

FB - Mr. Rusk

October 16, 1951

FB - Mr. Gay

Attached ECA Draft Telegram.

This is not a satisfactory telegram. It does not do what is purported in the covering note from Cleveland to be its purpose. It includes much already known to the Missions, (e. g., the President's statement quoted on page 1 and unnecessary description of existing programs) and it is incorrect in some respects. It does not set forth well the present objectives of the programs nor give the Field the guidance it needs concerning the new legislation. It needs thorough revision.

For instance, to mention a few specific features of the draft: (a) Paragraph 3b appears to go too far in calling for "larger public works and industrial reconstruction." It is not clear from where the funds will come. NSA will not have open-end reserves for loaning purposes; more loans would mean less grants. Furthermore, existing agencies should be able to handle sound projects in these fields. (b) Paragraph 3c does not deal with an objective but with a technique and one which generally ought to be used with restraint. (c) Paragraph 3d opens the way for including "common-use" items for military support programs and thus for expanding economic aid programs. Congressional intent on this needs further clarification. (d) Paragraph 3 illustrates the ECA predilection for the Marshall Plan concept. It talks about meeting needs connected with a "late start in industrial... development," and "realistic long-term development plans."

What is needed is a succinct telegram telling the Field that the objectives for the time being will continue unchanged, that ECA will probably continue to operate programs until June 1952, that in all probability NSA will continue to operate through SRE-type Missions, and that the full impact of the new legislation is not yet entirely clear but the presumption is that there will be increasing attempts to direct economic assistance in a way to support military objectives. It might be desirable that such a telegram be cleared by Mr. Harriman's office.

Attachment:

As stated above.

PH:GAY