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STATEMENT BY THE HONORABLE DEAN RUSK
SECRETARY OF STATE
BEFORE THE HOUSE FOREIGN AFFAIRS COMMITTEE
WASHINGTON, D. C.
THURSDAY, MARCH 17, 1966

Mr. Chairman:

Thank you very much for the opportunity of appearing before you in support of the President's economic and military assistance programs.

The Foreign Assistance Act and the Military Assistance and Sales Act of 1966 will provide the basic authority to carry forward a foreign aid program which, in the words of President Johnson, will "help give the people of the less-developed world the food, the health, the skills and education -- and the strength -- to lead their nations to self-sufficient lives of plenty and freedom."

The legislation and programs before this Committee are the result of a sober and searching review conducted last fall at the direction of the President. That review was a response to concerns expressed by the Congress and this Committee and a response to the call for action in the Conference Committee report on last year's authorization bill.

I was an active participant in this review, and I am convinced that the proposals now before you are based on a full understanding of the lessons of the past as well as creative thinking about the future.

For FY 1967 the President is requesting new appropriations of \$2,469 million for economic assistance programs and ~~\$917 million for programs of military assistance~~. These are minimum estimates, based on conservative appraisals of needs for the coming year. If this request should prove insufficient, the President will not hesitate to request additional funds.

I strongly support these proposals and urge the approval of H.R. 12449 and H.R. 12450 by this Committee.

I

Foreign aid is basic to U.S. security.

Without it, many countries undoubtedly would have been subverted or overrun in the past two decades.

Without it, the frontiers of freedom would have shrunk and Americans would be living in a less stable and more threatening world.

Too often, I think, we let immediate crises and headlines obscure the very real progress that is being made in so many parts of the world. This is often called the "quiet battle," and it is a battle of which all Americans can be proud. As the President said in his Foreign Aid Message, "We will never know how many crises have been averted, how much violence avoided, or how many minds have been won to the cause of freedom in these years."

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But much remains to be done, and that is why we ask the Congress to provide the authority and funds to mount a renewed attack on the root causes of misery and unrest on which aggression and subversion feed.

The economic assistance program we are proposing is based on two fundamental facts:

--First, that the basis for successful foreign aid is self-help. No amount of U.S. assistance can do the job unless the recipient nation itself invests the resources, makes the reforms, and adopts the policies which will lead to lasting progress.

U.S. aid will not be provided unless nations are willing to do their part in the crucial task of development; it will not be provided where nations engage in wasteful foreign adventures.

The President has made this clear in his Messages to the Congress; he has made this clear to recipient nations in his actions.

--Second, that the major concern of a successful foreign aid program must be people. Our aid cannot be concerned simply with dollars or plans or facilities.

That is why we are proposing a renewed attack in the fields of education, health and agriculture.

Our own experience in America demonstrates that the vital ingredient of progress is people who are educated and healthy, people who have enough of the right food to eat, people who look to the future with hope.

This is no vision or dream. It is realism rooted in experience.

Mr. Bell has given you some of the details of these new initiatives in health, education and agriculture. But I should like to say that my belief in this approach is based on my own experience and the contrast between the life I knew as a boy and the life of present-day America.

For I do not believe that the situation in many parts of the world now is so different from what it was not too many years ago in many parts of our own country.

I believe that the rapid growth of our own nation and the transformation of backward areas into active participants in progress is the direct result of better education, improved health and more efficient agriculture.

You can chart the course of our own progress in school attendance statistics, health records, and agricultural productivity figures.

Our foreign aid program is designed to help others follow the same path of progress.

II

The President's foreign aid proposals have two important features of particular interest to this Committee -- a split of military and economic

economic assistance and a five-year authorization for the entire aid program.

The separation of the two parts of the foreign assistance program is designed to clarify the purposes and functions of each and to give the public a greater understanding of what we are doing in our overseas programs. Congressional examination and review of the relations of the two programs and of their effectiveness in carrying out our foreign policy goals is being maintained by reference of the two bills to this Committee and to the Senate Foreign Relations Committee.

In addition, the President is requesting that the Secretary of State be given continued responsibility to exercise supervision and general direction of the military assistance program. Careful review will be maintained by A.I.D. and the Department of State to assure that MAP expenditures and sales are consistent with our foreign policy objectives.

Secretary McNamara will discuss this program with you in detail in the near future. But I should like to add my strong support for the requests which he will be presenting.

Military assistance helps to strengthen our own security by building the security of others. It helps those nations which are working with us to secure peace by deterring aggression. MAP helps to build the shield behind which economic growth can take place.

But the program does more. It also contributes to the economic progress of the recipients by stressing civic action programs through which local troops build schools and roads and other essential facilities. In addition, we help train foreign military personnel at schools in the U.S. and abroad, and through these courses, impart a new understanding of the role of the military in a democratic society.

We are requesting extension of the multi-year principle to all authorizations for economic and military assistance.

Other witnesses will deal with the specific requests. I should only like to underscore a key aspect.

Full review will be maintained by this Committee. The Executive Branch is prepared to make an annual presentation of the program in whatever form you may request. But the long-term authorization will free this Committee from the burden of an annual legislative cycle, and enable you to examine the entire aid program or selected parts of it in whatever depth that you feel is necessary. In this way, the informed judgment of this Committee can be brought to bear in areas of particular concern; and I can assure you of the desire of the Executive Branch to make such examinations as fruitful and constructive as possible.

III

I should like to take a few minutes to discuss four particular aspects of the FY 1967 economic assistance program.

First, ~~we are continuing to focus our aid in those nations and on those programs where self-help and performance are the strongest and where U.S. security interests are most directly served.~~

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As a result, in FY 1967:

- 92% of the total country programs is concentrated in 20 countries
- 84% of Development Loans is for 8 countries
- 93% of Supporting Assistance is for 5 countries, with 72% in Viet-Nam alone.

Second, we have been continuing our successful efforts to reduce the adverse impact of the aid program on our balance of payments. With relatively small and necessary exceptions, all the funds now being appropriated for the A.I.D. program will be spent in the U.S. As you know, A.I.D. is in the business of exporting U.S. goods and services, not U.S. dollars.

A.I.D. offshore expenditures declined from nearly \$1 billion in Fiscal Year 1960 to \$515 million in Fiscal Year 1964, and will be further reduced to about \$400 million in FY 1967. Taking into account repayments on past aid of \$186 million, the net impact on the U.S. balance of payments of A.I.D. offshore expenditures in FY 1967 is estimated to be only \$214 million.

In the long run, foreign aid will be a substantial help to our balance of payments. As countries which we now assist grow stronger, they will provide new and growing markets for U.S. businesses. And an increasing flow of dollars to the U.S. will result from development loan repayments.

Third, we are increasing our efforts to stimulate the private sector in the developing countries and increase the role of U.S. private enterprise in our assistance programs.

This is a basic aspect of our aid program. For until the energies of all the citizens of a developing nation are involved in the job of building a better life and until all can share in that life, there is no true progress. Their own and foreign private enterprise can play a vital role in stimulating and releasing these energies. In recent years there has been a growing understanding in the developing nations of this fact. And there has been a corresponding growth in A.I.D. support for efforts to build the private sector. This is being accomplished through modification of policies by developing countries themselves as well as through creation of institutions under the aid program.

The U.S. Government itself can only do a small part of the job. It must rely increasingly on our business and labor leaders, our teachers and lawyers, our farmers and bankers, who have great reservoirs of knowledge and experience important to the attack on the problems of the developing nations.

As part of our renewed efforts we will make greater use of the unique contributions which U.S. private citizens can make. We will continue our support for the International Executive Service Corps and are encouraged by the spirit of service which has moved so many qualified business executives to participate in its work.

As President Johnson indicated, we expect to carry on a frank and constructive review with recipient countries of obstacles to domestic
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and foreign private investment. We will continue to support liberalization of over-controlled economies; to furnish assistance to the formation of cooperatives, and the training of labor and business leaders; and to support institutions offering improved credit facilities and advisory services for small and medium-sized farms and businesses.

We are continuing our policy of encouraging U.S. private investment in the developing countries. In support of this policy we are requesting that this Committee double the authority of the investment guaranty programs.

Last August the Advisory Committee on Private Enterprise in Foreign Aid, composed of distinguished citizens and chaired by Arthur K. Watson, reported its recommendations for strengthening the participation of private enterprise in our foreign aid programs. A number of these recommendations have been adopted; others are being carefully studied and are providing the basis for new initiatives in important parts of the aid program.

Fourth, we are placing increasing efforts on programs to combat subversion and the despair and frustration on which such subversion grows. This is a crucial aspect of our aid, for as we have seen in many parts of Latin America, Africa, and Asia, where insurgents are active, the energies of a people are diverted from the long-range job of peaceful development to the short-run task of survival.

These programs focus in four major areas:

- public safety, which helps to build basic local security;
- civic action, sponsored and supported by both the military assistance program and A.I.D. through which local military units participate in nation-building projects;
- rural and community development, which helps to build local government units and increase local participation in economic and social improvement projects;
- labor and youth, which are, of course, essential parts of The Foundation for a society of progress and freedom.

IV

I should like to discuss with you some of the areas of particular concern to our own security where the foreign assistance program plays an important role.

A major portion of the funds in the FY 1967 foreign economic aid program -- \$550 million -- is for Viet-Nam.

The crucial battle to determine the kind of life which the peoples of Southeast Asia will live continues. The battle is not simply a matter of guns and troops and planes. It also involves hard, basic work being done in villages to improve agricultural productivity, increase health services and establish educational systems. It is this work which points the way to the kind of life which the people of Viet-Nam can live when the guns are still.

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I think it is important that these works of peace continue even while the military struggle continues. That is why we and the leaders of South Viet-Nam reaffirmed our commitment to improve the life of the Vietnamese people in the Declaration of Honolulu. For we all recognize that, while we could win the victory on the battlefield, we could still lose the more important fight for the future well-being and progress of the people.

As part of similar efforts elsewhere in Southeast Asia, we are stepping up our assistance to Thailand and Laos.

There are also encouraging signs of a developing regionalism in Asia. The countries of the area are beginning to look beyond their own borders for ways in which they can cooperate in the common problems of economic development. For some years, the Mekong Coordinating Committee, which includes representatives of Thailand, Laos, Cambodia and South Viet-Nam, has been conducting studies and pre-investment surveys for the long-range development of the Mekong Basin. Two smaller projects in Thailand are, in fact, nearly completed, and engineering work for the Nam Ngum Dam in Laos will shortly get underway.

We do not stand alone in our efforts to spur development of this river basin. Six other donors -- Japan, the Netherlands, Canada, Denmark, Australia, and New Zealand -- have joined with the United States with pledges totalling over \$23 million for the Nam Ngum project, which will be administered by the World Bank.

Another important development is the founding of the Asian Development Bank, which has been in the planning stage since 1963 and is expected to begin operations later this year. Thirty-one countries have joined in providing funds for the Bank. The initial capitalization of the Bank is \$1 billion -- \$650 million from regional members and \$350 million from non-regional members. Subscriptions to date are only \$3 million short of this goal. Japan has subscribed \$200 million, the same amount as the United States.

The need for closer regional cooperation is particularly great in Southeast Asia. Accordingly, the legislation before this Committee contains a new title for multilateral and regional programs in Southeast Asia. This new title is evidence of U.S. willingness to respond to new Asian initiatives which will accelerate social and economic progress and development and strengthen cooperation among the countries of Southeast Asia.

The proposed Southeast Asia title is a further step towards the realization of the President's goal spelled out in his speech at Johns Hopkins University on April 7, 1965: a broadly-based international cooperative effort for the accelerated development of Southeast Asia -- an effort which will offer the peoples of the area an alternative to violence and which would replace "despair with hope and terror with progress."

This past year has been one of crisis and turmoil in the Dominican Republic, but since last September there have been signs of progress. The Provisional Government, with the help of the Inter-American Peace Force, has retained control of the divided country. We are working with the peoples of the Dominican Republic to assure the peaceful transition to power of a freely elected democratic government. We are also working with the people and providing economic assistance which will help to direct the energies and the policies of the country toward peaceful reform and a better life.

As you

As you know, we have just announced our willingness to negotiate certain economic development loans with India and Pakistan. We are prepared to continue to help if these two countries demonstrate their willingness to take necessary self-help measures in the fields of agriculture and other priority areas and find a way to live at peace with each other.

We are heartened by the progress of reconciliation shown at the United Nations and at Tashkent, and in the announcement of troop pull-backs. We look forward to the day when the full energies of these two great peoples can, with our assistance, be devoted to the task of building for the future. That job, as we all know, will be a staggering one, as the current food shortages in India so starkly remind us. But it must be successful, and we are prepared to do our part.

One of the most encouraging signs of the past year has been the continuing economic progress in Korea. For example, Korean exports in 1965 were 50 percent larger than in 1964 and five times greater than in 1960. Industrial production rose by 16 percent last year. Korea's Gross National Product increased by 9 percent in both 1963 and 1964.

This progress has been a demonstration of what can happen to a country after the smoke of battle has cleared and the energies of the people are turned to the great task of peaceful development. Our A.I.D. program was once largely in the form of grants to support the Korean economy. The grant economic aid program has been declining steadily while our development lending has increased, including loans to private projects, reflecting the ability of the country to make positive use of capital goods. Korea has provided an excellent example of what can be done when self-help is accompanied by strong United States support.

In Africa in recent months there has been some further movement toward regional cooperation. More and more of Africa's leaders are recognizing that peace and economic growth receive great impetus from a cooperative approach to development. We would be glad to see the achievement of certain steps being taken to further sub-regional cooperation and institutions such as in the proposed Economic Community of Eastern Africa. We look forward to cooperating with the new African Development Bank and other regional institutions which can play a vital role in drawing together the countries of this great continent. As the means for cooperation develop, the U.S. intends to make greater use of regional institutions and arrangements as channels for our assistance.

Last November I took part in the Second Special Inter-American Conference at Rio de Janeiro where I had the valuable assistance of Congressman Selden and Congressman Mailliard. I conveyed to the Conference the intention of the U.S. to extend its commitment to the great joint effort to promote peaceful change through the Alliance for Progress. In a personal message to the Conference, President Johnson said:

"Recognizing that fulfillment of our goals will require the continuation of the joint effort beyond 1971, I wish to inform the Conference -- and through you, your respective governments -- that the United States will be prepared to extend mutual commitment beyond the time period foreseen in the Charter of Punta del Este. In determining the scope of the United States effort, we will want to examine carefully with you at that time the requirements of the hemisphere, in the light of progress made through self-help measures and the contributions which by then

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some of your countries will be able to make to one another to further the common effort."

The leaders of the hemisphere demonstrated their commitment to progress by adopting the Economic and Social Act of Rio de Janeiro last November. This Act added an important new element to the Alliance: a commitment by all members of the Alliance to help one another and to provide assistance to achieve economic and social objectives set forth in the Act. Although many members of the Committee may have read it, I would like to submit for the record, Mr. Chairman, the text of the Act.

The Alliance is moving ahead. Brazil, as a result of farseeing and courageous decisions involving difficult measures for stabilization, development and reform, has greatly reduced its inflation rate, restored its credit, encouraged private investment, set its economy moving forward and pressed forward the modernization of its economic institutions. Chile is making important strides, and Colombia and Peru are taking the self-help steps which are expected to result in more rapid progress and therefore would justify greater support from the United States.

We will continue our strong support for successful regional integration in Central America, and are hopeful that the movement toward greater cooperation of all the economies of Latin America will gain momentum in the years ahead. In addition, we will continue to work with the Inter-American Committee on the Alliance for Progress (CIAP) and the Inter-American Development Bank to increase regional cooperation.

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There is a growing awareness among aid-giving and aid-receiving countries of the advantages of cooperation and mutual assistance. I have indicated the increasing spirit of cooperation among developing countries. Donor nations are also moving toward closer relationships in their aid-giving efforts. Particularly encouraging is the growing number of arrangements for coordination of aid among donors.

We are continuing our efforts to strengthen bilateral coordination. For example, the United States recently agreed to engage in regular consultations at the cabinet level with Japan and the Federal Republic of Germany.

Formal coordination arrangements have been established for a number of aid-recipient countries. Aid to India and Pakistan is provided through World Bank consortia which include Western European countries, Japan, Canada and the United States. Aid to Turkey is provided through a consortium of the OECD.

The World Bank also sponsors less formal coordinating mechanisms called consultative groups. There are now World Bank consultative groups for six countries including Colombia, Thailand and Tunisia.

These arrangements -- consortia and consultative groups -- bring together donor countries and international financial institutions. They provide an effective forum for reviewing the requirements of a recipient country, for evaluating self-help performance, and providing aid on a more orderly basis.

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The foreign aid program which this Committee is now considering is essential to U.S. security and national interest in both their short and long-range aspects.

For the short-range, the program provides direct support to Viet-Nam, assists self-defense and internal security efforts in other countries, and helps to build the stability essential to a peaceful future.

For the long-range also, we need our foreign aid program, because as the President said, "we are concerned with the kind of world our children will live in."

We seek a world of progress and of peace, where each nation lives in independence. This is no dream; it is a necessity. For in this age of rapid communication, rockets, and nuclear power, what happens half a world away is of vital concern to us and our security.

Only as others grow in freedom, progress and security can we here in the United States be truly free and secure to enjoy the blessings of a better life.

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