

~~CONFIDENTIAL~~

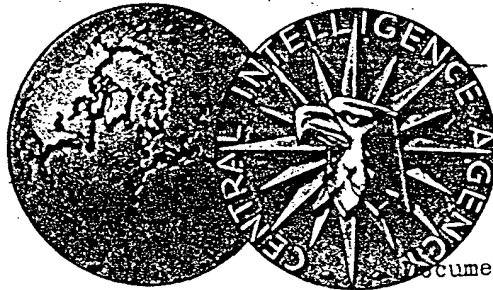
COPY NO. 160

A01

82047

CIA HISTORICAL REVIEW PROGRAM
RELEASE IN FULL

DIFFICULTIES IN THE IMPLEMENTATION
ABROAD OF POINT FOUR



Document No. _____
NO CHANGE in Class.
 DECLASSIFIED
Class. CHANGED TO: TS S C
EPA Memo, 14 Apr 77
Auth: BSA REC. 7/1/85
Date: 24/1/93 By: 21

ORE 54-49

Published 13 June 1949

CENTRAL INTELLIGENCE AGENCY

~~CONFIDENTIAL~~

~~CONFIDENTIAL~~

DISSEMINATION NOTICE

1. This copy of this publication is for the information and use of the recipient designated on the front cover and of individuals under the jurisdiction of the recipient's office who require the information for the performance of their official duties. Further dissemination elsewhere in the department to other offices which require the information for the performance of official duties may be authorized by the following:

- a. Special Assistant to the Secretary of State for Research and Intelligence, for the Department of State
- b. Director of Intelligence, GS, USA, for the Department of the Army
- c. Chief, Naval Intelligence, for the Department of the Navy
- d. Director of Intelligence, USAF, for the Department of the Air Force
- e. Director of Security and Intelligence, AEC, for the Atomic Energy Commission
- f. Deputy Director for Intelligence, Joint Staff, for the Joint Staff
- g. Assistant Director for Collection and Dissemination, CIA, for any other Department or Agency

2. This copy may be either retained or destroyed by burning in accordance with applicable security regulations, or returned to the Central Intelligence Agency by arrangement with the Office of Collection and Dissemination, CIA.

DISTRIBUTION:

Office of the President
National Security Council
National Security Resources Board
Department of State
Office of Secretary of Defense
Department of the Army
Department of the Navy
Department of the Air Force
State-Army-Navy-Air Force Coordinating Committee
Joint Chiefs of Staff
Atomic Energy Commission
Research and Development Board

~~CONFIDENTIAL~~

~~CONFIDENTIAL~~

DIFFICULTIES IN THE IMPLEMENTATION ABROAD OF POINT FOUR

SUMMARY

Vigorous implementation of the Truman program of granting technical assistance and encouraging capital investment in underdeveloped areas will promote economic development, raise living standards, combat the appeal of Communism, and promote the spread of US methods and influence. This program will, however, encounter certain obstacles which, if not surmounted, could limit its success.¹ While these obstacles are inherent in any such undertaking and none of them is of such critical importance as to cripple the program, their cumulative impact could be sufficient to hamper full achievement of its broad aims. The most serious problem will be to counteract the tendency of recipient countries to lose sight of the technical aspect of the program and attempt to convert it into a world-wide "Marshall Plan" involving huge capital grants. Many nations will be less interested in technical aid for public health, resources surveys, and overhauling of financial systems than in grandiose and unrealistic development projects for which they will expect US Government financial as well as technical aid. Unless it is made clear that Point Four

is primarily a technical aid program and not something on the order of the ERP, many inadequately considered schemes will have to be rejected, and the consequent disappointment of the nations rebuffed will be detrimental to US interests. Another problem will be the probable competition for aid priorities between various nations and groups of nations, all of them seeking preferential treatment in the allocation of the limited aid available.

Subsequent implementation of technical aid, through foreign private investment, will meet some opposition from local nationalists who fear foreign "exploitation," from local commercial interests afraid of foreign competition, from political groups desirous of embarrassing their governments, and from local Communist groups which will exploit the situation. Many governments will prefer to assure their own control of development projects and to avoid foreign "exploitation" by acquiring financial aid on a government-to-government basis rather than through private investment. These countries may insist upon restrictions on foreign capital so onerous as to prevent any substantial flow of private funds.

Another obstacle to success of the program will be the unwillingness or inability of many recipients to utilize technical assistance effectively. Local apathy, official corruption, bureaucratic inefficiency, and local nationalist resentment may combine in some areas to resist foreign missions and advisers and to make it difficult to carry out their recommendations. Use of the "servicio" method in Latin America, where US technicians have been in charge of aid programs under a ministry of a foreign government has, however, had encouraging success in overcoming this type of obstacle.

¹This paper seeks to present some of the over-all problems, arising from conditions and attitudes abroad, which will be encountered in the implementation of Point Four. It purposely adopts a broad general approach, and is to be considered only as a preface to possible future analyses of specific area and functional problems as the Point Four Program takes shape. For the purposes of this paper "underdeveloped areas" are assumed to be those whose natural and human resources are largely untapped, primarily the dependent areas and young states of Asia, Africa, and much of Latin America. While more highly developed countries like those of Western Europe will also have underdeveloped sectors of their economies, the problems outlined here apply more directly to the economically backward areas.

Note: The intelligence organizations of the Departments of State, Navy, and the Air Force have concurred in this report; the Intelligence Division, Department of the Army, had no comment. The report is based on information available to CIA as of 1 June 1949.

~~CONFIDENTIAL~~

The planned execution of much of the program through the United Nations will have the advantages of: (1) utilizing existing UN machinery; (2) strengthening the prestige of the UN; and (3) giving the program a truly international aspect, thus minimizing US liability to charges of "imperialism." On the other hand, the US will have less control over the program, and some UN specialized agencies and regional economic commissions may seek to undertake programs more ambitious than the US, which will have to supply the bulk of the resources, is willing to support. Moreover, such UN programs will

tend to be influenced by political considerations, perhaps leading to an effort to distribute benefits evenly among members rather than on the basis of need. Nevertheless, the US will still exercise considerable indirect control through its influence over other UN members and since it is the only country capable of supplying most of the required funds.

While the USSR will bitterly attack the Truman program as US "imperialism" and seek to obstruct it on the same basis as the ERP, Soviet capabilities of impeding the program are relatively limited. The USSR will probably prohibit Satellite participation.

DIFFICULTIES IN THE IMPLEMENTATION ABROAD OF POINT FOUR

As the fourth point of his inaugural address, President Truman announced a "bold new program" designed to extend technical assistance and foster the flow of capital investment to underdeveloped countries through a "cooperative enterprise in which all nations work together through the United Nations and its specialized agencies wherever practicable." Merely granting technical assistance and encouraging capital investment abroad are not new undertakings for the US Government, which has engaged in this type of activity through the Export-Import Bank, the Interdepartmental Committee on Scientific and Cultural Cooperation, the Institute of Inter-American Affairs, and various bilateral arrangements; but the expanded and coordinated program now proposed as a major instrument of national policy is a far-reaching innovation. The two aspects of the program, technical assistance and private foreign investment, are designed to be complementary, with the technical aid providing the necessary groundwork and opening the way to privately financed development projects.

The economic, political, and social effects of a vigorously implemented program would be of major benefit to the United States. Since the US would be called upon to provide the bulk of the capital, skilled personnel, technological training and guidance involved, the program would inevitably result in the spread of US machinery and methods to the countries aided, thus forming closer ties with the US, economically, socially, and politically. The effective implementation of a technical assistance program of broad scope would also raise world living-standards, thus encouraging political stability. Such progressive improvement of world stability offers one method of combatting the expansion of Communism.

Certain difficulties will arise in the implementation of the program, however, which if not properly coped with, will hinder success-

ful achievement of these objectives. This estimate seeks to examine these probable difficulties rather than to attempt any evaluation of the prospects of the program as a whole.¹

1. Attempts To Change the Character of the Program.

Although the underdeveloped areas and the European powers which control many of them have received the President's proposal with enthusiasm, their later reactions as the program develops will raise numerous complicating problems. Chief among these will be the attempt of many areas to shift the program's emphasis from technical aid to financial assistance from the US Government and to propose grandiose and impracticable projects. In the first place, enthusiasm will in many cases outrun wisdom and numerous governments will tend to consider this the opportunity for realizing cherished development projects with little or no regard for over-all world needs or the resources available for implementation of the most urgent programs. This type of reaction has already manifested itself in the nebulous proposals for loan assistance made by numerous countries to the International Bank and the US Export-Import Bank.

In addition to advancing unrealistic and exorbitant requests for technical aid, many governments will seek to turn the emphasis of the program from technical to financial assistance on the order of the European Recovery Program. The vision of substantial foreign financial backing will prove much more alluring to prospective beneficiaries than the reception of advisory and training missions. The point will be raised that for

¹ More extended analyses of many of these problems and proposed measures for meeting them are contained in policy papers prepared by the Department of State Technical Assistance Working Group (TAG) and the Interdepartmental Advisory Committee on Technical Assistance (ACTA).

certain types of development projects technical assistance and capital imports will have to be simultaneous, that foreign technicians must have the machinery with which to instruct local personnel and carry out their plans. This attitude has already appeared in the UN Economic and Social Council where the Lebanese representative asked logically whether granting technical aid before capital goods might not prove "wasteful and frustrating." The fact that many types of assistance such as technical missions and economic surveys will themselves create a need for capital investment to implement them will be utilized as a further argument for stressing the financial aspect of Point Four. If such technical aid is given without first ascertaining whether capital is available, the result is likely to be increased pressure for US financing. An additional argument for immediate financial assistance will be that many economic surveys of various kinds have already been completed and that the real need is not for more surveys by technical experts but for money to put existing plans into effect. Some local governments may not understand the necessity for creating a favorable climate for foreign private investment or local capital which under the Truman program is to be relied upon to implement development projects; they may instead seek US governmental financial aid.

Another probable development after the program has been put into action will be a growing disappointment on the part of certain governments that so few tangible results are immediately evident. There will be a natural impatience for concrete evidence of progress in the form of a higher standard of living, industrialization, and mechanized agriculture. This tendency can be overcome only by emphasizing that this is a long-range program with infinite potentialities which can be realized only over a period of time during which active steps must be taken to overcome old prejudices and institute reforms which may require present sacrifices and innovations.

Unless the US makes it unmistakably clear from the very beginning that Point Four is a technical aid program and not a multiple-

Marshall Plan, ultimate US rejection of many impracticable schemes will cause disappointment in nations thus rebuffed and may even produce unfavorable reactions toward the US. Such developments could lead to a lowering of US influence which might be reflected in a more uncooperative attitude or even in the exertion of minor pressures through restrictions on US business enterprises and trade. Such resentment of US action might also strengthen the propaganda position of local Communist and pro-Soviet elements, and consequently impede cooperation with the West. Any such tendencies will be fully exploited by the USSR to stimulate nationalism and a general revulsion against international cooperation. If the underdeveloped countries enter into the Point Four Program with a clear understanding of its cooperative requirements as well as its long-term aims and potentialities, the possibility of avoiding disillusionment and consequent apathy will be greatly enhanced and the way cleared for constructive action.

2. Competition for Aid Priorities.

In view of the limited resources likely to be available, another major problem in the implementation of Point Four will be the competition arising between nations and groups of nations for priority in receiving assistance. There will be a natural tendency for each nation to try to get the maximum amount of assistance for itself, and furthermore, in relation to Point Four there will not be, as was the case with the ERP, the restraining influence of an overriding and urgent necessity for cooperation as the alternative to economic collapse. While a certain amount of such competition will be a healthy indication of interest in the technical aid program, failure to satisfy simultaneously the demands of Burma, India and Pakistan, for instance, may result in resentment toward the US on the part of the country or countries omitted.

In addition to the competition between individual nations for aid priorities, there may emerge, with the development of the contemporary trend toward regionalism and the strengthening of the UN regional commissions, a competition between areas of the world. The launching of the ERP has

brought forth requests for similar programs for other parts of the world, and disappointment has been expressed in these areas over US neglect. Consequently the demand for an Asian "Marshall Plan" put forward in the fourth session of the Economic Commission for Asia and the Far East at Lapstone, Australia, may be a forerunner of similar official requests for regional development programs for Africa, Latin America, and the Middle East. The difficulties arising from this conflict between areas will be less pressing than those arising from conflicting national claims, however, since the present cohesiveness of regional blocs is somewhat tenuous and will tend to break down in the event that a particular nation sees its own prospects for assistance threatened through its support of the demands of other nations merely for the sake of regional solidarity. National rivalries and the dissimilarities of economic patterns within geographical areas will also have a divisive effect on the maintenance of unity within these blocs.

Should competitive tendencies be allowed to develop unchecked, they could negate the possibility of a cooperative plan for economic development, either by creating a bitter and importunate atmosphere in which there would not be agreement sufficient to implement any plans or by the emergence of international "log-rolling" which would expand programs of assistance beyond the realm of practical action.

3. Local Opposition to Foreign "Exploitation."

Any US-backed program of technical aid and particularly of private financial assistance will meet a certain amount of opposition from local nationalistic elements fearing foreign "exploitation," local commercial interests afraid of US competition, political groups desirous of embarrassing their governments, and local Communist groups which will exploit the situation. For example, many Asiatic countries harbor a lingering suspicion that US interests are too closely linked with those of the European colonial powers. Both the Asiatic nations and numerous Latin American states also fear a new economic imperialism of the US itself. Such intensely

nationalistic states will be jealous of foreign tutelage and may well place obstacles in the way of any technical missions whose recommendations diverge from their own nationalistic aims. Less opposition may be expected, however, in the case of strictly technical assistance in such fields as health and education, where no substantial foreign investment is involved.

A serious obstacle in a few areas such as Burma and Malaya may be the local Communist movement, which will actively resist the penetration of US methods and influence. Communist-dominated labor and youth movements may be utilized for demonstrations, strikes, and possibly even industrial sabotage to discourage the US from granting assistance and local governments from accepting it. Once aid has been initiated, these tactics will be used to resist the effective implementation of Point Four.

That portion of the President's program which calls for financing economic development through foreign private investment will meet strong obstacles in some areas. The growing nationalism in most underdeveloped countries has everywhere brought with it an increased distrust of foreign capital. Many governments will prefer to assure their own strict control of development projects and to avoid foreign "exploitation" by acquiring financial aid on a government-to-government basis rather than through private means. Moreover, many of these states will feel that they can secure better terms from foreign governments, where they can use political considerations as bargaining points, than from foreign private investors who are interested primarily in economic returns.

Despite US assurances, many countries will hesitate to allow direct private foreign investment because of their fear that a large share of the profits will leave the country and that their resources will be exploited for foreign benefit rather than for their own. Even though the US continues to emphasize the necessity of creating favorable conditions for foreign investment, these countries may insist upon arbitrary restrictions on foreign private capital which may defeat the objectives of the technical aid already received.

Foreign private capital in turn will be reluctant to flow into areas where it runs the risk of expropriation, must operate under onerous restrictions, and is sharply limited in the profits which it may extract. Moreover, in those countries with a high degree of political and economic instability, private capital will be unwilling to invest. In such cases, there will be great pressure for government-to-government loans, and there will be little incentive on the part of recipient governments to promote conditions necessary to attract private capital if they feel assured of the former.

4. Incapacity To Utilize Technical Aid Properly.

Since the success of the Truman program will depend largely on the efforts of the recipient countries themselves, a major obstacle will be the unwillingness or inability of many recipients to utilize technical assistance effectively. In many areas governmental apathy, official corruption, the low level of governmental efficiency, local nationalistic opposition, and sheer inertia will combine to defeat in large measure the achievement of any concrete results from technical aid. Much of the past US aid to China has encountered these obstacles. Moreover, some recipients will be unwilling to accept the type of technical assistance proffered, preferring large-scale development projects to the unpalatable necessity of first initiating administrative, fiscal, and tax reforms.

Maximum benefit can be derived from technical aid projects if each country involved establishes an honest administration of the program. In many instances such administrations will have to be headed by foreign experts, since there will be no technically qualified local personnel available. Such a method, however, may prove unpalatable to some governments. Since it would tend to place control of funds and personnel selection beyond the reach of the local government, possibilities for graft and political patronage would be lost. In addition, the necessity of employing foreign administrators might be considered a blow to national pride.

Faced with this necessary but unpalatable situation, some states will wish to do the job with poorly qualified local, and perhaps political, appointees, while others may let blueprints gather dust rather than accept foreign supervision. Considerable success in overcoming this type of opposition to foreign management has, however, been achieved in Latin America where "Servicios" headed by US technicians have been established under governmental ministries.

5. Relationship to the United Nations.

Should the Truman program be carried out as planned, largely through the United Nations and its specialized agencies, several problems would arise. The UN already has available the machinery for various types of technical assistance, which the United States will be under considerable pressure to use. This course will have certain advantages. Utilization of existing UN machinery will: (1) diminish the necessity for creating new agencies; (2) greatly strengthen the prestige of the UN; and (3) minimize liability of the US to charges of political interference and manipulation; and lessen the fear of US "exploitation." Channeling technical missions and financial aid through the UN would give the program a truly international aspect and thus weaken the opposition of those nationalist groups which fear US economic imperialism. Communists who have repeatedly branded the UN a tool of "Western reaction" would not be deflected from attacking the program but their charges would lose force with non-Communist elements.

On the other hand, the major disadvantage to the United States of operation through the UN would be the decentralization of responsibility and diminished US control of the overall effort. To be sure, the US could still exercise some indirect control through its hold over some UN members and through the fact that it must provide the bulk of the resources. Nevertheless, lack of direct US control over UN agencies will permit the development of such tendencies as some UN bodies have already shown to launch a large number of projects with wholly inadequate attention to the resources available. Moreover, UN pro-

grams will tend to be influenced by political considerations, such as the effort to distribute aid evenly among members, rather than on the basis of need. Thus a certain amount of "log-rolling" in the form of vote-trading could be expected.

Consequently many impracticable schemes, which would never be seriously considered if the US controlled negotiations, will be given the dignity and publicity of UN discussion; and some projects approved in the UN may involve excessive demands on the United States for technicians, training facilities in the US, and loans and capital goods. Many of these demands will inevitably incorporate features which the US will have to reject, and these rejections will be attacked by the nations affected and will be utilized by the USSR to denounce the whole concept of technical assistance as politically motivated and merely a refined method of "capitalistic imperialism."

6. Soviet Reaction to the Program.

The Soviet Union will strenuously oppose any US-dominated program for technical assistance to underdeveloped areas, since increasing productivity and raising living standards by evolutionary methods will weaken Communist influence and materially and morally fortify non-Communist parties and governments. The Polish representative in the UN Economic and Social Council has indicated the most probable future Soviet line by his bitter denunciations of the program as a US scheme designed to shape the "American Century" through political maneuvering, profiteering, and espionage.

Although the USSR can aggravate the many difficulties inherent in such a world-wide enterprise, it has only limited capabilities for impeding it. The initial Soviet objective will probably be to utilize its propaganda resources in an attempt to block or discredit the whole program in its formative stage. Failing in this, the USSR will then set out to neutralize the potential effect of the program through (1) propaganda; (2) obstructionism in the UN; and (3) political agitation. Soviet propaganda will undoubtedly seek to prove that the actual motives of the US are: (1) to sustain the capitalist system by securing profits

for American entrepreneurs and outlets for surplus production; (2) to insure political subjugation of independent nations; and (3) to advance preparations for an aggressive war against the USSR and the "New Democracies." The familiar labels of "dollar diplomacy" and "imperialist expansionism" will be liberally applied, and small states will be warned against opening their doors to economic penetration and political subservience in the guise of American technical and financial assistance. Furthermore, attempts will be made to split the Western Powers by portraying the US as seeking to displace the colonial nations in the exploitation of their dependencies. Once the assistance program is in operation, however, the USSR will be ready and willing to participate in investigating commissions sent out by the UN, in order not only to thwart, if possible, constructive efforts of the commissions, but also to obtain industrial and military intelligence, give covert support to local Communist organizations and nationalist agitators, and pose as the defender of dependent peoples.

The USSR can be expected to prohibit Soviet Satellite participation in the program, assuming it will involve some type of penetration of the Soviet orbit. Although the USSR would like to secure needed technical and material assistance for its sphere and at the same time reduce the benefits to non-Soviet nations by draining off as much aid as possible, the Kremlin is not willing to pay the price of lifting the curtain to foreign missions. In addition, the Soviet state cannot afford to lose prestige by admitting the superiority of the capitalist world.

Another Soviet tactic may be to use the recently formed Council for Economic Mutual Assistance in a propaganda campaign to counteract the Western program. Pointing to its provisions for exchange of experience and technical aid, and claiming that its membership is open to any states subscribing to "democratic" principles, the USSR may attempt to neutralize the psychological benefits of the US offer. The USSR cannot, however, spare the resources for any program of more substance than token gifts through Communist parties.

~~CONFIDENTIAL~~