ECONOMIC DEVELOPMENT ASSISTANCE AND WORLD STABILITY

15 February 1962

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NOTICE

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INDUSTRIAL COLLEGE OF THE ARMED FORCES

Washington, D. C.

Mr. Frank M. Coffin, Deputy Administrator, Agency for International Development (AID), was born in Lewiston, Maine on 11 July 1919. Mr. Coffin graduated from Bates College in 1940 summa cum laude. He graduated from the Harvard Business School in 1943 with distinction, and received a degree in industrial administration. In 1947 he received his LL.B. from the Harvard Law School, from which he graduated cum laude. He was awarded the honorary degree of LL.D. from Bates College in 1959. From 1943 to 1946, Mr. Coffin was in the U.S. Navy, Supply Corps. He served in the Pacific aboard a mobile aviation supply ship during his entire active service. From 1947 to 1949 he was law clerk to the late Honorable John D. Clifford, Federal Judge for the district of Maine. He practiced law in Lewiston, Maine, and was a partner in a law firm in Portland, Maine from 1953 to 1956. In 1954 he became Chairman of the Democratic Party of Maine, and in 1956 he was elected U.S. Congressman from the Second District of Maine; he was reelected in 1958. In 1961 President Kennedy appointed Mr. Coffin as Managing Director of the Development Loan Fund. Later on in that year he was appointed to his present position. This is Mr. Coffin's first lecture at the Industrial College.

ECONOMIC DEVELOPMENT ASSISTANCE AND WORLD STABILITY

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MR. PALMER: Gentlemen, our lecture today on "Economic Development Assistance and World Stability" rounds out the series that we have had on the general subject of economic stabilization. The question of attaining satisfactory rates of economic development today commands the attention of most of the governments of the world, including our own, but particularly it commands the attention of the so-called lesser developed countries.

As you know, the extent to which and the manner in which the United States assists other countries in fostering economic development is a matter of extensive review by the Congress of the United States.

Our speaker today is especially well qualified to address himself to this subject, having served in Congress from 1956 to 1960, and more recently as Managing Director of the United States Government's Development Loan Fund. He is presently Deputy Administrator for Program of the Agency for International Development.

Mr. Coffin did his undergraduate work at Bates College. Subsequently he was graduated from both Harvard Business School and Harvard Law School. In addition to practicing law, he was active in civic affairs and politics in his home State of Maine. During the war he served in the United States Navy on active duty in the Pacific.

It is my pleasure to introduce to the faculty, students, and guests of the Industrial College the Honorable Frank M. Coffin.

Mr. Coffin.

MR. COFFIN: Thank you very much, Mr. Palmer. Gentlemen, it is a pleasure for me to be with you this morning for several reasons, perhaps not the least of which is the opportunity to escape from the deluge of problems that seem to be coming across my desk, today particularly. I don't know whether I will go back. It is also a privilege

to be able to speak to such a broadly representative and strategically placed group as you are. Thirdly, and perhaps least, but nevertheless an intriguing reason, I have never spoken with the assistance of such an automated podium before. I am tempted to play with these buttons, but I shall save that for some future occasion when nobody is around.

I will speak for, I hope, not more than the allotted time of about 45 minutes. Then I will be happy to receive your questions, and shall struggle with them. I can't guarantee to give complete satisfaction, because this is perhaps one of the most complex fields that face anybody within or without Government.

In my remarks I will talk briefly about the objectives of our economic assistance, talk a bit about perspectives, summarize some of the lessons we think we have learned, summarize the basic concepts in the new Agency for International Development, face some of the problems of the turnaround in our program to achieve these new concepts, talk briefly on the categories and purposes of our assistance, say a few words about the Alliance for Progress, give a footnote on our attitude toward and capability to deal more effectively with other donor nations, and, finally, make a few remarks on the impact of this program on the domestic economy.

That's a large order, and therefore I may treat any one of these subjects superficially or all too enigmatically. If you find that I have touched a particular base too briefly, I hope your questions will help remedy the defect.

As we see it, there are two major objectives of our assistance program. One is what I would phrase in the following words: A constructive confrontation of the determination to lift living standards in the recipient countries in order to provide a framework for orderly progress and a basis for hope, so that countries will develop in basic freedom to become responsible members of the free world.

Now, this is a mouthful, but I think it has the elements of our major longrun objectives--a constructive confrontation of this very deeply felt determination to progress. The purpose is not to eliminate the gap between the underdeveloped world and the developed world within the near future, because this gap is going to increase rather than decrease for quite some time to come. But it is to provide a framework for orderly progress, and, most important, a basis for hope, so that these nations will develop in freedom and will be responsible members of a world society of nations.

The second reason is just as important, only I phrase it negatively rather than positively. That is not just the containment but the erosion of Communist influence. I think that we can reach the point where we don't need to think in terms merely of containment but can think of erosion. I think we are seeing some of the beginnings of a softening of the Communist influence in certain areas.

There are three minor objectives after we discuss these two major ones. One is that sometimes our assistance is determined in part by our desire to assure ourselves of reliable access to strategic materials. Sometimes our assistance takes into account in a very vital way our desire to retain access to strategic locations. And sometimes our assistance takes into account the need to develop longrun trade opportunities, opportunities that may not exist today but may exist tomorrow or 5 years from now.

So these, then, are five of the objectives. I have tried to value them as I see them.

As far as perspectives are concerned, I think this is perhaps the most important subject on which I or anyone else in this field could talk. I shall limit myself to just four observations.

We talk about assistance, and particularly when we go to Capitol Hill, or when we talk with the press, we talk in terms of a program which has caused us in the public eye an excessive amount of grief. When we think of Laos and Cuba we say to ourselves, "Has this program ever done us any good? It's been $80 billion since the Marshall plan. Hasn't this been money put down the rat hole?"

What we forget are several things which should give us a sense of perspective, and you in particular as you leave this College and go about your increasingly important duties. It is important that you have this sense of perspective. In the first place, we have been at this work for about 14 years since the Marshall plan was launched. That's a short period of time for even a company to achieve concrete results. Certainly it is a short time for an institution, say the Industrial College itself, to show concrete results. And for a Nation which hitherto, before World War II, was pretty isolationist, to find itself within 14 years' time the leader of economic development assistance throughout the free world, to find itself with missions in some 60 countries, to find itself with some 12,000 personnel devoted to giving this assistance on a direct-hire basis in these missions and in Washington, and to find that we have enjoyed the support of our people throughout years, even

years of criticism, even years of some failures, and even years of some scandals, this is truly remarkable, when you look at the short period of time in which we have been so engaged.

We are unlike the British or the French. They have centuries of experience in dealing with overseas problems. Our experience in this line is limited to little over a decade, and I think we have done exceedingly well, all things considered.

More important than this observation is the truly remarkable achievements that we have accomplished. I think it would be well worthwhile if an analysis were made of the achievements of this program, not only in what has been done but what has not happened. Ten years ago there were not too many people who were terribly sanguine about what we would be able to hold in the Far East. After 1956 we would have thought that there was no reason why Egypt might not be a full-time Communist satellite within a few years.

Considering the huge quantities of military assistance put into Indonesia by the Soviets compared to what we have done, and looking at its location, there is really no reason why several years ago we would not have feared that Indonesia would be thoroughly under Communist influence. There are many different problems, but Indonesia is not a member of the bloc.

Look at Afghanistan, adjacent to the underbelly of the Soviet Union. It is placed in relation to the Soviets just as Mexico is placed in relation to us. Soviet assistance to Afghanistan has far exceeded ours. The most notable fact is that Afghanistan has maintained independence under these circumstances. Indeed, in all of the Middle East, the situation is far better than we would have had a right to expect some years ago.

A third comment, apart from the achievements of this program--and the achievements must be measured not only by progress but by catastrophes which did not happen--should be about India. India and Pakistan contain more people than all of Africa and Latin America put together, and have a considerable administrative competence, with plans which have reached a rather respectable degree of sophistication, with this basic hope for orderly progress which I have stated as one of our goals.

The next item is the respect in which we are held by the thoughtful leaders of other countries. This is something that unfortunately never gets into the newspapers, and yet it is an imponderable force in our

own position in the world. Just last week I was in a foreign country talking to a Cabinet Minister. After hearing my plea that his country could and should do more in foreign assistance, the official, instead of attempting a justification, stated that he did not know where the world would have been today had it not been for the leadership which we have provided over the years and are still providing. And he said that he wanted us to know that his country would be following this leadership, that the trend, over the longrun would be to follow our leadership in extending more and better foreign assistance.

This is imponderable but significant when you get leaders in other countries recognizing that beneath all the smoke and furor there is a profound respect for our motives and assistance and for the effectiveness of that assistance. This is something that constitutes a very significant asset in our own position of leadership.

Finally, there is the basic support of the people, when all is said and done, and after all the fights and investigations in the headlines. The fact is that the people and the Congress have supported the principle and the substance of foreign assistance over the years. We'll have to fight hard in the House and in the Senate and in conference, but the general level of our aid is testimony to the fact that they do support this program. The miracle is that although there is often a lack of general understanding about our achievements, our failures, and our problems, they do give us this support. I think it is a tremendous act of faith in the necessity for the program and I hope we can increasingly move to the point where there will be greater understanding to back up this faith in the continuation of the program.

So much for perspectives. What are some of the lessons learned, as we have proceeded through our various phases of foreign assistance, from postwar relief and rehabilitation to Greek-Turkish aid, to the Marshall plan, to point 4, to the Development Loan Fund activity, to the present Agency for International Development?

These are some of the lessons which all have learned: First, that for a time, for too long a time, perhaps, our assistance was oriented almost chiefly to the resolution of crises. There will always be crises, but we ought to try to give an added dimension of long-range planning and implementation to supplement dealing with the crises that will be with us. We have had in the past too much of a lack of a long-term concept of assistance. Certainly in the early years, and even when was in Congress, it was very popular to say that the aid program would be phased out shortly, that this was one of the final years.

I don't think anybody who is a serious participant in the debates or the consideration of this measure feels that this is a short-range program.

The President faced the issue head on last year when he called for a decade of development. I don't know that anybody had spoken in terms of a period of time as long as a decade. But you know and I know that at the end of the decade this program will still be with us. We hope there will be many successes to point to, increased strength in the free world, increased capability by the noncommitted nations, to maintain independence and growth, but the job of development will be with us for some time.

There has been in the past too little concentration on planning. There has been in the past a dispersion of our efforts in the field, with a feeling that if we send out a technician to work on an irrigation project, another technician to work on the tsetse fly, and another technician to work on the domestic canning of products, this was the sum and substance of development. These were good things. These oftentimes had good psychological impact, but they resulted in a program where a visiting Senator or Congressman would rightly complain that in a very small country we had a huge bureaucracy, not only a huge administrative overhead but 40 or 50 separate and quite unrelated projects and technicians. So we feel that is a lesson that we have learned.

Another one is an inadequate emphasis on what has been probably too simply capsuled in the phrase "self-help." By self-help we mean the rational mobilization of resources, the adequate attention to social problems, which is sometimes equally inadequately capsuled "reform," and, finally, aside from mobilization and reform, planning, not in the sense of creating a book that weighs so many pounds, which is a plan, but planning in the sense of devising the capability within the Government of making a sensible allocation of resources with some sensible objectives in mind.

So I say that in the past there has been inadequate emphasis on this. Also this has had an incalculable result on the program and on the morale and ability and competence of the people connected with us. We not only have changed the program six or seven times, including the title of it, but we have changed the theme of the program, as I have just indicated in my quick summary of the phases through which we have passed. We have changed the organization. We are just completing a rather massive change in organization, and we have had no fewer than 10 directors and administrators in this period of 13 years.

So the wonder is that we have competent, dedicated people still working in our missions and in Washington.

We have learned the lesson of inadequate procedures. We have not solved it, but we have learned the lesson that some of our procedures are too cumbersome, too complicated for the tasks which confront us.

Finally, we have learned that a program, no matter how good it is in Washington or how many experts advise on it, is only so good as the operators at the other end of the line in the field, in Ouagadougou, or in Chad, or Niger, or wherever we may be.

So, to take advantage of these lessons, we have adopted the following concepts. We have adopted the concepts and now we are struggling to implement them. The basic message I convey to you is that implementing these concepts is not done in a month or even a year, and is probably not done substantially for several years' time, because, if we want a turnaround program in a certain country we must find first of all the best people to carry that program out. It takes time to locate them, it takes time to train them, it takes time to give them a feeling of confidence in the field, and only then can they be of influence in the submissions they send back to Washington for the devising and structuring of a new program. It is not the program for that year and it may not be the program for the fiscal year immediately following. Perhaps the first time these new people can be effective is for the program 2 years after they get their feet placed in the given country. There is an awfully long leadtime in effecting a turnaround, either in people or in attitudes, or in actual programs.

With that caveat, let us proceed to our concepts. I have chosen to make this caveat because sometimes I think that these concepts are too easy to talk about and too difficult to implement. The danger is either that we will have too great faith in the concepts or we will become too disillusioned too soon about them. This is possible with regard to the Alliance for Progress where we talk about self-help, and where, because we have not been able to see dramatic steps taken by Latin American countries in the past few months, we are apt to say, "Well, this whole concept is bad." The difficulty lies not with the concept. The difficulty lies in getting our own people, who must be skilled in economic diplomacy, working patiently and skillfully with people in the other countries. The fruit of these labors will not become apparent for some time.

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The first concept is that of centralized responsibility within one agency integrated or closely related to and within the State Department, and placing due importance on the strategic location of good people in the field. In the past we had ICA handling grants and technical assistance and using the field as their key agents. The Development Loan Fund was in Washington making loans and using the field only intermittently and on an ad hoc basis. Now these two Agencies are meshed together with the whole devolution of responsibility proceeding on a geographic basis, with four regional administrators in charge of operations in Latin America, Africa, the Near East and South Asia, and the Far East. These are important regional establishments in Washington that have the responsibility of guiding the missions in the field through the Ambassador. They have all the tools to work with. They have the capacity to make loans and to make grants, to send advisers to the field, and to program the disposition of food. So they have all the tools, and they have all the responsibility.

The second concept is that for each country we shall have an aid strategy. This is a familiar concept to you of the military, but it is not so easily done or accepted in economic and social development. We think it is an excellent discipline to force our people in the field and in Washington to say, for example, "What should our aid strategy be in Colombia? What are we really trying to accomplish?" We cannot improve every part and facet of the entire spectrum of the society and the economy. We cannot hope to do that. But, what is the strategy for the U.S.? What are other nations doing? What can Colombia itself be counted on to do? Where can we concentrate our resources to attain identifiable objectives?

A third concept is, within this aid strategy, to give our assistance in accordance with priorities. Now, everything in development is good, but not everything has an equal priority, and of course we are not talking about absolutes, because what you and I might think was a priority in a given country might not be that which somebody else equally qualified might think was a priority. But to encourage priority thinking has been a persistent theme of our guidance.

A fourth concept is the emphasis on self-help. I have spoken of the caveat and the reservations I have in mind. This is the toughest job ever given to one of our officials abroad. It is difficult enough to plan one's own homelife and to get our children to be self-reliant. It is more difficult to get a city to take steps to help itself. It is much more difficult to get a State to help itself. And now, to try to stimulate other countries to take sensible steps is exceedingly difficult. But,

nevertheless, we have the faith that over a period of time, with increasingly competent, sensitive people, we shall be able to make progress. The alternative is even more unthinkable, not to care. This to us seems to abandon the whole job of striving for development. In any country we are in, even India, the resources that come from the outside will at best be marginal. At best they will be no more than 10 percent, and probably they will be closer to 5 percent. The real resources must come from within.

Fifth, we will emphasize long-term loans for development in distinction to capital grants. We used to make loans repayable in local currency, but the problems of disposing of this local currency, without upsetting the domestic economy or creating a political problem because we were sitting on so much local currency, caused us last year to move in the direction of very long-term loans, as long as 50 years, repayable in dollars, with a credit fee but either low or no interest, and a grace period of up to 10 years. This is substantially a grant to the extent of 65 or 70 percent. Any of you who are actuaries can figure the present worth of money repayable on these terms. And yet we feel that the most important thing about it is that a debtor-creditor relationship is a businesslike relationship, and that strings are accepted and lived with and respected in a debtor-creditor relationship, where they would not be in a grantor-grantee relationship.

Sixth, we try to emphasize education and social development. This is a task not just of economic development but of social development. There are many countries just emerging from a primitive state where infrastructure projects do not make so much sense as concentration on developing the human resource potential. The problems of such countries as Chad, Togo, and the countries soon to be Kenya and Uganda are just fabulous. There may be at most several hundred skilled people in terms of government skills in a country such as that. With independence, not only do they need those skills but they find themselves being afflicted by the desire to have embassies in many international organizations and countries. This places a tremendous and drastic drain on the human resources of these new countries. I wish there were some way to convince them that they could be served by the embassies of other countries in their countries. In any event, this underscores the need to concentrate on human resources.

A seventh emphasis is on long-term assistance. We strive to respond to countries with good plans and government competence by making assistance available to them on a basis of several years. Last fall we announced our first new type of long-range assistance by pledging $225 million to Nigeria for assistance in its 5-year plan, the theory being that we give Nigeria at least that much to count on to implement

its plan. We make that commitment subject to approval of Congress or the failure of Congress to disapprove, and subject to the appropriation of money. On the reverse side, Nigeria commits to us its serious efforts to implement its plan, which we previously have found to be a feasible one. This involves certain reforms. It involves certain allocations of resources. It involves certain undertakings as to government capability.

Another emphasis is an emphasis with regard to other nations. We look increasingly upon an international aid community as a source for increasing funds, not necessarily through international organizations. We look toward what we sometimes call a multilateralizing of aid. The chief instrument at the moment is the Development Assistance Committee of OECD sitting in Paris. This is the Agency or the forum through which the donor nations exchange views on aid, and through which they get together to work in coordinating teams on assisting any particular country. We have just begun to add this dimension to our thinking and effort, but I think the potential is indeed great.

We also added to our operation something which the military have had for many years, something which no good industry would think of doing without, or no good department of government. That is research. This year is our first year where we seek to institutionalize research in obtaining better operations in this complex field.

We also see a new relation to the military this year, in the exercises that are now being conducted, where the State Department, the AID agency, and the military are working together to devise plans for certain key countries. There is a new recognition on the part of the military of the implications on economic development of their plans and programs. There is a new recognition in the economic side, the aid side, of the implication on a country of their own supporting assistance commodity import programs. They know that our decisions with regard to supporting assistance will have profound implications so far as force levels are concerned. And pursuant to the President's directive, we are trying to establish a meshing of thinking and understanding that will result in the best possible economic, military, and political mix in a particular country over a foreseeable period of time. This I call a new relationship to the military and, I hope, a fruitful one.

Another emphasis is that of concentration of our aid. Many Congressmen say to us, "Why don't you concentrate your aid in countries where you are most likely to succeed?" We say, "Yes, we agree to that principle. But we do not agree that we can give our aid to just 10 or 12 countries and let the rest go down the drain. A country which may not be a good candidate for our best quality and quantity of aid today may be a candidate in 5 years' time, and it may jolly well be to our interest to see that that country develops to the point where it can be such a candidate."

There are countries where our aid is limited chiefly to what we might call graphic indications of an American presence, where we try to keep the actual quantity of resources at a minimum, and where we feel that it is important still to give a presence, which is translated in terms of some education projects or some agricultural projects.

So our objective of concentration is not peaks of countries which are aided with valleys where nothing is done. The peaks are those where we aid countries in terms of the long-range commitments and in terms of quantity of our lending money much more than we aid those where the prospects are much less. This involves a continuing and very difficult judgment.

A final emphasis is one which does not reflect a present emphasis so much as what I hope will be an adequate recognition of the problem of the relationship between trade expansion and commodity price stabilization and aid itself. I don't need to say to this group that the interrelationship of these two kinds of activity is vital and all important.

Now we come to some problems. As we have ended 13 or 14 years of assistance, we have our objectives, we have a sense of perspective, we have learned some lessons, and we have some concepts which are new in the sense that they are being self-consciously stimulated and underscored at every point in our programing and implementation. They are not all new in the sense that they sprang from the brain of Jove and came upon the world in their native beauty which has never been seen before. Many of these ideas have been simmering for years. Many of them have been implemented in various degrees. But the self-conscious articulation of these, we think, is one of the things which is new about them.

In making this turnaround to these new concepts we have problems which I will just list. I will not describe them in any detail. I will merely say that this places upon us internally, and upon Congress and the people externally, the need for a sense of realism and patience and determination, for I think this is the time when we as a Nation are seeking to become professional about one of our most complex tasks. We have problems of organization that are still with us. We have problems of personnel in the sense of getting the kind of people who can administer the type of program we would like to have both in Washington and in the field, or of training existing people to do the job of the future that is somewhat different from the job of the past. We have the problem of turning around programs. Sometimes it is difficult to pull out of a program in country "X" because the technical expert who is

in charge of a particular program may be a very intimate acquaintance of his opposite number in the government, and each has been a source of help to the other and there is great government reluctance when you propose to phase down that program. These things, therefore, take months, if not years, to turn around as much as we would like.

I have alluded to the problems of turnaround in procedures. Aside from organization, personnel, programs, and procedures, the final area of turnaround is that of the AID agency's relationships with the political side of the State Department, other departments of Government, international organizations, other nations, the public, the Congress, and private organizations. We have problems with each part of this spectrum of relationship.

As for categories of aid, I shall just say that we have seven which could be briefly summarized for you. The first is development loans. This is the principal instrument by which we attack economic development. We are requesting for fiscal 1963 $1.25 billion. This is more than we had this year. It will be substantially increased by authorizing a reserve fund for Latin America under the Alliance for Progress. The President has asked for $3 billion for a period of 4 years for the alliance. Part of it will be for grants, but most of it will be for loans.

Development grants most of you know by the term technical assistance, but it does include capital projects as well as the skills of people. This, although a smaller category, is our chief vehicle for attacking the problems of social development. We are requesting $335 million for the next fiscal year.

Supporting assistance is the kind of assistance which we give to countries typically on the fringe of the bloc in order to keep their economies stable while they maintain military forces which we feel are in their interests as well as ours, and those of the free world. We are asking for about $500 million for this category this coming year. This is the category that comes under most severe attack by Congress. They'd like to see us phase this down and out. Some of you may be acquainted with the Mansfield amendment which seeks to do just that. We have reached, I think, the point where we cannot phase it down any more rapidly than we are doing without incurring rather grievous risks on our part. I think perhaps I don't need to talk to this audience about the need for adequate supporting assistance in these countries.

Then we fund another part of our aid program in the category of contributions to international organizations. We asked for about $150

million for this item. We are asking for a contingency fund of about $400 million for the next fiscal year, feeling that we are in a time of contingencies, where a Laos, a Vietnam, a Congo, an Angola, an Algeria, a Bizerte, or any one of a dozen pressure points could explode into a crisis which would involve the need for some funds from our agency.

We also have investment guarantees, which require money as a reserve, whereby we seek to guarantee private companies who invest in underdeveloped countries. Finally, there is the vital Food for Peace Program. The availabilities of food are determined by the Agriculture Department. The programing of food is done in cooperation with Agriculture and the Food for Peace Unit in the White House. It is done by the AID agency personnel.

As far as the Alliance for Progress is concerned, I have already told you of our attitude, that we must in this alliance, as in the aid program as a whole, develop a sense of patience. We find even thus far, however, that more has been done in terms of legislation and of an ameliorative and social nature in Latin America than most Americans think has been done. We are looking at the alliance as a genuine two-way street. We find it very difficult to sell Latin American leaders on the necessity of undertaking tax measures and land measures in time to avoid a catastrophe.

Our people, however, under Ted Moscoso, are approaching this with great determination. Oftentimes they feel frustrated, but I have the conviction that ultimately they will make this a success. I think in retrospect this success will appear no less great than that of the Marshall plan. This is pure prediction. We are just at the threshold of this great effort in this hemisphere. Moscoso, as perhaps some of you know, is the only man alive, I think, who has presided over a successful economic development plan. That was the plan for Puerto Rico, Operation Bootstrap, aided, of course, by the fact that there were great tax advantages and he had the U.S. market without duty. Nevertheless, it was a magnificent job, and if any man is equipped to do this one Mr. Moscoso certainly is.

I can speak about the mechanics of the alliance, the place of the panel of experts and the place of the Inter-American Development Bank, but I think at this moment it is well to move on to cover my major subjects, leaving you with any questions you would like to ask.

I have just returned from a fascinating trip around the world. I have been ribbed by some of my colleagues because, being Deputy of

the AID agency, I managed to go around the world and see underdeveloped countries only to the extent it was necessary for my plane to be refueled in Ankara, Teheran, and New Delhi. My trip was to the developed countries, the donor countries--Germany, France, England, Belgium, Italy, Japan, and, finally, Canada. These are the countries which already are doing, not so much as we would like, but far more than any of us thinks. France commits twice as much of its GNP per capita to assistance in Africa, as we in the United States do--a total of $700 or $800 million a year. Germany in fiscal 1961 committed itself to $1.5 billion of economic assistance in a 1-year period. This is not a steady level. There were some nonrecurring sources for this commitment. Germany deliberately did this to increase the pace and accelerate its commitments so that its disbursements could proceed more evenly but on a higher level, as soon as possible. That's a rather difficult decision to make but Germany made it. Germany has aid programs in some 40 nations. Britain has just established a new Ministry of Cooperation. It has extensive obligations to present and former colonial territories and to the Commonwealth. Its Department of Cooperation consists of 700 people under a new Minister. In Belgium the Common Market, which we must look upon even now, really, for some purposes, as another nation, has an aid organization. In the past 5 years it has committed some $581 million for assistance in Africa. It is renewing its funds for the future, and it has made an agreement with the member countries already to stay at least at the level of $581 million and perhaps to go to as much as $1 billion for the next 5 years. There is progress also in Italy and Japan. Japan starts this year a new overseas economic cooperation fund. It frankly admits that it took its charter from our own Development Loan Fund, and many of the provisions are very similar. It can make long-term loans. It can even invest in equities.

Now, they are not doing nearly enough in these countries, but they are making progress. I would say that perhaps the most interesting statistic is that in calendar year 1960 the public resources put into long-term economic assistance by the United States were about $3 billion, including food and long-term Export-Import Bank loans. The public resources from the other developed countries, measured by the same criteria, were $2.3 billion. They have not equalled us as yet, but it is still a substantial percentage, and it's increasing each year. If we take public and private resources put into underdeveloped countries in calendar year 1960, the United States put in $4 billion and the other developed countries put in $4.4 billion, because they have more private investment in the underdeveloped areas than we do by far.

So this means in effect that, although we are leading and have exercised leadership for years, and will continue to exercise leadership, it means that we are not in this alone. It means that there is an aid community in these other nations which is building up within each nation, which is in turn becoming more professional, just as we hope we, too, are becoming more professional. This is a significant dimension. I hope to be able to present to the Congress in some detail this kind of story, because they have felt that nobody was doing anything except on the basis of hard commercial terms.

Finally, when we come to the domestic economy, just a few facts. Our aid economic assistance expenditures for the next fiscal year will amount to less than 1 percent of our gross national product, and about 2.5 percent of our total anticipated U.S. Government expenditures. We now are on a tied procurement basis. That is, our assistance is generally limited to goods and services that can be procured in the United States. There are exceptions, but our goal is 75 to 80 percent of all commodities and services to be purchased in the United States. We are under terrific pressure because of our own balance of payments situation, to try to see that to every possible extent aid results in procurement here, even though it is more expensive. Sometimes, however, this is not practicable if we are to achieve the objectives of our policy.

Take assistance in Africa. If you do not make dollars available to pick up local costs in a small African country with a miserable budgetary situation, you are not going to have any project in that country, and you will have no impact and you will have no development.

So there will always be a very nerve-racking, soul-searching struggle to get a proper balance between our objectives in meeting our own balance of payments problem and our other objectives in seeing countries develop in freedom to achieve a world in which we and our children will feel we can safely and happily live.

I have run through and touched all my bases. It is now the last of the seventh. I shall suspend and be most happy to receive your questions. Thank you.

DR. SANDERS: Mr. Coffin is ready for your questions.

QUESTION: Sir, I am curious about how you operate in this European Committee. Do you say, "We'll divide it up by countries. You take Vietnam and we'll take Formosa?" Do you divide it up by functional areas, or is there any such division?

MR. COFFIN: No. Two or three weeks ago they finally arrived at a resolution to approach this problem through a French proposal. A Mr. Sadrin had proposed it. Originally, we thought there would be a formal committee which would consider what countries the group as a whole would interest themselves in. This did not appeal to a number of the countries. So now they will proceed by ad hoc coordinating teams which can be just as informal or just as formal, and can be just as preliminary or just as final in the commitment as the members of the team want to make it. They are a little bit gun-shy of formal consortia.

The Chairman of the Development Assistance Committee is our Ambassador Riddleberger. If the French are interested in going into a particular country they will go to the Chairman, and Ambassador Riddleberger will call a meeting of all countries interested in helping this country. This group can confine itself to just exchanging information or having a study mission. They can confine themselves to assistance on a particular project or a whole country program, or they can even have an interest in a region--East Africa, West Africa, or parts of Latin America. This is where the matter stands.

The next job is to try to get DAC to cut its teeth on a few countries. This is in addition to or to supplement the bilateral assistance that they are giving in so many cases already. They are still feeling their way. The essence of it is that, instead of starting with a very formal approach, they are starting with a very informal approach.

The job that we have to do during the immediate future is to try to see that DAC does become a substantive group, that it gets the respect of all the members, and that it really gets some momentum. This is going to be difficult.

QUESTION: Sir, what do you see is the relationship between our Ambassadors' duties over there and those carried out by the U.N. Special Funds, UNESCO, and other special agents?

MR. COFFIN: People often say, "Shouldn't we give all our aid through multilateral organizations?" Perhaps some day we could say yes. But certainly, for the foreseeable future, we would have to say that, while we would support multilateral organizations, most of our aid will be bilateral. For one thing, if we were to take the resources that are in our program and put most of them into multilateral aid, it would so overwhelm any reasonable ratio of what we would contribute to a multilateral organization as opposed to what others would contribute to it, that it would really destroy the multilateral character of that

agency. We are willing to increase our contributions to the U.N. Special Funds. We said so this year. We said we would go up to a total fund of $150 million. It had been under $100 million. Actually, despite our willingness to increase our pledge, we got only a modest increase in the pledges from other countries.

A small country such as the Netherlands takes the position that it would like to do its assistance through multilateral agencies where it cannot make too much of an impact through its own program. But for us, I think we have to be in a posture of being willing to support an international effort but realize that we can't push it too fast, not only for the ratio problem that I have talked about but also because we are not completely happy with the internal organization of the U.N. specialized agencies.

We would like, as would Harlan Cleveland, our Assistant Secretary of State for International Organizations, who has been drumming on the theme, the U.N. to do something of what we have tried to do in our own program, and that is to have all the programs of the specialized agencies that are active in certain countries coordinated by the U.N. resident representative there, so that you don't find the Food and Agriculture Organization (FAO) pursuing its path completely oblivious to what the U.N. Educational, Scientific, and Cultural Organization (UNESCO) is doing in education or what the World Health Organization (WHO) is doing in health.

There ought to be, in other words, a rationalization and a tying together of a better joint or coordinated programing exercise for these agencies. We would like to see a greater effort toward a more centripetal force in the U.N. activities. So we are constantly drumming on that theme.

QUESTION: Sir, in relation to the problem of having interface arrangements between agencies, what are your difficulties, if any, with respect to interface arrangements for your people, particularly in the underdeveloped countries, and the Peace Corps in any such country? And what are the possibilities that the Peace Corps projects may siphon or may have to use some money slated for that country by AID? Is this a problem for you?

MR. COFFIN: I don't think it is so much a problem as an opportunity. We do not have any programing jurisdiction over the Peace Corps. The coordinating mechanism between us is the Secretary of State, because both AID and the Peace Corps report to the Secretary of State.

The Peace Corps' objectives in a country are broader than economic development but, to the extent that they are working on economic projects, they are working on something in which we have an interest. We would hope that they would work on projects that are within a priority list for that country, if these projects otherwise satisfy the particular needs and capabilities of the Peace Corps. The opportunity exists to get together at the working level to make sure that what they do makes the most sense in terms of the country's need. Of course, all their starts are quite new in most of the countries they have been in. Their coordination is in the field. They have access to the Ambassador and to all the technical personnel in the AID mission. I would hope that in the future we could have more of our planning resources used by the Peace Corps and I think they will be.

QUESTION: Sir, some observers of our aid history in recent years have the feeling that what we are doing in underdeveloped countries tends to at the least cause frictions and at the most tends to alienate some of our former and present friends and allies throughout the world who are known to oppose communism. I would like to have you comment two ways on this. First, what can we do, if we want to go into places like Chad and Tanganyika and other areas, to continue to have the former landlord on our side? And specifically, in what way are you planning to cope with the problems of such areas? Say Sukarno does take over the Dutch possessions in the Pacific, are you planning actively to deal with this problem?

MR. COFFIN: The first question is easier to answer. I talked with the French and the British and the Belgians, all of whom fit the description of the countries you have in mind. They have no desire to preclude our presence in these countries. In fact, they feel that it is a very pressing burden to contribute to the budgets of these countries. They don't want us to cross their bows or to do things that would frustrate what they have been trying to do, or to compete with them.

Now, in some of the former French countries, even though ordinarily in our development grant activity education would be a priority, if not the priority, area, we do not try to compete or substitute our educational systems for the French system. If we are in education, we will try to make it a specialty that fits into their overall picture, or we will do something in agriculture.

What we do to minimize the friction, I think, will involve a greater interchange of our program and specialty officers at that time in the year when neither the French program nor ours has been completely frozen or locked into place. I don't say that we should exchange all information,

and I don't say that we should always defer to what they might want to do. If they want to do a project and we want to do the same project, maybe we would insist on doing it. But at least we would have some kind of consultation.

This idea I have discussed with all of these nations, and they all seem to be very receptive. Now it remains for us to see in what manner we can have this interchange, either in the capitals over there or in Washington if their people are going to be here. I think, therefore, that we can do a better job in the future.

The AID organization is now equipping itself with a staff, called the International Development Organization Staff, which will backstop our DAC operation and will backstop this program interchange operation.

On the other question I must say that I know of no AID activity contingent on any Indonesian takeover. I suspect one would have to go to the diplomatic side of State for any comments on this problem.

QUESTION: In regard to the Alliance for Progress, and more specifically P.L. 480, what has been the attitude of Argentina as a net exporter of agricultural products?

MR. COFFIN: I am not sure that I know terribly specifically. I assume there have been problems with Argentina. I am more familiar with Canada. I am not that acquainted with the attitude of the Argentine exporters. We try in our legislation to avoid interfering with orderly marketing of other countries. I assume, without knowledge, that we sit down with other major producers of such commodities occasionally, n the National Wheat Agreement and other such agreements. I think ve have done a much better job with Canada than we had done a number of years ago. In the past several years we have had this kind of consultation. So the friction on this score has been considerably less.

We have this kind of problem, though, and we have it in a new way. n helping India, for example, we find we are making a number of loans or the importation of commodities, and some of the commodities are ommodities which the Canadians customarily have sold to India--zinc nd pulp and aluminum. We say to the Canadians, "Well, you can make his kind of long-term loan yourselves and keep the business." On the ther hand here again it seems to me is a proper place for consultation n order to minimize this friction.

Maybe we could do the same job for India with financing the import of other commodities. Maybe there is some margin within which we can be cooperative.

So these problems exist, not only with agricultural commodities but with industrial products.

QUESTION: Mr. Coffin, with respect to the Alliance for Progress, other than your comments on Mr. Moscoso, you left me with the feeling that the issue is in doubt as to whether the alliance will succeed, or how well. I wonder if you will explore this a little bit further. I am wondering what the President is going to do, what the Congress is going to do, and what Latin America is ready for.

MR. COFFIN: I certainly don't want to leave you in doubt. In saying that I predicted that this would in retrospect some day prove to be an achievement as successful and as spectacular as the Marshall plan, I thought I had made it quite clear that I was optimistic but that there were problems. When Mr. Dillon last summer said that under the alliance there would be $20 billion in the next 10 years for Latin America, he was being very realistic. That is, from a variety of sources there is substantial capital. We may even have underestimated the extent to which European capital would go into Latin America once we can see stability and progress internally.

We are at a stage of the game where a number of countries face short-term financial budgetary needs, where their governments are not strong enough to push ahead far enough with the kind of legislation that both they and we ultimately think they ultimately should have. So we are going to go through a period where there will be some short-term stabilization credits. There will be loans where we cannot point to terribly dramatic instances of self-help. But the key to the future progress after this difficult short-term period is over, will lie in the caliber of the planning being done by these countries and the government competence that they set up to administer the results of this planning.

The panel of experts of nine which has been set up will review these plans. We know that some are well under way at the moment. I think that, with the increased availability of money which the President has asked for and which, I think, the Congress at least substantially will respect, we will be in the position to respond to good plans.

The key to it in the final analysis will be the effectiveness of our own negotiations, how tough we are on particular issues and how sensiti

we are, and on the determination and the ability of the Latin American leaders to push through with enough progress to gain momentum.

I could talk for 3 more hours and add nothing to this. I am optimistic. I think we have the human resources there. Certainly we have the physical resources. We've got the capital from our own AID program. If we can establish a climate of confidence, we have tremendous capital from Europe, because there is great interest.

We've got the makings. The question is: Will all these pieces come together in time to be successful?

QUESTION: You mentioned research and then passed over that topic. Will you please elaborate on research, what you are doing, what you plan to do, and the scope?

MR. COFFIN: I can't be too precise, because we have just estab-ished the unit. We asked Congress last year for $20 million for re-search. Congress said, "We think it is a fine idea. You go ahead and set up a research unit, but take the money from some other part of the program." Which we did. We have had this unit in operation for prob-ably 2 or 3 months under Dr. Edward Fei, an economist. We estimate hat this fiscal year we will probably have committed $5 to $7 million n projects. Most of the research itself, of course, will be done out-ide the Government by institutions or firms.

As to the particular projects, I just am not informed enough to say hat our present list of programs in which we have invested amounts to. am not even sure that we have signed final contracts. We may be just n the stage of negotiating these contracts.

This will be with the purpose of seeing how we can teach, for exam-le, more effectively. One of our projects has to do with Zacharias and thers at M.I.T. and elsewhere who have, we think, staged a break-rough in methods of teaching the Africans, particularly. We don't ink it is necessarily a prerequisite that we go through all the stages education which our children here do.

This has profound implications for assistance in education in areas ke Africa.

Some other research would be on equipment. What kind of truck best devised for either desert or jungle or mountainous areas? hat sources of fuel are best? We are working with Interior to see

whether or not desalinization of water is something that we should as an agency interest ourselves in.

DR. SANDERS: Thank you very much, Mr. Coffin, for a rather incisive analysis and insight into the foreign aid program of the United States.

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