

THE IMPACT OF U. S. FOREIGN ECONOMIC  
POLICY ON THE MIDDLE EAST

Mr. Randall S. Williams

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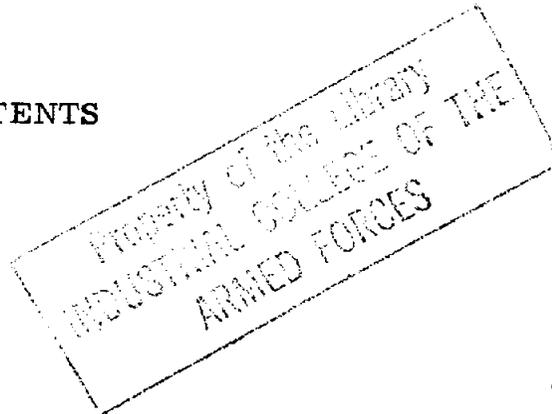
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5 April 1960

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COLONEL BLACK; General Houseman and Gentlemen:

I can think of no more controversial topic than that of the United States Foreign Economic Policy in the Middle East. This is our provocative subject for this morning's examination.

To discuss this area we are indeed fortunate to have with us one of the key policy-makers, that is, for the economic area of the Middle East, in the Department of State.

Mr. Williams, it is a pleasure to welcome you to the College and to introduce you to the Class of 1960. Mr. Williams.

MR. WILLIAMS: I was talking with the Colonel on the way over here on this sobriquet of policy-maker that he used. I suppose, in the sense of being on the firing line, I am a policy-maker, but I wish to assure you that I am not what you might call a policy-planner, and, if you find this presentation a little disorganized this morning, it is only because it is of a firing-line type of organization.

I thought that to try to cover the rather broad field that we have before us this morning I'd hit at it country by country, keeping in mind that, by and large, the two basic purposes of the economic foreign policy as expressed by Under Secretary Dillon not so long ago are, first, to strengthen our own economy, and, secondly, to promote the economic strength of the free world.

These two objectives, of course, don't always mesh with the greatest of ease, and I think as we move about from country to country you will see how things don't necessarily all fit into one beautiful piece.

The U. A. R., the Southern Region, Egypt, is the country in the area with the greatest population and also the one which has the most intractable type of problem; so we might start there. It is a country of about 25 million people, with resources consisting largely of the Nile River, and a desert with agricultural productivity among the highest in the world, but all based on a strip of population which goes down the course of this river.

Our economic policy has an obvious effect on their welfare, in that we don't permit the import of their cotton. We have a quota of 40 million pounds. That's a very small part of their total output. It has been a sore point with them ever since we introduced it. It is particularly difficult with them because they grow a type of cotton, as you know, which is rather unique in the world, and, in addition to making it difficult for them to export and earn dollars in our country, we have sort of confounded the injury by subsidizing the development of our own types of long-staple cotton. This, of course, is easily defensible on national defense grounds, but it is not one which people in that country necessarily understand.

So that, while this is not in the public prints or in the foreground of our relations, it underlies in a very significant way our economic relations with the Egyptians.

Our first relations with the U. A. R. in an aid sense took place after the famous Point Four of President Truman back in 1949. As we did in a number of other countries, we started off on a program to assist them technically. This took place in a setting, you will recall, where rather massive types of economic aid were being provided to Europe, and in fact we were providing very substantial quantities of aid to Greece and Turkey. So that, when the way was open for some assistance to be provided to a country like Egypt, there was a little tendency, I'm afraid, to overexaggerate what might be done.

As a matter of fact, when the Truman doctrine was evolved, I mean the Point Four Doctrine, and expressed in a practical way, there was perhaps a tendency to overexaggerate what it might do. In our own publicity output, somehow, technical assistance was regarded as a medium which could revolutionize the state of economic affairs in the underdeveloped countries, and, as we developed programs in the case of Egypt, as with some other countries, they hardly knew what to ask for, and we got into a position where we were making suggestions as to what they should ask for.

fairly

Eventually we ended up with a/substantial mission of technicians. These people did, of course, some good in a sense of training at middle levels, at least, of some of the ministries, but of course it was far, far below the expectations that had been built up, and, unfortunately, coming at the time it did, and with the haste it did, we were not really sending

out technicians of a quality which could do a very good job. Surprisingly enough, I think, for some people there were many cases where the Egyptian technicians who had had training, say, in the U. K. or the U. S. were far and away above the American technicians that were sent out.

This, then, in terms of promoting our second objective of promoting the economic strength of the country, I think it is fair to say, was not too successful an effort. The end of that phase, of course, as you know, took place when the high-dam canal nationalization and eventually the invasion of Egypt took place, and our whole mission was liquidated.

Now we have started in again on a small scale in the U. A. R., and I think we have learned our lesson with some reality and are endeavoring to assist only in specific projects that do bear a substantial relationship to the economic development of the country, and to send out technicians whose quality we are pretty sure will promote a relationship which can be constructive.

The high dam, of course, on which the United States and the U. K. promised assistance to the Egyptians in December 1955, brought us in a major way beyond the framework of technical assistance. This is perhaps a good illustration of how the political factors highly color the economic policy factors in dealing with a situation of that sort. You will recall that, after the offer was made, the Egyptians--Nasser--increasingly behaved in a way which encouraged his relations with the Soviet Union, and Secretary Dulles withdrew our offer in June of 1956, citing at the time primarily

the economic arguments that the Egyptians were overcommitting. These undoubtedly were sound reasons in a certain sense, but, it had a high political impact and we were faced with a rather major surprise in the nationalization of the Suez Canal Company shortly after.

During the past year or so the Department has called our relations with the U. A. R. into a normalization process, which has been completed now for several months. One of the most important elements in that is the Public Law 480 under which we provide surplus materials. This has become an extremely important arm of our economic foreign policy, and it is interesting to see in the U. A. R. how it is enabling us to do what in the past we were unable to do, in that in this past year we have sold over \$100 million worth of wheat and other commodities to the U. A. R, which ranks them as aid recipients at a pretty high level.

In a way, this just sort of happens. It is not as if you can sit down with P. L. 480 and decide that you want to do so much here and so much there. There is a combination of factors there that are conditioned largely by the legislation, and where you come out essentially depends on the combination affecting the country. Anyway, it is perhaps a happy combination of circumstances/ <sup>in</sup> that, at this time when our relations have gone through a ~~renewed~~ phase, we have been able to provide assistance of this magnitude.

It has had a special beneficial effect in the Egyptian scene because they, at the same time, have been accentuating their development plan

and have set forth a five-year industrialization program where they have been very carefully marshalling their foreign exchange requirements in order to be able to utilize P. L. 480 which, in a sense, as you know, has a dual aspect. It not only saves foreign exchange for a commodity that they need but also local currency proceeds are reloaned to them, and that in turn has an easing effect on their own financial budgetary problems.

The other part of the U. A. R., the Northern Region, Syria, has, of course, been a rather intractable country from the standpoint of foreign assistance. Ever since we started on Point Four or since the International Bank began to have missions to review countries, Syria has always had somebody there making an investigation as to how they might utilize assistance, and nothing really ever came out of it.

Now, since Syria has become a part of the U. A. R., this policy has changed. It has changed most significantly in the Soviet agreement which has been made there, which calls for a credit of \$250 million or \$300 million, and there has been a fair measure of accomplishment. Only a small part of that total has been utilized, but there is now completed and on schedule a refinery at Homs which the Czechs have put up. There has been completed on schedule a mineral survey which on the whole was done with a considerable amount of efficiency.

I was just reading a report on the mineral survey last week. It covered various sections of the country. The teams arrived on time and apparently conducted themselves creditably. They found new deposits in

in several cases. There is nothing of any great economic importance that they have found as yet, but this job was completed in a manner which has had a favorable effect on those concerned in the country.

Syria, of course, unlike the U. A. R., is an area where the development potential is rather high. There are water resources in the north, in the Gazira, where, with the application of capital and the right kind of plans, the possibility of supporting a substantial increase in population is very much in order.

I might revert here a minute to go back to that same point in regard to the Southern Region of the U. A. R. Egypt is perhaps -- we would say we hope -- one of the few areas where the outlook on the population explosion is rather dim so far as one can see. They have a population growth rate of pretty close to 2.5 per cent. They have a land utilization rate which is almost close to 100 per cent as things stand. There is an element here which I think is not generally realized, and that is that the technical development of Egypt started 100 years ago largely through their association with the British. So they had dams, the very best of irrigation, the very best in agricultural practice, and the very best in the development of different types of cotton strains. So that, as things stand, when you come in to impose a type of new technical assistance, you already face an evolution in development which brings them up to standards which rank among the highest in the world.

So that, when you come to facing problems of increased output in

regard to an expansion of population of 2.5 per cent, you are pretty much up against it. It is in that setting, of course, that the high dam plan has particular appeal, because it has the possibility of bringing in new acreage which would equal about one-third of the acreage now under cultivation.

Unfortunately, however, the arithmetic on that doesn't necessarily get you anyplace in terms of higher standards of living, because, with the 10 years it is estimated it will take to complete the dam, if you multiply 10 by 2-1/2, on a cumulative basis, you get up to about 30 per cent and it is something like 30 per cent that you are going to bring in in land, and you don't necessarily have more per capita than you started off with.

It is not fair to say that the outlook is perhaps as gloomy as that would indicate. I don't think anybody knows really what the process of economic development can do under varying circumstances. They are seriously working on the industrialization part.

Anyway, from the standpoint of the view as foreign policy and our attitude toward it, there really is no alternative but to lend assistance where we can, within the framework of our policy, to accelerate the process, whether or not one can see goals which are going to substantially raise the standard of living.

The thorn, I suppose you might say, in this whole complex of the Middle East is Israel. There you have, from an economic development standpoint, of course, the completely opposite situation. It's an extraordinary

country. I think we are inclined to toss it off very easily and say, "Well, yes, but U. S. funds flowed there in large amounts. U. S. Government aid was very large. It's all false, and the agricultural development was subsidized. It wasn't economic." A lot of those elements, of course, are all true, but the fact is that what you have there now is a lot of elements that are being the model for the very processes of development that we are looking for.

You have a little country of 2 million people, where the gross national product is going ahead at the rate of 8 per cent per year. This is an extraordinary rate, as you very well know. Under democratic processes, they have been able to manage their economy so that a high proportion of their output goes to investment every year. Somehow, labor doesn't cry for high wages beyond what will permit them to continue to have a high degree of investment.

In an island of desert and poverty, a large part of which is artificial and imported, you have a situation where living standards are rising and are currently at a level which compares very favorably with European living standards. In fact, the present standard of living in Israel per capita is higher than that of Italy by a good bit. It is about a thousand dollars a year per capita. It is out of this world compared to the hundred dollars or so that you have in the U. A. R., and even less in some of the other countries in the area.

The U. S. foreign policy aspects in terms of Israel, of course, have

more than one side. We have right from the start had a policy of assisting the Israel economy, with a very large Export-Import Bank loan right after the country was recognized. The total of aid to Israel over the period since the country was founded comes pretty close to \$700 million. The total of aid to all of the Arab states in the same period is approximately equal to that figure.

This is naturally not a type of comparison which endears us to our Arab friends--\$700 million of aid to 2 million people, and \$700 million of aid to 40 or 50 million people. That, of course, does not include our assistance to the refugees. This runs at a rate of about \$25 million. The refugee problem is, of course, one of those more intractable sort of problems, where we have study missions repeatedly making an analysis of it. Every time one goes up on the Hill to seek additional appropriations one is on the spot for lack of progress. Studies have been made which would indicate that, if you could get \$300 or \$400 million, you might have a chance of resettling the refugees, but there is not any country in the area which is willing to grant any land to effect the resettlement.

In terms of our own economic policy it is not a very happy situation, but there doesn't seem to be any other way out than to continue to contribute a proportion, and in our case it is a substantial proportion, of the cost of sustaining these people.

This does not mean, however, that behind this facade there are not things that we could do. There are probably things that we are not doing

that might very well be done if we could organize ourselves to encourage them. The fact is that there is a fair amount of integration taking place. Refugees are getting into the various economies. They go off on part-time work. They are fixing up their houses. They are taking steps to try to give their children some vocational training. The children are leaving.

This process is one which you are hard pressed to deal with in terms of any statistical measurement, but it is one which, if it could be done quietly over a long enough period, would have the possibility of at least building up units in this framework where a de facto integration could take place. As a matter of fact, there probably are one or two camps--more than that perhaps, but at least one or two--in the area of Amman, where, to all intents and purposes, they could be regarded as a suburb of the city.

I'd like to jump now to the Yemen, which is an interesting area to dig in on U. S. economic foreign policy on, because it is new, and there we face directly the question of our attitudes and policies with regard to competition with the Soviets. We never had anything to do with the Yemen at all, except that there is a famous print that goes back to 1833 that shows an American ship in the port of Mocha. Mocha is, I guess, the aspect of the Yemen which is best known to Americans. Mocha coffee still does come from that area.

In 1958 the Crown Prince of the Yemen took a trip to Moscow and

they concluded eight agreements which led to Soviet technicians coming into the country. Perhaps the most interesting project that is under way there now is the Communist Chinese road project from the port of Hodeida to the capital city of San'a. The Communist Chinese have brought in 800 technicians, so-called technicians. Actually, they are sort of a cross between technicians and coolies. They are hiring the local populace and working night and day to complete this road, which will be asphalted, and will be the first asphalted road in the country.

We have had survey missions there. The United States Bureau of Public Roads has developed a project. They said they might be interested in having United States aid on a road from Thais, one of the principal cities, to San'a, and during the past year we have been trying to negotiate an agreement with them. Our legislation calls for the sort of approach which would permit us to get going on a road from Thais to San'a.

Our road will not be asphalted. It is obviously sound not to asphalt in a country of that sort. You don't even know what the traffic is going to be on the road, and, obviously, the Bureau of Public Roads approach on doing a road project in a <sup>sufficiently</sup> deliberate fashion by which they could train the local people is sound over any long-term point of view.

But, in terms of relations with the powers that be, these things don't necessarily make a very great impact. Just in the past few days the Imam has almost got to the point of signing an agreement with us. He has come in and said, "The great United States is not going to asphalt their road.

They say they are going to finish it in 4 or 5 years, or 3 or 4 years. At least I hoped they could tell us that they could finish it in 2 or 3 years. The Communist Chinese got their road right under way, and they are going to finish it in the next six months."

These are rather tough questions to deal with, and we only hope that there are certain elements in the Yemeni government which know what the perils are in terms of infiltration of the Communist Chinese and the Russians, and are actively working to have an association with the West, particularly the U. S., to do something for their country. But the efficiency with which the curtain countries operate in this aid sense in not making things very easy for us.

Of course, from our standpoint this is almost a hopeless sort of morass in which to work. You have practically a minimum of education. You have almost a pre-Middle Age type of theocracy. You have venality and corruption at every level. You have a form of narcotic which is indigenous to the area, called gat, which practically everybody uses and which means that a proportion of the population are drugged most of the time.

It is one of those situations where one could very well agree with those who would say, "Well, for goodness' sake, let the Russians have it." In fact,

that is quite frankly the issue that fundamentally one faces in dealing with the highland down there on the Arabian Peninsula. I don't know how to judge it on the military aspects. It is very close to Aden. It's very close to the African Continent. It undoubtedly has strategic value. Perhaps that's the best answer to why you have Russians and Chinese there.

We are committed to a policy of promoting economic strength of the free world and denying the area to the Soviet. So what does one do in trying to grapple with essentially a cesspool of this nature? They ran out of wheat; they had drought last year. We have improved our standing, again through the medium of P. L. 480. We used Title II which, as you know, is the element of P. L. 480 under which we can give wheat free in case there is an emergency. We laid down 30,000 tons of wheat and not only paid the transport over there to the port but, in an unusual step, also laid out half a million dollars to pay for internal transport. This was an operation which they liked very much. Of course the roads are so bad that the trucks break down about every 20 miles or so, and the rates for transporting the wheat are something like 30 cents a mile per truck. That's extremely high. Obviously a lot of pockets were being lined. But this was a very highly successful sort of aid. The wheat, however, was apparently delivered and did a lot of good.

Now again the drought is affecting their crops, and we are in the process of negotiating to supply them some more wheat, but this time

we are planning to insist that the government of Yemen take care of the internal transport. How successful that effort will be remains to be seen.

Well, I suppose I am not even intimating the answers on the Yemen. It's a real problem. It is a country that nobody knows anything about. It is, from our standpoint of looking over the Middle East, one of the areas in which you really have a Soviet presence, and where the U. S. counter doesn't look very beautiful at the moment. On the other hand, in terms of the experience we have had in the aid effort, one can go over it and say that it makes a lot of sense. We are not doing foolish things. Anyway, it is our policy that we are not trying to compete with the Soviets. We have told the Yemenis that we are not trying to compete; we are just looking for a modest U. S. presence there.

That again has to come back to the political elements. What are the costs of just a modest U. S. presence? Is there some risk that, if it is too modest, the Soviets and the Chinese might have an opportunity to subvert the government? As I say, I don't have the answers to those questions. It is a rough and difficult situation there in the Yemen, and one where the evolution over the next year is going to be very interesting, indeed.

Saudi Arabia, of course, again, in our aid, looking over this area from the standpoint of aid to promote economic strength, is an outstanding example--I don't think you could find a better one in the world--of how just having the money doesn't prove anything. You've had an income

now for several years of pretty close to \$300 million a year and a very small population, and by and large it is fair to say that nothing has happened, except that the King's family has increased by leaps and bounds-- the number of princes has increased. It's not like the old movie about how you spend a million dollars. It seems quite clear that they know how to do it. You don't have to have a limitless number of princes to be able to dispose of \$300 million with the greatest of ease.

This, again, is not anything for which we have any real responsibility. One can argue that it is all wrong and something should be done about it. The ARAMCO, the oil company which has the concession, very understandably takes the stance that its concession is with the ruling powers. They pay their money to the ruling powers and from then on it is up to them. They have stood ready to assist on technical development. Such development as has taken place in the country has largely been accomplished from ARAMCO resources.

There is a very fine agricultural farm near Riyadh, the capital, and the King has been interested in it. ARAMCO brought in technicians and made it into a rather model farm. Some three years ago the King decided he was going to run it with his own people and threw the Americans out. The farm immediately went down. We had an urgent call just last week for the man who used to be head of it to be sent back to Riyadh to try to build it up again.

This process, however, is not one which is lacking in effects in an

economic development sense. In the town of Jidda now, at least they have acquired the aspect which characterizes the Middle East generally. As long as a few people have money they get an interest in real estate speculation, and apartment buildings and hotel buildings are now functioning. So that the millions do simmer down after a time and in part start a process of economic development.

By and large, though, in relation to the resource and the foreign exchange, it is a staggering example of how one can't look at the process of economic development with a dollar sign. It is all a question of what is done and how it's done and how the people are able to do it.

In the Lebanon, our main aid effort there before the recent flap was in the area of technical assistance. In relation to the million and one-half people there, we had a very large technical assistance mission there. It was one which had obvious impacts. The city of Beirut is not very large, and the technical assistance mission was housed in a very fancy-looking apartment. The number of Americans who were looking for fancy apartments had its impact on the local real estate market.

It became evident that the bureaucratic process that had operated here was probably not achieving very much in terms of the basic policy of promoting economic strength. Undoubtedly some good was accomplished, but in these areas of official relationships, involving technical assistance, it's only too clear that it is very easy to arrive at a state where your ideas exceed what the practicalities of accomplishment are.

Now we have liquidated a good part of that. For a time it was considered that it might be a good idea to eliminate technical assistance for the Lebanon altogether. This has not been done. A small mission will remain. This again has been studied with a great deal of care, and I think it is fair to say that the technical assistance will remain and will reflect the experience of some ten years of exposure to the hard facts in this field.

I see I haven't touched on Iran. It seems sort of silly to say something about a country that has had all the problems that Iran has had in the limited amount of time we have. I'll mention only the aspect in regard to Iran that has a slightly different meaning in terms of U. S. economic policy.

You will recall that Mossedegh seized the Anglo-Iranian Oil Company, that these revenues were lost, and the country began to go down. When Mossedegh was finally thrown out and the Shah came back, obviously things were in a bad way unless somehow the petroleum revenues could be restored. This was done with a high degree, at least, of United States initiative. Herbert Hoover, Jr., was Under Secretary of State and spent a lot of time over there, and, in a sense, organized a consortium, which involved U. S. companies to the extent of 40 per cent, to permit the marketing of Iranian oil.

This, of course, has a lot of interesting aspects from the standpoint of the oil interests of the area. They are not lessons that have really been

learned. You still have Abdullah Torighi in Saudi Arabia who somehow thinks that things are going to be very much better if he can have the ARAMCO converted to an Arabian Oil Company, which will be an entirely Arabian Company. What he proposes would almost eliminate any interest on the part of the present owners to buy oil from it. The lesson to have been learned was obvious enough--that in these days of increasingly new deposits being uncovered the capacity to market is the key element in the petroleum situation.

Anyway, the consortium was organized. It represented an effort from an economic foreign policy aspect which had some unique qualities, because, at the same time the consortium was organized, which involved the so-called oil cartel, you had another arm of our Government busily at work pursuing an anti-trust action against the very companies that were being called upon to do this.

This is still, from a practical sense, a fairly important element. We may not have seen the end of its impact in the area. The Anti-Trust Division is still busily pursuing this case. They are requisitioning records from the various countries, including countries in this area, and they are scheduled to go to trial this coming September.

The conflicts here are obvious enough, but their impact in terms of the countries is not really very favorable to our interest, because there is nothing which suits the Torighis better than for it, for example, to become a little better known than it is now that the United States Government

is asking that all of the companies which form ARAMCO should break up, because they are controlling the world's oil and they shouldn't have any interest in this kind of a combination.

Fortunately, though, this is not as bad as I have presented it. The legal chances of being successful in the courts are not too high. But even the mere effort presents a sort of mixed face to the governments in the area, when you see on the one side that the United States Government comes in to save the Iranian situation and calls in these companies and organizes them on a basis to market the Iranian oil, and on the other side another arm comes after the very same companies for monopoly practices which are interfering with the United States supply and demand of petroleum.

The only country I haven't said anything about is Iraq. It is in a sense similar to Saudi Arabia, in that they have very large resources. It is dissimilar in the sense that in the British mandate years there was a fair establishment of governmental machinery which had made a fair start prior to the revolution on an organization to encourage economic developments, and important projects were set in motion.

Our association in regard to this was not terribly important. Now it is rather completely liquidated, although you still have American firms which, on a commercial basis, are building the large dam at Bendikhan, and one or two other American interests that still have contracts with the Iraqi government.

Iraq--just looking at it from the standpoint of economic development and potential economic strength--is an outstanding country in the area even though the ~~R~~iva resources have not been fully capped, or even touched. They have the capital and, with the proper application of it, Iraq could be an outstanding example of improved welfare.

But here you have again the conflicts of the authoritarian, the Communist elements which have infiltrated there and which came fairly close at one time to dominating the government, and the other elements which, unfortunately, are weak. The leadership is extremely weak. There are those who are pretty sure that Kassem is completely off his rocker.

It is a situation, therefore, which is highly tenuous, and the political elements are so tenuous that it hardly makes any sense to speak seriously about the application of economic foreign policy in the area.

Well, I think that just about completes the tour. Thank you very much.

COLONEL BLACK: Mr. Williams is now ready for questions, gentlemen.

QUESTION: Would you give your evaluation as to the pros and cons of this area in relation to limited war, as to whether the United States ought to stay in here? As I understand it, they are not self-sufficient. We have to pour in a lot of money, and, particularly in the last war, we had a big supply base in Cairo. Would it be advantageous to us to stay in there and feed all these people, or would it be easier to just let the Russians take over? Would you give your evaluations on the pros and cons--one way or the other?

MR. WILLIAMS: I am not sure but what that doesn't involve a lot of concepts which get a little beyond my sphere of knowledge. In terms of their own capacity for self-sufficiency, it is true that during the war we had a Middle East supply center there which had as its objective coordinating their policies so that they could get along as much as possible on their own.

Now, as population has increased, there are a lot more mouths to feed, and on the whole they pretty much need to import food. You do, though, need to bear in mind here that you have a very low standard of living of people who have either grubbed along the rivers or grubbed along on the desert, and that the impact of self-sufficiency is not quite the same as it would be in countries that are a little more developed.

I don't think I can say anything, really, any more useful than that on your question. I don't think probably that we would examine the area from the standpoint of a limited war without regard to the petroleum question. This area, as you know, has got 70 per cent of the world's petroleum reserves.

The Soviets have enough oil of their own. We wouldn't want to hold it just to deny oil to the Soviets. On the other hand, that is a resource that Europeans are pretty dependent on. So, in addition to such factors as their capacity or the amount it might cost us to keep them going, we have to weigh in at least that resource and the value of the area as a whole in regard to Soviet objectives.

QUESTION: Sir, I think it is unfair to take this thing out of context, but, I think we told the Yemenis that we weren't competent to compete with the Russians. This kind of statement sort of disturbs me, as to how we are going to expect to win a cold war with the idea that we don't even know we are in a fight. To tell people that outside the country and to have that type of attitude toward it, sir, disturbs me. I wonder how it affects their point of view.

MR. WILLIAMS: This is a very fundamental type of point. The question of massive Soviet assistance in the economic field, of course, is fairly new. The Secretary of State has been pretty clear in fairly early phases of it. In expressing it as a fundamental policy that we will not endeavor to compete, the concept is not that we won't continue efforts or that we won't necessarily respond because there is a Soviet effort in the place. It just means that we won't try to match everything which, say, the countries in this area are particularly well qualified to do, to get in on a little bargaining basis. If we proclaimed a policy of competing with the Soviets, there is no telling where they would start a path that they would lead us down in a negotiation of competition.

I can well appreciate that from particularly the military standpoint this doesn't perhaps make an awful lot of sense. Our competition is sort of some stuff of the military services, but if you adopted and proclaimed and indicated a policy of competition, you would quickly find yourself maneuvered into some mighty awkward situations. We would find it

impossible, actually, to get the funds or command the resources to do such things and we would end up probably making fools of ourselves.

QUESTION: When we go into one of these countries with an aid program--you mentioned the pocket-lining--I have also a feeling that there is a lot of pocket-lining of our money that goes into the hands of the top officials, whether it is officially, unofficially, or otherwise. How do we control the payment of this money to make sure it actually gets on to the project we intend it for? Secondly, is there some way we can control this to make sure that it does get into the projects, with special reference to these countries you have been telling us about, in which I think the situation is a little bit different from what it is in the European countries? There I had the feeling that more of the money went to the projects we intended it for, and in these countries I had a feeling that more of these funds went into the pockets than went into the projects.

MR. WILLIAMS: That is a very real problem in regard to practically one of these countries. I don't know that there is any real way to deal with it except through the choice of projects. The way in which you deliver the money and the type of project you have all have a relationship to the capacity of the higher officials and the lower officials to take a poll on the effort. Corruption is almost the stuff of life in most of these countries, as you know. We, perforce, find it necessary to deal with the political powers that exist. So, when you undertake an aid program, certainly one

of the more important elements in the analysis of it or the preparation for it is: Is it one which would lend itself to corruption?

QUESTION: Sir, I was impressed with the picture that you unfolded about the Yemen there, of aid going in and just sort of not accomplishing anything. This brings us back to Egypt in the cotton situation. The real ability of our doing something in there which is worth-while is to build up the trade with these countries so that they will have a tie to the Western world that can't be segregated by a change of administration, or something like that. Are we endeavoring to build up trade--apparently not in this area at all--as distinguished from this hand-out aid?

MR. WILLIAMS: Trade is a very fundamental and real part of our foreign economic policy. The GATT, our efforts to reduce tariffs and our emphasis on liberal trading arrangements, have had a major impact on the volume of foreign trade that there is in the free world. In the U. A. R., for example, last month we had a special mission which went out there for trade to examine trading possibilities and investment possibilities. It is very hard to measure, actually, how much a mission of that sort accomplishes in an overall sense, but there is no doubt that they did some good.

If your question goes beyond that general posture of our Government toward trade, to speculation on the possibilities of whether it might not be a good idea for us to let some of the cotton farmers of the South do something else than raise cotton, and let some of the fellows in Egypt

grow the cotton that we need, obviously you are heading into some very fundamental domestic issues. On that kind of question and on those issues that you would adopt in an economic planning point of view, you might very well decide that it is much cheaper for us, rather than providing aid, to accept that form of diversion.

I suppose one could even argue that it is inevitable anyway--why not accelerate it. But politics in this country are also a very real element and planning can be done only in cloistered halls for the time being.

COLONEL BLACK: Mr. Williams, we thank you very much for being with us this morning and giving us your ideas on the problems of the Middle East. On behalf of the College, thank you very much.

MR. WILLIAMS: Thank you.