

Speeches and messages: 1974 (1 of 2): [Foreign aid]

Senator Daniel K. Inouye Papers

Speeches, Speeches and messages, Box SP2, Folder 9

<https://hdl.handle.net/10524/71892>

Items in eVols are protected by copyright, with all rights reserved, unless otherwise indicated.

UHM Library Digital Collections Disclaimer and Copyright Information

United States Senate

MEMORANDUM

11-12-73

Edna:

Attached are copies
of recent speech
made by PKI for
your files.

Alade,
John

FOR RELEASE --Speech by Senator Daniel K. Inouye on April 7, 1973
at the Dixon-Sterling World Affairs Conference in
Sterline, Illinois

Recently the French Finance Minister, Valery Giscard D'Estaing, is quoted to have said, "there is nothing wrong with the present pattern of exchange rates. The only trouble is that the United States will not 'defend' the dollar..." Frankly, I find such remarks irritating. It would be more so were it not for the fact that ever since the inauguration of Charles de Gaulle the French have been trying to bearbait the U. S. on international financial matters.

This is not to say that the U. S. does not have to face up to and overcome large trade imbalances and currency adjustment problems, as do the other major currency nations of the world, including the French.

As the days go by it becomes increasingly apparent that the United States must begin to openly and realistically reappraise its position and role among the nations of the world. There have been some substantial changes that have occurred since the end of World War II, and it is only too clear that many, if not most, of these have not been realistically reflected in the ongoing application of U. S. financial, military and foreign aid policy.

The financial problems are the point of current activity by the concerned finance ministers, and it is up to the U. S. to do whatever is necessary to alleviate our part of the problem.

The position taken by Monsieur D'Estaing that we are solely responsible for this current world-wide dilemma is ridiculous; however, it well illustrates the widely held view in Western Europe and East Asia that whenever there is an international wrong to be righted, it is the United States' duty to come to the rescue at whatever cost to the American taxpayer. For years following World War II we actively sought to cast ourselves in this role. It is now clear that we succeeded only too well and our success is beginning to cost the American citizen dearly - far too dearly. It speaks well of our nation that the average American has agreed for so many years to shoulder more than his share of the costs for helping to revive the destroyed Western and Eastern economies. He did this willingly. He wanted to insure that both former allies and enemies would once again regain economic viability so as to allow future cooperation and international harmony.

Today, the U. S. is no longer the only world superpower. Today, we are just one among many and it no longer makes sense that we should carry such a disproportionate share of the costs of international institutions,

defense and development. The United States spends 8% of its Gross National Product on defense costs. But these monies do not go just to defend the U. S., they are also allocated to shore up the defense of more than fifty other nations. Many of these nations can and should carry a greater share of their own defense costs. Just to select a glaring example, Japan spent only .8% of her GNP in 1970 on national defense. Yet, the U.S. maintained 245 different military installations in Japan and Okinawa alone. Even after every American soldier is returned from Vietnam, there will still be close to one million U. S. military personnel abroad. Now, more than ever, the U. S. needs to reshape her military priorities. The same applies to our foreign assistance program.

The foreign assistance program as we know it today began 26 years ago. It was then considered to be a short term program. Since then it has grown in size and scope, until today, it is considered the permanent and key factor in U.S. relations with many of the nations of the world.

In 1947, the Executive Branch requested an interim appropriation from Congress in order to finance badly needed imports for Italy, France and Austria while the Marshall Plan was being readied. The next year, Congress authorized the Marshall Plan, which was the first major appropriation under the modern American Foreign Assistance program. This plan to assist our Western European Allies in reconstruction and rehabilitation was widely supported by Members of Congress for a variety of reasons. But it should be remembered that the Marshall Plan, as well as the Point Four program which followed in 1949, were very much products of the times. We should recall that Americans were still enjoying the euphoria of victory. Our economy was continuing to boom at the war time level, jobs were plentiful and the dollar was unassailably the strongest currency in the world. Additionally, we were convinced that the creeping spread of communism had to be stopped. What were needed were strong, temporary, support programs and it was America alone that could muster enough resources and fortitude to meet such challenges. As the supreme military and economic superpower, we found it easy to be magnanimous.

Today, times and conditions have drastically changed. I do not suppose that too many of us are enjoying the euphoria of "victory" in Vietnam. With a national debt of over \$475 billion, with 4.7 million citizens unemployed and another two million of our own citizens underemployed, the strength of the American economy can no longer be taken for granted. In fact, there are at least 25.6 million Americans at or below the official

poverty level non-farm family income. Thus, at least 12.5% of our own population is under or malnourished. Even medium income families are having great difficulties purchasing needed food and housing. Internationally, the United States has run a trade deficit for almost three years and our dollar has undergone two devaluations within the last 15 months. Few Americans would characterize this period as one of economic boom and international monetary strength. America's role vis-a-vis the other nations in the world over the last 26 years has drastically altered.

Anti-communism was one of the strongest pillars of the modern foreign aid program. The fear of an expansionary, world monolithic, communism caused an economic and military solidarity among the Western allies that served to forge these nations into a single, unified block. This Western bloc had its worse fears realized following the Berlin Blockade and the North Korean invasion into the South early in the 1950's. The fight against Cold War Communism required still more commitment and resources, and a non-ending vigilance throughout the world. And the nations of the world soon came to expect the United States to take and keep the lead. They persist to seek shelter behind our shield even when their own economies and their own military forces recovered and have grown powerful once again.

The United States continues to be the only country to meet its full commitment under the NATO Treaty. If the threat of communism is as great as that suggested by our NATO allies, why aren't they putting up their shares? If the Russian threat is as serious as that suggested by our NATO allies, why are they signing long term trade agreements and establishing factories in Russia, while our trade with the Russians and her Eastern bloc is still severely restricted?

The Post-Vietnam era, I believe, is measurably different from the previous one. With the return of the American prisoners of war and the withdrawal of our fighting forces from Asian soil, it is time that Americans should analyze and respond to this new reality. With our President's grand journey to Peking and Moscow featuring the unbelievable pictures of Chou En Lai toasting our President and Mao Tse Tung smilingly, chatting with Dr. Kissinger, and now the forthcoming visit of Chairman Breshnev, is it unreasonable for our citizens to feel that the Cold War is beginning to thaw? I think not.

Given these developments, I believe you will begin to sense why for many citizens foreign aid is now more unpopular than welfare.

Since 1946, succeeding Administrations and Congresses have appropriated a grand total in excess of \$180 billion. However, this grand sum does not include the following cost items:

- 1) Billions of dollars in debt service costs. It must be remembered that most of the monies appropriated for the foreign assistance programs had to be borrowed.

- 2) The cost of our military presence overseas, including the costs of building, maintaining and closing overseas bases and costs of shipping and maintaining military equipment to such bases.

During the fiscal year ending in June of 1973, 63 foreign nations will have received military assistance in some form from our country: MAP, Ship Loans, Military Sales (long term, low interest), etc. Much of this military assistance was received by "developing countries"--countries with much poverty, low per capita income, minimal health services, etc.

For example, Brazil has received more foreign assistance from the United States than any other South American country. Her per capita income is low, her poverty level is high, her health services are minimal at best for the poor. But in 1956, Brazil purchased an aircraft carrier from the British at an approximate cost of \$9 million. It cost them approximately \$27 million to refurbish the carrier and I understand the annual cost of operation of the carrier is \$7 to \$10 million. Instead of trying to convince the Brazilians on the unwarranted luxury of this aircraft carrier, we maintain a military complement of 56 officers and enlisted personnel in Brazil, headed by three Generals and Flag Officers. During the period 1946 to 1971, we provided the Brazilians \$4,171,000,000 in foreign assistance.

And I will not bore you with tales of graft and corruption--payments for phantom troops, chateaus in the Riviera, secret bank accounts in Switzerland. The reports of corrupt recipients of American aid monies may not all be substantiated or justified, but I am certain that most Americans believe these reports in the press to be true, and many of them are.

In July of 1972, I was designated Chairman of the Senate Appropriations Subcommittee on Foreign Operations. My Subcommittee has jurisdiction over the United States Foreign Assistance Programs--military and economic. What is the Foreign Aid picture today?

- - \$10 billion obligated but unexpended--in other words, in the pipeline.
- - \$8 billion in accounts that are callable by international banks.
- - \$1 billion in deposits on purchases made under the program, and;
- - \$1 billion unobligated and unexpended in this fiscal year. The Administration has until June 30, 1973 to spend this sum.

As the new Chairman of the Foreign Operations Subcommittee, I do not intend to officiate over the demise of this Subcommittee. Nor should I, for there are many worthwhile and justifiable American foreign assistance programs. In most cases, these programs reach out to fill an acute need or to meet a recent disaster somewhere in the world. Many of these aid programs are far more productive per dollar of input and better managed than many of our federal domestic programs. Foreign aid is not bad. Programs and Agencies such as the United Nations, the Food for Peace Program, the World Health Organization and others have long ago proven their worth and impact. What must be faced today is basically a priority and a policy question. Other nations must now more fully meet their international responsibilities as has the United States in the past. In other words, American foreign aid must undergo major overhaul and surgery.

When I assumed the Chairmanship in 1971, I then stated that I would be applying but one criteria to the foreign aid bill. It is a very simple, but important test. Our conduct of foreign aid must be such that we can answer any question asked by any man on the street about the program.

At this time, it is not possible to give an honest answer to many of the subject matters covered in the foreign aid bill. It is also difficult to

answer questions regarding other forms of U. S. assistance which in the true sense of the meaning constitute foreign assistance, but does not appear in the bill. It should not be this way. I want to assure my colleagues in the Senate as well as the citizens of the U. S. that every effort will be made to present a bill this year by which all of us can explain our actions and rationale to our constituents.

A month ago, in response to the President's call for austerity, I recommended to the Foreign Operations Subcommittee that we reduce the President's foreign assistance program request of \$4.3 billion for fiscal year 1974 by 28%. My colleagues in the Subcommittee unanimously concurred. Our citizens and taxpayers must be assured that hard earned dollars spent for foreign assistance projects will be spent as directed and will not fill the pockets of unscrupulous recipient officials.

For too long now have we allowed our foreign aid principles to be dictated by Cold War ideology. Any government that declared itself to be fighters for freedom against communism was generally given the keys to the kingdom -- a kingdom well supplied with American dollars and advisors. It seemed to matter little what form this government actually took, and often the label of anti-communist was pasted on a government just to hide an equally reprehensible form of totalitarianism. Instead of opening up the kingdom, the American aid keys permitted the opening up of a Pandora's Box. There are many examples of this, but one that comes to mind is the case of Fulgencio Batista in Cuba.

Given his policies of repression and heavy handedness, how can you defend Fulgencio Batista as a "defender of freedom?" It can reasonably be suggested that by our high level of support of the Batista regime, the United States greatly facilitated the creation of Fidel Castro.

It is now time for the blinders to come off and for us to objectively and rationally survey the conduct of the U. S. foreign aid program. To this end, I would like to propose the following guidelines and recommendations:

- 1) It is necessary that our aid program be more responsive to the pleas of the needy people of the world, and not the dictators. Our program should be responsive to the

human condition and must reach through the national bureaucracies and red tape to the grass roots level where it is needed and can help. It should directly address the development goals which pertain to the common man -- education, health, employment, dignity, etc. No longer should Congress allow our funds to be siphoned off to support phantom armies, chateaus on the Riviera and private jets.

- 2) To this end, a new foreign aid principle known as the "Bayanihan Concept" should become one of the building blocks of the U. S. aid program. This Filipino word "Bayanihan" means cooperation and self-help, and conveys the feeling of self-sacrifice in order to improve one's position. This is a fixed cost reimbursable concept whereby the actual transfer of aid funds would occur only after satisfactory completion of a project. It has been recently tried in the Philippines with great success and worked like this. After the devastating floods in Central Luzon last year, the U. S. agreed to help rebuild, among other things, 513 three-classroom public school buildings:
 - (a) Using this new concept, Philippine and U. S. advisors met before any work was begun and established project elements, timetables and standards as well as the fixed U. S. contribution to the cost of the project.
 - (b) The Philippines then began construction of the first several hundred schools according to the agreed upon plans.

- (c) After a certain level of completion had been reached, the Philippine government requested the first aid reimbursement by the U. S. But as this reimbursement is contingent upon meeting certain minimum standards of construction, the U. S. first surveyed the construction sites and found that several hundred schools were not up to the pre-agreed standards. Therefore, the U.S. refused to reimburse the Philippine government for its cost thus far. The schools had to be rebuilt in order that they met the rigid typhoon resistant (to 140 mph) standards.
 - (d) When this was done, the U.S. then reimbursed the Philippine government for these schools and construction on the program continued to completion.
- 3) The U.S. should apply to the foreign aid program the same type of standards that are applied to programs involving federal aid to cities, counties and states. For example, if one of these local units misuses the federal grant funds, the federal government can take steps to terminate the aid and initiate criminal proceedings if such is warranted. While I do not suggest that we go so far as to attempt to bring criminal charges against recipients of foreign aid who misuse these funds, I do advocate immediate termination of programs where misuse is discovered and where the recipient government refuses to halt the corrupt activities. Corruption will no longer be tolerated and the onus is on the recipient country to squarely face and overcome this problem.

Foreign aid programs should be able to withstand the same type of cost-benefit analysis that other federal programs must pass. In this analysis, one unit of input must generate at least one unit of output, and if it doesn't, then it is not justified. In this vein, American willingness

to extend aid should be matched wherever possible by an equally large, if not larger, commitment by the local government. This matching aid can be either in money, manpower or material, and will insure that the recipient has a direct stake in the project. This should end the specter of an American dole.

- 4) Next, the true reasons for our programs should be made public so long as such disclosures do not hurt national security.

For example: U.S. economic assistance to Malta has been officially stated as aimed at helping her because she is an economically depressed country. The truth of the matter is that the U.S. is in Malta because the U.S. needs to have use of the Naval facilities there for NATO operations and Western European security. With the ever-growing Soviet Naval presence in the Mediterranean, it was feared that if the U.S. did not make use of the Malta base, the Russians were ready to make the necessary payments for a Malta base, thus threatening the delicate balance of power in the region. If you make the case on its own merits to the American taxpayer, I believe that he can more readily appreciate the problem and may agree with U.S. actions.

- 5) U.S. contribution to international financial institutions has been in the past unequally distributed, running from 20% to 50+% of total international contributions by all parties. But when it comes to the granting of contracts or buying supplies for projects granted to recipient countries by these international institutions, the U.S. is constantly coming out on the short end. I, of course, do not advocate that each dollar invested in the international banks should reap one dollar of business for the U.S., but to have these dollars almost totally disappear into the GNP of other developed nations is also not desirable. In the case of the Asian Development Bank, for example, where the U.S. provides close to 20% of the funds available to be loaned by the bank, most of the countries that receive ADB loans spend the money in Japan. This only further aggravates

the already bad U. S. balance of payments deficit vis-a-vis Japan. It is no longer necessary for the U. S. to subsidize the world markets in this way. Let Japan and Western Europe do more!

This is the 1970's, not the 1940's, and we should adjust our foreign aid program to meet the new realities of this decade. American citizens of all descriptions bear the cost of the aid program, and in providing these funds, they must forego some of their own domestic needs. These domestic needs are now greater than ever before. The United States can no longer afford to play Santa Claus to the increasing affluent world.