THE FOREIGN ASSISTANCE PROGRAM

ANNUAL REPORT TO THE CONGRESS FOR FISCAL YEAR 1963

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President's Letter of Transmittal

To the Congress of the United States

This report demonstrates the remarkable progress made in strengthening our foreign assistance programs and policies since 1961.

The 1961 Act for International Development called for major changes in the operation and emphasis of these historic programs. For more effective direction, the activities of several agencies were brought together under the Agency for International Development. New guidelines were laid down for our aid programs as part of the bold effort to make the 1960's the Decade of Development.

This report for fiscal 1963 shows clearly the ways in which these new guidelines are being translated into concrete programs. They provide the foundations for the lean, tightly-managed aid program we plan for fiscal 1965. I want to call your attention particularly, therefore, to some significant features of this report which mark our progress during 1963 toward basic and continuing objectives of our foreign assistance policy.

Interest-Bearing Loans Replace Grants

As the 1961 Act directed, interest-bearing loans have replaced grants as the chief mechanism for assistance. Loans represented 57 percent of AID's commitments during fiscal 1963—the highest proportion in the history of the foreign assistance program.

Aid Is More Selective

Our aid became increasingly selective and concentrated in fiscal 1963—a trend that has since been accelerated. Eighty percent of all economic assistance funds authorized that year were for just twenty countries. Sixty percent of total military assistance went to just nine key countries.

Aid to Latin America Increases

To increase the impact of the Alliance for Progress, our aid to Latin America was sharply stepped up in fiscal 1963, reaching 23 percent of world-wide commitments, compared with 18 percent the preceding year and an average of only 2 percent from 1948 to 1960.

New Policies Protect the Dollar

Policies designed to protect our balance of payments produced major results in fiscal 1963—a dramatic jump in the purchases of U.S.

products. U.S. producers supplied 78 percent of all AID-financed commodities during the year, compared with 63 percent the preceding year, and less than 50 percent in earlier years.

Increased Participation by U.S. Industry

Under these policies U.S. business and industry exported $855 million in AID-financed goods and equipment to Asia, Africa and Latin America during the year, and American shipping firms were paid about $80 million to carry AID-financed commodities to their destinations in the less-developed countries. These dollars meant more jobs for American workers.

As a result of the same policy, U.S. ships carried more than 80 percent of the total net AID-financed cargo that year, well in excess of the 50 percent required by the Cargo Preference Act.

Private Organizations Play a Larger Role

The 1961 Act also called for greater use of America's vast private resources in the battle against world poverty. During fiscal 1963, about one-fourth of all technical assistance was carried out not by AID personnel, but by American colleges, universities, business, professional firms, and service organizations on contract with AID.

More than 70 of our colleges and universities were at work in 40 countries under AID contracts, helping other people make progress in education, in health, in agriculture, in business and industry.

During the year, there was a four-fold increase in cooperative programs designed to help private citizens organize savings and loan institutions, credit unions, rural electric cooperatives, housing and farm credit co-ops. These programs that go right to the people have continued to grow. To expand this significant work, AID relied heavily on contracts with experienced private groups such as the Credit Union National Association, the National League of Insured Savings Associations, the Cooperative League of America, and the National Rural Electric Cooperative Association.

Increased Emphasis on Private Enterprise

In recognition of the fact that foreign investors helped build our own nation's economy and that private capital must do most of the job for the developing nations, we increased efforts to encourage American investment in the less-developed countries. Twelve countries signed investment guaranty agreements during fiscal 1963, bringing to fifty-five the number of less-developed countries participating in this successful program.

This year, for the first time, AID guaranteed a substantial amount of new U.S. private dollar investment in development banks organized to foster private enterprise in the less-developed countries. U.S. in-

vestors applied for guaranty coverage totaling $32 million for new or additional investments in such banks.

Significant Savings by Improved Management

Fiscal 1963 saw the beginning of significant economies in the management of aid programs by the Agency for International Development. Economies made in that year included savings of more than $900,000 by centralized purchase of DDT, $1,200,000 during the first six months of the fiscal year alone through tighter travel policies and regulations, and $34 million saved through an aggressive program to use Government-owned excess property in overseas projects.

Economic Aid to Europe Terminated

Major assistance to Europe under the Marshall Plan had ended by the mid-fifties, but a few smaller supplemental programs continued during the years after. Fiscal 1963 saw the last economic assistance commitment for Europe: a single grant of $125,000 authorized to finance the closing out of prior activities in Yugoslavia.

Finally, let me point out this. It is particularly appropriate that the same year which marked the termination of the historic and successful Marshall Plan for Europe was also the year in which our efforts in the less-developed countries began giving unmistakable evidence of success.

With our help, developed countries like Britain, France and Japan recovered from the war rapidly and were soon in a position to give rather than receive assistance. But when we first extended America's helping hand to the less-developed countries a decade ago, there was no such promise of rapid results. We knew it was right and necessary to help these poorer countries to a better life if we were to preserve our own good life and expand the family of the free. But only recently could we be certain that it was practical and only recently have been able to see with our eyes the proof of our earlier vision. In fiscal 1963, for the first time, it became unmistakably clear that countries like Free China were ending their dependence on AID and that others would follow.

We know today that the progress in controlling diseases that have sapped men's strength to build and to work, the steady expansion of educational opportunities, the slow but persistent increase in national income and output in the countries we have aided are leading to further successes. We know that if our goal is still distant, our course is true.

LYNDON B. JOHNSON

October 3, 1964.

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CHAPTER I. PERSPECTIVE ON AID

World War II was followed by an era of unrest and uncertainty. An old order had collapsed and in the search for a new one, the free world was faced with threats that were infinitely more precise than its hopes.

Western Europe and Japan were in ruins. Asia, Africa, and Latin America were swept by a wave of nationalism; half a hundred new nations were to move rapidly toward political independence.

Confronted by the war's destruction, the threat of Soviet aggression and subversion, and the aspirations of new and fragile nations, there emerged under American leadership an unprecedented initiative for constructive action toward a new order of peaceful, free, and independent nations.

The United States programs of economic and military assistance were at the heart of this initiative for peace. Through the Marshall Plan we provided the margin of men, money, and material that our European allies needed to get back on their own feet. Through military assistance programs, we provided the extra arms and additional training that free nations needed to defend their independence. Through economic assistance under AID and its predecessors, we have helped the people of Asia, Latin America, and Africa move toward a better life under freedom.

In the beginning there were no blueprints, no measuring sticks, no record of achievement, and no one to help the United States with the burden. The task was formidable, the outcome unsure. But the alternatives were clear and inadmissible.

At the close of fiscal 1963 we continued, as President Kennedy said, "to live in a most dangerous time." There remained great problems, great risks, and no guarantee of ultimate success. But after 15 years of patient, persistent effort, the free world could also point to substantial gains—gains that might have seemed too much to hope for when our assistance programs began in the chaos that followed World War II.

15 Years of Growth

The free world's defenses were stronger, and that strength was broadly shared.

> In 1948, the defense of the free world depended almost entirely on one country: the United States.

By 1963, the Western European NATO nations were maintaining defense budgets of $18.5 billion, backstopped by strong, growing economies. In 11 countries on the rim of the Sino-Soviet bloc, from Greece to Korea, the forward defense lines of the free world were manned by 3½ million soldiers in national armies the United States helped to train and equip.

Economic growth in the free world had been stimulated and sustained by a flourishing family of international institutions.

In 1948, the 57-member United Nations sent its first technical assistance mission to an underdeveloped nation and approved a budget of $300,000 for such work.

By 1963, 9 out of 10 employees of the 111-member United Nations were engaged in economic programs. The budget for the U.N. Technical Assistance Program and Special Fund alone reached $131 million. In addition, multinational attacks on the problem of malaria, hunger, and illiteracy were being carried on by other U.N. specialized agencies such as the World Health Organization and the Food and Agriculture Organization.

In 1948, the American dollar and the Swiss franc were the only commercially important convertible currencies in the world and it was necessary to hold in abeyance the strict rules of the International Monetary Fund on exchange controls.

By 1963, the currencies of all major trading nations were convertible and most free world nations were maintaining exchange rates within 1 percent of parity. Fifty-two developing countries were members of the Fund, with 17 others in the process of accepting its rules on international fiscal responsibility.

In 1948, the General Agreement on Tariffs and Trade went into effect, but most of its 23 members had to use import quotas to offset the effect of tariff reductions negotiated under the Agreement.

By 1963, 62 nations had become parties to the General Agreement. The industrialized nations had abandoned import quotas and free world trade had risen under the Agreement from $114 billion to $279 billion.

In 1948, the World Bank was the only important international lending agency and had made loans of $525 million mostly to industrialized countries.

By 1963, the World Bank's loans had reached almost $7 billion, most of which went to the developing countries. The less-developed countries also had access to new inter-

national sources of long-term development credit such as the International Development Association and the Inter-American Development Bank.

In 1948, neighboring nations were engaged in cutthroat competition for trade and investments and did little to assist each other.

By 1963, a network of regional economic associations had been created including the Colombo Plan, the Alliance for Progress, and the Organization for Economic Cooperation and Development. Common markets were being formed in Europe and Latin America.

Sharing the Burden

As the developed countries recovered from the war, and the first of the underdeveloped countries moved toward economic self-support, the channeling of aid from the rich to the poorer nations became the common concern of the free world, rather than the sole burden of the United States.

In 1948, the United States was the free world's only important source of aid for recovery or development.

By 1963, 17 free world countries other than the United States (many of them former recipients of U.S. economic aid) were contributing $2.5 billion annually through their own bilateral aid programs. International agencies such as the World Bank, the United Nations, and the Inter-American Development Bank were providing another $1.2 billion and the total flow of aid from the rich to the poor nations of the free world reached $8.4 billion. Developed countries other than the United States were also providing from 45,000 to 50,000 technical assistance personnel in the less-developed countries.

The Self-Help Record

This free world aid effort has grown in response to an unparalleled effort by the developing countries themselves to break out of the centuries-old cycle of poverty and stagnation. For every dollar of U.S. assistance, for example, the 20 major U.S. aid recipients in Asia, Africa, and Latin America were allocating an average of $7 for development from their own limited resources in 1963.

The U.S. aid contribution in 1963 represented about six-tenths of 1 percent of our gross national product. Our average per capita GNP was about $3,000 a year. The developing countries' own contribution represented about 13 percent of GNP in countries where per capita GNP averaged about $145 a year.

There is no better measure of the drive for development than the willingness shown by the less-developed countries during the past

decade to wrest savings for investment in education, in health, in agriculture, in industrial development from national budgets still perilously close to the level of bare subsistence.

By 1963, the spectacular recovery of Western Europe and Japan were old history and achievements beyond question. And by 1963 the first clear achievements were visible in the arduous struggle of the less-developed countries to reach the stage of self-sustaining growth.

The Measure of Progress

In the years since 1950, the less-developed countries of Asia, Africa, and Latin America have:

> Increased total production at an average of over 4 percent a year;
>
> Increased industrial output an average of 8 percent annually (except in Latin America, where the average was 6 percent);
>
> Increased the value of their exports from $19 billion in 1950 to $29 billion in 1962, despite declining world prices for primary products.

In agriculture, the majority of the less-developed countries had begun programs of land reforms, land reclamation, and crop improvement. During the period 1951–61, harvest areas in Asia, Africa, and Latin America expanded by almost 100 million acres.

Since 1958, the less-developed countries had increased their investment in education an average of 15 percent annually. Enrollment in elementary and secondary schools has increased steadily over the past 5 years prior to 1963; in some countries it tripled.

In health, cholera and malaria were being brought under control:

> Reported cases of cholera dropped from 211,943 in 1950 to 32,827 in 1960, and deaths were reduced from 130,481 to 12,806 in the same period.
>
> By 1963, half of the 1.4 billion people living in malarious areas of the underdeveloped world were protected by malaria eradication programs. For more than 300 million of these people, the threat of malaria has been eliminated.

In 1963, AID made a study of 26 countries in Asia, Africa, and Latin America where economic development has been the major objective and U.S. economic aid has been substantial. These were the results for the most recent period of 5 years or more:

> In two-thirds of the 26 countries, agricultural growth had kept pace with or exceeded population growth. (In the free world as a whole, food output per capita rose 15 percent between 1950 and 1960, compared with a decline of 4 percent for the Communist bloc.)

Nine of the countries had achieved a per capita annual economic growth rate of at least 2 percent and a growing self-sufficiency in capital. An early end to the need for external aid seemed possible in as many as eight of these.

Another 10 countries showed annual per capita growth rate of 1.5 percent or better, with a continuing need for external aid.

Only 7 of the 26 countries (largely in Latin America) failed to average a per capita economic growth rate of 1.5 percent; in 4 of these the rate of economic growth fell below the rate of the population increase.

A Continuing Challenge

The 1960's have been called the "Decade of Development," not because the job will be completed by 1970, but because this is the decade in which a full-scale attack on the problem of world poverty has been firmly and finally mounted.

Much remains to be done. The list of 26 countries where a pattern of progress toward self-support is evident does not include countries like Vietnam where survival must still be secured before development can begin. It does not include the newly independent African nations where the first steps toward development are just being taken.

Although income and output advanced faster than population in most of the 26 countries, in 4 of these they did not and the problem of population growth remains a matter of great concern. In general, industrial output has proven easier to accelerate than farm production, and in countries where most people still make their livings from agriculture, this presents a challenge that cannot be ignored. There are major problems in the world trade area, and no aid program can be fully effective unless a country can get into a position in which it can support itself through normal trade.

None of these problems will be easy to solve, and all of them must be met in the face of a continuing, implacable Communist effort to do something else with the world than what we are attempting.

Our experience to date does not guarantee victory. But it does demonstrate that victory is possible, that the tools we have acquired are good tools, that the development of the free world at an accelerated pace is possible.

In the brief period since World War II, the nations of the non-Communist world have made significant breaks in the centuries-old cycle of misery and despair and given substance to the dreams of more than a billion people for a better life in freedom. The pace will vary from one country to another, but the direction is clear. Growth has begun.

CHAPTER II. SUMMARY OF THE FISCAL YEAR 1963 PROGRAM

During fiscal year 1963 the United States committed a total of $4,030,632,000 for programs of economic and military assistance under the foreign assistance act.

One-third of this, or $1.6 billion, represented commitments for the Military Assistance Program administered by the Department of Defense. About sixty percent of total military assistance went to 8 key countries. The Military Assistance Program is summarized in chapter V of this report.

Economic assistance commitments by the Agency for International Development totaled $2,432,032,000 for the fiscal year ending June 30, 1963. Seventy-two percent of these funds were authorized for just 20 countries where the United States maintained major programs of assistance.

The balance was allocated to 62 countries and territories and to regional and international programs, including $148,686,000 in contributions to international organizations.

The fiscal 1963 program continued to increase emphasis on assistance to Latin American development under the Alliance for Progress. AID commitments to Latin America totaled $556 million, or about 23 percent of total commitments worldwide. In comparison, Latin America received about 18 percent of total commitments in fiscal 1962, and only 2 percent of total U.S. assistance between 1948 and 1960.

The shift from grants to loans also continued during fiscal 1963. Loans represented 57 percent ($1,397,250) of AID's fiscal 1963 commitments, the highest proportion in the history of the foreign assistance program.

Lending terms ranged from 20 to 40 years and from three-fourths of 1 percent to 3½ percent interest, with grace periods of 4 to 10 years. (A breakdown of loan terms and purposes can be found in the regional reports in chapter VI–IX.)

As aided countries approached the threshold of economic self-support, AID loan terms were hardened. For example, during fiscal 1963 the interest rates on AID loans were raised to 2 percent for Israel, 3½ percent for Greece, and 3½ percent for Taiwan, in recognition of the stronger economic position of all three countries and their growing ability to rely on conventional sources of external capital.

Total economic commitments, worldwide, for fiscal year 1963 by appropriation category were as follows:

Development loans[1]	$1,287,970,000
Development grants[1]	357,383,000
Supporting assistance	431,225,000
Contingency fund	149,196,000
Contributions to international organizations	148,686,000
Administrative and miscellaneous	57,572,000
Total economic	$2,432,032,000

[1] Including Alliance for Progress commitments.

The Near East-South Asia region received the largest dollar authorization during the fiscal year—$947,156,000. Latin America was second with a total of $555,975,000. The Far East received commitments totaling $443,055,000, and a total of $261,113,000 was committed for assistance to Africa.

FISCAL YEAR 1963 REGIONAL AID COMMITMENTS BY MAJOR CATEGORIES

[Millions of dollars]

Region	Development loans	Development grants	Supporting assistance[1]	Total
Near East-South Asia	$779.5	$56.8	$110.8	$947.2
Latin America	342.8	108.8	104.4	556.0
Far East	67.1	56.9	318.8	443.1
Africa	98.3	83.5	43.9	[2] 261.1

[1] Includes contingency funds.

[2] Includes $35 million from the contingency fund to finance commodity imports for the Congo (Leopoldville) through the U.N. Technical Assistance and Operational Program in the Congo.

REGIONAL EMPHASES

The largest share of development loans, more than 60 percent of the worldwide total, was authorized for the Near East-South Asia region, where development loans made up more than 80 percent of total commitments for the fiscal year (details in regional chapters).

In the Far East, supporting assistance was the largest single component of fiscal 1963 assistance. The Far East region accounted for more than 55 percent of all supporting assistance commitments worldwide (a further discussion of supporting assistance is contained in the chapter on the Far East).

Fiscal 1963 commitments to Africa included a larger percentage of Technical Cooperation/Development Grant funds than any other

region. Obligations for technical assistance programs composed about a third of total AID economic assistance to Africa for the year.

The only economic assistance commitment for Europe in fiscal 1963 consisted of a single grant of $125,000 authorized under section 617 of the Foreign Assistance Act to finance the closing out of prior-year activities in Yugoslavia.

TECHNICAL COOPERATION

AID technical assistance activities are financed by Technical Cooperation/Development Grant funds and carried out by direct-hire AID technicians, specialists from other Federal agencies, and experts from business, industry, universities, nonprofit service organizations, and other private groups with whom the Agency contracts.

During fiscal 1963, AID committed a total of $357,383,000 in Technical Cooperation/Development Grant funds and employed some 3,000 direct-hire technicians, plus 500 experts from other Federal agencies, and an additional 1,500 contract experts.

The largest single field of activity, in terms of Technical Cooperation funds committed, was education, with worldwide commitments totaling $62,757,000. Food and agriculture was second, with $54,869,000, and health and sanitation third, with a worldwide commitment of $37,667,000.

More than 8,000 host country nationals were brought to the United States or sent to third countries for advanced, specialized training as part of AID technical assistance activities during the fiscal year. Of these, 6,000 came to the United States, and more than half of these were trained for work in just three fields: education, agriculture, and public administration.

The largest number of "participants" brought to the United States for training during the year came from Latin America. The more than 2,300 participants from Latin America represented about 40 percent of the worldwide total. Africa was second, with 1,221 participants, or about 20 percent of the total brought to the United States.

PUBLIC AND PRIVATE RESOURCES

During the fiscal year, AID increased its use both of other Federal resources and of experts from outside government for technical assistance.

Some 474 of the direct-hire technicians serving with AID during the fiscal year were experts from other Federal agencies and offices such as the Department of Agriculture, the U.S. Bureau of Public Roads, and the Bureau of the Census. AID arranged for greater involvement of the Department of Agriculture in the planning stage of AID-assisted agricultural projects, and signed a new agreement with the

U.S. Coast and Geodetic Survey to provide experts for surveys in Latin America.

AID increased its use of nongovernmental contractors for technical assistance. At the close of fiscal 1963, 69 American universities on contract with AID were working in 37 different countries, more than a third of them in the field of education.

Working on contract with AID, the American Institute for Free Labor Development (AIFLD) carried out training in the United States and work in the field to strengthen non-Communist labor leadership in Latin America. The AIFLD is a nonprofit organization governed by a board that includes Latin America free labor leaders, AFL-CIO officials, and U.S. business and civic leaders.

AID has leaned heavily on American cooperative and thrift organizations for assistance in the development of cooperative institutions overseas, particularly in Latin America. At the close of fiscal 1963 there were cooperative programs in effect in 48 nations, compared with 36 nations the preceding year, and global contracts were in effect for technical assistance by the Credit Union National Association, the Cooperative League of the U.S.A., the National Farmers Union, the National League of Insured Savings Associations, the Foundation for Cooperative Housing, the National Rural Electric Cooperative Association, and the International Cooperative Training Center.

OPERATIONAL IMPROVEMENTS

In administering the aid program, the Agency continued its emphasis on U.S. procurement of goods and services during fiscal 1963 to minimize any adverse effect on the balance of payments. As a result, 62 percent of total AID expenditures during the year went directly for U.S. goods and services, and 78 percent of the commodities purchased for development during the year were procured in the United States.

The Agency for International Development was organized to place the major tools of economic assistance under a single roof and insure they were used effectively. The merger that produced the Agency combined predecessor organizations with different rules, different reporting and inspection procedures, different accounting systems, and different methods of doing business. During fiscal 1963 the Agency undertook the Implementation Project, a major "housekeeping" operation which completely overhauled and unified its basic methods of doing business.

Work began on a much-needed revision of "Regulation I," the basic document covering AID-financed commodity procurement and the principal guide for U.S. business and industry in filling more than $850 million in AID-financed export orders in fiscal 1963.

Other improvements in operation have already produced clear savings in the foreign assistance dollar. Centralized purchase of DDT for the malaria eradication program produced a saving of more than $900,000 in fiscal year 1963 by consolidating buying during the manufacturer's period of slack production. Tighter travel policies and regulations imposed by AID saved $1,200,000 during the first 6 months of 1963 alone. AID saved $34 million through use of U.S. Government-owned excess property in its overseas projects during fiscal year 1963. At a total cost of $6 million (for repair, handling, and transportation), AID acquired U.S. Government excess property originally valued at $40 million and with a current replacement value of over $50 million.

Major mission reorganizations were carried out during the year in Vietnam, the Republic of China, Jordan, and Pakistan. A regional controller staff was established in Greece to consolidate eight separate country operations with a financial saving of $300,000 a year.

During the year, AID also increased emphasis on effective financial control and accountability of the funds placed under its jurisdiction. More than 2,800 audit examinations were made at various sites in the United States and in the foreign countries in which AID operates, by a staff of more than 1,600 full-time employees, including 1,100 foreign nationals, engaged in controller-type activities. Audit coverage approximated $2 billion of expenditures, a one-third increase over fiscal 1962 audit coverage.

Finally, the Agency drew on the advice and counsel of 150 prominent citizens during the year, who served on 15 advisory committees. This included the Committee to Strengthen the Security of the Free World, appointed by President Kennedy and headed by Gen. Lucius D. Clay. The advisory committees, their membership, and their functions are listed in the appendix.

CHAPTER III. PRIVATE ENTERPRISE

It is a continuing aim of the Agency for International Development to assist and encourage participation by American private enterprise in the growth and progress of the underdeveloped countries of the free world.

AID investment in education, in health, in agricultural extension services, and in basic capital such as irrigation, roads, and power development helps to lay the foundations for development. But as development proceeds, American private investment can be of very great support to the underdeveloped countries.

Investment by private American companies supplies both capital and the know-how, management, and marketing skills needed to make the capital effective.

During fiscal year 1963, AID continued to encourage American private enterprise in the developing countries through the investment guaranty program; by aiding in the creation and expansion of development banks and cooperatives; through local currency loans to private U.S. concerns abroad; through investment surveys to determine the practicality and feasibility of proposed overseas investments; and through pilot projects to stimulate greater interest on the part of American and foreign private business interests. Also in fiscal year 1963, President Kennedy first proposed an incentive tax credit for U.S. firms investing in the developing countries.

INVESTMENT GUARANTY PROGRAMS

AID's investment guaranty programs expanded in scope and in volume during fiscal year 1963. The Foreign Assistance Act of 1962 increased the maximum allowable amount of guaranties outstanding at any one time from $1 billion to $1.3 billion for specific risk coverage from $10 million to $60 million for extended risk coverage specifically for housing in Latin America.

The investment guaranty programs operate through bilateral agreements between the United States and countries where eligible investments may be covered. As of June 30, 1963, investment guaranties were available against incovertibility in 55 countries, expropriation in 53 countries, and war risk in 32 countries, with coverage against revolution, insurrection, and extended risk included in 21 of these.

Twelve countries signed bilateral agreements during fiscal year 1963: Congo (Brazzaville), Congo (Leopoldville), Colombia (revision), Cyprus, Ethiopia, Gabon, Jamaica, Nigeria, Senegal, Trinidad and Tobago, Venezuela, and the United Arab Republic. Six existing bilateral agreements were amended to allow for issuing guaranties against loss due to war, revolution, or insurrection. Extended risk guaranty coverage was also made available under these amendments.

Specific Risk Guaranty Program

Coverage against the political risks of inconvertibility, loss due to expropriation, and loss due to war, revolution, or insurrection outstanding on June 30, 1963, was $883,862,018. One hundred and thirty contracts and two amendments for investments were written during the year for investments totaling $218,661,679. This compares with 91 contracts for investments totaling $306,658,220 written during fiscal year 1962.

The guaranties issued in the fiscal year covered projects involving such products and industries as automobile manufacture, carbon black, chemicals, meat and vegetable packing, steel and wire mesh, housing construction, sugar refining, petrochemicals, commercial explosives, banking and financing, auto tires and tubes, pulp and paper, burlap bags, calcined petroleum coke, metal containers, sweetened condensed milk, and pharmaceuticals.

Extended Risk Guaranty Program (other than housing)

One extended risk guaranty was authorized during fiscal year 1963 for an $8 million investment by several companies in a petrochemical complex in Argentina.

Extended Risk Guaranty Program—Housing

Under the Alliance for Progress, two contracts totaling $9.5 million were issued for investments in housing projects in two countries. Four additional guaranties valued at $13.9 million had been authorized by June 30, 1963, for projects in Latin America, but contracts had not been signed.

Fees and Payments

Cumulative fee income from all guaranty programs since 1948 totaled $12,417,917 as of June 30, 1963, of which $2,926,016 was collected during fiscal year 1963.

One claim based on temporary inconvertibility of the interest payment on a loan in the Congo (Leopoldville) resulted in a payment of $7,626.89 to Pluswood Industries of Racine, Wis. Subsequent recovery of $8,063.02 resulted in a net gain of $436.13 for the program.

DEVELOPMENT BANKS

In fiscal year 1963, AID actively continued to promote its program of fostering and encouraging the growth and development of sound intermediate credit institutions in less-developed countries. During the year, 13 dollar loans amounting to $95.5 million were authorized to such institutions for relending to qualified private subborrowers in the fields of industry, housing, and agriculture. Comparable credits for fiscal year 1962 (net) were eight loans totaling $69.5 million.

Of the $95.5 million authorized, $93 million was made available for institutions in Latin America, as follows: Industrial development banks, $11 million; housing institutions, $58 million; agricultural credit institutions, $23.9 million. The remaining $2.5 million was authorized for two industrial banks in Africa.

In fiscal year 1963, AID continued its program of providing local currency assistance to development banks. Local currency valued at nearly $10 million was made available, of which a loan of Philippine pesos with a dollar value of $7 million was made to the new Private Development Corporation of the Philippines (PDCP).

For the first time, in fiscal year 1963, AID provided guaranties for a significant level of new U.S. private dollar investment in development banks in the less-developed countries. At the year's end, guaranty applications were pending in the amount of $32 million to cover such additional investments. AID is currently working with private U.S. banking interests to establish a half-dozen new development banks in AID recipient countries.

In addition to financial assistance, AID has continued its program of technical assistance to intermediate credit institutions, including (*a*) initial surveys of the needs and requirements for a development bank, and (*b*) training to get a new bank organized and functioning or to improve the operation and management of an existing bank. U.S. advisers are working with development banks in all four regions, although concentrated in Africa and Latin America.

COOPERATIVES

Under the authority of the Foreign Assistance Act, and with guidance from a Cooperative Advisory Committee, AID has increased its cooperative activities. There were 93 major cooperative projects in 48 countries during fiscal year 1963, nearly a fourfold increase over the 25 major cooperative programs in 36 countries in the previous year. The programs for fiscal year 1963 included activities in farm cooperative leadership, rural electrification, credit unions, housing, savings and loan associations, aid to cooperative federations, and help on specific cooperative problems, as well as coordination of plans to utilize re-

sources of Food for Peace, U.S. surplus property, Peace Corps, voluntary agencies, and loans and technical assistance from international and regional banks and credit unions.

Specific projects included training of participants at the International Cooperative Training Center at the University of Wisconsin; credit union projects in 9 Latin American countries; savings and loan projects in Latin America where 40 new associations were chartered; 6 months' training on U.S. farms for 67 farm organization and cooperative leaders from 4 Latin American countries; U.S. teams of farm cooperative specialists which visited 5 Latin American countries; and consultation on developing low-cost cooperative housing, based on savings in credit unions and savings and loan associations in 20 Latin American countries.

Other projects included completion of work plans for national and international cooperative financing institutions based on studies in 6 Latin American countries; completion of studies for cooperative needs in each Latin American country; assistance in management training in rural electric cooperatives and related industries in Latin America; and development of nationwide farmers marketing cooperatives in Africa.

LOCAL CURRENCY LOANS

Cooley loans are an integral part of AID's private enterprise program. Under Title I of Public Law 480, up to 25 percent of the foreign currencies received by the U.S. Government in payment for surplus agricultural commodities may be lent to qualified borrowers to develop business and expand trade in certain less-developed countries. This program, formerly administered by the Export-Import Bank, was transferred to AID on January 1, 1962.

Local currencies may be loaned to (1) U.S. firms or their branches, subsidiaries, or affiliates for business development and trade expansion in the foreign country; or (2) to either U.S. or foreign firms to expand markets for, and consumption of, U.S. agricultural products.

In fiscal year 1963, 46 local currency Cooley loans were made in 13 countries in the equivalent of $42,007,000. They were made for such purposes as production of foodstuffs in Colombia, cardboard box manufacturing in Ecuador, cellophane production in Taiwan, dairy products in Vietnam, grain storage facilities in Israel, tire and tube manufacture in Turkey, and for a machine tool plant in India.

INVESTMENT SURVEYS

Title IV of the Foreign Assistance Act authorized AID to encourage private enterprise to undertake surveys of investment opportunities in less-developed countries by sharing up to 50 percent of the

cost of these surveys. In fiscal year 1963, $1.5 million was provided for this program.

If the potential investor proceeds with the investment following the survey, he retains sole possession of the survey and pays its full cost. If he does not invest, AID pays half the cost and the investment survey report becomes the property of the U.S. Government for dissemination to other potential investors.

By the end of June 1963, 29 grants had been made for surveys in 19 countries. These covered investment opportunities such as the establishment of a plastic coating factory in Mexico, book distribution in Nigeria, seafood processing in India and Pakistan, harbor development in Korea, and wire and cable manufacture in Thailand.

PRIVATE ENTERPRISE PILOT PROJECT

A pilot project was initiated in four less-developed countries just prior to the start of the fiscal year to assist and encourage joint ventures between U.S. and local businessmen. AID and the U.S. Department of Commerce, working closely with the Governments of Colombia, Pakistan, Nigeria, and Thailand, have encouraged the formation of specific joint venture investments in selected industries to contribute rapidly and effectively to the economic growth of the host countries. The Department of Commerce and AID have been active in bringing these opportunities to the attention of American businessmen.

A variety of long-range programs to help create greater receptivity for private investment, both local and foreign, continued during the year: Assistance in the development of local laws and administrative regulations to encourage private investment; preinvestment surveys; organization and guidance of investment centers and development corporations; and assistance by professional firms under AID contract to help less-developed countries to promote private industrial development and identify the steps necessary to improve the climate for investment. In a number of countries, assistance was provided in the establishment and operation of productivity centers and industrial parks. In addition, AID provided business-oriented training in vocational and other fields for more than 300 participants from the less-developed countries.

CHAPTER IV. MATERIAL RESOURCES

About half the total annual AID expenditure goes directly to finance commodities under the foreign aid program. During fiscal year 1963, AID continued to emphasize the procurement of U.S. goods and services for AID-financed development programs and projects, in order to minimize any adverse effects on the balance-of-payments problem.

Five years ago, economic aid dollars were spent in markets throughout the free world where prices were lowest, and less than half of aid dollars were spent in the United States. In fiscal year 1963, U.S. producers supplied 78 percent of all AID-financed commodities. These U.S. expenditures, totaling $855 million, covered products ranging from farm equipment and machinery to iron and steel, fertilizer, and textiles. Several hundred thousand Americans were employed during the year to produce these goods, and American shipping firms were paid about $80 million to carry them to their destinations in Asia, Africa, and Latin America.

AID's present policy of emphasizing U.S. procurement resulted in a sharp increase in the export of U.S. products for oversea development. For example, only 11 percent of the $130 million in iron and steel products financed by AID program in 1960 was supplied by U.S. producers; in 1963, in contrast, U.S. producers supplied 88 percent, or $169.9 million, of the $182 million in iron and steel exports financed by AID.

Procurements from other U.S. industries for economic development programs showed similar increases. Between 1960 and 1963, AID-financed exports of U.S. fertilizer quadrupled, from $9.4 million to $41.9 million; exports of chemical products more than doubled; and purchases of textiles and of industrial machinery increased sevenfold. The United States was the source in 1963 of 90 percent of the fertilizers, 83 percent of the chemicals, 81 percent of the textiles, and 81 percent of the machinery and equipment financed by AID.

A valuable byproduct of AID's emphasis on procurement of U.S. commodities has been to help introduce American products to new markets in the developing countries.

USE OF U.S.-FLAG VESSELS

The Cargo Preference Act, section 901(b), of the Merchant Marine Act of 1963, as amended (Public Law 664, 83d Cong.), requires that at least 50 percent of U.S. Government-financed cargo be shipped in U.S.-flag vessels wherever the latter are available.

During fiscal year 1963, the policy was continued under which freight financing by AID was generally limited to U.S.-flag vessels.

In fiscal year 1963, cargoes totaling 5,285,000 tons were shipped by AID on U.S.-flag vessels, representing 80.8 percent of the total net AID-financed cargo carried that year. This compares to 3,574,000 tons in fiscal year 1961 for 58.6 percent.

EXCESS PERSONAL PROPERTY

Section 102 of the Foreign Assistance Act expresses the sense of Congress that U.S. Government-owned excess property be used as assistance complementary to new procurement. Section 608 of the Act authorizes AID, in anticipation of overseas needs, to acquire equipment declared excess to Government requirements. It enables AID missions to purchase materials at prices far below those of new property, and to obtain faster deliveries.

During fiscal year 1963, AID acquired substantial amounts of U.S. Government-owned excess property that were delivered for use in its overseas projects. At a total cost of $6 million (for repair, handling, and transportation), AID acquired excess property having an original value of $40 million and a current replacement value of more than $50 million.

This program was administered through three U.S. regional offices and two offices overseas. Operation of a Far East Excess Property Office in Tokyo provided significant support to AID programs, particularly those in critical Southeast Asian areas. The European office in Frankfurt assisted African and Near East programs, notably in Turkey, in utilizing substantial amounts of excess property made available to AID in that area.

STOCKPILE EXCESS DISPOSAL

Whenever feasible, materials available under stockpile disposal plans are utilized in AID procurement programs. Pursuant to this policy, GSA supplied tin directly to aid recipient countries as well as to the producers of AID-financed products with a tin content. Similarly in the case of rubber, GSA supplied crude rubber directly to aid recipient countries and to the suppliers of tires, tubes, and other AID-financed rubber products. AID requires suppliers of products containing materials available in the stockpile to purchase designated quantities of stockpile materials offered to them by GSA. Suppliers

of tinplate, for example, purchase tin from the stockpile equal to the quantities of tin contained in the plate supplied. Suppliers of tires and tubes are required to purchase crude rubber from the stockpile equal to the sale price of the tires supplied.

BARTER

It is AID policy not to finance commodities of which the United States is a net importer. However, such commodities may be purchased by barter for surplus agricultural commodities. Under such barter arrangements, approved by the President on September 20, 1962, AID reimburses the Commodity Credit Corporation in dollars for surplus agricultural commodities accepted by the supplier.

FOOD FOR PEACE

The Food for Peace program is authorized by the Agricultural Trade Development and Assistance Act of 1954 (Public Law 480), as amended. AID shares in the administration of the program with other Government agencies, particularly the U.S. Department of Agriculture whose appropriation is charged with the commodity and transportation costs of the program. AID administers the oversea operations of the Food for Peace program, including the integration of food aid with other forms of assistance.

Sales and grants abroad of U.S. surplus agricultural commodities under the four titles of Public Law 480 totaled $1.9 billion in fiscal year 1963.

Title I permits the sales of agricultural commodities for foreign currencies. Sales agreements during the fiscal year totaled $1.26 billion. Of the foreign currency proceeds, 83 percent was earmarked for country programs with $801.4 million for economic development, $130 million for common defense uses, and $81 million for loans to private enterprise.

The portion earmarked for loans was the largest, comprising more than 68 percent of the total amount resulting from sale agreements.

Disbursements of foreign currencies in fiscal year 1963 were for such purposes as river valley development in India; hydraulic works, railroad rehabilitation, and other construction in Spain; literacy training of the armed forces in Turkey; and development and rehabilitation of roads in Indonesia and Iran.

Title II authorizes grants of agricultural commodities for emergency assistance and economic development purposes. During fiscal year 1963, more than 1.5 million tons of commodities, at a cost of about $358 million including freight costs, were donated to 30 countries for disaster and other relief purposes, for child feeding programs, and to

aid in economic development. The $178 million for disaster relief was the largest amount authorized for this purpose since the inception of the program in fiscal year 1955. Economic development programs, totaling approximately $78 million, were also substantially above the preceding year.

Under ***Title III,*** donations of available surplus foods are made to accredited nonprofit relief agencies of the United States and to intergovernmental organizations for the assistance of needy persons and for use in nonprofit school feeding programs abroad.

Increased amounts and varieties of food donated under Title III enabled American voluntary relief agencies to expand their role in making distributions to needy persons abroad. During fiscal year 1963, almost 3 billion pounds of food were distributed to 77 million persons.

Perhaps the most dramatic development in Food for Peace programs has been the sharp increase in the overseas school feeding programs. Three-fourths of all the commodities donated under Food for Peace are now programed for children—through organized school lunch efforts, through other institutional feeding, and through family feeding plans in which the parents may participate by exchanging work for food. In fiscal year 1963, school lunch programs were increased to include 40 million children in 91 countries.

Title IV authorizes long-term supply and dollar credit sales of surplus agricultural commodities. Its major objectives are to stimulate the sale of U.S. agricultural commodities for dollars and to assist in the economic development of recipient countries. In fiscal year 1963, sales agreements totaling $86.8 million were signed with nine countries.

Most Title IV agreements provide that the local currencies derived from the sale of the commodities in the cooperating country will be used to finance economic and social development projects mutually agreed upon by the United States and the purchasing country. Until recently this program was handled on a government-to-government sales basis only. In September 1962, the legislation was amended to permit agreements between the United States and private trade entities in other countries on the same terms and for the same purposes.

U.N. WORLD FOOD PROGRAM

The World Food Program (WFP) established by the United Nations and the Food and Agriculture Organization (FAO), completed its first 6 months of operations in June 1963. Its major purpose is to develop multilateral experience in using food to assist economic and social development; it will operate on an experimental basis over the 3 years 1963–65.

As of June 30, 1963, three programs using food with an estimated market value of $2.6 million had been approved. Included were about 26,000 tons of wheat for food relief in Morocco, 4,000 tons of food for victims of the Bali volcanic eruption, and 63 tons of oil to help relieve food shortages caused by the Sarawak floods.

VOLUNTARY AGENCIES

In addition to Public Law 480 activities, AID encourages and assists American voluntary nonprofit agencies to help people in other nations by paying the overseas freight costs of relief and rehabilitation supplies donated to, or purchased by, these agencies. Twenty-seven U.S. voluntary agencies and the American National Red Cross are participating in this program, sending supplies to approximately 80 countries. Supplies consist of food, clothing, medicines, hospital and school supplies, and equipment, tools, and other materials for emergency and disaster relief, self-help projects, and assistance to refugees. The voluntary agencies, at their own expense, maintain U.S. citizen representatives in the field to work directly with the people. For their part, recipient countries must permit duty-free entry of the supplies.

Many of these private agencies engage in a wide range of technical assistance projects supported by their own financing. Under contract with AID, a technical assistance information clearinghouse was established by the American Council on Voluntary Agencies for Foreign Service to provide a channel for the exchange of information and ideas between AID and American voluntary groups.

During fiscal year 1963, the value of privately financed relief deliveries abroad was roughly $75 million, against U.S. Government expenditures of about $4.1 million for overseas freight. For every dollar spent by AID in support of this program, nearly 20 times as much in value of goods was delivered overseas to people who need help.

SMALL BUSINESS

The Foreign Assistance Act requires that advance information be given to American firms, particularly small business, on proposed procurement to be financed with AID funds. Such information, expressed in terms of American standards and on a nonrestrictive basis, is published in Small Business Circulars which are available without charge to any U.S. supplier on request. U.S. suppliers then deal directly with importers in the normal commercial manner. Payment is usually by AID-financed letters of credit. The major exception to this procedure is in the case of procurement directly by foreign government agencies, when formal bidding procedures are normally required.

Also available without charge to U.S. firms are Small Business Memos which provide helpful general information regarding export operations involving AID funds.

During fiscal year 1963, participation in the foreign aid program by U.S. business was encouraged through panels and meetings with trade groups to discuss AID procurement policy and procedures, as well as by direct advice and assistance to individual firms.

CHAPTER V. MILITARY ASSISTANCE

About 60 percent of the Military Assistance Program in fiscal year 1963 was allocated to eight key countries on the periphery of the Sino-Soviet bloc, each of which is confronted directly by the possibility of Communist aggression. These countries are: Vietnam, Thailand, the Republic of China, Korea, Greece, Turkey, Pakistan, and India.

Although most of these countries face the threat of overt external aggression, the emphasis in military training and equipment programs was on building up capabilities to resist internal guerrilla warfare and subversion, the actual pattern of aggression in Vietnam and the immediate threat in Thailand.

Except for a substantial United Kingdom and Commonwealth contribution to India, and relatively minor contributions by other countries, the U.S. Military Assistance Program was the sole source of military assistance for each of these key countries.

In order for Greece and Turkey to provide for their own defense and carry out their roles in NATO and regional defense, they must have appropriate equipment and training.

South Korea and the Republic of China are directly exposed to an ever-present and heavily armed threat of aggression by Communist China or North Korea.

Vietnam and Thailand are both targets for Communist aggression by guerrilla warfare and internal subversion, consequently U.S. military assistance stresses the development of the counterinsurgency capability of local units.

Our prompt reaction in October 1962 to India's urgent request for military assistance, following the Red Chinese attack in the north, demonstrates the flexibility with which the Military Assistance Program permits us to respond to the successive moves of the Communists in the cold war.

Pakistan must also maintain its defense posture against possible Chinese Communist aggression.

The share of the Military Assistance Program allocated to Western Europe has declined sharply—from 38 percent in fiscal year 1960 to approximately 9 percent for fiscal year 1963. Apart from Spain and Portugal, where U.S. base rights were heavily involved, the program consisted almost entirely of past commitments and cost-sharing arrangements, such as the nearly $65 million a year required to finance

U.S. participation in NATO infrastructure projects and the cost of NATO headquarters.

The United States has consistently urged that the defense efforts of our major NATO allies be increased. Between fiscal years 1960 and 1962, the total defense expenditures of the Western European NATO nations increased from $14.6 billion to $17.4 billion, the West German's expenditure increasing by more than one-third.

OTHER MAP ACTIVITIES

Until about 1960, military assistance programs for Latin America was directed largely toward hemispheric defense. Emphasis has shifted gradually to internal security programs against Communist-inspired subversion and to civic action projects designed to promote stability and strengthen national economies. Each internal security program for Latin America is subject to express Presidential determination and close policy review by the Department of State.

Congress determined that military assistance to Latin America could not exceed $57.5 million for equipment in fiscal year 1963.

An additional amount of approximately $20 million could be expended annually for defense services. All military assistance to Latin America, including defense services, amounted to less than 5 percent of the total Military Assistance Program.

In fiscal year 1963, military assistance to Japan totaled $14.6 million, entirely on a cost-sharing basis with no new grant aid commitments.

Modest military assistance programs have been instituted in a number of African countries for internal security and civic action projects, designed primarily to illustrate U.S. interest in maintaining law and order. Small military assistance programs were continued for Ethiopia, Libya, and Morocco for the maintenance of U.S. base rights and internal security. In fiscal year 1963, approximately $6.2 million in military assistance was programed for tropical Africa.

Civic action projects, military assistance, and economic assistance are frequently combined in less-developed countries in support of U.S. objectives, with indigenous armed forces providing the skilled manpower and AID supplying the materials. Projects include roadbuilding, developing communications facilities, sanitary engineering, and public health programs.

During fiscal year 1963, 16,500 selected personnel and key specialists were trained in the United States and 8,500 overseas, at a total cost to MAP of approximately $109 million, or less than 7 percent of the total program.

MILITARY ASSISTANCE PROGRAM FOR FISCAL YEAR 1963

[In thousands]

Total	$1,598,600
Europe	$145,100
Belgium	4,200
Denmark	17,200
France	1,200
Germany	300
Italy	32,000
Luxembourg	(1)
Netherlands	6,000
Norway	35,800
Portugal	12,100
Spain	14,100
United Kingdom	3,700
Mutual weapons development program	1,500
Weapons production program	27,400
Europe area program	3,600
MAP assets applied to country programs	14,000
Near East and South Asia	$433,600
Afghanistan	400
Greece	85,100
India	58,700
Iraq	(1)
Jordan	5,800
Lebanon	100
Pakistan	(2)
Saudi Arabia	(2)
Syria	(1)
Turkey	166,000
Yemen	(1)
Near East and South Asia area program	52,100
MAP assets applied to country programs	5,500
North Africa	$20,700
Ethiopia	11,400
Libya	2,200
Morocco	6,400
Somalia	200
Tunisia	(2)

Tropical Africa	$6,200
Cameroon	(1)
Congo (Léopoldville)	2,700
Liberia	1,900
Mali	1,000
Nigeria	200
Senegal	400
Tropical Africa area program	(1)
Far East	$687,200
Cambodia	12,800
China, Republic of	82,500
Japan	14,600
Korea	204,100
Laos	23,500
Philippine Islands	20,900
Thailand	73,500
Vietnam	211,500
Far East area program	83,700
MAP assets applied to country program	39,600
Latin America	$67,700
Argentina	1,300
Bolivia	4,100
Brazil	9,700
Chile	10,100
Colombia	9,200
Costa Rica	500
Dominican Republic	4,400
Ecuador	4,500
El Salavador	1,500
Guatemala	2,400
Haiti	200
Honduras	1,400
Mexico	400
Nicaragua	1,300
Panama	500
Paraguay	1,300
Peru	12,600
Uruguay	2,400
Venezuela	1,300
Latin America area program	600
MAP assets applied to country programs	2,600
Nonregional	$238,100
Administrative expenses	24,900
Other nonregional	213,200

[1] Less than $50,000.
[2] Data classified; included in the figure for regional area undistributed.

CHAPTER VI. ALLIANCE FOR PROGRESS

Fiscal year 1963 was the second year of the Alliance for Progress. It was a year marked by intensified planning, increased self-help efforts by the nations of Latin America, and an accelerating pace of activity. Civil and political disturbances punctuated the year in several countries; inflation continued to hinder economic progress; and Communist agitation sought to exploit the social unrest stirred up by the age-old afflictions of hunger, disease, and poverty. The governments and ruling classes in Latin America have been faced with the hard reality that change is inevitable—whether it comes peacefully through cooperative effort and understanding, or as a result of conflict and violence. The Alliance seeks to make the process of change an instrument for cooperative effort for the common good.

Despite many obstacles, the Alliance recorded some solid achievements in its second year, especially in those countries which backed up their plans and promises with action. The United States placed increasing emphasis on the necessity for good planning and self-help as prerequisites for assistance.

The objective in the early stages of the Alliance has been to provide the critical margin of assistance which will permit the Latin American countries to plan effectively for long-range development, to use their own resources to the best advantage, and to help train the skilled manpower required to bring their plans to fruition.

Development loans constituted 61 percent of total AID commitments in fiscal year 1963. Over half of the supporting assistance funds were also in the form of loans. Nonproject loans were executed for the first time in Latin America to finance the costs of importing U.S. capital goods necessary to development. Loans totaling $87.5 million were made to help create the basic facilities upon which workable development programs can be built. These funds were used to build highways, increase electric power resources, improve air transport, and expand or improve educational systems.

A significant share of AID assistance was used to encourage private enterprise, either directly or through loans for relending by development banks and other credit institutions specializing in loans to small industries, farmers, and home buyers. Four private development banks were established in Colombia in addition to a Private Investment Fund which makes loans available to stimulate new production. A $2.1 million development loan was authorized for a National

Housing Bank in the Dominican Republic and the development of a private savings and loan system. Chile prepared legislation for the establishment of a development bank for medium and small industry, and four regional development corporations were capitalized to promote investment and industrialization in southern Peru.

SUMMARY OF LATIN AMERICAN PROGRAM COMMITMENTS FOR FISCAL YEAR 1963

[In millions]

Country	Development grants	Development lending	Supporting assistance [1]	Total
Argentina	$3.3	$76.4	$20.0	$99.7
Bolivia	7.4	18.3	9.9	35.6
Brazil	23.6	37.4	25.5	86.5
Chile	6.3	35.0	(2)	41.3
Colombia	6.1	87.2	.2	93.5
Costa Rica	2.4	10.6	.....	13.0
Dominican Republic	3.6	2.1	23.9	29.6
Ecuador	4.9	6.3	7.0	18.2
El Salvador	3.0	16.6	.....	19.6
Guatemala	2.6	.7	.....	3.3
Haiti	.....	.....	2.1	2.1
Honduras	3.2	1.7	2.4	7.3
Jamaica	.8	5.0	.....	5.8
Mexico	.3	.....	.....	.3
Nicaragua	2.5	1.0	.....	3.5
Panama	2.4	6.0	.4	8.8
Paraguay	3.0	.....	.....	3.0
Peru	2.9	.....	.....	2.9
Trinidad and Tobago [3]	.8	.....	10.1	10.9
Uruguay	1.9	6.0	.....	7.9
Venezuela	[4] 3.1	30.0	.1	33.1
British Guiana	1.3	.....	.....	1.3
British Honduras	.1	.....	.....	.1
Surinam	.3	.....	.....	.3
ROCAP	5.7	2.5	.....	8.2
Regional	[5] 27.5	.....	.....	27.5
Total	$119.8	$342.8	$101.7	$564.3

[1] Includes contingency fund.

[2] Less than $50,000.

[3] Includes "Other West Indies."

[4] Includes $1.1 million transferred from the Department of Defense for equipment for the Public Safety Program.

[5] Includes $9.5 million for nonregional activities related to the Alliance for Progress Program.

NOTE.—Minor discrepancies result from rounding.

Another privately owned industrial development bank was established in Panama to stimulate domestic investment as well as provide a source of badly needed long-term credit. Savings and loan progress was also impressive in Ecuador with eight such institutions in operation by midyear with deposits of more than $600,000. In Chile, savings and loan associations were accumulating savings of approximately $1 million a month.

In Bolivia, 40 small credit unions with 8,000 members were established in the past 2 years.

INVESTMENT GUARANTIES

Investment guaranties also continued to play an increasingly important role. As of mid-1963, $176.9 million in guaranties protecting U.S. private investments in Argentina had been issued and an additional $413.6 million were in process. Investment guaranties issued in Peru were valued at $3 million; the Guatemalan Government signed a guaranty agreement and began processing a backlog of 51 applications for investments totaling $104 million; other countries signing guaranty agreements during the year included Jamaica and Colombia.

Supporting assistance and development grant funds were used to carry on a variety of technical assistance programs.

PLANNING

The Charter of Punta del Este called for countries seeking assistance to draw up long-range programs and submit them to an OAS panel of experts which would review them and evaluate the possibilities for success. By the end of fiscal year 1963, six countries had submitted development plans to the panel—Bolivia, Chile, Colombia, Honduras, Mexico, and Venezuela. Plans from Panama and Ecuador were imminent, and others were in the formative stage.

IMPROVEMENTS IN REVENUE RAISING

One of the most serious obstacles to making and executing effective plans is the inadequacy of tax laws and tax collection procedures in many Latin American countries. In order to amass more funds for development purposes, it is essential that equitable tax structures be established and that the tax laws be enforced. Sixteen Alliance countries have taken steps to improve their tax programs: Argentina, Bolivia, Brazil, Colombia, Chile, Costa Rica, Dominican Republic, Ecuador, El Salvador, Guatemala, Mexico, Nicaragua, Panama, Peru, Paraguay, and Venezuela. Experts from the U.S. Internal Revenue

Service provided assistance in seven of these countries. Some of the results are as follows: The Argentine Government tightened up on tax collections, adding at least 215,000 new income-tax payers to the rolls during the year. New levies on cigarettes, gasoline, lubricants, tires, and lottery prizes were expected to yield $100 million in additional revenue. Curbs on wages and prices were introduced in Bolivia in 1963 to halt inflation. Improvements in tax and customs collections were made and increased duties were levied against luxury imports. Partly as a result of these actions, domestic revenues were increased by some 12 percent in 1963. Brazil's Congress amended the income tax law in fiscal year 1963 in order to provide for more effective administration and enforcement. This was expected to result in an increase of $120 million in revenue.

Costa Rica issued new income tax regulations in November 1962, and improved tax collections increased ordinary revenues by 26 percent for 1963. The first income tax in Guatemala's history was passed during fiscal year 1963 and was implemented on schedule.

Mexico initiated a series of tax reforms in 1962 which doubled the number of taxpayers in 1963. Revenues were expected to increase about 20 percent. During fiscal year 1963, approximately 10 percent of Nicaragua's anticipated government revenues, or $30 million, may be attributed to the 15 new or increased taxes imposed since January 1961.

Tax reforms which the Paraguayan Government had undertaken in the 2 previous years with U.S. assistance increased revenues in 1963 by 25–30 percent. Customs revenues were up $1 million.

HOUSING

Assistance and advice by U.S. specialists was provided to nine Latin American countries in establishing savings and loan associations to provide long-term housing credit. During fiscal year 1963, the first U.S. housing guaranties for Latin America were issued for private housing construction in Colombia, Peru, Mexico, and Honduras. Other fiscal year achievements: Colombia nearly doubled its rate of government-sponsored housing to 30,000 units a year; housing in Chile reached a level of 30,000 units a year; Venezuela began a 3-year plan to build 260,000 units, 60 percent of them in the private sector; and in Honduras, under a 4-year housing plan, two private firms started construction of 2,900 low- and medium-cost houses in conjunction with two U.S. investors.

TECHNICAL COOPERATION GRANTS IN LATIN AMERICA, FISCAL YEAR 1963

[In thousands]

Type of activity	Development grants	Type of activity	Development grants
Food and agriculture	$21, 568	Public administration	$5, 817
Industry and mining	5, 415	Community development and social welfare	2, 073
Transportation	6, 499	Housing	1, 707
Labor	3, 447	General and miscellaneous	7, 997
Health and sanitation	12, 394	Technical support	8, 047
Education	18, 181		
Public safety	7, 050	Total	$100, 198

AGRICULTURAL REFORMS AND IMPROVEMENTS

In most of the developing countries, 80 percent of the people earn their livelihood through agriculture, yet many of them have never had any land of their own. They have had to work other people's land, often retaining only a fraction of the yield for themselves. In fiscal year 1963, land reform programs were underway in a dozen Latin American nations. Bolivia and Mexico have land reform programs of long standing; Venezuela, the Dominican Republic, Colombia, and two States in Brazil had initiated programs by the close of fiscal year 1963; Peru had made a beginning in agrarian reform; and other, more limited programs were underway in Chile, Ecuador, Panama, and Central America.

Venezuela had distributed land to 56,000 families by 1963 as the first step in a broad program of agrarian reform, and 20,000 more families were scheduled for resettlement in the next 3 years. Bolivia issued land titles to some 72,000 families in fiscal year 1963, bringing to 181,000 the number receiving land since the program began in 1952. More than 2,000 Dominican families were resettled during the year and the National Agricultural Bank was reorganized. Fiscal year 1963 saw the creation of an Agrarian Reform Institute in Colombia. The institute seeks to increase farm productivity and set up rural welfare programs. Resettlement plans were completed for 15,000 Colombians as part of a land reform program.

Over 4.5 million acres were distributed to farm families in 1963 under Mexico's 25-year-old land reform program.

Land reform and resettlement may end in failure unless measures are taken to make credit available to the farmers for seed, equipment, and tools. Farm credit arrangements have been set up in 12 countries. In the first 2 years of the Alliance, more than 160,000 farm loans were made. Over 20 percent of AID's assistance to Latin

American agriculture in fiscal year 1963 was used for agricultural credit.

A growing confederation of 85 rural cooperatives with 117,000 members sharing in the credit facilities is undertaking a $58 million agricultural development program in Uruguay. A rural credit program for small farmers in Costa Rica, established with AID assistance, has proved successful and will be expanded through a second AID loan authorized in April 1963. Almost 6,000 loans have been made under an agricultural credit system inaugurated in El Salvador in early 1962.

COMMUNITY HEALTH

In the field of health, major emphasis has been on building sewerage and water systems. With assistance from AID and the Social Progress Trust Fund, approximately 700 community water systems and wells were completed during the first two years of the Alliance. Twenty-one mobile health units were activated as part of a rural health effort to bring modern medicine to remote Central American villages. Eleven hundred patients a day received medical services from these traveling teams, and permanent health facilities were established in 130 villages.

Malaria campaigns in 26 Latin American countries helped to bring the goal of eradicating malaria closer in fiscal 1963. Over 85,000 volunteers provided free examinations and treatment for more than 7 million people in 1963. Ten million houses were sprayed with DDT to provide protection for 50 million people. Surveillance programs in areas where malaria has been eliminated now protect another 44 million persons.

Under AID contracts with three American universities, programs for the improvement of medical education were continued in Costa Rica and Colombia. Projects for the construction, improvement, or extension of health facilities, hospitals, and health centers were assisted in four countries.

EDUCATION

During fiscal year 1963, education continued to receive primary emphasis in Latin America. Public expenditures for education ranged from 22 percent to 30 percent of the national budgets in six countries, and was not less than 11 percent of the budget in any Latin American country.

Improvement programs for higher education were in effect in 15 countries, 10 of which involved AID-financed contracts for technical assistance from 19 U.S. universities. Increased attention was given to science, engineering, and research directly related to economic and social development goals. For example, the University of Pitts-

burgh; University of Houston, and St. Louis University worked under AID contracts in Ecuador to improve training facilities, laboratory and teaching materials in basic science, engineering, medical education, agronomy, and veterinary medicine. AID helped finance teacher training in 9 countries and vocational education in 15.

First- and second-grade textbooks were distributed to 800,000 Central American schoolchildren; some 250,000 first-grade primers were produced and distributed in Bolivia; and 800,000 books were distributed to primary school children in the Dominican Republic. In addition, a substantial program was underway to supply Spanish- and Portuguese-language technical books in key development fields.

With AID assistance, an estimated 8,200 classrooms accommodating 350,000 children were built in Latin America during the first two years of the Alliance, many of these with community self-help. Self-help school construction, teacher training, and community development are being combined in a single Chilean program to construct eight new rural schools. Public investment in school construction in Chile was expected to total approximately $25 million in 1963 as 100 schools were constructed and 100 more begun. Guatemala built 110 primary schools. With the help of villagers, 128 classrooms were built in 31 rural Panamanian communities. In Nicaragua, 80 new classrooms and 26 teachers' quarters had been completed by mid-1963, and 56 more classrooms and 14 teachers' quarters begun. One hundred and sixteen more classrooms were completed in Ecuador with labor and local materials supplied by the communities.

REGIONAL PROGRAMS

Functional programs involving two or more Latin American nations became increasingly effective.

Credit Unions. Several hundred have been organized with assistance from a U.S. organization, the Credit Union Association, under an AID contract.

Taxes. Organized with the cooperation and assistance of the U.S. Internal Revenue Service, the Latin American Tax Advisory Reserve (LATR) operates a training program which had provided 24 experts to 8 countries by the end of the year.

Labor Unions. U.S. labor organizations continued to aid the American Institute for Free Labor Development to organize and stimulate a healthy growth of unionism in Latin America as an economic and social force in the development process.

Other regional programs included training for young rural leaders, the development of voluntary and professional leadership among Latin American women, and a textbook production center.

ECONOMIC INTEGRATION

The Latin America Free Trade Area (LAFTA) was established to seek to reduce trade barriers between the nations of Latin America and thereby contribute to the development of better markets within the region. During fiscal 1963, trade among the LAFTA member nations increased as the organization became more effective.

Trade among the LAFTA nations increased 18 percent from 1961 to 1962, and approximately 20 percent from 1962 to 1963. Intraregional exports rose from $351 million in fiscal 1962 to $421 million in fiscal 1963.

The nations of Central America made further strides toward the integration of their economies. In 1958, Guatemala, El Salvador, Honduras, and Nicaragua approved a treaty calling for the gradual establishment of a Common Market over a 10-year period. Another treaty ratified in 1960 called for the elimination of tariff barriers between these countries which would affect 85 percent of the area's industrial and agricultural production. Plans for the inclusion of Costa Rica and Panama in the Common Market were underway in fiscal year 1963.

Intraregional trade reached $50 million during the year, approximately double the volume of trade prior to the treaties, and a start was made toward regional development planning. A Central American Clearinghouse for the multilateral clearance of payments with local currencies has been established as a first step toward monetary union. This arrangement is already being used for 80 percent of the transactions among member banks.

The Central American Bank for Economic Integration (CABEI) has made loans of $11 million to over 30 industrial enterprises since its establishment in 1961. The Central American countries have paid in $8 million in local curencies and pledged an additional $8 million to capitalize the Bank. In fiscal year 1963, the Inter-American Development Bank extended a $6 million loan to CABEI for relending for industrial projects. To provide U.S. support in regional development, the Regional Office of Central America and Panama (ROCAP) was established as a regional mission in July 1962.

In March 1963, the Presidents of the Central American countries and Panama met with the President of the United States. They reaffirmed their support of the movement toward economic integration and agreed to create a fund for CentralAmerica to which they would make regular contributions and to enlarge the scope of the movement toward the eventual establishment of a Central American Economic Community which would have a common currency and common fiscal, monetary, and social policies.

U.S. assistance to the Central American Economic Community in fiscal year 1963 was directed toward strengthening regional eco-

nomic institutions. Development grants totaling $5.69 million were used for regional development planning and statistics improvement, infrastructure building, industrial promotion, support for a regional system of higher education and manpower development, and two crucial impact activities—mobile rural health programs, and the production of elementary school textbooks.

A development loan of $2.5 million was authorized for feasibility studies in sectors of major importance to regional development.

NEW DEVELOPMENT LOAN AUTHORIZATIONS IN FISCAL YEAR 1963

Latin America

Country; borrower	Purpose	Amount and terms
Argentina:		
Province of Buenos Aires: Aided self-help housing (May 24, 1963).	To assist in the construction of 1,200 5-room homes for low-income families; the homes to be built by the people themselves.	$2,000,000, ¾ percent, 40 years, 10-year grace period; relending 2 percent, 30 years, 2-year grace.
Banco de la Nacion of Argentina: Farm and country elevator grain storage (May 7, 1963).	To assist farmers, agricultural cooperatives, and grain merchants to build storage bins and country grain elevators.	$21,700,000, ¾ percent, 40 years, 10-year grace period; relending 5¾ percent, 15 years, 5-year grace.
Government of Argentina: Feasibility studies (May 3, 1963).	To help the Argentine National Development Council finance economic and engineering studies for specific development projects.	$3,000,000, ¾ percent, 40 years, 10-year grace period.
IBRD-AID road program (Jan. 26, 1963).	To build 1,200 miles (1,835 km.) of roads; the roads are in 43 sections of 14 national routes.	$30,500,000, ¾ percent, 40 years, 10-year grace period.
Route 12 road project (July 31, 1962).	To improve and construct an all-weather road from Puerto Iguazu to Buenos Aires.	$6,700,000, ¾ percent 40 years, 10-year grace period.
Central Housing Bank (July 31, 1962).	To help establish a central housing bank—Caja Federal—to finance homebuilding.	$12,500,000, ¾ percent, 40 years, 10-year grace period; relending 5¾ percent, 20 years, 5-year grace.

NEW DEVELOPMENT LOAN AUTHORIZATIONS IN FISCAL YEAR 1963—Continued

Country, borrower	Purpose	Amount and terms
Bolivia:		
Government of Bolivia:		
El Alto Customs and Warehousing Center (June 29, 1963).	To build a customs and warehouse center at El Alto jet airport, now the Kennedy Air Center.	$2,200,000, ¾ percent, 40 years, 10-year grace period.
La Paz-El Alto Highway (June 28, 1963).	To help finance a highway linking the capital, La Paz, with the new airport at El Alto.	$3,900,000, ¾ percent, 40 years, 10-year grace period.
Construction and improvement of access roads (June 28, 1963).	To assist in the construction and improvement of access roads in the rich agricultural region near Santa Cruz.	$7,200,000, ¾ percent, 40 years, 10-year grace period.
Corporacion Minera de Bolivia COMIBOL Rehabilitation (February 11, 1963).	To support the rehabilitation of 15 tin mines and mills employing more than 24,000 workers.	$5,000,000, ¾ percent, 40 years, 10-year grace period; relending 4 percent, 10 years, 3-year grace.
Brazil:		
Superintendencia de Desenvolvimento de Nordeste: Combined highway project (June 29, 1963).	To assist in the construction and improvement of 182 miles of highway in 5 States of northeast Brazil.	$11,000,000, ¾ percent, 40 years, 10-year grace period.

National Department of Roads and Highways: DNER feasibility studies (June 27, 1963).	To assist in feasibility studies of 10 road improvement and construction projects throughout Brazil.	$1,500,000, ¾ percent, 40 years, 10-year grace period.
Companhia Hidreletrica do Vale do Paraiba: Santa Cruz Thermal (CHEVAP) (April 20, 1963).	To assist in financing the foreign exchange costs of equipment, material, and services for a 150-megawatt thermal power unit at Santa Cruz.	$15,500,000, ¾ percent, 40 years, 10-year grace period; relending 5¾ percent, 20 years, 3-year grace.
Companhia de Carbonos Coloidas, SA(P): Carbon black plant machinery (January 3, 1963).	To assist in the construction of a $6.1 million carbon black plant which will produce 15,000 metric tons a year.	$2,000,000, ¾ percent, 40 years, 10-year grace period; relending 5¾ percent, 8 years, 3½ year grace period.
Government of Brazil:		
Credito e Financiamento, SA Development Bank (COPEG) (September 17, 1962).	To provide additional capital for a state development bank which makes loans to medium and small industry by buying their securities.	$4,000,000, ¾ percent, 40 years, 10-year grace period; relending 4 percent, 20 years, 5-year grace.
Companhia Pernambucana de Borracha (P): Synthetic Rubber plant (COPERBO) (September 17, 1962, revised June 5, 1963).	To assist in the construction of a $33.1 million plant which will make polybutadiene, a synthetic rubber, from alcohol derived from sugar cane.	$3,400,000, ¾ percent, 40 years, 10-year grace; relending 5¾ percent, 10 years, 3-year grace period.
Chile:		
Government of Chile: Nonproject (January 8, 1963).	To finance the importation of goods and services essential for development.	$35,000,000, ¾ percent, 40 years, 10-year grace period.

NEW DEVELOPMENT LOAN AUTHORIZATIONS IN FISCAL YEAR 1963—Continued

Country; borrower	Purpose	Amount and terms
Colombia:		
Government of Colombia: Mineral resources survey (June 29, 1963).	To purchase U.S. equipment, pay for the services of U.S. technicians, and train Colombians in a survey of mineral resources.	$2,000,000, ¾ percent, 40 years, 10-year grace period.
Empresas Municipales de Cali: Cali sewerage (June 29, 1963).	To help in the construction and modernization of sewage mains and a pumping station.	$3,700,000, ¾ percent, 40 years, 10-year grace period; relending 3½ percent, 30 years, 5-year grace.
National Housing Institute of Colombia: Self-help housing (May 31, 1963).	To help in the construction of over 850 homes for low-income families, on a self-help basis.	$7,500,000, ¾ percent, 40 years, 10-year grace period; relending 2 percent, 25 years, 10-year grace.
Colombian Institute for Agrarian Reform: Supervised agricultural credit (May 28, 1963).	To assist the institute in its work of helping farmers in adopting modern methods and diversifying crops as well as establishing an organization to provide both credit and technical aid.	$10,000,000, ¾ percent, 40 years, 10-year grace period.
Goverment of Colombia: Feasibility studies (May 13, 1963).	To help in financing the economic and engineering studies for projects in the fields of electric power, water supply, agriculture, and others.	$4,000,000 ¾ percent, 40 years, 10-year grace period.

Nonproject (December 6, 1962).	To finance imports of essential goods and services to support the needed high level of economic activity.	$60,000,000, ¾ percent, 40 years, 10-year grace period.
Costa Rica:		
Government of Costa Rica:		
IBRD/AID highway program (June 29, 1963).	To help build, reconstruct, and improve 116 kilometers of paved road.	$2,100,000, ¾ percent, 40 years, 10-year grace period.
Cachi hydropower (June 18, 1963).	To assist in the local currency costs for the construction of a 56,000-kw. powerplant.	$1,500,000, ¾ percent, 40 years, 10-year grace period.
Slum replacement housing (June 18, 1963).	To finance the foreign exchange and local currency costs of a $2.75 million slum clearance project affecting 2,200 families.	$2,000,000, ¾ percent, 40 years, 10-year grace period.
Banco Nacional de Costa Rica rural agricultural development (2nd loan) (April 17, 1963).	To provide credit for capital improvements to existing farms through a further expansion of agricultural credit administered through 51 rural boards.	$5,000,000, ¾ percent, 40 years, 10-year grace period; relending 3¾ percent, 20 years, 0 grace.
Dominican Republic:		
National Housing Bank (November 2, 1962).	To provide seed capital for a newly established bank which will make home loans for low-income workers.	$2,100,000, ¾ percent, 40 years, 10-year grace period; relending 3½ percent, 25 years, 5-year grace.
Ecuador:		
Government of Ecuador: Feasibility studies (February 28, 1963).	To assist the Government of Ecuador in carrying out feasibility studies on projects in the fields of transportation, irrigation, power, minerals, and agriculture.	$2,000,000, ¾ percent, 40 years, 10-year grace period.

NEW DEVELOPMENT LOAN AUTHORIZATIONS IN FISCAL YEAR 1963—Continued

Country; borrower	Purpose	Amount and terms
Ecuador—Continued		
IBRD/AIDnational highways program (December 31, 1962).	To assist in the completion of a 236-km. road connecting Quito and Guayaquil.	$2,700,000, ¾ percent, 40 years, 10-year grace period.
El Salvador:		
Banco Central de Reserva Instituto Salvadoreno de Fomento: Industrial (INSAFI) (June 28, 1963).	To assist an autonomous public corporation (INSAFI) in making loans spurring industrial development by private enterprise.	$4,500,000, ¾ percent, 40 years, 10-year grace period.
Central Bank of El Salvador: Agricultural loan program (June 18, 1963).	To assist a Central Bank program in financing supervised agricultural credit, making credits for irrigation and the upgrading of cattle herds.	$8,900,000, ¾ percent, 40 years, 10-year grace period.
Government of El Salvador:		
Primary school construction (June 12, 1963).	To assist in the construction of 200 primary schools with 1,600 classrooms, so affecting 64,000 children.	$2,400,000, ¾ percent, 40 years, 10-year grace period.
San Salvador Airport (increase) (December 14, 1962)	To assist in the improvement of the Ilopongo Airport to accommodate jet aircraft.	$800,000, 3½ percent, 20 years, 0-year grace period.

Nicaragua:		
Government of Nicaragua: Las Mercedes Airport (June 27, 1963).	To assist in financing a 3,000-foot runway extension, and install new facilities for lighting and radio communications.	$1,000,000, ¾ percent, 40 years, 10-year grace period.
Panama:		
Instituto de Aceductos y Alcan tarillos Nacionales: Water supply and sewerage systems (December 31, 1962).	To assist in the expansion of the water and sewer system serving 300,000 people in greater Panama City.	$6,000,000, ¾ percent, 40 years, 10-year grace period; relending 3½ percent, 30 years, 3-year grace.
Uruguay:		
Mortgage Bank of Uruguay: Home construction (January 28, 1963).	To assist the Mortgage Bank to expand its lending operations for home construction.	$6,000,000, ¾ percent, 40 years, 10-year grace period; relending 2 percent, 15 years, 3-year grace.
Venezuela:		
Government of Venezuela: Slum clearance (September 17, 1963).	To assist a semiautonomous Venezuelan Government corporation to move ahead on municipal improvement projects in 7 principal cities.	$30,000,000, ¾ percent, 25 years, 10-year grace period.
Regional (Central America):		
Central American Bank for Economic Integration: Feasibility studies (CABEI) (May 31, 1963).	To finance economic and technical studies of projects considered important for regional economic integration.	$2,500,000, ¾ percent, 40 years, 10-year grace period.

CHAPTER VII. NEAR EAST AND SOUTH ASIA

The Near East and South Asia is one of the prime targets for Communist expansion. Seven countries in the region share borders with the Soviet Union, Communist China, or Communist satellite countries. Four of them (Greece, Turkey, Iran, and Pakistan) are linked directly to the security of the free world through membership in one or more of the NATO, CENTO, and SEATO alliances. During fiscal year 1963, the free world's determination to resist Communist penetration into the subcontinent was tested by the Communist Chinese invasion of India. The United States, along with British Commonwealth nations, reacted promptly to this challenge by providing military assistance to India.

There was widespread political instability in the region in a year marked by many changes of government, both scheduled and unscheduled. In Afghanistan, the Daud-Naim government was replaced in March 1963 by the first nonroyal government in 30 years. The new government took steps to improve its relations with Pakistan and reopened its border with that country. In addition to Afghanistan, the governing regimes were changed in Iran, Iraq, Jordan, Syria, and Yemen. The Turkish Government survived an attempted coup in May 1963, and a new constitution was drawn up in Nepal.

Some intraregional differences continued: The Arab-Israeli problem; disagreements between Jordan and Saudi Arabia, on the one hand, and U.A.R., on the other, regarding the Yemeni revolution; and the conflict between Pakistan and India over Kashmir.

The expropriation of American oil companies' properties by the Ceylonese Government without fair compensation led to the suspension of economic aid to that country, as required by the provisions of the Foreign Assistance Act. Appropriate steps to compensate the companies were not taken within the stated time limit and the AID mission was withdrawn.

Governmental practices tending to draw distinctions between U.S. citizens on religious grounds continued to occur among a limited number of countries in the Near Eastern area, essentially with respect to travel. During fiscal year 1963, however, the extent of these restrictions was reduced. There has been some success in mitigating the effects of the Arab boycott on American firms and individuals. In

this connection, inquiry into specific complaints confirmed that this boycott does not involve discrimination on religious grounds.

With respect to freedom of navigation in international waterways, the Suez Canal remained closed to Israeli ships and cargoes. Progress toward removal of this restriction continued to be handicapped by the general state of Arab-Israeli relations.

SUMMARY OF NEAR EAST SOUTH ASIA PROGRAM COMMITMENTS FOR FISCAL YEAR 1963

[In millions]

Country	Development loans	Development grants	Supporting [1] assistance	Fiscal year 1963 total
Afghanistan	$2.6	$14.8	.....	$17.4
Ceylon	.....	.4	.....	.4
Cyprus	2.3	.7	.....	3.0
Greece	31.6	.....	.....	31.6
India	396	6.1	.....	402.2
Iran	17.4	3.8	2.2	23.4
Iraq	.....	.8	.....	.8
Israel	45	.....	.....	45
Jordan	.....	6.9	36.0	42.9
Lebanon	.....	.1	.....	.1
Nepal	.....	3.9	.....	3.9
Pakistan	176.8	8.9	.3	186.1
Syrian Arab Republic	.....	.2	(2)	.2
Turkey	71.4	4.4	54.9	130.8
United Arab Republic (Egypt)	36.3	2.3	10.0	48.6
Yemen	.....	.....	5.6	5.6
Regional	.....	3.3	1.7	5
Cento	.....	(.5)	(1.7)	(2.2)
Other	.....	(2.8)	.....	(2.8)
Total	$779.5	$56.8	$110.8	$947.2

[1] Includes Contingency Fund.
[2] Less than $50,000.

ECONOMIC DEVELOPMENT

U.S. economic assistance to Near East and South Asia countries has been marginal in comparison with the region's GNP—about 1.5 percent in fiscal year 1963—but in key sectors it has been the critical factor in helping to raise per capita GNP.

Nearly all countries within the region have committed themselves to economic development programs. India is well into its third 5-year plan. Pakistan is nearing the end of its second 5-year plan. During

this fiscal year, Turkey set forth on a 5-year plan, its first serious comprehensive planning effort. Nepal's first rudimentary 3-year plan was adopted, and Greece, Afghanistan, Iran, Israel, and the United Arab Republic proceeded under existing or updated plans.

These plans provide a useful framework, not only for marshaling external aid but also for assessing the country's tax, investment, and other self-help measures. Many countries have imposed fiscal and monetary restraints aimed at lessening their financial problems.

The country plans of India, Pakistan, Greece, and Turkey are supported by consortia of aid donors, which in the cases of India and Pakistan are sponsored by the World Bank. Consortia for Greece and Turkey were formed in fiscal year 1963 under the aegis of the Organization for Economic Cooperation and Development (OECD).

India's efforts include a marked increase in taxes to further development in the face of greatly increased military expenditures; new taxes imposed in the fiscal year 1963–64 budget will raise revenues about 25 percent. Turkey, Nepal, and Jordan also revised their tax structures and collections to increase revenues. In addition, Jordan has drawn up plans to use development loans for income-raising projects, established a new budget department, and passed legislation to allow charges to be made for water drawn from irrigation facilities. Greece received a loan of $10 million to help it cope with its balance-of-payments problems, and Afghanistan is giving increased attention to feasibility studies, the promotion of industry, and other projects which will contribute directly to the national income.

AID assistance to U.S. private investors was an essential part of the program in the Near East South Asia region in fiscal year 1963.

For example, in India local currency generated by the sale of surplus U.S. agricultural commodities was loaned to American firms investing in India. The equivalent of $21,612,000 in rupees was approved for lending to U.S. firms. Also during the year, 35 investment guaranties totaling over $40 million were signed. The United Arab Republic and Cyprus signed investment guaranty agreements with the United States during the year as an incentive to external investors. Under investment guaranty agreements with Pakistan, nearly $70 million in guaranties had been signed as of June 30, 1963. Joint American and Pakistani private investment was assisted in the fields of petrochemicals, plastics and synthetic resins, paper and forestry products, machine tools, and food processing. Three Cooley loans in the equivalent of $13 million were approved to U.S. firms or their affiliates in Pakistan.

Investment in economic development in many of these countries must compete with military requirements. Greece and Turkey play important roles in NATO; Iran's security problems are compounded by its common borders with the Soviet Union. Pakistan's forces are important to the defense of South Asia. In fiscal year 1963, the Communist Chinese invasion caused an increased military budget in India, which was already hard pressed to meet the needs of its rapidly increasing population.

PROGRAM CHANGES

Fiscal year 1963 saw further steps in the transition of U.S. economic assistance in the region toward long-term development. The development loan component rose from 71 percent to 82 percent of economic funds. Supporting assistance—including Contingency Fund commitments—was reduced to $110.8 million, less than half of the fiscal year 1962 level of $250 million.

For the first time in years, Afghanistan and Greece received no supporting assistance in fiscal year 1963. Pakistan, Syria, and Iran received small amounts of supporting assistance from contingency funds only for emergency purposes.

The strengthening of the economy of Greece in the past few years, the organization of the Pakistan consortium in support of that country's development effort, and the start of a new plan period in Iran made it possible to shift from grant supporting assistance to development loan assistance in these countries. Greece and Israel received no technical cooperation grants during the year, since both countries were in a position to support their own requirements for human resources without U.S. Government assistance.

Supporting assistance grants to Turkey, which had dropped steadily for several years, were again reduced, and planning was underway to permit further reductions through the use of development loans for capital financing.

PROGRAM EMPHASIS

Technical cooperation grants for the region, totaling $56,816,000, financed technical assistance in 12 fields of activity, as shown in the following table.

Loans totaling $779,550,000 were approved for nine countries. More than half of this amount was for program loans, i.e., spare parts, equipment and components, essential for the development programs in India, Pakistan, Turkey, Israel, and Greece. These program loan commodities were procured in the United States, and approximately 70 percent of them were slated for use in the private sector of the host countries' economies.

TECHNICAL COOPERATION GRANTS IN THE NEAR EAST–SOUTH ASIA, FISCAL YEAR 1963

[In thousands]

Field of activity	Technical cooperation development grants	Field of activity	Technical cooperation development grants
Food and agriculture	$8, 575	Community development and social welfare	$199
Industry and mining	6, 466	Housing	.....
Transportation	4, 620	General and miscellaneous	6, 822
Labor	808	Technical support	10, 827
Health and sanitation	3, 346		
Education	10, 002		
Public safety	2, 044	Total	$56, 816
Public administration	3, 109		

AGRICULTURE AND POWER

Two principal areas of concern throughout the region were agricultural development and the improvement and expansion of power generation. Iran continued with its land reform program—around which much of our assistance centers—which is helping to break down the feudal system which has hampered modernization programs in the past. The Egyptian American Rural Improvement Services—which has reclaimed 40,000 acres of land which had gone out of productive use—was nearing completion and the ground water project in the Western Desert successfully completed 72 test wells.

More than $11 million of development loans to Pakistan were earmarked for land reclamation, efforts to control waterlogging, and solving the problem of salinity which has been destroying about 100,000 acres of formerly productive farmland each year. As part of this effort, construction of 1,800 tubewells was completed to serve 1.2 million acres of cropland in West Pakistan.

Assistance to Jordan's AID-supported East Ghor irrigation project will bring water to approximately 25,000 acres of cropland in the Jordan Valley and help to raise the income of the 3,200 farm families living there. The Central Water Authority received grant aid to develop water resources for agriculture, industry, and home consumption.

A $1.9 million grant to Afghanistan continued assistance to the development of the Helmand Valley which—with improved irrigation facilities—may become Afghanistan's richest farmland.

During fiscal year 1963, technical assistance was provided to strengthen agricultural universities in India, Pakistan, and Turkey,

and to improve agricultural extension services in Afghanistan, Cyprus, India, Iran, Jordan, Nepal, and Turkey.

The development of electric power generating facilities carries a high priority in all developing nations whether the accent is on industrialization, social development, or agriculture. Development loans to India totaling $121 million were earmarked for critically needed power development projects, both thermal and nuclear, designed to add more than 800 megawatts of electric generating capacity to India's industrial development program. A loan of $31.3 million was approved for the construction and expansion of thermal and hydroelectric generating plants in northwest Turkey. The U.A.R.'s industrial development was stimulated by a $30.6 million loan authorization to assist in the establishment of a 261-megawatt thermal generating plant near Cairo. Loan assistance was also provided for equipment, goods, and services to expand Israel's generating capacity by installing additional power-producing equipment at Haifa.

Other project loans in the region were approved for industrial development, transportation, communications, agricultural and water resources, health and sanitation, and feasibility studies.

REGIONAL PROGRAMS

Economic assistance was given also to the Central Treaty Organization (CENTO), principally by a $1.7 million supporting assistance grant to help complete an intraregional airway navigational system. Other regional programs in the Near East and South Asia received $2.8 million worth of development grants in fiscal year 1963, mainly for participant training in fields such as education, engineering, and public health at the American University in Beirut.

FOOD FOR PEACE

Fifteen NESA countries received some form of Food for Peace (Public Law 480) assistance to supplement AID's efforts during the fiscal year. Local currencies generated by food sales were used to finance development projects in some of these countries. Food for Peace programs also gave food to voluntary relief organizations which distributed it to children, the needy, and disaster victims.

NEW DEVELOPMENT LOAN AUTHORIZATIONS IN FISCAL YEAR 1963

Near East—South Asia

Country; borrower	Purpose	Amount and terms
Afghanistan:		
Government of Afghanistan: Ariana Afghan Airlines (Dec. 28, 1962).	To finance foreign exchange costs of acquisition of one used DC 6 A/B and two used Convair 440 or 340 aircraft, together with spare parts and supporting equipment.	2-step loan: [1] (1) $2,625,000, ¾ percent, 40 years, 10-year grace period. (2) 5¾ percent, 10 years, 3-year grace.
Cyprus:		
Government of Cyprus: Equipment and consultants (June 29, 1963).	To help finance foreign exchange costs of acquisition of equipment to be used on projects included in Cypriot 5-year plan and to provide consultants to assist in selection, maintenance, and proper utilization of the equipment.	$2,275,000, 3 percent, 20 years, 5-year grace period.
Greece:		
Public Power Corp. (PPC): Kastraki Dam and hydropower (June 29, 1963).	To assist in financing foreign exchange cost of materials, equipment, and services required in connection with the construction of a dam and hydroelectric power project, including a powerhouse and two 80 mw. turbine-generator units.	$21,600,000, 3½ percent, 25 years, 5-year grace period.

Government of Greece: Non-project (Apr. 25, 1963).	To help the Government of Greece meet the balance of payments needs of the Greek economy in 1963 through financing foreign exchange costs of eligible commodities, which include pharmaceuticals, chemicals, scientific apparatus, iron and steel mill products, industrial machinery, and agricultural equipment.	$10,000,000, 2 percent, 20 years, 5-year grace period.
India:		
Government of India: Tarapur Nuclear Power (June 28, 1963).	To provide foreign exchange costs for the design, construction, and placing into operation of a 380 m.w. nuclear power station near Tarapur, India.	$80,000,000, ¾ percent, 40 years, 10-year grace period.
Dugda Coal Washery Plant II (May 6, 1963).	To finance foreign exchange costs of a 2.4 million-ton coal washery plant, including all necessary auxiliary units, in the Jharia coalfield at Dugda, in the State of Bihar, India.	$5,100,000, ¾ percent, 40 years, 10-year grace period.
Fifth Railway Loan (Mar. 30, 1963).	To finance foreign exchange costs of 54 broad-gauge diesel electric locomotives, including necessary spare parts and training, for the Indian Railways.	$15,850,000, ¾ percent, 40 years, 10-year grace period.
Chandrapura Electric Power (Mar. 11, 1963): Stage II.	To provide foreign exchange for Stage II of the Chandrapura Thermal Power Plant. The project involves construction and installation of one 125 m.w. thermal unit as an extension to the station currently under construction.	$16,000,000, ¾ percent, 40 years, 10-year grace period.

See footnote at end of table.

NEW DEVELOPMENT LOAN AUTHORIZATIONS IN FISCAL YEAR 1963—Continued

Country; borrower	Purpose	Amount and terms
India—Continued		
Nonproject (Jan. 11, 1963): II.	Importation of selected commodities and components essential to Indian economic development but not directly related to specific projects to carry forward India's 3rd 5-year plan.	$240,000,000, ¾ percent, 40 years, 10-year grace period.
Central Ropeway "F" (Dec. 28, 1962).	Establishment of a plant and an aerial ropeway to extract and transport sand to the Jharia coalfield.	$7,700,000, ¾ percent, 40 years, 10-year grace period.
Satpura Thermal Power (Oct. 17, 1962).	To provide foreign exchange for a 300 mw. thermal power plant with ancillary facilities at Satpura Station, State of Madhya Pradesh, India.	$25,100,000, ¾ percent, 40 years, 10-year grace period.
West Coast Paper Mills, Ltd. (P): Pulp and paper plant expansion (Oct. 17, 1962).	Modernization and expansion of existing paper and pulp plant located at Dandeli, Mysore State, India.	2-step loan: (1) $6,300,000, ¾ percent, 40 years, 10-year grace period. (2) 5¾ percent, 13½ years, 3½-year grace period.
Iran:		
Government of Iran:		
Bandar Abbas Port (Apr. 11, 1963, Rev. Jan. 25, 1963).	Foreign exchange costs for construction of a new deep-water port and related facilities at the entrance to the Persian Gulf.	$15,000,000, 3 percent, 30 years, 7-year grace period.

Master electrification plans (Nov. 20, 1962).	To finance foreign exchange costs of developing master electrification plans for 6 major cities in Iran.	$2,400,000, ¾ percent, 30 years, 5-year grace period.
Israel:		
Government of Israel:		
Non-project (June 29, 1963): III	To provide foreign exchange to purchase equipment and machinery required for economic development under Israel's 4-year plan.	$21,200,000, 2 percent, 20 years, 5-year grace period.
Haifa "B" power station expansion (June 17, 1963).	Equipment, materials, and services required for purchase, and shipment of one complete 125-mw. turbine-generator facility and spare parts, engineering, and services for two 125 mw. units.	$17,000,000, 2 percent, 20 years, 5-year grace period.
Timna copper (May 21, 1963).	To provide foreign exchange for a project to double the capacity of an existing copper mine and mill at Timna, near the Red Sea.	$4,400,000, 2 percent, 20 years, 5-year grace period.
Desalination plant (April 23, 1963).	To finance dollar costs of equipment, materials, and services for the combined desalination-powerplant in Eilat.	$2,400,000, 2 percent, 20 years, 5-year grace period.
Pakistan:		
Government of Pakistan: Mechanical equipment EPWAPDA (June 29, 1963).	To finance foreign exchange costs of advisory services, spare parts, and equipment for the Mechanical Equipment Organization of the East Pakistan Water & Power Development Authority.	$1,500,000 ¾ percent, 40 years, 10-year grace period.

See footnote at end of table.

NEW DEVELOPMENT LOAN AUTHORIZATIONS IN FISCAL YEAR 1963—Continued

Country; borrower	Purpose	Amount and terms
Pakistan—Continued		
Govt. of Pakistan—Con.		
Machinery pool WPWAPDA (June 29, 1963).	To finance foreign exchange costs of spare parts and shop equipment required by Machinery Pool Organization of West Pakistan Water & Power Development Authority to maintain that organization's U.S.-made construction equipment and vehicle fleet.	$5,000,000, ¾ percent, 40 years, 10-year grace period.
Telecommunications facilities (June 29, 1963).	Foreign exchange costs of expansion and improvement of telecommunications system, including a microwave school.	$4,700,000, ¾ percent, 40 years, 10-year grace period.
Fifth Railway Loan (June 29, 1963).	Dollar costs of acquisition of diesel electric locomotives, dismantled bogie-type wagons, plant and machinery, track material, materials for line and terminal capacity works, and communications equipment.	$14,500,000, ¾ percent, 40 years, 10-year grace period.
Balancing works—Karachi water and sewerage (June 29, 1963).	Foreign exchange for commodities and engineering service to make possible full utilization of 100-MGD potable water and to provide additional sewage treatment facilities.	$3,100,000, ¾ percent, 40 years, 10-year grace period.
General investigations and consulting services (June 28, 1963).	To finance foreign exchange costs of the services of U.S. consulting engineering firms, investigations, and project preparation for the power irri-	$5,600,000, ¾ percent, 40 years, 10-year grace period.

	gation, and land protection and reclamation activities of the West Pakistan Water & Power Development Authority.	
General advisory services—public health (June 28, 1963).	To procure advisory services of U.S. specialists to develop the capacity of the Public Health Engineering Department of East Pakistan to design, construct, and operate water and sewerage systems in East Pakistan.	$1,500,000, ¾ percent, 40 years, 10-year grace period.
Nonproject (June 17, 1963): III.	To provide foreign exchange for importation of commodities required for the last half of 1963 in execution of Pakistan's 2nd 5-year plan.	$70,500,000, ¾ percent, 40 years, 10-year grace period.
Salinity control and reclamation: Rechna Doab (Apr. 1, 1963).	For operational and maintenance guidance by U.S. consultants and for spare parts for the initial period of operation of the project.	$750,000, ¾ percent, 40 years, 10-year grace period.
General consultants (Mar. 25, 1963).	To provide foreign exchange for the services of U.S. consulting engineers to help the East Pakistan Water & Power Development Authority prepare master plans and short-term programs for water and power development and train its staff.	$4,400,000, ¾ percent, 40 years, 10-year grace period.
Dacca International Airport (Mar. 16, 1963).	Foreign exchange for construction and equipment costs of a new international airport at Kurmitola, East Pakistan.	$4,300,000, ¾ percent, 40 years, 10-year grace period.
Coastal embankment project (Mar. 14, 1963).	Foreign exchange costs of materials, equipment, and services to construct 27 earthwork embankments, a total length of approximately 984 miles, in four East Pakistan districts.	$6,500,000, ¾ percent, 40 years, 10-year grace period.

See footnote at end of table.

NEW DEVELOPMENT LOAN AUTHORIZATIONS IN FISCAL YEAR 1963—Continued

Country; borrower	Purpose	Amount and terms
Pakistan—Continued		
Govt. of Pakistan—Con.		
Feasibility studies (Feb. 22, 1963).	To finance studies to be undertaken by U.S. consultants to determine the technical, economic, and financial soundness of project in 2nd and 3rd 5-year plan.	$2,000,000, ¾ percent, 40 years, 10-year grace period.
Salinity control and reclamation (Feb. 16, 1963): II.	Foreign exchange for drilling and equipping tubewells and providing related facilities for the control of salinity and reclamation of an area of about 600,000 acres in West Pakistan.	$10,800,000, ¾ percent, 40 years, 10-year grace period.
Airport and airways service equipment (Feb. 16, 1963).	To finance foreign exchange costs of aviation and ground facilities required to complete the improvement and expansion of Pakistan's civil aviation system.	$2,100,000, ¾ percent, 40 years, 10-year grace period.
Chalna Anchorage (Feb. 11, 1963).	Foreign exchange costs of materials, equipment, and services required to expand the capacity and improve the safety and operating efficiency of the Chalna Anchorage.	$3,600,000, ¾ percent, 40 years, 10-year grace period.
Nonproject (Feb. 11, 1963): II.	Foreign exchange for commodities required in execution of Pakistan, 2nd 5-year plan. Plan not covered by other aid or Pakistan's own foreign exchange earnings.	$30,000,000, ¾ percent, 40 years, 10-year grace period.

Malaria eradication (Dec. 3, 1962).	Foreign exchange for commodities and services required by GOP in 1963–64 to continue its multiyear program for completely eradicating malaria and preventing its reintroduction.	$3,800,000, ¾ percent, 40 years, 10-year grace period.
Forest Industries Development Corp.: Sawmill and timber extraction (Dec. 1, 1962).	To provide foreign exchange for mechanized equipment to expand an existing logging operation, and construct and equip a sawmill in East Pakistan.	2-step loan:[1] (1) $2,200,000, ¾ percent, 40 years, 10-year grace period. (2) 4¾ percent, 10 years, 3-year grace period.
Turkey:		
Government of Turkey:		
Nonproject (June 29, 1963).	To assist in enabling GOT to meet balance of payment needs through financing acquisition and importation of goods and services.	$35,000,000, ¾ percent, 40 years, 10-year grace period.
Feasibility studies and consultants (June 27, 1963).	For economic and engineering studies by U.S. engineering consulting firms for development projects in Turkey and for the services of economic and engineering consultants to assist the General Directorate of State Hydraulic Works.	$3,000,000, ¾ percent, 40 years, 10-year grace period.
Feasibility studies—Keban and Ciceroz (Dec. 11, 1962).	For studies of engineering and economic feasibility of proposed hydroelectric projects at Keban and Ciceroz in Turkey.	$350,000, ¾ percent, 40 years, 10-year grace period.

See footnote at end of table.

NEW DEVELOPMENT LOAN AUTHORIZATIONS IN FISCAL YEAR—Continued

Country; Borrower	Purpose	Amount and terms
Turkey—Continued		
Govt. of Turkey—Con.		
Northwest Anatolia power generation (Aug. 20, 1962).	Foreign exchange for construction and installation of a thermal power plant of approximately 200 mw. capacity at Ambarli, and installation of two 40-mw. generating units in the existing Sariyar hydroelectric plant.	$31,300,000, ¾ percent, 40 years, 10-year grace period.
Seflon Sanayive Ticaret, A. O. Seffon nylon plant (Jan. 4, 1963).	To establish privately owned plant for manufacture of nylon-filament yarn. (Authorization canceled Jan. 9, 1964.)	2-step loan: [1] (1) $1,800,000, ¾ percent, 40 years, 10-year grace period. (2) 5¾ percent, 10 years, 3-year grace period.
United Arab Republic:		
Societe Generale de l'Industrie du Papier Rakta cardboard plant (June 18, 1963).	To assist in financing foreign exchange costs of the establishment of a cardboard manufacturing facility.	$5,700,000, ¾ percent, 40 years, 10-year grace period; relending 5¾ percent, 10 years, 3-year grace period.

Government of UAR: Cairo West power (December 13, 1962).	To finance foreign exchange for engineering and construction costs of the 261 mw. Cairo West thermal electric power generating plant, and related facilities.	$30,600,000, ¾ percent, 40 years, 10-year grace period.

[1] *2-step loans*

In some less-developed countries, dollar development loans are made to private enterprises and government corporations which earn revenue on medium terms repayable in local currency to the country government. The country government in turn repays the U.S. Government in dollars at a lower interest rate over a longer period.

Step (1): Indicates the terms by which the United States will be paid in dollars.

Step (2): Indicates the terms by which the private company will pay its government in local currency.

CHAPTER VIII. FAR EAST

The primary purpose of U.S. policy in the Far East is to insure the political independence and the internal security of the nations of the region which are directly or indirectly threatened by the growing militancy of Communist China.

Substantial U.S. economic assistance is provided in the region in recognition of the fact that in the long run, political survival and resistance to Communist pressures require firm economic foundations and good prospects for social development.

There has been considerable progress in the past decade. Japan has grown from a nation largely dependent on the United States for security against external aggression to one capable of contributing to its own security and the security of the entire region.

The Philippines effectively suppressed the Communist-inspired Huk movement and has achieved a high level of internal stability.

Korea retained its independence and, with U.S. aid, has developed a defense force capable of deterring the North Koreans from further military adventures. A continuing threat of military aggression in Vietnam, Korea, Laos, and the Republic of China makes it necessary to sustain large military establishments heavier than those countries can support with their own resources. Free world economic assistance is required to offset these additional burdens. Consequently, the largest amounts of supporting assistance went to these countries to finance essential commercial commodity import programs. Well over half of our total economic assistance to the Far East was in the form of supporting assistance. Supporting assistance grants to Far Eastern countries have averaged $590 million annually from 1955–62. In fiscal year 1963, a total of $270,706,000 in supporting assistance and $687,200,000 in military assistance was programed for security or defense in the Far East.

AID IN VIETNAM

The program in Vietnam supports the Vietnamese Government's efforts to maintain reasonable economic stability in the face of Viet Cong insurgency. In addition, AID assists the Vietnamese Government in a vigorous campaign to improve the economic and social well-being of the rural population to demonstrate the benefits of allegiance to the central government and to deprive the Viet Cong of rural support.

SUMMARY OF FAR EAST PROGRAM COMMITMENTS FOR FISCAL YEAR 1963

[In millions]

Country	Development loans	Development grants	Supporting assistance [1]	Fiscal year 1963 total
Burma	.....	$1.0	$14.3	$15.3
Cambodia	.....	8.5	11.4	20.0
China (Taiwan)	$36.5	2.1	.....	38.6
Indonesia	.....	14.8	21.9	36.7
Korea	30.6	7.2	90.0	127.8
Laos	.....	.....	38.1	38.1
Philippines	.....	3.3	.....	3.3
Thailand	.....	7.3	10.1	17.4
Vietnam	.....	10.3	133.0	143.3
Regional	.....	2.3	.....	[2] 2.5
SEATO	.....	(1.0)	.....	(1.0)
Other	.....	(1.3)	.....	(1.3)
Total	$67.1	$56.9	$318.8	$443.0

[1] Includes Contingency Fund.

[2] Includes $.24 million for contribution to international organizations.

The insurgency has caused export earnings to drop and has deprived the government of revenues needed to maintain normal services in the country and to finance increased security costs of expanded military and counterinsurgency programs. The AID effort has therefore concentrated in compensating for the loss of export earnings through balance of payments grants under supporting assistance. This AID program also provides the means through which revenues can be raised for maintaining normal government operations and financing the expanded military and counterinsurgency effort. About $95.0 million in supporting assistance was programed in fiscal year 1963 for this purpose.

In fiscal year 1963, about $28.0 million in supporting assistance went directly into the counterinsurgency program. To bolster the counterinsurgency program, a special supporting assistance fund has been established to import commodities specifically required by the program but not produced in Vietnam, such as certain medicines, fertilizers, and construction materials.

ECONOMIC IMPROVEMENTS

In Vietnam, Laos, and Korea, external assistance has made it possible to keep economic pressures under control and to sustain the military forces required to preserve national integrity. Many significant steps were taken in fiscal year 1963 by the countries them-

selves to better their internal economic conditions and strengthen their position both domestically and internationally. Korea began to impose measures to stabilize its economy and obtain greater cooperation from external aid sources; domestic savings in the Republic of China were about equal to domestic investments, while the economy continued to register a 6 to 8 percent annual rate of expansion during the 4-year period ending in 1963. Thailand invested an average of 16 percent of its gross national product in its own economic development; currency was stabilized in the Philippines during the year, the balance of payments position was improved, and the country's credit rating in the international monetary market remained high.

DEVELOPMENT LENDING

Development loans totaling $67,100,000 were made in the Far East during fiscal year 1963 to accelerate economic development. Two development loans to the Republic of China were earmarked for expanding the output of a thermal power generating facility and to finance essential imports, primarily for private industry. Three loans were authorized for Korea to extract deeper coal reserves, construct a thermal power plant, and to purchase 30 diesel locomotives. Despite the role of U.S. assistance in stimulating economic progress, the major reliance for expansion continued to be placed on country-owned resources. The China Development Corporation, established previously with U.S. assistance, continued to contribute to Taiwan's development and had made 62 subloans totaling $6.2 million by the end of fiscal year 1963.

TECHNICAL ASSISTANCE

About $56.9 million in development grants was obligated for Far Eastern countries during fiscal year 1963, largely for activities designed to build the foundations upon which a modern economy must rest. In Korea, this meant helping government ministries improve fiscal and monetary policies, increasing the availability of credit, and bringing community development programs and extension services to rural areas. Cambodia received technical aid to increase its agricultural productivity, strengthen its educational system, and improve its social services to the people. An economic and demographic census was carried on in the Philippines, and a timber survey made to determine the exploitability of lumber resources. Technical assistance to Vietnam included malaria eradication; the provision of tools, seeds, and fertilizers to boost farm production; and teacher training, textbook distribution, and school construction in the field of education. The Republic of China received highly specialized technicians in agriculture, industry, and administration, while grants to Laos sought to

bring food production back to self-supporting levels. During the past four years, U.S. technicians have initiated self-help projects in 2,300 Laotian villages.

TECHNICAL COOPERATION GRANTS IN THE FAR EAST FISCAL YEAR 1963

[In thousands]

Field of activity	Development grants	Field of activity	Development grants
Food and agriculture	$4, 154	Public administration	$3, 528
Industry and mining	7, 256	Community development and social welfare	924
Transportation	1, 622	Housing	1, 176
Labor	192	General and miscellaneous	2, 348
Health and sanitation	12, 823	Technical support	6, 225
Education	8, 897		
Public safety	1, 102		
		Total	$50, 247

FOOD FOR PEACE

Under Titles I and IV of Public Law 480, some $256 million worth of surplus agricultural commodities were sold to five countries in the Far East region.

HEALTH, EDUCATION, AND AGRICULTURE

The 10-year record of U.S. assistance in health, education, and agriculture in the Far East is impressive.

Health

A prime focus of health activities in the Far East has been the eradication of malaria. Fiscal year 1963 saw a continuation of this emphasis. A major portion of our program in Indonesia was devoted to this health problem with a goal of complete eradication by 1967. The Philippines program was also continued, aimed at stamping out the disease by 1969. In Thailand, the death rate from malaria has been reduced from 183 per 100,000 to 32 per 100,000, with total elimination as the final goal. Despite the attacks of the Viet Cong—which resulted in 7 casualties and 43 persons missing from among the medical teams—the malaria campaign in Vietnam was carried on in fiscal year 1963. U.S. doctors and medical teams were supplied to Vietnam's medical school to help alleviate the critical shortage created when half of that country's 800 doctors were drafted. A Vietnamese National Water Authority was established with AID assistance during the year, and a program of sanitation and potable water got underway.

Thailand's most serious health problem is the prevalence of disease caused by poor sanitation. Consequently, sanitation has been stressed. By the end of calendar 1962, sanitation practices had been undertaken in 3,000 Thai villages, and 800 Thai nationals had been trained in public health practices. Under an AID contract, a University of Illinois team is helping to establish a medical university in the northern part of the country where the ratio of doctors is one for every 30,000 people.

Education

Three regional teacher training centers were established in Laos during the year as an outgrowth of the AID-assisted National Center, and 1,100 Laotians were enrolled.

In Cambodia, 14 model elementary schools were completed, and 5 model secondary schools and 4 classroom buildings for the National School of Arts and Trades were under construction. The Teacher Training Center graduated 200 new primary school teachers. The Cambodian Government drew up plans for a program of education reform and approved plans for a new land-grant type agricultural college.

Education programs in Korea went ahead as new schools were constructed, providing new emphasis on technical training. Volunteer university students were helping to conduct a widespread rural literacy program.

The number of students in school in Free China continued to rise; from 1956 to 1962 the number increased by 50 percent.

The University of California, University of Kentucky, and University of California at Los Angeles were conducting a program in Indonesia to improve facilities for education in agriculture, medicine, science, and engineering. Two hundred and ninety-two Indonesians were brought to the United States during the year for study under the participant training program, bringing the total number of Indonesians to receive training in this country to approximately 4,000 since the program began.

In 1963 alone, 141 Filipinos who will play strategic roles in their country's development were brought to this country for training.

American advisors were provided for Thailand as the Thai Government expanded its long-range plan for technical and agricultural training.

In Vietnam, two American universities—Ohio University and Southern Illinois—helped to expand teacher-training and technical institutions. Enrollment in Vietnamese elementary and secondary schools has more than doubled since 1956.

Agriculture

For many years the United States has assisted in a wide range of

land and agricultural development programs around the world. In most of the developing countries, 80 percent of the population is engaged in farming or food production. Not only the health of the people but the health of the economy is dependent upon the condition of a country's food-producing capacity. In many countries, significant economic development must use the agricultural sector of the economy as a starting point to raise revenues, increase the national income, and develop a better inflow of foreign exchange through greater exports.

Agriculture in Free China and Japan has undergone a striking change in the past 15 years, transforming a feudal absentee landlord system to a pattern of predominantly owner-operated farms. Not only better use of the land through irrigation, fertilizer, better seed, and better techniques—but a more equitable pattern of tenure is the objective.

U.S. aid to Thailand in fiscal year 1963 helped to support a soil and water survey of 400,000 acres in the northeast; aided construction of irrigation canals from existing reservoirs for about 30,000 acres; assisted with experimental stations for improved grain and livestock; and provided a six-man team from the University of Hawaii to assist in the expansion and improvement of the nation's only agricultural college.

Two hundred and fifty AID-assisted rural cooperatives were operating in Cambodia; agricultural extension services were expanded, 800 improved varieties of field crops were introduced and tested; and the quality of the local livestock was upgraded.

The Government of the Philippines allotted approximately $4 million of its 1963 budget to the agricultural extension service which has been built up over the years with American advice and assistance.

ENCOURAGING PRIVATE ENTERPRISE

Private enterprise and entrepreneurial efforts have made rapid strides despite the intensity of the East-West conflict in this area. A total of $103.1 million of investment guaranties has been issued on behalf of U.S. investors in six Far East countries as of June 30, 1963. Pending applications totaled $336.9 million. Three types of specific risk investment guaranties—convertibility, expropriation, and war risk—are available.

The new program of private preinvestment surveys was launched during the fiscal year. Eight proposals were approved in fiscal year 1963; in Thailand for a papermill, furniture manufacturing, and a wire and cable factory; in the Philippines for transportation and supermarkets; in Malaya for fruit processing; in Korea for harbor, docks, and warehousing; and in Taiwan for production of machine parts.

As of the end of the fiscal year, specific risk guaranties had been issued on $34.9 million of U.S. private investment in Korea. Investment guaranties in force at that time in Thailand totaled $13 million, applications were in process for $78.7 million more, and three preinvestment survey proposals had been approved. The total of guaranties issued as of June 30 in the Philippines was $11 million, two preinvestment surveys had been approved, and several were pending. Thirty-two guaranties had been concluded for investments in Taiwan covering $64.1 million of U.S. private funds.

Loans totaling $8 million were made during fiscal year 1963 to American business firms or their affiliates overseas, using local currency accruing from surplus food sales under Title I of Public Law 480. Since 1959, more than $54 million worth of local currency loans have been made to private firms in the Far East.

REGIONAL PROJECTS

Regional projects received $2,469,000 in U.S. assistance in fiscal 1963.

- The Mekong River-Pa Mong Area Development, a combined Thailand/Laos project to provide power and irrigation facilities on the Mekong River and aerial mapping of nine tributaries.
- The SEATO Cholera Research Laboratory in Dacca, East Pakistan, a cooperative effort by three American universities and the National Institutes of Health in cholera research and training for Asians.
- The Regional Malaria Training Center in the Philippines, to train technicians and malariologists from all over the Far East.
- A Regional Community Center in Thailand, coordinated by SEATO and based on a successful U.S. program in Thailand to train community development specialists.
- The Asian Productivity Organization, supported by nine nations to provide member countries with technical advice and service in order to begin or improve small business and industry.
- Third country training in Japan; 193 participants from 10 Asian, African, and Near Eastern countries received training in such fields as agriculture, fisheries, administration, and public affairs.
- A Thai Graduate Engineering School, started in 1959, graduated 90 students from 6 countries in 1963.

NEW DEVELOPMENT LOAN AUTHORIZATIONS IN FISCAL YEAR 1963

Far East

Country; borrower	Purpose	Amount and terms
China (Taiwan):		
Government of China: Non-project (June 28, 1963).	Financing essential imports primarily for private industry.	$15,000,000, 3½ percent, 20 years, 5-year grace period.
Taiwan Power Co.: Shen-Ao III thermal plant expansion (June 14, 1963).	Financing costs of extending an existing powerplant by the addition of 200 mw.	$21,500,000, 3½ percent, 20 years, 4-year grace period.
Korea:		
Government of Korea:		
Kun San thermal power (June 27, 1963).	Financing costs of building a 66-mw. powerplant.	$12,800,000, ¾ percent, 40 years, 10-year grace period.
Chang Song Coal Mine District (May 29, 1963).	Financing costs of equipment to exploit deeper coal reserves than is presently possible.	$9,500,000, ¾ percent, 40 years, 10-year grace period.
Diesel locomotives (June 29, 1962).	Financing 30 diesel locomotives to increase efficiency of Korean railroad.	$8,300,000, ¾ percent, 40 years, 10-year grace period.

CHAPTER IX. AFRICA

Most of the new African nations have been independent less than 3 years. The course of action which these new nations pursue in their drive toward economic and social improvements is of vital concern to the entire free world.

More than two-thirds of the total free world economic assistance to Africa in 1962 and 1963 was provided by other than U.S. bilateral programs. The United Kingdom and France alone provided $725 million in 1963, mostly in grants. Total assistance from free world sources other than the United States amounted to more than $1.1 billion.

U.S. economic assistance to Africa in fiscal year 1963 included $261,113,000 from AID appropriations, aproximately $230 million in surplus farm commodities through the Food for Peace program, and $19.2 million in Export-Import Bank loans. AID obligations accounted for about 11 percent of the total worldwide economic aid to African countries in fiscal year 1963.

Since 1961, AID programs have shifted from emphasis on supporting assistance to emphasis on development. All U.S. commitments are measured against three general criteria: What assistance is available from other sources? can the host country use the aid effectively? what are the strategic and economic implications for the United States?

Although AID obligations were made for programs or projects in 32 African countries during the fiscal year, more than half the commitments for the entire region were concentrated in just 4 countries: Nigeria, Tunisia, Liberia, and the Congo (Leopoldville). In Nigeria and Tunisia, AID helped to finance well-planned self-help and development efforts underway in both countries. In Liberia, AID supported the beginnings of long-term development activity in a country that has old historical ties with the United States. In the Congo, AID commitments supported the United Nations effort to restore economic and political stability in the face of a series of rebellions which threatened the very existence of the Congo.

CAPITAL PROJECTS

The fiscal year 1963 development loan program of $98.3 million included 23 capital projects in 13 countries, three times as many loans

as in fiscal year 1962. These comprised the bulk of capital projects in Africa. AID's loans were concentrated heavily in the fields of power, communications, health and sanitation; the foundations upon which further social and economic progress must rest.

SUMMARY OF AFRICAN PROGRAM COMMITMENTS FOR FISCAL YEAR 1963

[In millions]

Country	Development loans	Development grants	Supporting assistance [1]	Fiscal year 1963 total
Algeria	.....	$1.1	$0.7	$1.8
Burundi	.....	(2)	.....	(2)
Cameroon	.....	1.0	.....	1.0
Central African Republic	.....	.7	.....	.7
Chad	.....	1.0	.....	1.0
Congo (Brazzaville)	.....	.5	.....	.5
Congo (Leopoldville)	.....	3.0	.....	[3] 38.0
Dahomey	.....	.7	.....	.7
Ethiopia	$4.0	6.0	.....	10.0
Gabon	.....	.7	.....	.7
Ghana	.....	1.7	.....	1.7
Guinea	2.4	3.7	6.2	12.3
Ivory Coast	1.7	.8	.....	2.5
Kenya	2.2	2.7	.....	4.9
Liberia	31.3	8.6	.....	39.9
Libya	.....	2.3	9.0	11.3
Malagasy Republic	.....	.5	.....	.5
Mali	2.1	1.1	.7	3.9
Mauritania	.....	.1	.....	.1
Morocco	.....	1.1	20.5	21.6
Niger	.5	.7	.....	1.2
Nigeria	12.1	15.0	.....	27.1
Rhodesia and Nyasaland	.....	1.8	.....	1.8
Senegal	.....	2.2	.....	2.2
Sierra Leone	.....	2.5	.....	2.5
Somali Republic	3.6	4.0	.....	7.6
Sudan	3.8	2.7	.....	6.5
Tanganyika	6.9	1.9	.....	8.8
Togo	.....	.8	.....	.8
Tunisia	23.3	2.2	6.8	32.3
Uganda	4.4	2.5	.....	6.9
Upper Volta	.....	.5	.....	.5
Regional	.....	9.4	.....	[4] 9.8
Total	$98.3	$83.5	$43.9	$261.1

[1] Includes Contingency Fund.
[2] Less than $50,000.
[3] Includes $35 million in contributions to international organizations.
[4] Includes $395,000 in contributions to international organizations.

A development loan of $24.3 million for construction of the Mount Coffee hydroelectric project in Liberia, approved in May 1963, illustrates the use of development loans as steppingstones to further growth.

The project consists of a dam and power generation facilities on the St. Paul River approximately 15 miles upstream from the capital, Monrovia, together with transmission lines and substations for transmitting the power to the city and surrounding areas. When completed in 1966, it will increase Liberia's power generation capacity by approximately 30,000 kilowatts. Without the Mount Coffee facility, scarcity of power at reasonable rates would soon become a serious obstacle to Liberia's economic development and to achievement of higher living standards. Part of the needed power increase will be financed by individual iron ore concessionaires, principally LAMCO and the Bong Mountain firms.

Assistance in developing better transportation facilities is important to almost all the African countries: Roads to open up new areas and permit the exploitation of natural resources; highways between the farmland and the urban marketplaces; and mechanized transport equipment to link together isolated areas and promote political cohesion. Training and roadbuilding equipment have been provided to many of these nations: Cameroon, the Congo (Brazzaville), the Central African Republic, Dahomey, Gabon, the Malagasy Republic, Togo, and Upper Volta. The program in the Congo illustrates AID's assistance in transportation development in this region.

The program began in fiscal year 1962 by financing the import of American roadbuilding and construction equipment. By the end of fiscal 1963, all the equipment had been delivered, serviced, and assigned to preselected highway departments, and was in operation maintaining vital segments of Congo's 4,270 miles of roads and tracks. Auxiliary assistance was provided in fiscal year 1963 when two U.S. highway equipment specialists began conducting a program of training in machine operation and maintenance to insure the most effective use of the equipment.

TECHNICAL ASSISTANCE

Development grant assistance of $83.4 million was obligated primarily in the fields of education and agriculture and concentrated in three countries: Nigeria, Liberia, and Ethiopia. These three countries—together with African regional projects—accounted for almost half of the development grant total.

Scope of the Program

The main thrust of the programs has been in the fields of education, agriculture, roads and communications, health and sanitation.

The program in Morocco reflects the variety of programs within one country.

1. Technical assistance for industrial development included feasibility studies in metallurgical industries, food and fish canning, mining, regional development and tourism; a Skilled Workers' Training Center in Casablanca which turns out over 200 students a year in machine shop, electrical sheet metal, automotive and diesel work; mobile training units that travel around the country demonstrating better tanning and leathermaking techniques; and permanent centers where instructors are trained in the modern technology of these industries.

2. A rural teacher training institute has been established where teachers with a special agricultural orientation will be trained for the rural areas. Some 1,500 rural schools and 900 teacher dwellings have been constructed to aid in the drive against illiteracy.

3. An agronomic research project to establish a pilot seed processing plant and a testing laboratory to provide the country with the kinds, quality, and quantity of seed necessary to increase agricultural yield.

4. A livestock and poultry development program to demonstrate through pilot projects the benefits to be derived by the individual farmer from the better feeding of livestock through forage cultivation and storage, the improvement of pastureland, and marketing at prime weights preceding the dry season.

5. The conversion to forage of about 170,000 acres of marginal cereal lands involving 30,000 farmers in 15 pilot areas. An estimated 75,000 acres of pastureland in three pilot areas will be retired from grazing and reseeded or restored.

TECHNICAL COOPERATION GRANTS IN AFRICA FISCAL YEAR 1963

[In thousands]

Field of activity	Development grants	Field of activity	Development grants
Food and agriculture	$20, 572	Community development and social welfare	$1, 134
Industry and mining	2, 710	Housing	274
Transportation	3, 193	General and miscellaneous	4, 966
Labor	117	Technical support	9, 223
Health and sanitation	5, 263		
Education	25, 677		
Public safety	1, 810	Total	$81, 303
Public administration	6, 361		

Agriculture

Technical assistance in agriculture has helped to create and expand extension services; formal and academic instruction has been combined with extension and research; livestock training in problems has stressed breeding, feeding, management, economics, and disease control. Agricultural assistance is one of the most widespread of AID's activities in Africa.

In Nigeria, AID is helping to build a modern and productive agricultural sector with agricultural training, research and extension services, credit and cooperatives facilities, distribution and marketing systems, and training for Nigerian agricultural specialists. One hundred and twenty-five young career employees of the Ministry of Agriculture are presently studying agriculture at U.S. universities under the AID program, and 100 more will be sponsored in the next 2 years.

Livestock industries are being developed to supply the demand for meat and eggs at a reasonable cost. Poultry raising has been particularly successful, especially in eastern Nigeria where the AID-assisted Abakaliki Poultry Station has produced and distributed over 150,000 day-old chicks, and trained over 500 poultry farmers. Two hundred AID-trained poultry farmers have established commercial poultry farms with from 500 to 3,000 birds.

During fiscal year 1963, an AID adviser to Dahomey completed a manual of organization for an extension service modeled after the American pattern, and began a series of seminars, workshops, and field demonstrations for agricultural agents. To facilitate the movement of these agents throughout the country, 250 motorbikes were purchased with U.S.-owned funds. U.S.-owned Dahomean currencies were also used to support a program under which selected disease-resistant cattle are raised and distributed to farmers. The farmers repay later with an equal number of cattle, thus creating a "revolving" herd for further distribution. As of the end of the fiscal year, 15 villages had benefited from this cattle improvement program.

In Niger, AID works in cooperation with the local Young Farmer's Training Center to improve agricultural education and extension services. AID funds provided U.S. technicians and helped construct a headquarters building. A start has been made on a program to teach young farmers modern farming techniques. Other U.S. funds were used to help drain 2,500 acres of land in south-central Niger so that farmers could plant shortly after the end of the rainy season instead of waiting the customary 8 weeks for natural draining to take place.

Education

In education, AID's heaviest emphasis has been placed on teacher training, secondary education, and activities in which the United States has a special competence: multipurpose secondary schools, for example,

and the "land-grant" college system of relating undergraduate education to community needs.

Sizable strides forward have been made with U.S. assistance, but great problems remain. For example, there are now about 163,000 pupils in elementary schools in Ethiopia, almost 3,000 in post-high school studies, and 26,000 in secondary schools. The overall literacy rate, however, remains less than 5 percent.

Liberia's progress in education since 1950 is indicated by the increase in the number of schools: from 270 to 800; number of teachers: 684 to 2,594; enrollment: 24,000 to 77,270. The government's allocation of budget funds has risen from $410,000 to $4,500,000.

With U.S. aid, two rural teacher training institutes have been established which will provide 200 graduate teachers a year. Three rural demonstration centers have been established, and since 1955, 28 self-help schools, accommodating 3,500 students, were constructed. Forty more schools are being built. Teams from Cornell University and San Francisco State under AID contract were working on upgrading higher education in the Monrovia school system.

U.S. education assistance to Nigeria concentrated on teacher training, agricultural education, and administration in teacher colleges, universities, and secondary schools. Two demonstration comprehensive secondary schools are being established at Aiyetoro and Port Harcourt, through AID contracts with Harvard and the University of California at Los Angeles, respectively. AID is also assisting in the construction and development of several colleges and universities in Nigeria, sometimes in collaboration with other nations, private organizations, and U.N. affiliates.

A University of East Africa has recently been established which incorporated the Royal College (Nairobi, Kenya), Makerere College (Kampala, Uganda), and University College (Dar es Salaam, Tanganyika) under the general direction of the Royal College in Nairobi. Through specific aid to the Union of East Africa, AID hopes to promote such regional cooperation in university education.

Health

In health, the focus has been on preventive medicine, the public health system concept, and sanitary engineering.

To counter severe public health problems which abound in the developing nations and hinder their economic development, AID seeks to make the benefits of modern medical science available to as many peoples as possible. Assistance to Mauritania and the Ivory Coast helped to build rural dispensaries. Medical supplies and equipment have been sent to Gabon to further endemic disease control. The highly successful measles inoculation program, which saved the lives of from 100,000 to 200,000 children in Upper Volta during the first few months of its operation, is being expanded. Local currencies gen-

erated-by-sales of U.S. commodities in Cameroon have been used for maternal and child health care clinics, village water supply systems, and the construction of local dispensaries.

In Ethiopia, more than 200 public health officers, nurses, and sanitarians have been trained, and 210 health stations are in operation, but further progress is urgently needed.

FOOD FOR PEACE

The principal recipients of Food for Peace assistance were Algeria, Congo (Leopoldville), Morocco, and Tunisia.

Algeria became independent in July 1962 and was faced with severe economic dislocation and massive unemployment after nearly 8 years of guerrilla warfare. Under Food for Peace, more than 350,000 tons of agricultural commodities were distributed to 4 million people through the International Red Cross, Catholic Relief Services, and Church World Services. AID also supplied 1,000 tents and emergency medical teams.

Surplus food was also provided to combat starvation in the Congo (Leopoldville) in areas where, previously, as many as 200 people a day were dying. Over half of the authorizations for Morocco and Tunisia were under Title II, mostly for emergency assistance.

ECONOMIC PROGRESS

AID's activities are keyed to the attempts being made by the local governments to improve and stabilize their economies by self-help and self-discipline.

For example, the existence of a relatively large cadre of well-trained personnel in Tunisia, dedicated to their country's development, was a contributing factor to the marked increase in gross capital investment which took place in Tunisia during the first year of their plan—an increase from $162 million in pre-plan 1961 to $220 million in 1962. Estimated investment for 1963 was $240–$250 million.

The Government has taken steps to control inflation and increase domestic savings, and growth rates are picking up momentum. Gross domestic production rose 10 percent in 1962, gross investment advanced some 18 percent, agriculture production 20 percent, with smaller increases in manufacturing, transportation, and services. Preliminary 1963 data indicates a continuing upward trend.

As a result of prior U.S. assistance in education, public administration, and fiscal management, 20 new national laws have been enacted reorganizing and improving ministries essential to development of human and natural resources in Liberia.

While Nigeria's exports increased 6 percent to $500 million, its foreign exchange reserves dropped from $331 million at the end of

1962 to $300 million by mid-1963. The National Development Plan for 1962–68 will seek to maintain the ratio of investment to gross national product at approximately 15 percent. The gross national product is expected to continue to rise at a rate of 4 to 4.5 percent annually. In order to maintain this rate of growth without further depleting its foreign exchange reserves, Nigeria estimates it will need external assistance, both public and private, totaling $900 million. The United States, subject to the terms of the Foreign Assistance Act, has agreed to support the Nigerian Development Plan with $225 million in assistance over the 6-year period of the plan.

SUPPORTING ASSISTANCE

Supporting assistance to the African region during fiscal year 1963 totaled approximately $37.7 million, not including $6.2 million in contingency funds. Morocco, with a $20 million supporting assistance loan, was the largest single recipient. The balance of U.S. supporting assistance was committed largely for commodity import programs in Guinea, Mali, and Tunisia. Small amounts were used for emergency programs in Algeria, Libya, Mauritania, Morocco, and Tunisia.

NEW DEVELOPMENT LOAN AUTHORIZATIONS IN FISCAL YEAR 1963

Africa

Country, borrower	Purpose	Amount and terms*
Ethiopia:		
Government of Ethiopia: 3rd highway loan (Apr. 10, 1963).	To construct two all-weather gravel roads of 68 miles and 65 miles, and to penetrate a fertile agricultural farm area.	$4,000,000
Guinea:		
Societe Nationale d'Electricite (SNE): Electrification (June 29, 1963).	To expand electrical service in 16 regional capitals and initiate rural electrification in 3 others; develop trained manpower and expand the potential base for agriculture and industry.	2,400,000
Ivory Coast:		
Government of Ivory Coast: Highway equipment (June 29, 1963).	To finance U.S. procurement of over 100 graders, bulldozers, excavators, and tractors to service the Southwestern Region road network and improve access to natural resources and market centers.	1,700,000
Kenya:		
City Council of Nairobi: Nairobi water supply. (May 24, 1963.)	To assist in expanding the water supply system in Nairobi by 6 million gallons a day.	2,200,000

See footnote at end of table.

Liberia:		
Government of Liberia: Monrovia Junior and Senior High School (June 27, 1963).	To construct a 10-building secondary school facility to meet Monrovia's increased enrollment demands through 1968.	1, 700, 000
Monrovia Power Authority: Mount Coffee hydroelectric (May 7, 1963).	To assist in financing the construction of a hydroelectric plant near Monrovia, to stimulate general industrial development, support planned basic development projects dependent on a steady supply of electric power. Installation will include 150 miles of transmission lines, 5 substations, 2 switching stations, dam and power generating facilities.	24, 300, 000
Government of Liberia: National Medical Center (Jan. 23, 1963; June 18, 1963).	Construction of a 250-bed general and training hospital for a national medical center in Monrovia, paramedical training facilities and dormitory facilities for nurses, sanitarians, and medical technicians.	4, 700, 000 600, 000
Mali:		
Government of Mali: Higher Teachers Training College (June 24, 1963).	To provide permanent facilities for a Higher Teacher Training College and establish a training corps of public school teachers for improvement of education in Guinea and Mali.	2, 100, 000
Niger:		
Government of Niger: Development bank (Aug. 1, 1962).	To assist in financing private development projects in agricultural processing, building consumer goods, and other small industries. Subloans in excess of $50,000 will be used to purchase project materials and equipment in the United States.	500, 000

NEW DEVELOPMENT LOAN AUTHORIZATIONS IN FISCAL YEAR 1963—Continued

Country; borrower	Purpose	Amount and terms*
Nigeria:		
Government of Nigeria: Ibadan water supply (Apr. 30, 1963).	To expand the water supply and distribution system of the capital city of the Western Region and largest city in tropical Africa.	12, 100, 000
Somalia:		
Government of Somalia: Chisimalo port and municipal facilities (May 21, 1963).	To increase the water and power supply to both the port and city, and to complete port installations.	3, 600, 000
Sudan:		
Government of Sudan: Khartoum north sewerage system (Apr. 5, 1963).	To build a waste collection and disposal system to replace the present open-ditch waste disposal. The system will consist of 18 miles of collection sewers, lift stations, pumping and booster stations, force mains, and a disposal plant with a 6 million gallon per day capacity.	3, 800, 000

See footnote at end of table.

Tanganyika:		
Government of Tanganyika: Electrical equipment (June 29, 1963).	To finance procurement in the United States of diesel electric generating equipment to build community electrical systems for three towns which have no source of electric power.	300,000
Agricultural college (June 26, 1963).	To assist in financing the procurement of goods and services in the United States and in East Africa currency area (local costs) for construction of Agricultural College facilities at Morgoro—classroom building, laboratory, administration building, staff housing, farm buildings.	1,250,000
Community Development Training Center (June 14, 1963).	To help in Tanganyika's community development program by assisting self-help activities in villages and rural areas.	250,000
Teacher Training College (May 28, 1963).	To help finance construction of a 200-student Teacher Training College at Dar-es-Salaam, consisting of 10 buildings to meet education goals.	800,000
University College (May 15, 1963).	To assist in building construction for the University College to meet the higher education needs of the East African nations—library, combined refectory and students' union, and classroom facilities.	800,000
Regional urban water supply (Apr. 22, 1963).	To finance the installation of water supply systems for 10 major towns and many smaller ones to meet demands of expanding urban populations and the developing industrial and agricultural requirements	1,300,000

NEW DEVELOPMENT LOAN AUTHORIZATIONS IN FISCAL YEAR 1963—Continued

Country; borrower	Purpose	Amount and terms*
Tunisia:		
Government of Tunisia: Nonproject (May 13, 1963).	To assist the Tunisian Government 3-year plan for purchasing in the United States such items as iron and steel products, agricultural machinery, textiles, lumber, pharmaceuticals, insecticides and lubricants, as well as services.	15,000,000
Uganda:		
Government of Uganda: Secondary schools (June 29, 1963).	To assist in expanding secondary school education by enlarging 11 existing secondary schools to accommodate 1,500 additional high school students.	2,400,000
Uganda Development Corp. Development Bank (July 27, 1962).	To finance agricultural and industrial enterprises for the purchase in the United States of equipment, materials, and services.	2,000,000

*Terms of all African country loans: ¾ of one percent for 40 years, 10-year grace period.

CHAPTER X. OTHER FREE WORLD ASSISTANCE

During fiscal year 1963, the United States continued its efforts to achieve a more equitable sharing of the burden of international development assistance and to improve coordination of resources and terms. The second annual review of the Development Assistance Committee of OECD in the spring of 1963 reported:

The total net flow of *official* long-term financial resources from member countries to less-developed countries and multilateral agencies in 1962 was maintained at about $6 billion, approximately the 1961 level. Preliminary estimates indicated some increase was likely in 1963.

A number of DAC countries showed significant increases in 1962 in the rate of bilateral commitments, particularly the United Kingdom, which showed a 40 percent increase.

Total net aid disbursements (generally of prior-year commitments) by countries other than the United States decreased slightly from $2.52 billion to $2.35 billion, even though France, the Netherlands, and Portugal showed significant increases.

The net flow of private investment decreased between 1961 and 1962 from $2.64 billion to $2.44 billion. The major part of the decline was caused by the amortization of previous investments by the U.S. petroleum industry in Latin America. Other sectors showed an increased flow of investment.

Other DAC members continue to show a higher net rate of private investment flow than the United States, although the total decreased slightly from $1.60 billion in 1961 to $1.53 billion in 1962.

A resolution was adopted in April 1963 recommending that DAC members relate the terms of their aid to the debt service capacity of the recipient country. Several countries extending bilateral aid on a loan basis did show an appreciable softening of their terms, and the British announced a new policy of extending aid on softer terms.

DAC members showed increasing interest in coordinating their aid efforts in various countries including East Africa, Thailand, and Somalia. France extended $150 million in credits to Mexico, $30 million of which was at a concessionary interest rate.

The OECD Development Center began operations in 1963. The Center will have a documentation service, provide training and ad-

visory services in economic development, and organize conferences where there is a need. It will also act as a catalyst in these areas in connection with other institutions.

Other free world aid coordination during the year:

- The meeting of the ***Pakistan Consortium*** in May 1963 succeeded in raising $430.2 million in pledges for the fourth year of Pakistan's second 5-year development plan. The United States provided $212.5 million, or slightly less than half of the total. The previous U.S. pledge for the second and third years of the plan had been $500 million, or about 53 percent of the total.
- ***The India Consortium*** held meetings in the spring and summer of 1963 which resulted in pledges of assistance amounting to $1,052.1 million for the third year of India's 5-year development plan. The United States pledged $435 million, or about 41 percent of the total, a slight decrease from its pledges for the first 2 years of the plan.
- The IBRD, as administrator of the ***Indus Basin Development Fund,*** continued its efforts to reach agreement with contributing countries and Pakistan on a plan for future works projects and funding of the increased costs of the Indus Basin program. Work progressed on the construction of several components of the Indus program, including Mangla Dam, three link canals, and a barrage.
- ***Consultative groups*** for Nigeria and Tunisia, formed under the aegis of the World Bank, held meetings during fiscal year 1963 to coordinate foreign assistance. In January 1963 a similar group was organized to coordinate assistance to Colombia.
- The role of the ***Colombo Plan*** in the economic development and regional cooperation of South and Southeast Asia has been under continual review. The United States supported a proposal by member countries of ECAFE to establish in early 1964 an Asia development institute to train personnel and improve economic planning.

AID ADVISORY COMMITTEES

FOREIGN EXCHANGE COMMITTEE—SUBCOMMITTEE ON AID MATTERS

Advises the agency on methods of financing operations, procurement regulations and requirements, and problems pertaining to U.S. banking.

ARTHUR BARDENHAGEN, Assistant Vice President, Irving Trust Co.
MILTON S. COE, Assistant Vice President, Chase Manhattan Bank.
E. G. GRIMM, Vice President, Banker's Trust Co.
ARTHUR C. KRYMER, Vice President, Chemical Bank New York Trust Co.
JOHN L. O'HALLORAN, SR., Vice President, Manufacturers Trust Co.
VINCENT G. POTTER, Vice President, Morgan Guaranty Trust Co.
LLOYD B. MANSFIELD, Assistant Vice President, First National City Bank.
HENRY REUTER, Vice President, Marine Midland Trust Co.

AID COORDINATION ADVISORY GROUP

Advise as necessary on matters of mutual security.

WILLIAM P. BUNDY, Deputy Assistant Secretary, International Security Affairs, Department of Defense.
HOLLIS B. CHENERY, Assistant Administrator, Program Coordination Staff, AID.
KENNETH HANSEN, Assistant Director, Bureau of the Budget.
JEFFREY C. KITCHEN, Deputy Assistant Secretary for Politico-Military Affairs, Department of State.
ROBERT W. KOMER, White House.
Adm. H. SMITH, Joint Staff, Department of Defense.

ADVISORY COMMITTEE ON ECONOMIC DEVELOPMENT

Advises the Administrator and senior staff in the fields of research, evaluation, and planning assistance. Provides a channel of communication between the Agency and professional communities involved with development.

VINCENT BARNETT, President, Colgate University.

EMILE DESPRES, Director, Research Center in Economic Growth, Stanford University.

JOHN W. GARDNER, President, Carnegie Corporation of New York.

ALLAN R. HOLMBERG, Professor of Anthropology, Cornell University.

EDWARD S. MASON, Professor of Economics, Harvard University.

MAX MILLIKAN, Director, Center for International Studies, Massachusetts Institute of Technology.

LUCIAN W. PYE, Professor of Political Science, Center for International Studies, Massachusetts Institute of Technology.

THEODORE W. SCHULTZ, Professor of Economics, University of Chicago.

DEVELOPMENT LOAN COMMITTEE

The Committee, under the direction of the Administrator, establishes standards and criteria for lending operations.

DAVID E. BELL, AID Administrator.

JOHN C. BULLITT, Assistant Secretary of the Treasury.

GRIFFITH G. JOHNSON, Assistant Secretary of State for Economic Affairs.

HAROLD F. LINDER, Chairman of the Board of Directors of the Export-Import Bank of Washington.

SEYMOUR M. PEYSER, Assistant Administrator, Office of Development Finance and Private Enterprise, AID.

U.S. PUBLIC ADVISORY BOARD

Appointed in the fall of 1961 to guide and assist in the preparation of the U.S. presentation at the "U.N. Conference on the Application of Science and Techology for the Benefit of the Less Developed Areas," in February 1963.

DETLEV W. BRONK, President, The Rockefeller Institute.

HARRISON SCOTT BROWN, Foreign Secretary, National Academy of Sciences.

ROBERT ALAN CHARPIE, Director, Advanced Projects Research, Union Carbide Co.

FREDERICK H. HARBISON, Professor of Economics, Princeton University.

J. GEORGE HARRAR, The Rockefeller Foundation.

J. HERBERT HOLLOMON, General Manager, General Engineering Laboratory, General Electric Co.

ALLAN R. HOLMBERG, Professor of Anthropology, Cornell University.

WILLIAM A. W. KREBS, Vice President, Arthur D. Little Co.

ISADOR LUBIN, Economic Consultant, 20th Century Fund.

WALSH MCDERMOTT, Chairman, Department of Public Health and Preventive Medicine, Cornell University.

MAX MILLIKAN, Director, Center for International Studies, Massachusetts Institute of Technology.

ROBERT SWAIN MORISON, Director, Medical and Natural Sciences, Rockefeller Foundation.

ARTHUR T. MOSHER, Executive Director, Council on Economic and Cultural Affairs, Inc.

FRANK PRESS, Professor of Geophysics, California Institute of Technology.

ISIDOR I. RABI, Consultant at Large to the President's Science Advisory Committee.

THOMAS J. WATSON, JR., President, International Business Machines, Inc.

JERROLD RINACH ZACHARIA, Professor of Physics, Massachusetts Institute of Technology.

ADVISORY COMMITTEE ON VOLUNTARY FOREIGN AID

Established as successor to the War Relief Control Board in 1946 by the President to correlate Government aid programs with those of voluntary aid agencies. Certifies agencies eligible for oversea freight costs of relief and rehabilitation supplies for distribution under Public Law 480.

WILLIAM L. BATT, retired.

GORDON M. CAIRNS, Dean, College of Agriculture, University of Maryland.

UGO CARUSI, retired.

MARGARET HICKEY, Contributing Editor, Ladies' Home Journal.

RAYMOND F. MCCOY, Dean, Graduate School, Xavier University, Cincinnati.

JAMES T. NICHOLSON, retired.

J. EDGAR RHOADS, President, J. E. Rhoads & Son, Wilmington, Del.

LESSING J. ROSENWALD, Chairman, Rosenwald Fund.

ELMORE R. TORN, Trans-Continental Gas Pipeline Corp.

CHARLES P. TAFT, Lawyer.

COOPERATIVE ADVISORY COMMITTEE

Agricultural and cooperative specialists bringing to bear the knowledge, resources, and experience of non-Government organizations on the Agency's development program.

HOMER L. BRINKLEY, Executive Vice President of National Council of Farmer Cooperatives.

CLYDE T. ELLIS, General Manager, National Rural Electric Cooperative Association.

Gerrit Vander Ende, President, National League of Insured Savings Associations.

Leon Keyserling, Economic Consultant.

Murray D. Lincoln, President, Cooperative League of the U.S.A.

R. C. Morgan, President, Credit Union National Association.

Herschel D. Newsom, Master, National Grange.

James G. Patton, President, National Farmers Union.

Walter Reuther, President, United Auto Workers.

Sylvester C. Smith, Jr., President, American Bar Association.

Charles B. Shuman, President, American Farm Bureau Federation.

Bishop Edward E. Swanstrom, Honorary Chairman, Executive Committee of the American Council of Voluntary Agencies for Foreign Service.

M. W. Thatcher, President, National Federation of Grain Cooperatives.

THE INTERAGENCY POLICE GROUP

Advises on training and technical assistance programs of modern law enforcement methods and personnel.

Byron Engle, Director, Office of Public Safety, AID (Chairman).

Courtney A. Evans, Assistant Director in Charge of Special Investigations Division, Federal Bureau of Investigation, Department of Justice.

Arnold Sagalyn, Director, Law Enforcement Coordination, Treasury Department.

Abe J. Moses, Officer in Charge, Internal Defense Policy, Politico-Military Affairs, Department of State.

Maj. Gen. Ralph Butchers, Provost Marshal of the U.S. Army.

AD HOC ADVISORY COMMITTEE ON FERTILIZER PROCUREMENT

Members acting as individuals serve to review proposed AID fertilizer procurement policies and practices when requested.

John C. Bennett, American Cyanamid Co., Princeton, N.J.

Porter Brinton, Hydrocarbon Products, New York, N.Y.

Edward W. Gamble, Jr., Monsanto Chemical Co., Washington, D.C.

Earl Gettinger, Woodward & Dickerson, Inc., Philadelphia, Pa.

John W. Hall. Potash Co. of America, Denver, Colo.

Leonard Linton, Central Resources Corp., New York, N.Y.

William F. Price, Swift & Co., Chicago, Ill.

W. E. Shelburne, Armour Agricultural Chemical Co., Atlanta, Ga.

U.S. Ten Eycke, Interore & Fertilizer Corp., New York, N.Y.

ADVISORY COMMITTEE ON HOUSING AND URBAN DEVELOPMENT

Provides advice and guidance in the administration of its responsibility in making investment guaranties for housing projects in accordance with sections 221 and 224 of the Foreign Assistance Act of 1962 and general guidance in the development and administration of the Agency's program of housing and urban development.

CHARLES ABRAMS, Housing Consultant to the United Nations.
ALEXANDER BOOKSTAVER, Economic Advisor for AFL–CIO.
W. EVANS BUCHANAN, President, National Association of Home-Builders.
NEAL HARDY, Consultant to Ford Foundation on housing and urban development.
RAYMOND P. HAROLD, President and Chairman of the Board, Worcester Savings & Loan Association.
NATHANIEL S. KEITH, President, National Housing Conference.
JOSEPH MCMURRAY, Chairman, Federal Home Loan Bank Board.
LLOYD RODWIN, Massachusetts Institute of Technology.
FRANK M. SUMMERS, Attorney.
ARTHUR TONSMEIRE, JR., President, First Savings & Loan Association, Mobile, Ala.
BENJAMIN TURNER, Attorney and homebuilder.
ROBERT WEAVER, Administrator, Housing and Home Finance Agency.
CHARLES WELLMAN, President, American Savings & Loan Association of Whittier, Calif.
WILLIAM L. C. WHEATON, University of California, Department of Urban Planning.

COMMITTEE TO STRENGTHEN THE SECURITY OF THE FREE WORLD

This committee was created by the President of the United States on December 10, 1962, to examine U.S. military and economic assistance programs to determine whether their scope and distribution was contributing to the optimum security of the United States and the economic and political stability in the free world. The committee reported its findings on March 20, 1963.

Gen. LUCIUS D. CLAY, Chairman, U.S. Army (retired), Lehman Bros.
ROBERT B. ANDERSON, former Secretary of Treasury.
EUGENE R. BLACK, Chase Manhattan Bank.
CLIFFORD HARDIN, Chancellor, University of Nebraska.
ROBERT A. LOVETT (retired), former Secretary of Defense.
EDWARD S. MASON, Professor of Economics, Center for International Affairs, Harvard University.

L. F. McCollum, President, Continental Oil Co.
George Meany, President, AFL–CIO.
Herman Phleger, Brobeck, Phleger & Harrison.
Howard A. Rusk, M.D., Institute of Rehabilitation.

LABOR EDUCATION ADVISORY COMMITTEE

Evaluates and recommends guidelines for trade union and labor education programs in developing countries.

Donald S. Beattie, Executive Secretary, Railway Labor Executive Association.

Sylvia Gottlieb, Assistant to the President, Communications Workers of America.

Fred K. Hoehler, Jr., Director, Labor Program Service, Michigan State University.

Anthony Luchek,[1] Professor of Labor Education, University of Wisconsin.

Maurice F. Neufeld, Professor, New York State School of Industrial and Labor Relations, Cornell University.

Joseph P. O'Donnell, Executive Director, Harvard Trade Union Program, Harvard University.

Lawrence Rogin, Director of Education, AFL–CIO.

Anthony G. Weinlein, Research and Education Director, Building Service Employees' International Union.

[1] Resigned during fiscal year 1963.

LABOR ADVISORY COMMITTEE FOR THE ALLIANCE FOR PROGRESS

Provides advisory services for government labor programs in the Alliance, and a coordinating channel for non-Government projects.

Joseph A. Beirne, President, Communications Workers of America, AFL–CIO.

David Dubinsky, President, International Ladies' Garment Workers' Union, AFL–CIO.

Joseph T. Kennedy, Assistant President, United Mine Workers of America.

O. A. Knight, President, Oil, Chemical & Atomic Workers International Union.

David J. McDonald, President, United Steel Workers.

Andrew C. McLellan, Inter-American Representative, AFL–CIO.

George Meany, President, AFL–CIO.

Paul Reed,[2] International Representative, United Mine Workers of America.

[2] Kennedy replaced Reed during fiscal year 1963.

WALTER REUTHER, President, United Auto Workers.
EMIL RIEVE, Chairman, Executive Council, Textile Workers Union of America.
SERAFINO ROMUALDI, Inter-American Representative, AFL–CIO.
JAMES A. SUFFRIDGE, President, Retail Clerks International Association.

AID ADVISORY COMMITTEE ON RESEARCH

Established in December 1962 to advise on the development and administration of sound policies and programs in research on the problems of the developing countries. A subpanel reviewed all research projects of the fiscal year 1963 research program, and made recommendations for action.

HARRISON SCOTT BROWN, California Institute of Technology.
ROBERT W. CAIRNS, Hercules Powder Co.
ROBERT ALAN CHARPIE, Union Carbide Co.
MERLE FAINSOD, Harvard University.
ALLAN R. HOLMBERG, Cornell University.
WALSH MCDERMOTT, Cornell University.
MAX MILLIKAN, Center for International Studies, Massachusetts Institute of Technology.
A. H. MOSEMAN, Rockefeller Foundation.
ARTHUR T. MOSHER, Council on Economic and Cultural Affairs, Inc.
KENNETH H. PARSONS, University of Wisconsin.
ROGER REVELLE, University of California.
EUGENE B. SKOLNIKOFF, Massachusetts Institute of Technology.
ABEL WOLMAN, Johns Hopkins University.
JERROLD R. ZACHARIAS, Massachusetts Institute of Technology.

INTER-AGENCY COMMITTEE ON COMMUNITY PARTICIPATION

Provides guidance, procedures, and materials for community hospitality activities for foreign students and trainees.

MILDRED ALLPORT, U.S. Information Agency.
WILLIAM BELL, U.S. Information Agency.
ROBERTA CLARK, Department of Agriculture.
CALVERT L. DEDRICK, Department of Commerce.
R. L. EASTMAN, Bureau of Reclamation.
DORIS FESSLER, Office of Education, Department of Health, Education, and Welfare.
Col. J. S. HARBISON, Department of the Army.
JOSEPH HUMMEL, U.S. Information Agency.

CHARLES E. JOHNSON, JR., Census Bureau.

GORDON J. KENT, Federal Communications Commission.

WILLIAM LITTLEJOHN, Department of Health, Education, and Welfare.

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