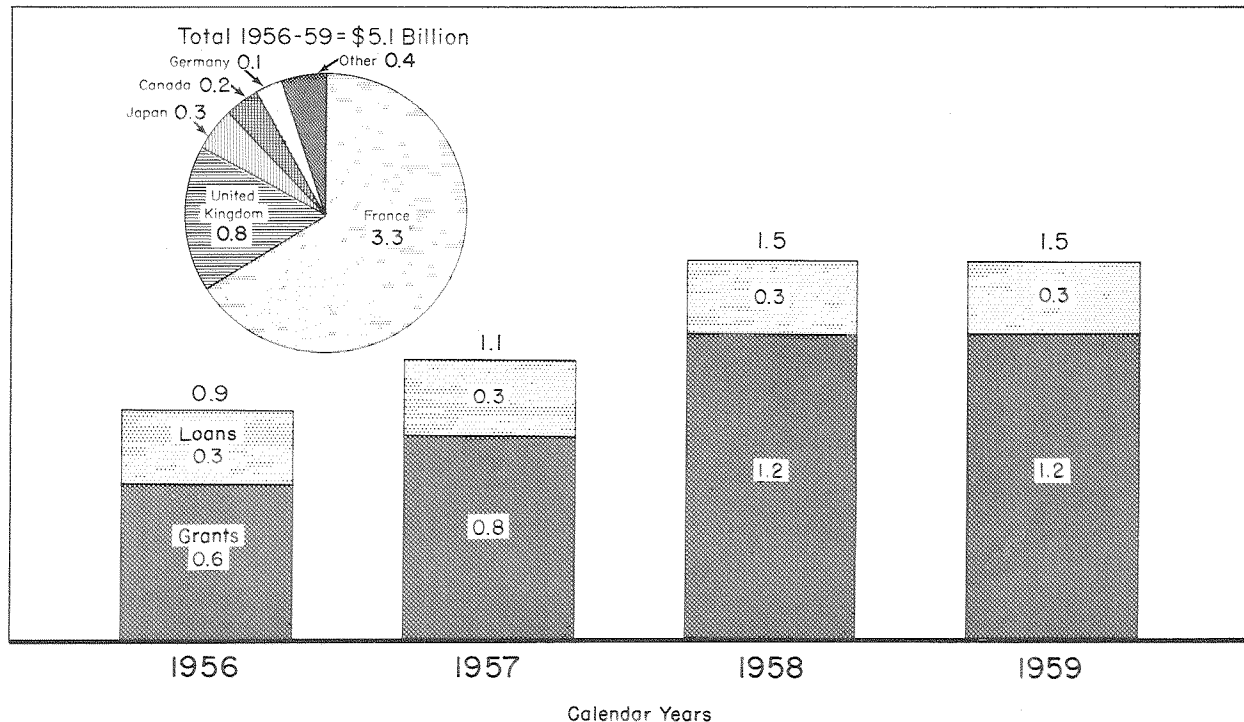
(1) The bulk of the funds will be devoted to development purposes: of the \$2.6 billion requested for economic assistance, all but \$581 million will be devoted to development purposes. Last year more than \$900 million was devoted largely to nondevelopmental purposes.

(2) There will be greater emphasis on loans, less on grants. Loans will rise from 30 percent of the total in last year's program to 40 percent this year.

OTHER FREE WORLD BILATERAL ASSISTANCE TO UNDERDEVELOPED COUNTRIES *

1956-1959

(Billions of Dollars)



* Excludes loans under 5 years, consolidated credits of whatever term and contributions to International Organizations, IBRD, UNTA, etc.

(3) There will be more new programs, fewer carryover programs from the previous year (less than \$870 million in carryover programs this year compared with \$1,066 million last year). These carryover programs tend to introduce a rigidity into the aid program and make it more difficult to meet new needs.

(4) "No-year" appropriations are being asked to increase the effective use of each aid dollar. Under the present appropriations system, dollars not obligated during the fiscal year in which they are appropriated revert to the Treasury. This encourages a relaxation of standards for approving aid projects toward the end of any fiscal year, both by aid administrators and by aid recipients, so as not to lose any funds. The "no-year" appropriations requested in the new program would allow unobligated funds to carry over to subsequent fiscal years, in order to avoid this end-of-year relaxation of standards.

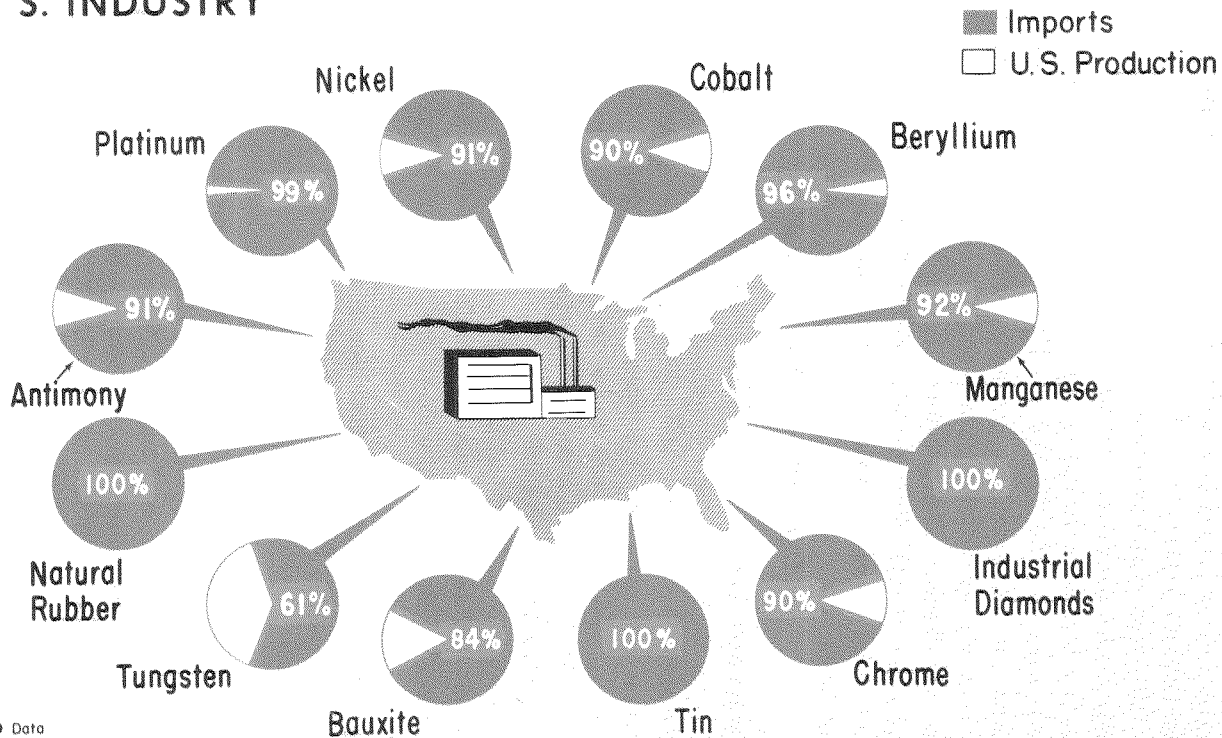
Description of Aid Categories

Development Loans. \$900 million requested this year, \$1.6 billion per year for the succeeding 4 years, to be borrowed from the Treasury, supplemented by approximately \$300 million per year in proceeds of interest and principal repayments of past Mutual Security and other loans. Specific criteria to be used in screening loan proposals include self-help, sound development purposes, other sources of financing, and possible adverse effects on the U.S. economy. Loans are to be repayable in dollars at little or no interest over periods up to 50 years. Dollar repayment is a shift away from local-currency repayment, which builds up hard-to-use reservoirs of local currencies abroad.

Development Grants. \$380 million requested for FY 1962 (plus carryover authority for \$9 million from FY 1961), to be used mainly for education and development of human resources, for selected roads, harbors, and communications projects, and for development research, principally in countries at earliest stages of growth. Roughly \$250 million to go for continuing projects, the balance for new projects, with all continuing projects subject to constant review.

Supporting Assistance. \$581 million requested for FY 1962 (plus carryover authority for \$29 million from FY 1961), projected for use in 21 countries of the world to meet these objectives: (a) to help countries support their own military effort; (b) to maintain base rights; (c) to prevent economic instability which would threaten U.S. political interests; and (d) to prevent exclusive economic dependence on Sino-Soviet aid.

STRATEGIC MATERIALS FROM OTHER FREE NATIONS ARE ESSENTIAL TO U. S. INDUSTRY



Based on 1959 Data

Development Research. \$20 million requested for FY 1962 to discover techniques for making better use of aid dollars, largely through contracts with private research centers and laboratories.

Voluntary Contributions to International Organizations. Approximately \$154 million requested (plus carryover authority for \$5 million from FY 1961), principally for the U.N. Technical Assistance Fund, aid to the Congo, U.N. Palestine Refugee Program, U.N. Children's Fund, and Indus Basin Development Fund.

Contingency Fund. \$500 million requested to cover events that cannot, by their nature, clearly be foreseen now.

DEVELOPMENT LOANS

Development loans will be the heart of the new program, in view of the fact that loans tend to minimize sensitivities often experienced in a donor-donee relationship, and in light of experience showing that obligation to repay is an inducement to effective execution of programs.

Crucial to the new program is the long-term funding being requested for development loans, in the form of borrowing authority from the Treasury over a 5-year period.

Under borrowing authority, the President could issue notes for purchase by the Treasury. Some 23 existing programs are now financed in this manner.

Congressional control over the use of borrowing authority would be exercised in several ways:

(1) There would be a ceiling on the amount of notes which could be issued in each year, although any unused authority at the end of any given year could be carried over to any succeeding year during the 5-year period.

(2) Congress would receive quarterly reports on the spending of the funds.

(3) There would be an annual presentation to authorizing committees of Congress covering all development lending activities, in light of which these committees could recommend to Congress any changes in lending criteria or other modifications of the law.

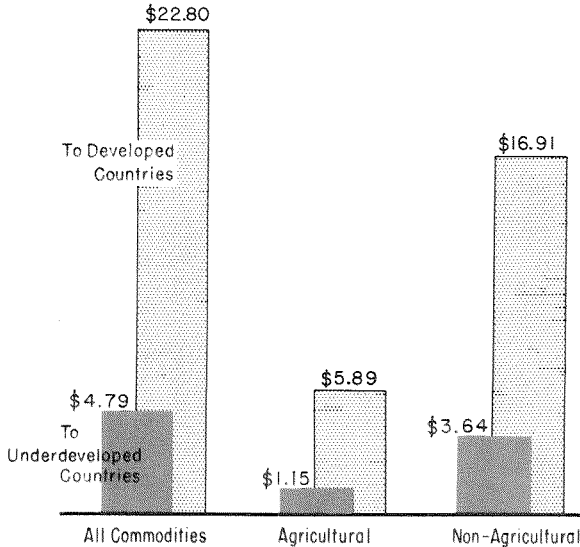
(4) An annual presentation of lending activities would also be made to the appropriations committees, including presentation of an annual budget for lending operations.

Although Congress would retain the authority to cut back the development lending funds in future years, the granting of borrowing authority would constitute an expression of intent on the part of the Congress to make a specified amount of funds available over a 5-year

WHAT THE DEVELOPMENT GAP MEANS TO THE U.S. ECONOMY

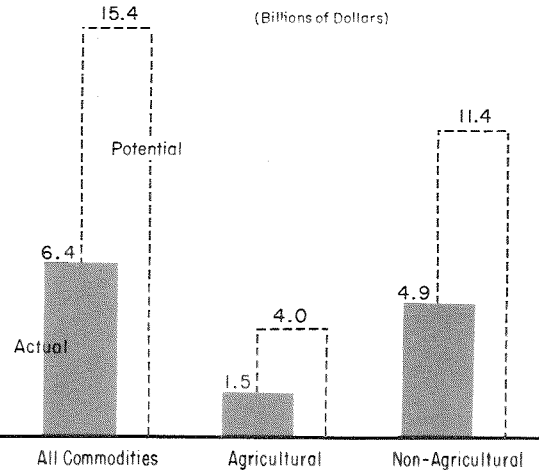
The Developed Countries
Are Our Best Customers

*Per Capita U.S. Export Sales**



The Underdeveloped Countries Offer Huge
Market Potentials for U.S. Goods

*Here is what exports to these countries would
have been had the Per Capita Exports been only
Half what they were to the developed countries:*



* Based on Population of the Developed and the Underdeveloped Areas and U.S. Exports in 1959, U.S. Commercial Exports Excluding Military Hardware.

period, on the basis of which the executive branch could plan and negotiate with recipient countries on a much more solid basis than at present.

Use of FY 1962 lending funds. India's Third Five-Year Plan is the most immediate and largest need, with Pakistan's Second Five-Year Plan possibly a second large need; Brazil's economic stability may require an extraordinary infusion of assistance, including \$100 million of development loan funds. In addition, at least 10 countries in the four major geographic areas may make significant loan requests.

Lending beyond FY 1962. Loans to India and Pakistan continue high; Latin American countries, under Act of Bogotá, will require loans; plus several countries now receiving mostly grant aid, and some, such as Nigeria and Tunisia, whose planning, social progress, and quality of administration may entitle them to loans.

Lending activities of A.I.D. will be coordinated with (a) other free-world contributions and (b) development lending activities of the Export-Import Bank.

Loan funds will usually find their way into specific industry, power, transport, agriculture, and communications projects. However, in some cases they may go into the financing of education or social institutions. They may also be used for general import financing in support of broad national development programs.

Procedures for loan evaluation. Two attitudes will govern the manner in which a loan proposal is evaluated:

(a) the local authorities must attach a high priority to the project; and (b) the focus of responsibility for the originating, planning, and conduct of an activity will be placed on the borrower.

Loan applications will be measured first against self-help and development-priority criteria by the regional bureaus of the aid agency, then for technical and economic soundness by other units. Each application for a loan of major size will go before an interagency Development Loan Committee for final approval.

DEVELOPMENT GRANTS

Criteria for development grant approval will include: (a) contribution of the project toward social progress, governmental improvement, or economic growth; (b) consistency with other developmental activities; (c) technical soundness; (d) adequacy of the recipient's self-help measures; (e) assistance from other free-world nations.

Of the \$389 million program for Development Grants, approximately \$259 million will be for ongoing projects and \$125 million for new

projects. Another \$5 million will be for handling and transportation costs on nonagricultural surplus property, which will be made available to the aid program by other Government agencies without reimbursement.

The new development grant funds will be used principally for:

(a) Helping recipients plan ahead and also manage their own resources.

(b) Major increases in aid to tropical Africa, where past programs have been small.

Development Grants will be used for:

(a) Educational, technical, and professional training.

(b) Institutional development (in the areas of agricultural credit, regional community development, trade unionism and other urban movements, and public administration).

(c) Development planning—helping countries set goals and plan rationally on ways to attain them.

(d) Resource surveys and data collection on human and material resources.

(e) Internal reform and social development, including disease control (e.g., malaria, smallpox, yaws), land reform, improved housing and sanitary conditions, and social services for workers.

(f) Basic economic facilities—improvements in such fields as transportation and communications, water supply, and sanitation.

(g) Aid to American-sponsored schools in 27 countries abroad which train future national leaders and lay an educational base for national development.

(h) Shipping of “people-to-people” gifts of food, clothing, and so forth, from private American voluntary agencies to needy persons in some 70 countries.

(i) Atomic energy for peaceful uses—principally grants for atomic reactors, equipment, consultants, and training.

SUPPORTING ASSISTANCE

Supporting Assistance amounting to \$610 million will be proposed to promote urgent U.S. national security and foreign policy objectives in the following categories:

(a) *Assistance for the common defense.* Two-thirds of the \$610 million will go to eight nations which contribute to free-world defense by maintaining adequate defense and internal security forces, by granting U.S. base rights, and by contributing to regional security

arrangements (SEATO and CENTO). Under the new approach, more emphasis will be placed on helping these countries.

(b) *Maintaining access to U.S. bases.* \$60 million is proposed for assistance to countries where the U.S. maintains military bases.

(c) *Maintaining economic stability.* \$82 million is proposed to help five countries maintain economic stability and stave off economic disintegration.

(d) *Offering alternatives to complete dependence on Sino-Soviet bloc aid.* Without trying to outbid Communist aid offers, we wish to demonstrate to certain countries now receiving bloc aid our interest in making a contribution toward their progress, knowing that complete dependence on the Soviet bloc leads to increasingly firm ties with the bloc.

CONTINGENCY FUND

The purpose of this fund, for which \$500 million is being requested, is to meet urgent requirements that may arise during the fiscal year which cannot be foreseen now. These unforeseen needs may spring from such things as a need for more military assistance, an unexpected drop in exports, or increased threats of internal subversion or external aggression. In FY 1961 this fund was used for such crises as the Congo and the Chilean earthquake as well as aid to 15 newly independent African states where we wished to inaugurate new programs.

In FY 1962 uses to which this fund may be put include aid to newly independent nations, to countries which wish to lessen their dependence on the Sino-Soviet bloc, to meet natural disasters, and to counter stepped-up hostilities or threats thereof. At least half of the Contingency Fund would be subject to use only upon specific findings by the President as to need. The balance could be used upon a finding by the aid Administrator that such use would further the purposes of the Act.

DEVELOPMENT RESEARCH

An appropriation of \$20 million is requested for a new activity—development research, recommended by a Development Assistance Panel of the President's Science Advisory Committee. Both private enterprise and other Government agencies spend substantial sums on research, but despite the newness of development assistance virtually no funds have been spent for this purpose in the aid field.

The basic purpose of research is to develop new techniques and tools to broaden the choices available to the decisionmakers.

The three principal areas in which research will be undertaken are (a) techniques for developing both the human and natural resources of the less developed countries; (b) the adaptation of available technology to the conditions in those countries; and (c) the nature of the relationship between economic and social changes.

All of the research projects will be aimed at making more effective use of each aid dollar. Some will be designed to save money on existing aid projects. Most of the work will be carried on by contracts with outside research groups and universities.

Examples of research include explorations into better ways of improving such things as electric power facilities, transport, health, education, land redistribution, private investment, and personnel training in less developed countries.

THE ROLE OF AMERICAN PRIVATE ENTERPRISE

American private enterprise can play a vital role in fostering the growth of the less developed countries—in some cases on a purely business basis, but in other cases not. Where private efforts are best suited to a particular purpose and where ordinary business justifications do not exist, Government incentives or protections will be provided.

Business contributions to the growth of less developed areas may take the form of (a) providing capital; (b) providing managerial skills through the presence in the recipient country of qualified technicians and business administrators; and (c) bringing about institutional changes (better accounting, administration, legal procedures, and improved commercial financing).

Participation of private enterprise in less developed countries may take the form of (a) unaided equity investments; (b) equity investments aided by such things as help on feasibility studies, guaranties against political or other risks, and favorable-term lending; (c) direct private lending to foreign enterprises under guaranties against political or other risks; and (d) managerial, professional, or organizational services provided on a contract basis.

The tools to be used to stimulate appropriate participation of private enterprise include:

● *Guaranties*—either against specified risks or, in exceptional circumstances, against all risks. Authority is requested for guaranties against specified risks up to a face value of \$1 billion and for all-risk guaranty authority on an experimental basis up to \$100 million.

The all-risk guaranty authority, however, is to be used only where close collaboration between Government and private capital is called for. It would involve "share-the-loss" agreements, where the Government and the private investors would share any losses, from whatever causes, in agreed-upon ratios.

● *U.S. lending*, in instances where this can, by reducing the amount of private funds exposed to risk, make the vital difference between having a private investment or not. The terms of such loans can be varied to suit the individual circumstance, and on certain high-priority projects departures from ordinary commercial and banking practices may be in order. Such departures are fully justified when private skills and management are the most effective instrument of assistance.

● *Help in locating investment opportunities*, through Government assistance in "feasibility studies," which involve the gathering of the basic data necessary for the decision on whether or not to make an investment. To facilitate this process and stimulate greater private-enterprise participation, a new program will be undertaken under which the U.S. Government will provide partial financing of feasibility studies by companies which are proposing to make investments.

CONTRIBUTIONS TO INTERNATIONAL ORGANIZATIONS

A total of \$158.35 million is proposed for U.S. voluntary contributions to international organizations for programs already underway: 10 of them under the auspices of the United Nations, 2 in regional organizations, and 1—the Indus Waters Program—by an ad hoc grouping.

U.S. aid given through such international organizations has several distinct advantages for the United States, including strengthening U.S. leadership in those organizations, more effective enlistment of aid efforts by other industrialized countries, and more ready acceptance of internal reforms by recipient countries.

FOOD FOR PEACE

Food-for-Peace legislation, providing for the distribution abroad of surplus U.S. agricultural commodities, has already been submitted separately to the Congress for consideration by the Agriculture Committees. Yet Food-for-Peace is an integral part of the aid program and cannot be fully effective except in conjunction with a broader program of foreign aid.

The basic purposes of the Food-for-Peace program are:

- To permit rapidly growing countries to pursue development plans and attain higher levels of nonagricultural employment without incurring a food deficit.
- To provide the improvement in diet and increase in food consumption necessary for the growing numbers of workers.
- To provide food reserves against the disruptive effects of famine, to maintain greater price stability, to permit land reform measures which may involve temporary dislocations of agricultural production, and to give stop-gap help to people involved in land resettlement programs.
- To alleviate conditions of suffering among children, the sick, and the aged where relief foods are necessary.
- To help support U.S. political objectives in certain instances.

The Food-for-Peace legislation consists of four basic titles:

- Title I—sales for local currencies.
- Title II—grants, primarily for relief.
- Title III—donations through voluntary organizations for free distribution.
- Title IV—long-term credits repayable in dollars.

The proposed legislation would extend Titles I and II for 5 years, would authorize \$7.5 billion for Title I and \$1.5 billion for Title II over the 5-year period, ending December 31, 1966. No limits of time or amount are provided for Title III and Title IV donation and credit programs.

Certain substantive amendments to the program are proposed.

THE PEACE CORPS

Recommendations for the Peace Corps are being separately transmitted to Congress.

The need for a Peace Corps of young American volunteers working abroad is apparent from the already visible lack of trained middle-level personnel—both in our own aid efforts and on the part of many recipient nations—which has created a bottleneck in the progress of much of our aid.

Peace Corps volunteers can multiply the effectiveness of our aid by doing such things as helping distribute food, providing skilled assistance on construction projects, and helping with education, training, and so forth. They can also be important as a means of international communication, since they will be working alongside peoples of other

societies. Living under conditions comparable to those of the people with whom they will be working, the volunteers should have an important impact on the peoples of their host countries.

Peace Corps projects will be undertaken only at the invitation of the host government.

ORGANIZATION AND ADMINISTRATION

The new approach to foreign aid contained in the proposed program requires the establishment of a single new aid agency—to be known as the Agency for International Development, or A.I.D.—which will encompass the functions presently carried on by (a) the International Cooperation Administration, (b) the Development Loan Fund, (c) the Food-for-Peace program, and (d) the local currency lending activities of the Export-Import Bank.

Two basic concepts underlie the new organization: (1) that the starting point of U.S. assistance is the formulation by each country of a national development plan of priorities, and (2) that all of the tools of aid must be used in a coordinated fashion to facilitate the carrying out of that national plan.

A.I.D. will be headed by an Administrator. In his immediate office there will be three staffs:

(a) A *Program Review and Coordination Staff* to help the Administrator review proposed programs, allocate funds among them, and establish guidelines for their implementation.

(b) An *Information and Congressional Liaison Staff* to provide information on the aid program to Congress and to the public.

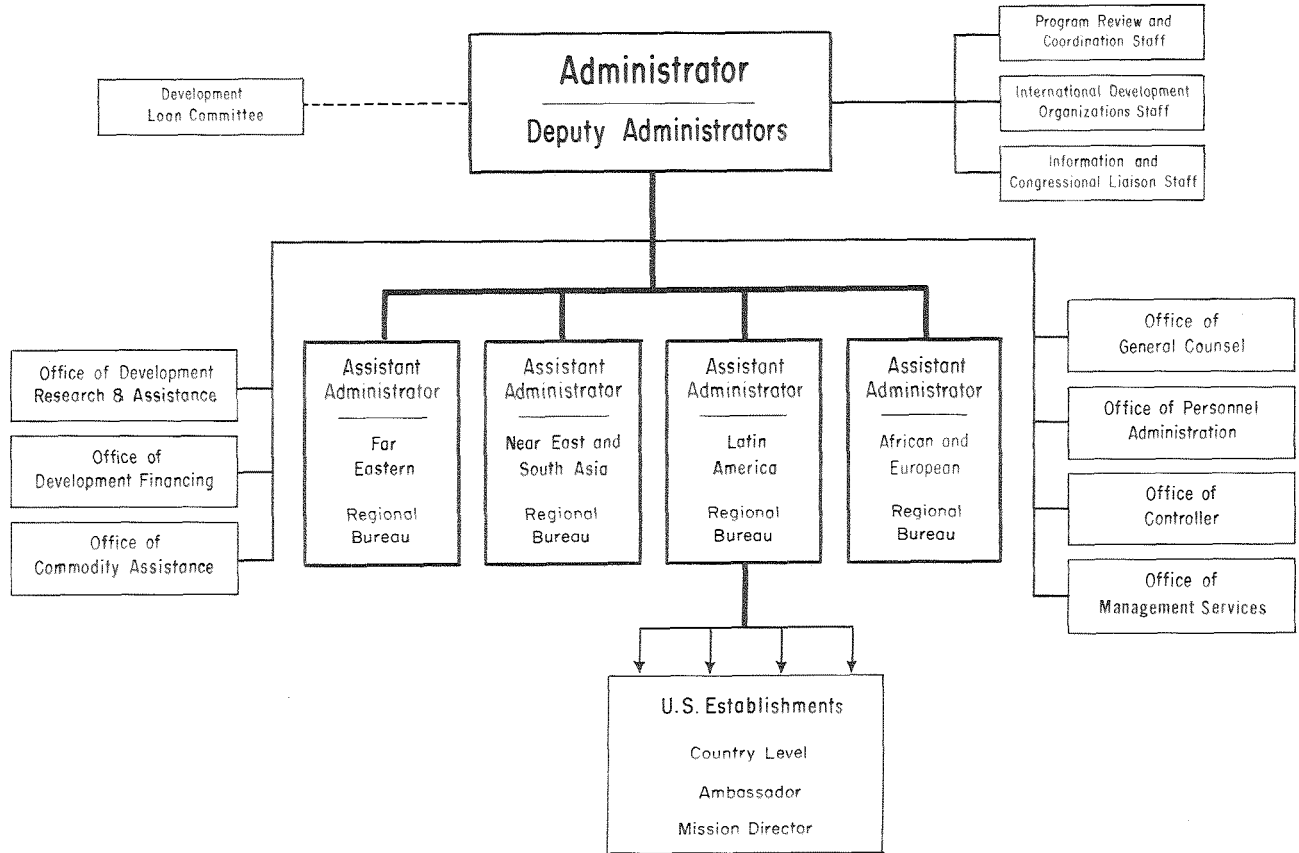
(c) An *International Development Organizations Staff*, whose principal responsibility will be in connection with the Agency's relations with the work of the international development agencies.

The agency will be organized along geographic lines, the principal responsibility for the formulation and carrying out of programs resting with four regional Assistant Administrators, one each for the four major areas of the underdeveloped world (Latin America, Africa and Europe, the Near East and South Asia, and the Far East).

The functions of the four regional bureaus will be:

- The formulation of aid programs for the respective countries.
- The implementation of those programs through country missions.
- The providing of expert advice on country and regional development.
- The providing of certain administrative and support services.

AGENCY FOR INTERNATIONAL DEVELOPMENT



In the field, country missions reporting to the Ambassador will have operational responsibility, vested in Mission Directors.

In addition to these regional bureaus, the Administrator will be assisted by three program offices and four management staff offices.

The three program offices assisting the Administrator will be:

(1) The *Office of Development Financing*, responsible for advising the Administrator on the providing of capital assistance. This will include technical and engineering review of capital projects.

(2) The *Office of Development Research and Assistance*, which will formulate research requirements and arrange for the conduct of research projects.

(3) The *Office of Commodity Assistance*, which will be responsible for formulating the policies for the distribution of commodities, both project and nonproject, both agricultural and nonagricultural. It will also be charged with seeing that small business enterprises participate equitably in furnishing commodities and services, and will be the focal point for the Agency's responsibilities in connection with the Food-for-Peace program.

The four management staff offices are:

(1) The *General Counsel*, the legal adviser.

(2) The *Controller*, the principal fiscal officer.

(3) The *Office of Personnel Administration*.

(4) The *Office of Management Services*, responsible for such things as systems procedures, statistical reports, headquarters contracting, and so forth.

The administrative budget for the new Agency, based on the level of personnel and services obtaining at the end of FY 1961, is necessarily tentative because of the newness of both the program and the Agency. Authority to transfer program funds for unforeseen administrative needs is requested—also because of the newness of the Agency.

MOBILIZING FREE-WORLD CONTRIBUTIONS FOR INTERNATIONAL DEVELOPMENT

The magnitude of the development assistance job is so great that it clearly cannot be undertaken by the United States alone. The importance of stimulating maximum effort on the part of the other industrialized nations of the free world and of coordinating free-world aid is growing.

EVOLUTION OF U.S. ECONOMIC AID PROGRAMS

| <u>PROGRAM</u> | <u>PERIOD</u> | <u>OBJECTIVE</u> |
|--|---------------|---|
| THE WAR YEARS Lend - Lease | 1941 - 1945 | Aid to our Allies in the Common Struggle |
| POST-WAR RELIEF UNRRA, Civilian Supplies British Loan, etc. | 1946 - 1948 | Emergency Food, Shelter, Clothing ; First Recovery Steps |
| MARSHALL PLAN European Recovery Program | 1948 - 1951 | Restoration of Industrial and Agricultural Production in Europe |
| "POINT IV" Technical Assistance | 1950 - 1961 | Transfer of Technical Skills and Knowledge to Underdeveloped Countries |
| DEFENSE SUPPORT Korean War, Indo-China, The Global Cold War | 1952 - 1961 | Assistance to Countries with Heavy Defense Burdens, or to those making Specific Contributions to the Common Defense |
| START OF DEVELOPMENT LOANS Development Loan Fund | 1958 - 1961 | Loans for Projects in the Less Developed Economies |
| THE DECADE OF DEVELOPMENT | 1962 - | Support to Country Social and Economic Development Efforts |

This coordination must be thought of in terms of both the recipient and the donor nations. It requires firm decisionmaking on the part of the recipients, so that the donor nations know what external assistance must be provided and planned for.

The coordination job is made the more difficult by (a) the increased number of donor nations and (b) the increased number and geographic spread of the recipient nations.

The definition of what constitutes aid is a matter not yet entirely resolved. But it is clear that in order to be effective, any aid granted must be on terms (length of repayment and interest rate) that do not vitiate the efforts to help the recipient country. Where interest charges are high and repayment obligations are severe, particularly in the early years, the benefits of aid can be largely mitigated.

There has been a marked expansion of the effort of the other industrialized nations of the free world. For example, 5 years ago the flow of grants and long-term loans to less developed countries from these nations amounted to \$.9 billion. By 1959 this flow had increased more than 50 percent—to \$1.5 billion.

Progress has also been made, through the Development Assistance Group of the industrial nations, to expand the aggregate volume of their aid to less developed countries and to recognize the need for "soft-term" loans and credits.

This Group, which is to become the Development Assistance Committee (DAC) of the new Organization for Economic Cooperation and Development (OECD), will continue to try to (a) expand the aggregate aid effort of the member nations and (b) foster greater agreement on the conditions of internal self-help required for the granting of aid.

It is recognized by all that there is no simple formula for allocating the aid burden equitably.

In addition to the DAC, aid coordination has been achieved through "consortia" of nations, primarily under the aegis of the World Bank, which have combined to give coordinated aid to countries such as India.

THE IMPACT OF THE PROGRAM ON THE U.S. ECONOMY

The economic aid requested in this program represents about one-half of 1 percent of our gross national product, less than 3 percent of the total Federal budget for FY 1962, and around \$15 for each person in the United States. Thus the resources we are devoting to strengthening U.S. security through helping other nations achieve

economic growth and stability are but a tiny fraction of the productive power of our economy.

The aid program will create no inflationary difficulties at a time when the domestic economy is operating below full capacity.

The effect of the program on the U.S. balance-of-payments deficit must be considered, but this effect is far less than is generally believed. In no year has less than two-thirds of the amount of U.S. economic aid been spent within the United States. Today, with policies in effect designed to maximize purchases in the United States, the proportion spent here is estimated to be 80 percent. Moreover, the net contribution by the aid program to the dollar holdings of balance-of-payments-surplus countries (which is the principal cause of concern for the United States) comes to between 10 and 15 percent of the economic aid. Thus, the contribution of economic aid to our balance-of-payments deficit is in the range of \$300 to \$400 million—significantly less than the level that has obtained in the past several years.

As to the longer-run effects on the United States of growing economies among the less developed countries, while this may create problems of adjustment for some sectors of the U.S. economy, the net effect will be beneficial, in that prosperous countries are by far the best customers for U.S. goods.

The policies designed to maximize economic aid spending within the United States will be vigorously pursued while a balance-of-payments deficit persists.

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