PD-ACC-994

U.S. TECHNICAL AND ECONOMIC ASSISTANCE

in the FAR EAST

A Part Of
THE MUTUAL SECURITY PROGRAM FOR 1952/53

WASHINGTON, D. C.

MARCH, 1952

BEST AVAILABLE

U.S. TECHNICAL AND ECONOMIC ASSISTANCE IN THE FAR EAST

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Mutual Security Agency
Washington, D. C.

March, 1952

THE AREA

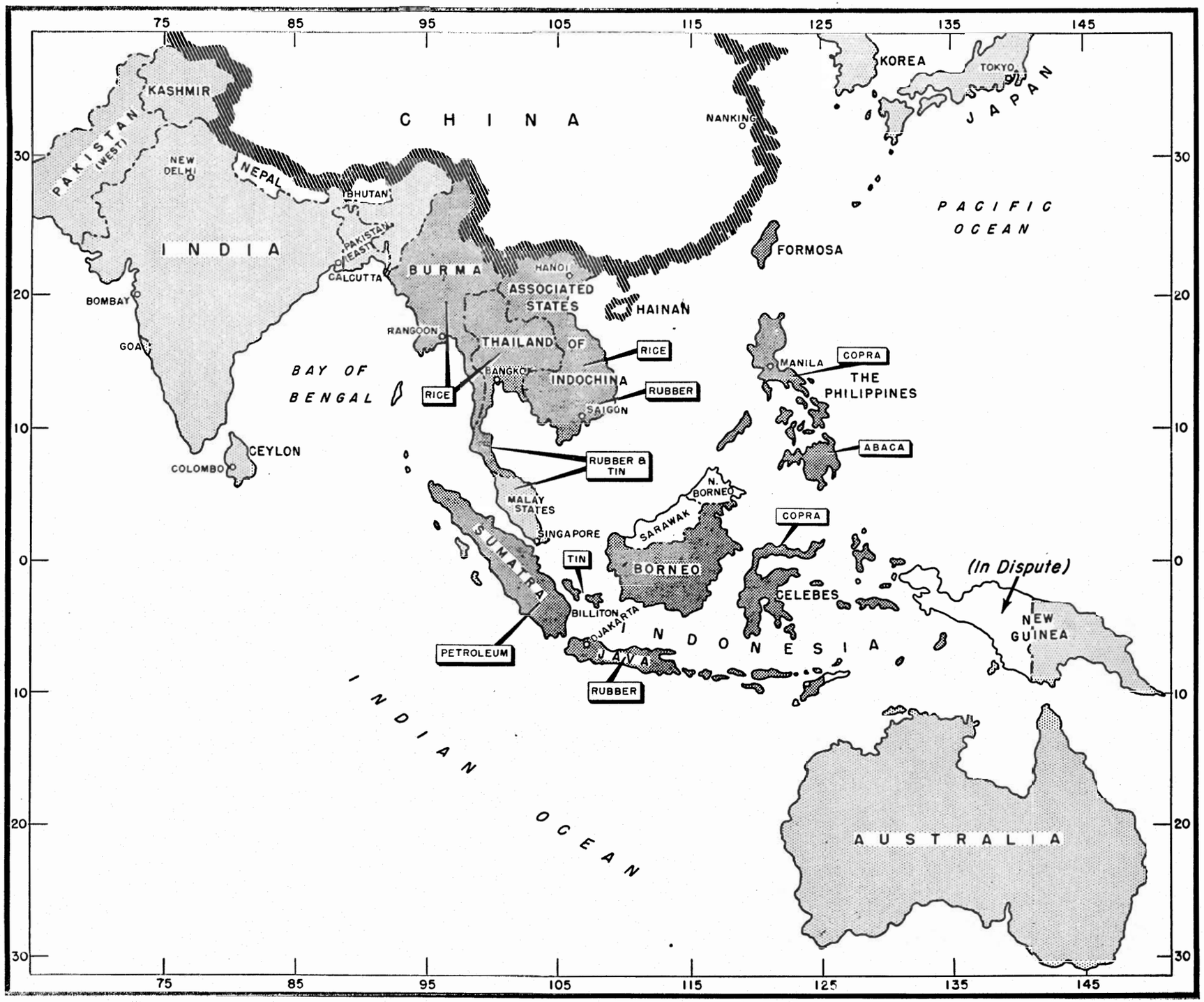
The part of the world in which the MSA Far East Programs operate—Southeast Asia, the Philippines and Formosa—is a vast expanse of mainland, sea and islands, with a total land area half as large as the U.S.A. and a population of 170 million.

It is an area of crucial importance from the standpoint of the security of free and independent nations—the front line of defense against Communist aggression in Asia. Its location at the Pacific-Indian Ocean crossroads underscores its strategic significance. Communist aggression in part of this area is not merely a threat; it is an actuality. A shooting war is under way in the Associated States of Indochina as it is in Korea, to the north.

The economic importance of this area is likewise great. The rice exported by Burma, Thailand, and the Associated States of Indochina is needed to feed Japan, the Philippines, Malaya, Indonesia, India, and Ceylon. From this area (counting in Malaya) come 60 percent of the world's supply of tin, 95 percent of its natural rubber, 90 percent of its copra; it contains the only important petroleum reserve between the Persian Gulf and California; it produces important quantities of such other commodities as Manila hemp (abaca), quinine, sugar, tea, and pepper, and has substantial resources of nickel, bauxite, manganese, tungsten, cobalt, chromite, and other minerals. Expansion of trade between these countries and Japan would be mutually beneficial, bringing Japan raw materials for its industrial economy and bringing the countries of Southeast Asia not only manufactured consumer goods but also capital goods to help them diversify and industrialize their economies.

Seventy-five percent of the people of this area derive their living from farming or fishing. The literacy rate is about 25 percent. Average per capita income is under $50 per year. Country by country, the populations are approximately as follows (in millions):

Indonesia	75	Burma	19
Assoc. States of Indochina	28.5	Thailand	18.5
Philippines	20	Formosa	9.5



CHINA
KASHMIR
PAKISTAN (WEST)
NEW DELHI
NEPAL
BHUTAN
PAKISTAN (EAST)
INDIA
CALCUTTA
BURMA
HANOI
ASSOCIATED STATES
THAILAND OF INDOCHINA
BANGKOK
RANGOON
BOMBAY
GOA
CEYLON
COLOMBO
BAY OF BENGAL
RICE
RICE
RUBBER
SAIGON
RUBBER & TIN
MALAY STATES
SINGAPORE
SUMATRA
TIN
BILLITON
DJAKARTA
JAVA
PETROLEUM
RUBBER
INDONESIA
BORNEO
SARAWAK
N. BORNEO
COPRA
CELEBES
(In Dispute)
NEW GUINEA
AUSTRALIA
INDIAN OCEAN
HAINAN
FORMOSA
NANKING
KOREA
TOKYO
JAPAN
PACIFIC OCEAN
MANILA
COPRA
THE PHILIPPINES
ABACA
75
85
95
105
115
125
135
145
30
20
10
0
10
20
30

SALIENT FACTS ABOUT THE AREA

A

The Communists are engaged in military aggression in the Associated States of Indochina. Militant subversion — armed and unarmed — is openly operating in other parts of the area.

B

1. *Most of these Governments are newly independent,* and in all but Formosa there is a critical shortage of trained administrators and technicians. Damage from war and insurgency has been heavy and much of it is still unrepaired. In spite of large latent resources, standards of living are low —in many areas below prewar.

2. *An economic and social revolution is under way.* Nationalism dominates Asian thought and action. At the same time, national independence was expected to better conditions of life for the people of Asia. There is a "revolution of rising expectations".

3. *The Kremlin works unceasingly to exploit the gap* between these rising expectations and what the Governments, in their difficult circumstances, are able to deliver.

OBJECTIVES OF U.S. ECONOMIC ASSISTANCE PROGRAMS IN THE AREA

THE PRIMARY OBJECTIVE of MSA technical and economic assistance programs in the Far East is to help countries build the *economic foundations of their existence as independent nations.*

This means—

Attaining the objective involves helping people and Governments to help themselves—for example, by—

a. *Strong, stable Governments,* increasingly able to discharge essential governmental functions and command popular support. (This is the prime requisite, on which the other factors, below, heavily depend.)

- bringing immediate, tangible benefits to the common people (land reform, minimum wages, rural credit, strengthening of free trade union movements, etc.)
- strengthening government administration and public services (public health, public education, training of local experts, agricultural extension, communications, etc.)

b. *Supporting the build-up of military and internal-security forces* (in countries asking for and receiving such U.S. military assistance: China (Formosa), Philippines, Associated States of Indochina, Thailand).

- "common-use" imports, joint-use transport facilities, etc.—to increase and sustain military strength, and to buttress the economic foundations under that strength

c. *Economic progress*—more food and more use of the resources they have.

- economic stabilization
- reconstruction, rehabilitation
- increased output of goods, additional productive work opportunities
- laying foundations for economic development

d. *Closer ties of friendship and mutual support* linking these Governments and people with other free and independent nations and enabling them to resist the Kremlin drive into Southeast Asia.

- tangible help plus friendly, American attitudes

e. *Helping in the development and export of materials* needed by the rest of the free world, within the scope of the programs and to the extent consistent with the programs' primary objective.

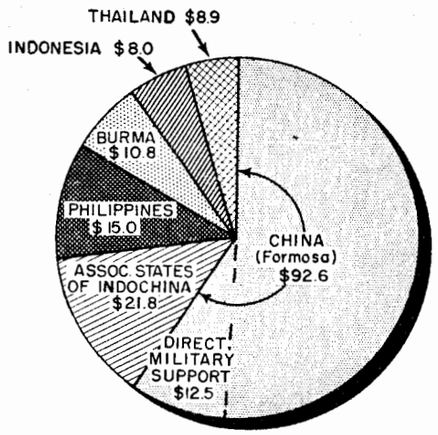
- minerals surveys, plant disease control, access roads, etc.

Each country has different specific problems, calling for varying program emphasis in each country program. See the individual country sections that follow.

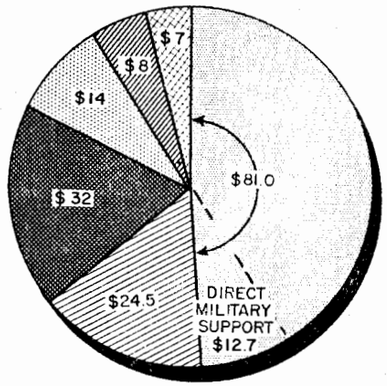
MSA FAR EAST PROGRAMS

BY COUNTRY

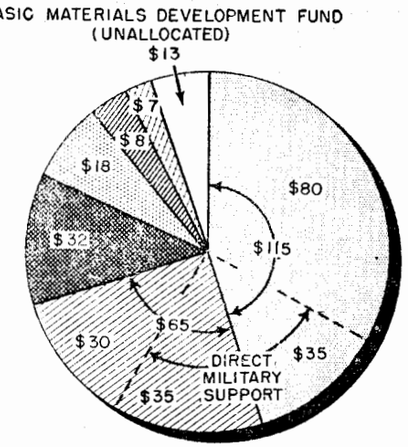
Millions of Dollars



FY 1951 - $157.1 a/



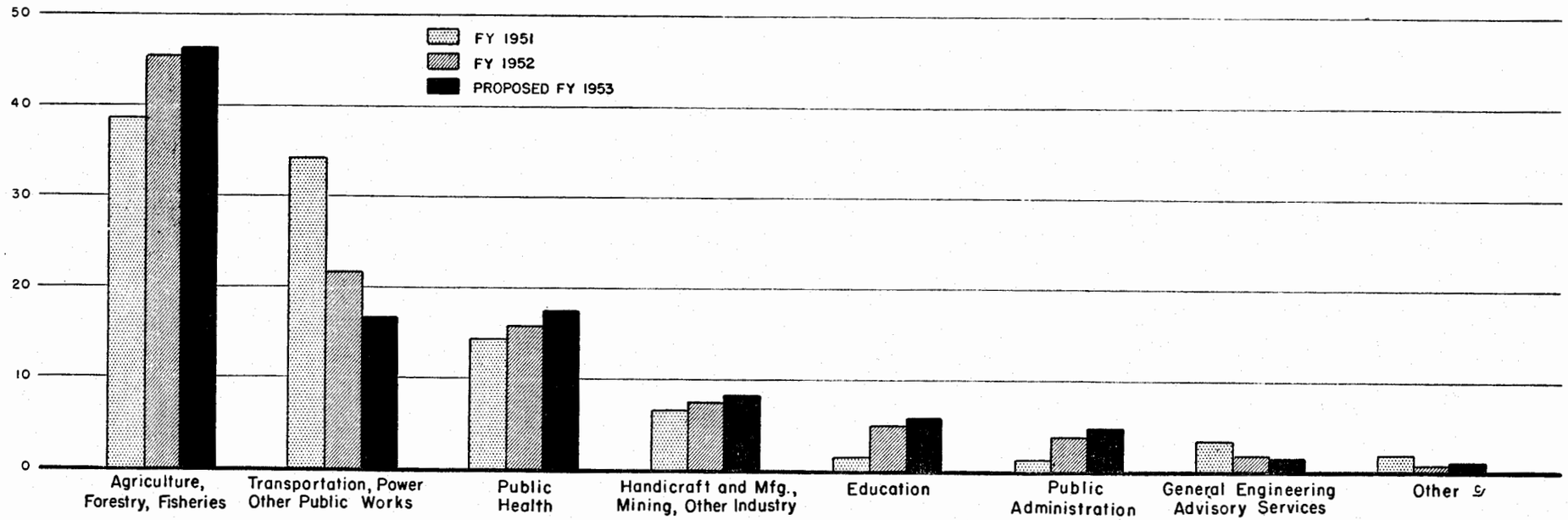
FY 1952 - $166.5 a/



PROPOSED FY 1953 - $ 258

BY TYPE OF PROJECT

Percentage Distribution of Total for 6 Countries b/



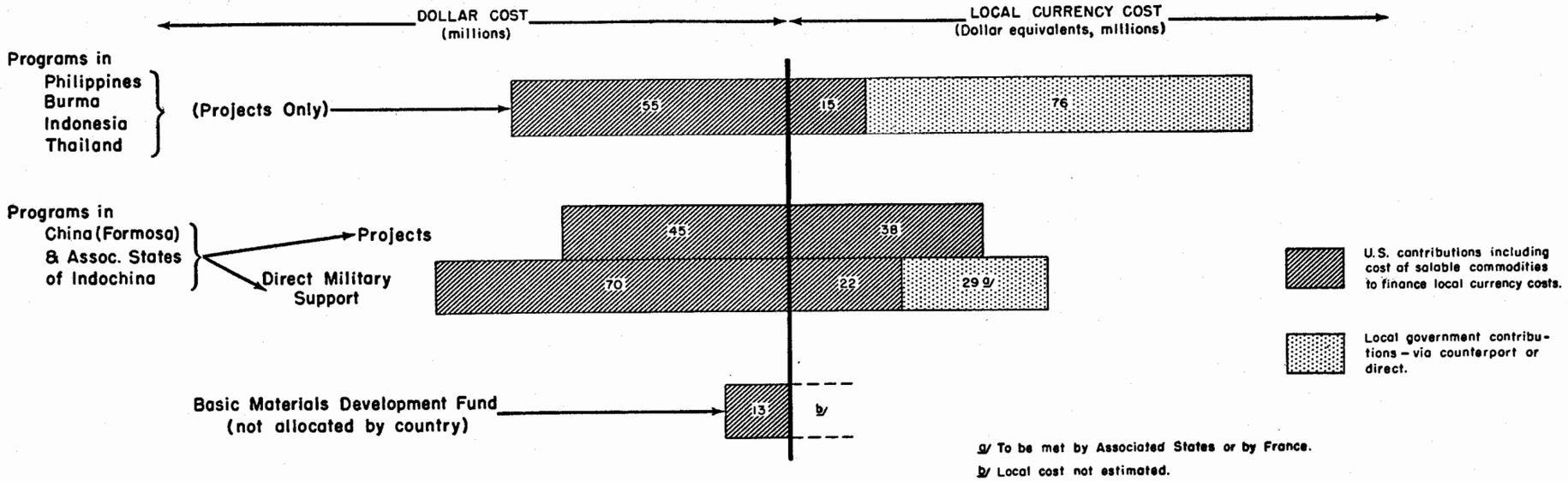
a/ Excludes $ 0.2 million unallocated by country

b/ Percent of total dollar cost of projects only (excludes commodities in category "maintenance of essential supply", and Basic Materials Development Fund projects). For dollar values, see table on page 11.

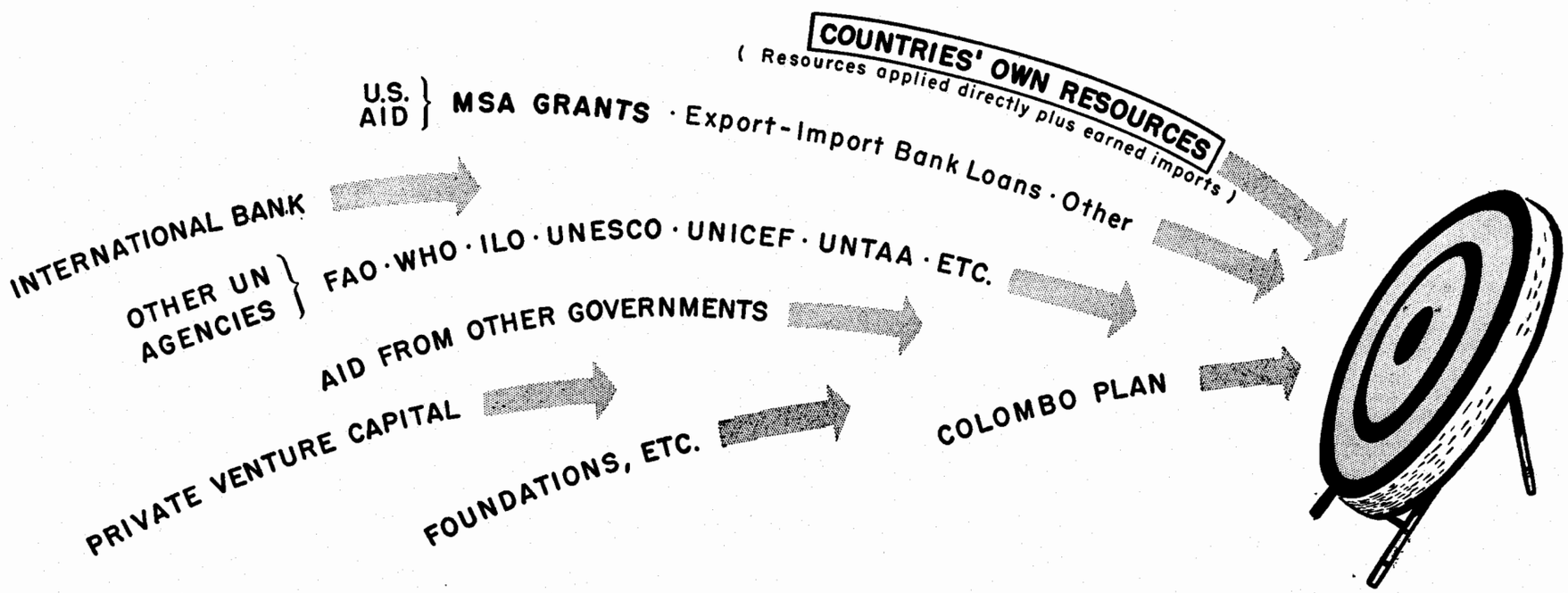
c/ Emergency war relief (Associated States of Indochina)

THERE IS MAXIMUM EMPHASIS ON SELF-HELP IN MSA PROGRAMS

U.S CONTRIBUTIONS ARE ONLY ONE ELEMENT IN COUNTRY PROGRAMS



INTEGRATED COUNTRY PROGRAMS ARE THE U.S. GOAL



HOW THE PROGRAMS WORK

1. *Country Program*

A U. S. Special Technical and Economic Mission (STEM) works with the Government to relate U. S. aid to the total development program, and to assistance from U.N. agencies, the Colombo Plan, public lending agencies, etc.; see page 7. (In China (Formosa) the U. S. Mission is known as the MSA Mission to China.) Underlying the whole effort in each case is a bilateral agreement between the United States and the cooperating Government. The U. S. Mission, of course, works in close coordination with the U. S. Diplomatic Mission, and with the U. S. Military Assistance Advisory Group (MAAG) in countries that have also requested U. S. military assistance.

STEM sometimes helps the Government with its over-all development planning, as in Thailand. Sometimes MSA finances the hiring of a private U. S. management engineering firm to give technical assistance in making the most effective use of all the country's resources for development purposes, as in China (Formosa), Indonesia, and Burma.

Each project within the country program must be specifically requested by the cooperating Government. This principle is in line with Paul Hoffman's dictum that "technical assistance cannot be exported; it must be imported".

2. *Joint Working Arrangements*

In each country the Government has set up a central organization to deal with the U. S. Mission and to pull together all the threads of the country program.

- In China (Formosa), the Council on U. S. Aid (CUSA)
- In the Philippines, the Philippine Council for U. S. Aid (PHILCUSA)
- In Burma, the Burma Economic Aid Committee (BEAC)
- In each of the Associated States of Indochina, a Committee on American Aid
- In Thailand, the Thai Technical and Economic Committee
- In Indonesia, the Coordinating Committee for Foreign Aid

Screening of requests for aid, prior to transmittal to Washington, and decisions on how to use counterpart funds, are the center of this joint-working-together method.

Sometimes joint operating agencies prove especially useful. Example: Joint Commission on Rural Reconstruction (JCRR), which has made possible a successful land reform and rural welfare and development program in Formosa.

All these arrangements imply and make for *joint* responsibility for the program's success.

3. *The Village Approach*

Emphasis in each part of the program—public health, agriculture, education, industry—is to get benefits out to the people. Most of the people are farmers (75% in the whole area) so most of the tangible benefits of the program have to get out to the rural areas.

Examples: JCRR operation on Formosa, village first aid programs in Indochina, agricultural extension work in the Philippines, aid to "Rehabilitation Corps" and Mass Education Council in Burma, hand tools for small farmers in Indonesia, anti-malaria campaign in Thailand.

4. *Breaking Economic Bottlenecks*

While it is not the function of U. S. grants to finance major capital installations, the programs do seek to break obvious economic roadblocks such as transport bottlenecks, so as to help put the economy in better working order without undue loss of time. This kind of operation is particularly necessary at the outset, when programs are just starting. Examples: Early phases of harbor reconstruction at Rangoon, supplies for rehabilitating Makassan railway repair shop in Thailand.

5. *Building of Institutions*

Major purpose of the program is to help Governments govern effectively, and build useful relationships with their own people. Emphasis throughout is on getting institutions—like a public health service, and an agricultural extension service—built up; making sure that (a) competent citizens can carry the work on after a period of training, and (b) it can be carried after a year or two or three by funds from the local Government or other local resources. Sometimes, as a contribution to (b), the program can help show the way to bettering key financial institutions and practices—in taxation, banking, foreign exchange, etc. Or it can be of assistance to public administration in general, as in the case of the public administration institute being established at the University of the Philippines. In helping people to help themselves, the U. S. purpose is to build something that does not require continuous U. S. support.

6. *Grants and Loans*

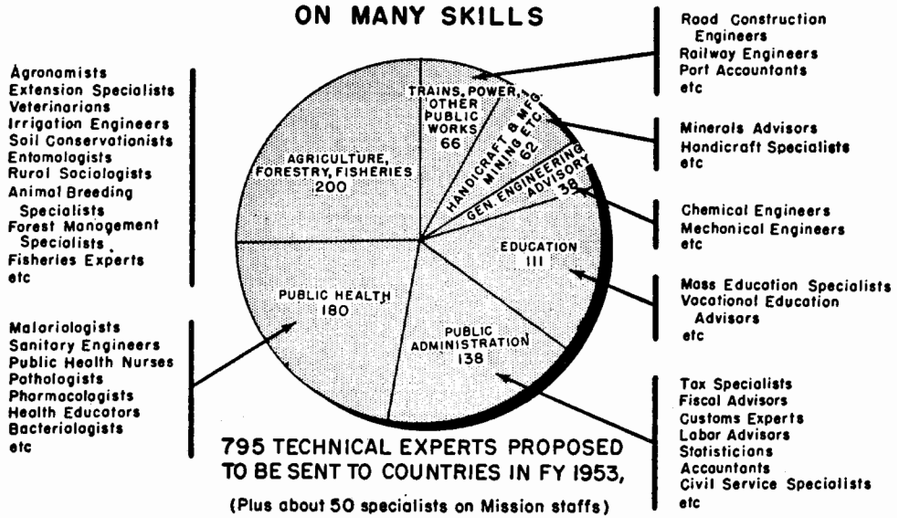
Every program is planned so that the grant part of the program will go down, with loans taking up more and more of the load of financing development, aided by increased private investments. The grants are used as catalyst—to get the problems identified, plans laid, effective measures started, people trained who can carry projects through to completion on their own responsibility.

THE U.S. CONTRIBUTION CONSISTS OF .....

...PEOPLE

and

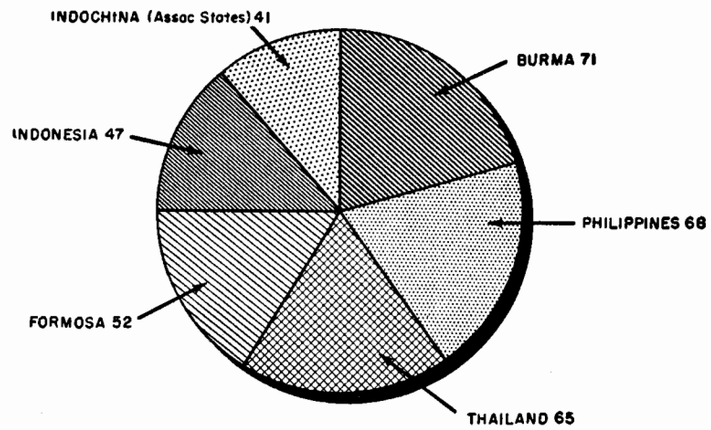
TECHNICAL ASSISTANCE DRAWS ON MANY SKILLS



795 TECHNICAL EXPERTS PROPOSED TO BE SENT TO COUNTRIES IN FY 1953,
(Plus about 50 specialists on Mission staffs)

MSA-FINANCED EXPERTS NOW[a] IN FAR EAST

(Including specialists on Mission Staffs)



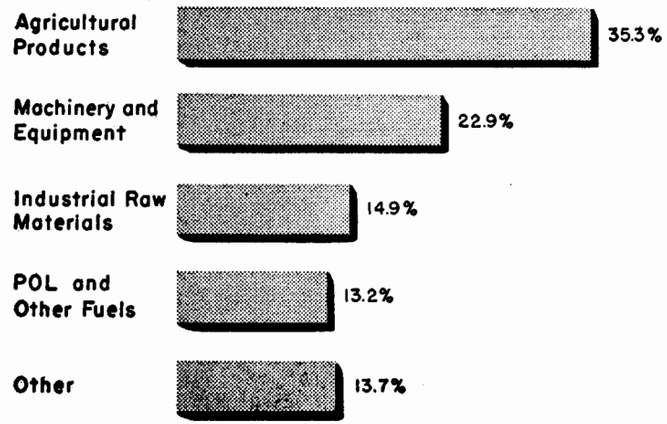
TOTAL 342

[a] Feb. 29, 1952

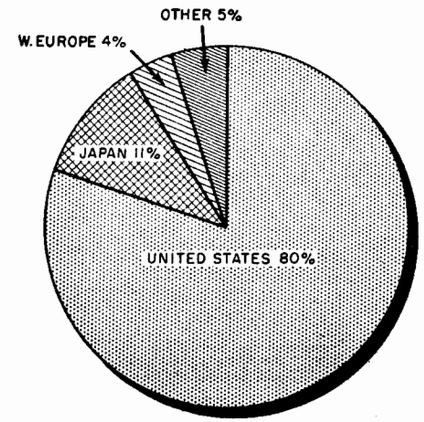
Also 741 local people to be brought from countries for training, mostly in the U.S.

...THINGS

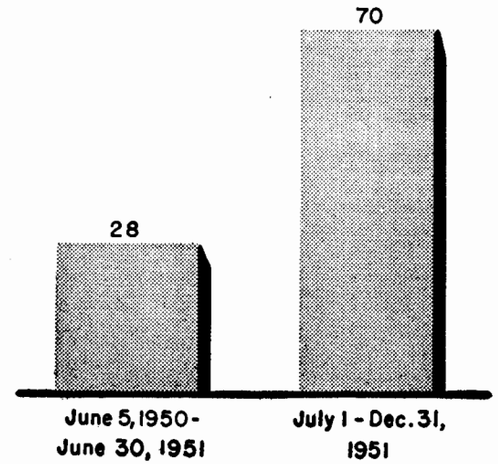
ESTIMATED COMMODITY REQUIREMENTS, FY 1953



SOURCE OF COMMODITIES PROCURED- CUMULATIVE, JUNE 5, 1950 - DEC. 31, 1951



PROCUREMENT THROUGH COMMERCIAL CHANNELS AS PERCENT OF TOTAL COMMODITY PROCUREMENT



Estimated Cost by Major Field of Activity

[In thousands of dollars]

FISCAL YEAR 1952 CONSOLIDATED PROGRAM

Major Field of Activity	Dollar Cost			Experts		Trainees		Dollar Equivalent of Local Currency Cost [a]
	Total	Supplies and Equipment	Services	Number of Persons	Dollar Cost	Number of Persons	Dollar Cost	
1. Public Health	$13,590	$11,147	$2,443	132	$1,858	117	$585	$18,640
2. Agriculture, Forestry, Fisheries	40,120	37,440	2,680	144	1,910	156	770	35,855
3. Transportation, Power, Other Public Works	18,798	18,197	601	34	426	35	175	24,020
4. Handicraft and Manufacturing, Mining, Other Industry	6,296	5,593	703	34	408	63	295	20,755
5. General Engineering Advisory Services	1,350	.....	[b] 1,350	37	[b] 1,350	.....	.....	130
6. Education	4,241	3,291	950	61	725	45	225	6,490
7. Public Administration	3,100	1,401	1,699	115	1,259	88	440	4,595
8. Other Projects	[c] 400	400	.....	.....	.....	.....	.....	1,200
9. Maintenance of Essential Supply [d]	78,605	78,605	.....	.....	.....	.....	.....	[e] 18,000
Total Cost of Program	[f] $166,693	[g] $156,074	[f] $10,619	557	[h] $7,936	504	$2,490	$129,685

FISCAL YEAR 1953 CONSOLIDATED PROGRAM

1. Public Health	$17,170	$13,590	$3,580	180	$2,920	132	$660	$29,170
2. Agriculture, Forestry, Fisheries	45,930	41,992	3,938	200	2,848	218	1,090	49,555
3. Transportation, Power, Other Public Works	16,405	15,045	1,360	66	1,020	68	340	28,545
4. Handicraft and Manufacturing, Mining, Other Industry	8,000	6,611	1,389	62	1,029	72	360	8,820
5. General Engineering Advisory Services	1,190	.....	[b] 1,190	38	[b] 1,190	.....	.....	210
6. Education	5,530	3,560	1,970	111	1,350	124	620	6,630
7. Public Administration	4,490	1,825	2,665	138	2,030	127	635	3,935
8. Other Projects	[c] 800	800	.....	.....	.....	.....	.....	1,300
9. Maintenance of Essential Supply [d]	145,485	145,485	.....	.....	.....	.....	.....	[e] 51,000
Total Cost of Program	[i] $258,000	[g] [i] $241,908	$16,092	795	[h] $12,387	741	$3,705	$179,165

[a] See individual country tables for conversion rates.

[b] Total fiscal year cost of contracts with U. S. engineering firms (Burma, Formosa, Indonesia).

[c] Emergency war relief in Indochina. Includes food, clothing, blankets, medicines and temporary housing for refugees.

[d] Requisites for production and other essential civilian supplies plus imports for direct military support—$12,725 thousand in FY 1952 (Formosa), $70,000 thousand in FY 1953 (Formosa and Indochina each $35,000 thousand).

in [e] Estimated local currency requirements for direct military support projects (Formosa program only FY 1952; in FY 1953, Formosa $21,500 thousand, Indochina $29,500 thousand).

[f] Includes $193 thousand of program funds not allocated by country.

[g] Includes salable commodities as follows: FY 1952, $87,770 thousand (category 9, $65,880 thousand, plus fertilizer in category 2, $21,890 thousand); FY 1953, $100,617 thousand (category 9, $75,485 thousand, plus fertilizer, $25,132 thousand).

[h] Includes cost of engineering advisory and other contracts.

[i] Includes $13,000 thousand Basic Materials Development Fund, not allocated by country. Total here arbitrarily assigned to supplies and equipment column. For note on Basic Materials Development Fund, see Appendix (page 36).

CHINA (FORMOSA)

Salient Facts

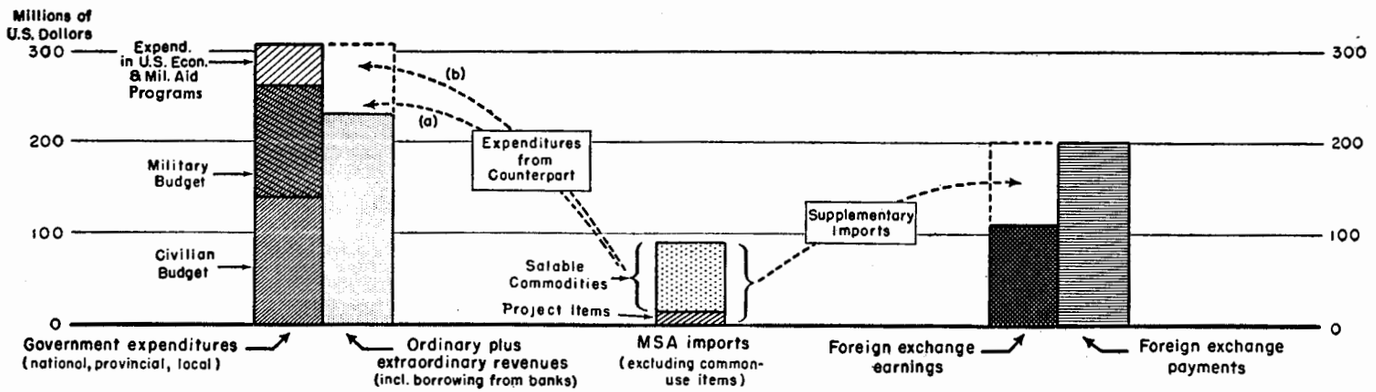
1. Military costs are 80% of national budget, nearly 50% of consolidated national, provincial, and local budgets.

2. Since 1949, immigrants and troops from the mainland have added 2 million to the island's population, which now exceeds 9.5 million. Many of the immigrants are difficult to assimilate into the productive life of the community.

3. The U.S. is committed to preventing Formosa from being taken over by the Communists as a weapon against the peace of Asia. The threat of invasion from the mainland continues.

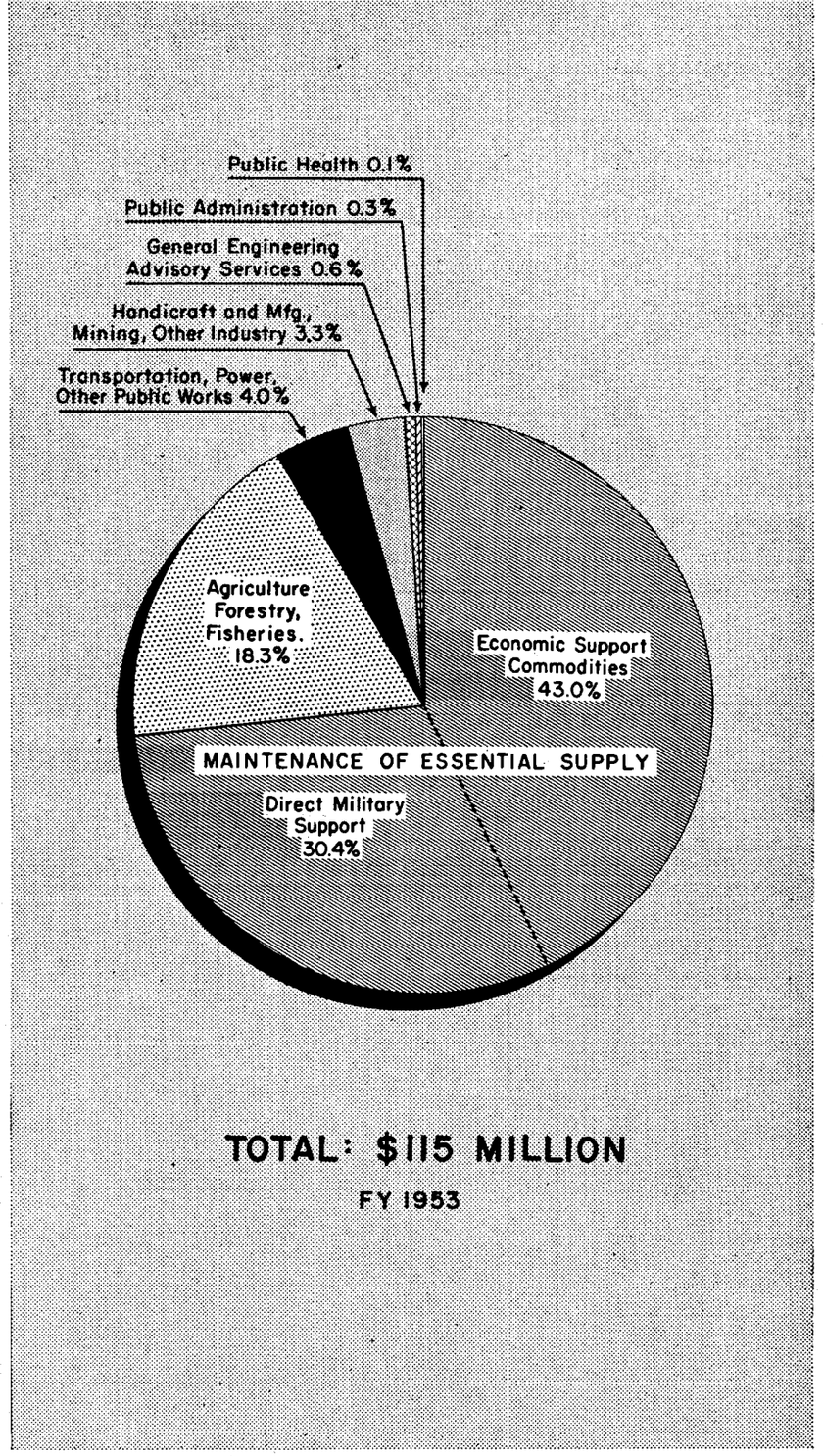
4. Literacy is relatively high; technical ability in many lines is adequate; agricultural and industrial productive capacity was brought to fairly satisfactory levels during the period of Japanese occupation; and a good opportunity would exist of restoring the island to a self-supporting basis on an adequate standard of living—if it were not for the military burden.

ROLE OF MSA-FINANCED IMPORTS IN STABILIZATION OF FORMOSAN ECONOMY (in Calendar 1952)



Heavy military expenditure creates a budget gap. Counterpart funds generated by salable MSA commodities (a) close this gap, and (b) meet local currency costs of MSA projects including military support operations. At the same time, MSA imports close the foreign exchange gap. *Internally,* extra commodities on the market match the extra Government expenditures, combatting inflation. *Externally,* U.S. aid provides imports, vitally needed by the economy, that could not otherwise be financed.

Major U. S. Program Objectives	How the Program Supports the Objectives
• To maintain economic stability by assisting the Chinese in their efforts to manage their economy efficiently. Most U.S. aid has taken the form of supplying needed imports, helping finance a vigorous anti-inflation program, and participating actively in the work of the Economic Stabilization Board. (This is the only program in the Far East where MSA is engaged in helping in the stabilization of an entire economy.)	MSA finances the importation for sale of large quantities of vitally needed commodities ($70 million proposed for FY 53): fertilizer, crude petroleum, raw cotton, bread grains, iron and steel, machinery, fats and oils, chemicals, etc. With the proceeds of sale of these commodities, the U.S. can provide counterpart support for approved projects, in addition to meeting local costs of projects in the U.S. assistance program. Mission personnel participates actively on the Economic Stabilization Board—the central body that keeps a "governor" on the ever-present inflation. (The U.S. also provides technical assistance and training facilities designed to improve public administration in general.)
• To provide technical and other assistance to help the farmers of the island improve their agricultural production methods, rural health, and tenure status in order to get larger agricultural production and enlist the support of the rural people of Formosa.	The U.S. Government supports and works through the Joint Commission on Rural Reconstruction (JCRR) to help improve the lot of Formosan farmers, who with their families comprise 60 percent of the population. Costs are predominantly in local currency, drawn from the counterpart fund. The program, started in 1949, has been an outstanding success, and a model for similar work elsewhere. Benefits include: —enforcement of land tenure reform —multiplication and distribution of better seeds —distribution of fertilizer —control of crop insects and plagues —control of animal diseases —breeding of livestock —construction of irrigation works —rehabilitation of tea plantations —rural health —agricultural credit —strengthening of local farmers' associations
• To assist the rehabilitation and further development of basic utilities (transport power, etc.), and of manufacturing industries, thereby providing the means of making the island less dependent on U.S. financial aid.	It is proposed to use $2 million for power facilities in FY 53, $1.5 million for highways, $1 million for railways. More than $3 million will be devoted to expansion of facilities for manufacturing chemical fertilizers, thus reducing the substantial drain on foreign exchange for fertilizer imports. More than $600 thousand will go for exploration and increased production of pyrites, monazite, sulphur, serpentine, asbestos, talc, etc. MSA will continue to finance the highly successful contract between the Nationalist Government and an American management engineering firm, which concentrates on industrial development.
• To lend full economic support to the U.S. military assistance program.	The U.S. finances "common-use" imports required for the use of the military—petroleum products; uniform and bedding materials and food for troops; materials for barracks, warehouses, and other military installations; equipment for military hospitals, etc. Counterpart funds are used to finance construction of essential military installations. Basically, the strengthening of transport and power systems, the assistance in maintaining livable economic conditions throughout the rural areas, and the stabilization efforts which stand as a barrier against runaway inflation are absolutely vital to the success of the military assistance effort.



Estimated Cost by Major Field of Activity

[In thousands of dollars]

FISCAL YEAR 1952 PROGRAM

Major Field of Activity	Dollar Cost			Dollar Equivalent of Local Currency Cost [a]
	Total	Supplies and Equipment	Services	
1. Public Health	$250	$165	$85	$785
2. Agriculture, Forestry, Fisheries	19,335	[b] 19,055	280	4,480
3. Transportation, Power, Other Public Works	5,630	5,580	50	8,225
4. Handicraft and Manufacturing, Mining, Other Industry	3,550	3,488	62	15,400
5. General Engineering Advisory Services	650	.....	[c] 650	.....
6. Education	35	25	10	335
7. Public Administration	255	.....	255	.....
8. Other Projects	.....	.....	.....	.....
9. Maintenance of Essential Supply [d]	51,295	51,295	.....	[e] 18,000
Total Cost of Program	$81,000	[f] $79,608	[g] $1,392	$47,225

FISCAL YEAR 1953 PROGRAM

1. Public Health	$160	$60	$100	$905
2. Agriculture, Forestry, Fisheries	21,075	[b] 20,735	340	6,350
3. Transportation, Power, Other Public Works	4,550	4,500	50	10,000
4. Handicraft and Manufacturing, Mining, Other Industry	3,785	3,720	65	4,000
5. General Engineering Advisory Services	690	.....	[c] 690	.....
6. Education	20	10	10	100
7. Public Administration	345	.....	345	.....
8. Other Projects	.....	.....	.....	.....
9. Maintenance of Essential Supply [d]	84,375	84,375	.....	[e] 21,500
Total Cost of Program	$115,000	[f] $113,400	[g] $1,600	$42,855

[a] Converted at rate of NT $10.30=U. S. $1, official exchange rate for non-luxury imports and rate at which counterpart is deposited.

[b] Includes fertilizer imports.

[c] Total fiscal year cost of contract with U. S. engineering firm.

[d] Civilian requirements (requisites for production and other essential supplies) plus imports for direct military support (common-use items)—$12,725 thousand in FY 1952, $35,000 thousand in FY 1953.

[e] Estimated counterpart requirements for direct military support projects.

[f] Includes salable commodities (bulk of category 9 plus fertilizer) as follows: FY 1952, $57,472 thousand; FY 1953, $69,782 thousand.

[g] $1,142 thousand for TA experts (including cost of engineering advisory contract) and $250 thousand for trainees in FY 1952; in FY 1953, $1,350 thousand and $250 thousand.

Accomplishments to Date

—Major support to military forces—through common-use items; reconstruction and expansion of transportation, electric power and other essential facilities; allocation of counterpart funds to military construction, etc.—

—Price instability and budget deficits substantially reduced—1950 rate of increase in wholesale prices halved during 1951; 1951 ordinary revenues up 60 percent over 1950, with further increase budgeted for 1952; more effective expenditure controls adopted with MSA and MAAG guidance—

—Output of foods basic to local consumption above prewar (Japanese regime) peaks—sweet potatoes up 20 percent, wheat 165 percent, and peanuts 89 percent—

—Rice production, aided by U.S.-financed fertilizer, at record level in 1951; substantial quantities exported—

—JCRR highly successful in striking at basic causes of agrarian unrest through work in fields such as land tenure, rural health, seed improvement, rural education, supervision of fertilizer distribution, pest control, etc.—

—Fewer Communists, less unrest, more security of person in Formosa than any other country in Far East—

—Industrial and mining production materially expanded—coal production now 1,450,000 tons as compared with 776,000 in 1945; cement, 389,000 tons as compared with 193,000 in 1947; flour milled now 380,000 tons as compared with 67,000 in 1946—

—Electric power capacity at all-time high (217,000 KW)—

—Railroad carloadings approximately tripled since 1946 and 50 percent above 1948—

—Fertilizer production more than three times prewar—

—Textile output tripled since 1950; self-sufficiency near in cotton cloth production (result of MSA-financed raw cotton from U.S. plus increased spindleage)—

—Surpluses for export reached or in prospect for coal, aluminum, cement—

—Calendar 1952 exports conservatively estimated at U.S. $110 to $115 million, against U.S. $90 million in 1951—

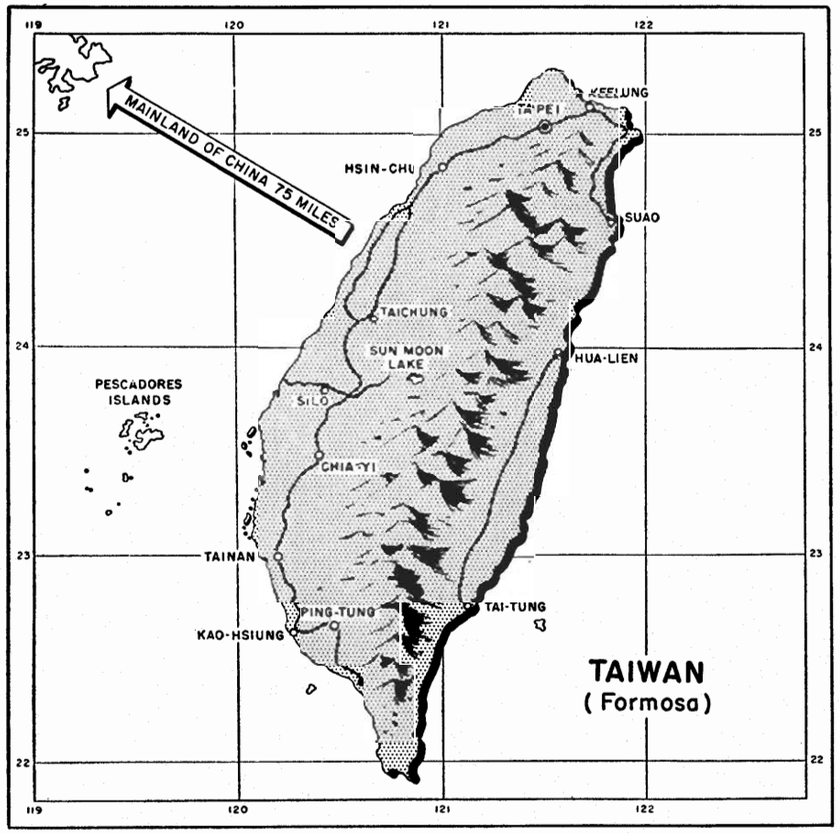
—Steel spans fabricated for 6500-foot highway bridge (at Silo) linking northern and southern highway systems, and scheduled for erection in 1952—

—Self-help determination rising—

—Morale greatly improved—

—Relations between Formosan and mainland Chinese improved—

—Free enterprise strongly fostered through supplying of raw materials to private industries, increased use of private commercial channels in procuring MSA supplies, and encouragement to sale of government-owned enterprises to private ownership—



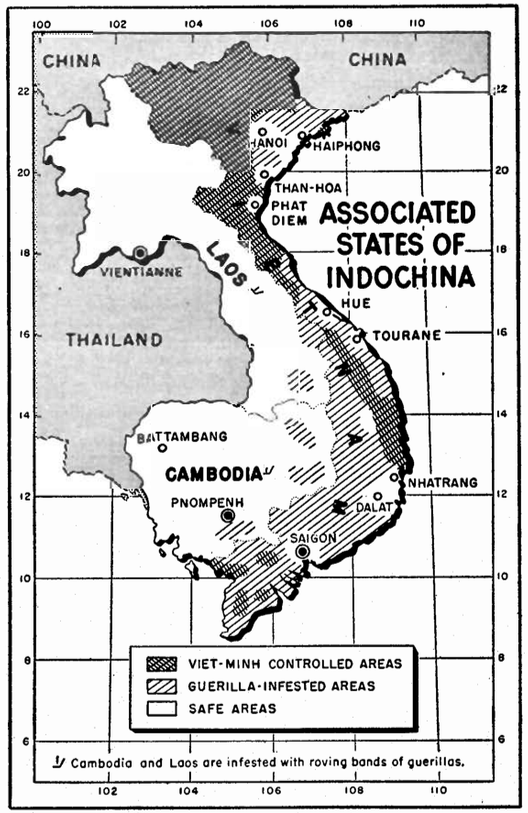
ASSOCIATED STATES OF INDOCHINA

Salient Facts

1. Active warfare has been in progress since 1946 against the Communist-led Viet Minh rebels, who are receiving help from across the border in Communist China. Large sections of Vietnam are in rebel hands and guerrilla activities also exist in Cambodia and Laos. Many production facilities and homes have been destroyed. The main theater of struggle is North Vietnam.

2. The Associated States have attained independence within the framework of the French Union. The position of their Governments is complicated by the practical necessity for French military leadership in combatting the Viet Minh. France has poured out large sums of money and sacrificed many of its best troops in fighting this war.

3. The U.S. is supporting the French-led military effort in Indochina with substantial quantities of military equipment for the French Union forces, as well as for the indigenous national armies. The importance attached to defeating the Communist rebels reflects the strategic consideration that Tonkin (North Vietnam) is the gateway to the rest of Southeast Asia for invasion from the north.

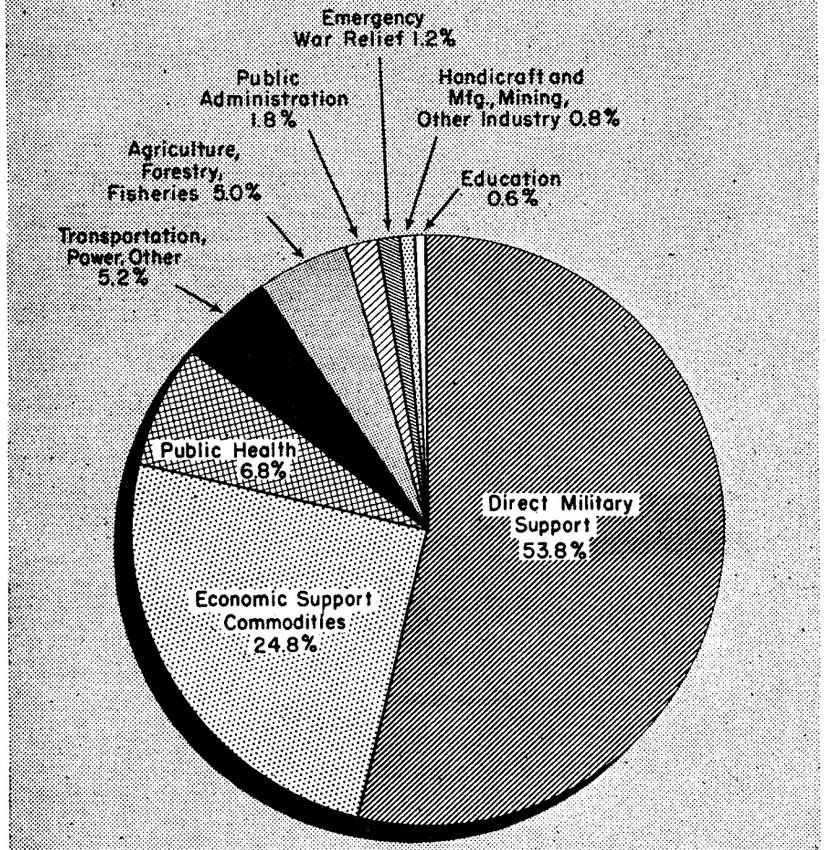


4. To secure a firm basis for democratic independence the Governments of the Associated States must not only cope with physical destruction and deterioration caused by war and guerrilla action, but must pick up the burdens of leadership at a time when trained technicians are extremely scarce, illiteracy is the general rule (85 percent), and apathy and skepticism toward the Governments are widespread.

5. There has been some progress in tackling these obstacles, but most of the task is still in the future. Budgets are badly disorganized. Expenditures for popular welfare are small. Production is low. (Rice output, for example, is less than half of prewar, and rice exports are virtually suspended. The mineral resources, except coal, are in rebel hands.) Inflation, although softened by relatively free convertibility of piasters into French francs, has driven the cost of living to more than 40 times prewar, while wages have risen slightly more than one-half as much.

6. Because of the existence of undeveloped waterpower and of large coal and considerable iron resources, the Associated States have a latent industrial potential beyond that of neighboring countries.

Major U.S. Program Objectives	How the Program Supports the Objectives
• To help the Associated States reconstruct physical facilities destroyed by the war, and increase production.	Technical assistance and material aid related to: —Irrigation and reclamation —Fertilizer distribution —Livestock breeding and disease control —Distribution of seeds and farm tools —Fishing and logging equipment —Highways —Ports and inland waterways —Telecommunications —Cottage industries
• To provide economic support for the U.S.-assisted military effort, and help care for war refugees.	"Common-use" program: importation of items that are not exclusively of military nature but are currently required by the military Advice and assistance in reconstruction of port facilities, roads, bridges, irrigation works, etc. Provision of food, medicines, clothing, etc. to refugees from war areas, and assistance in securing new jobs for refugees
• To help the Governments of the Associated States gain wider popular support by enlarging the scope and restoring and increasing the effectiveness of Government services to people—particularly in health, agriculture, education.	Advice and assistance in fields of: —Public health measures (health teams, village first aid stations, hospitals and health centers, training of doctors and nurses, village sanitation) —Refugee housing and urban public services —Vocational and mass education and improvement of school facilities
• To provide essential imported raw materials and equipment needed to prevent deterioration of the economy. The proceeds of sale of these supplies finance local expenditures associated with the aid program and thus assure needed action without adding to budget deficits and inflation.	Salable commodities program: importation through commercial channels of substantial quantities of requisites for production and other essential civilian supplies ($16 million proposed for FY 53)—cotton, petroleum products, iron and steel products, tractors and parts, industrial machinery, burlap and cement bags, etc. Counterpart generated by sale of these items is used to cover local costs of projects, which is impossible to finance from Government budgets in a non-inflationary manner. (Financing them through inflation would simply put more pressure on the French economy.)



TOTAL: $65 MILLION

FY 1953

Estimated Cost by Major Field of Activity

[In thousands of dollars]

FISCAL YEAR 1952 PROGRAM

Major Field of Activity	Dollar Cost			Dollar Equivalent of Local Currency Cost [a]
	Total	Supplies and Equipment	Services	
1. Public Health	$4,100	$3,654	$446	$2,800
2. Agriculture, Forestry, Fisheries	1,855	1,650	205	3,500
3. Transportation, Power, Other Public Works	2,500	2,440	60	2,350
4. Handicraft and Manufacturing, Mining, Other Industry	50	50	.....	1,875
5. General Engineering Advisory Services	.....	.....	.....	.....
6. Education	100	64	36	525
7. Public Administration	685	447	238	1,800
8. Other Projects [b]	400	400	.....	1,200
9. Maintenance of Essential Supply [c]	14,810	14,810	.....	.....
Total Cost of Program	$24,500	$23,515	[d] $985	$14,050

FISCAL YEAR 1953 PROGRAM

ECONOMIC AID PROGRAM				
1. Public Health	$4,390	$3,865	$525	$3,735
2. Agriculture, Forestry, Fisheries	3,215	2,805	410	4,775
3. Transportation, Power, Other Public Works	3,385	3,225	160	3,375
4. Handicraft and Manufacturing, Mining, Other Industry	500	420	80	1,000
5. General Engineering Advisory Services	.....	.....	.....	.....
6. Education	400	315	85	1,125
7. Public Administration	1,200	815	385	800
8. Other Projects [b]	800	800	.....	1,300
9. Maintenance of Essential Supply [c]	16,110	16,110	.....	.....
Total Cost of Economic Aid Program	$30,000	$28,355	[d] $1,645	$16,110
DIRECT MILITARY SUPPORT PROGRAM (Common-Use Items) [e]	$35,000	$35,000	.....	$29,500
Total Cost, Combined Programs	$65,000	$63,355	$1,645	$45,610

[a] Converted at official exchange rate of 20 piasters = U. S. $1.

[b] Emergency war relief. Includes food, clothing, blankets, medicines and temporary housing for refugees.

[c] Civilian requirements (requisites for production and other essential supplies; total of salable commodities in program.) Direct military support (common-use items), proposed for FY 1953, shown as separate program, below.

[d] $900 thousand for TA experts and $85 thousand for trainees in FY 1952; in FY 1953, $1,470 thousand and $175 thousand.

[e] This program will include imports of petroleum products, military engineering and medical supplies, and cotton for military textile requirements, plus shop equipment and other components for military installations.

Accomplishments to Date

—Village first aid program inaugurated to bring emergency medical aid to 5,000 villages where virtually none available since World War II; 2,500 first aid kits already assembled, 1,400 sent out to provinces, 600 already in operation—serving 600,000 people—

—Malaria control program well under way and expected by June this year to reduce total cases by more than 500,000—

—U.S.-assisted efforts to control 1½ million cases of blinding trachoma making rapid progress; more than 200,000 cases cured or arrested to date—

—By means of drugs supplied to hospitals, hospital-patient-days reduced more than 450,000, freeing beds for other needy cases—

—About 600 miles of roads being rebuilt during FY 1952; 46 highway bridges being reconstructed; the four main harbors rehabilitated and enlarged; the five main airports developed and re-equipped. These and related projects not only of general economic benefit but vital to success of military operations—

—25,000 acres of rice land in rice-deficient Tonkin brought into irrigation through an investment of $75,000 in diesel engines and accessories (Son-tay irrigation project); this area now able to produce two crops a year instead of one; work in progress in rehabilitating another 45,000-acre project—

—Approximately 14,500 tons of fertilizer distributed to 500,000 farm families during 1951, making possible an increase of 100,000 tons of food crops and introducing Indochinese farmers to value of fertilizer; 1952 fertilizer distribution target approximately 8,500 tons, to be used almost exclusively on rice—

—Simple farm tools being distributed to farmers—

—U.S. expert teaching local veterinarians to vaccinate farm animals and control animal diseases—

—Logging expert setting up mobile sawmill to tap unexplored riches of Cambodia forests—

—Under emergency relief program—of direct assistance to military effort—over half a million refugees behind front lines have been transformed from a political liabilty to an asset by emergency assistance, many of them finding gainful employment through resettlement projects offering food, shelter and protection from the Viet Minh—

—Mass education program instituted to teach reading and writing to 105,000 persons in nearly 2,000 classes; this project, again, expected to do much to combat Viet Minh propaganda claiming that non-Communist governments are not interested in the people's welfare—

—Essential raw materials and equipment (e.g., raw cotton for textile mills, trucks and stone crushers for public works) furnished to support the economy—maintaining employment, offering hope for future, and also counteracting inflationary pressure of military expenditures—

—Establishment by Government of American Aid Committee—only body in country for budgeting and planning on national and regional scale—brought about by U.S. aid; administrators being taught value of programmed efforts in public health, in agriculture, in conservation, in education, along many lines, as well as necessity for accounting for expenditures—

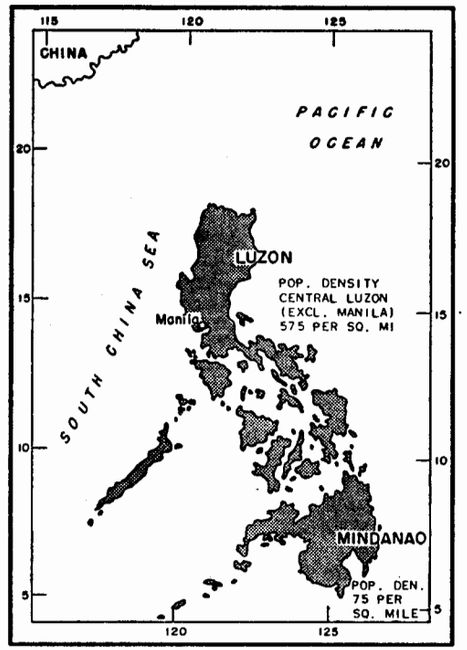
—By MSA work at village level on broad scale, people made aware of American, as well as non-Communist local governments', continuing interest in welfare of themselves and their country—

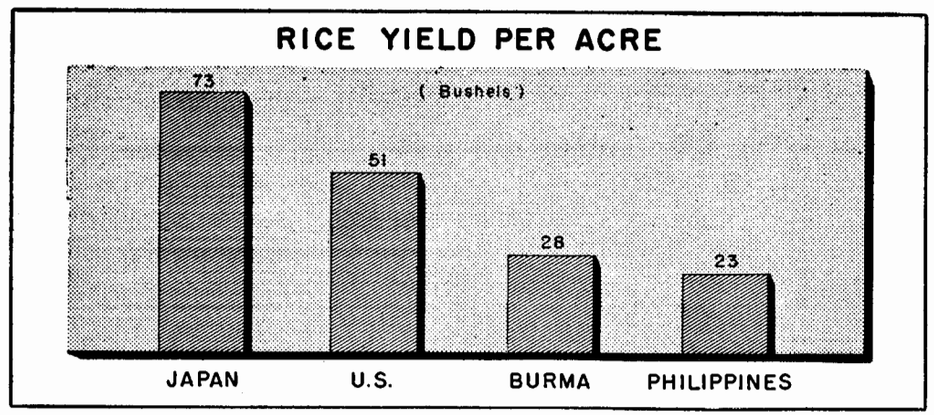
—Much done by American aid to offset Communism which, without this aid, would have made greater progress—

PHILIPPINES

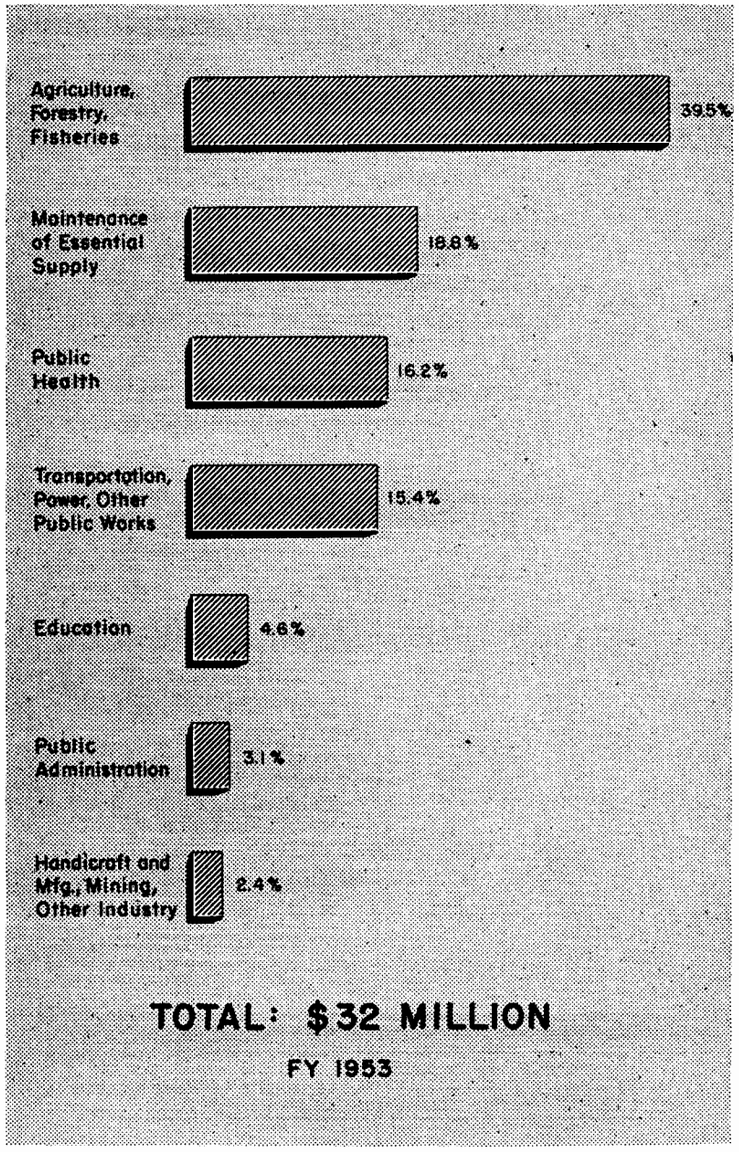
Salient Facts

1. The Republic of the Philippines is of major political, strategic, and commercial importance to the U.S.
   —Our long-standing relationships make it vital to the success of U.S. objectives elsewhere in Asia, as well as a matter of friendly concern to the U.S., that Philippine independence succeed and prosper.
   —The U.S. is committed to the Philippines' defense.
   —U.S. exports to the Philippines have averaged above $350 million a year in the last three years; U.S. imports from the Philippines, close to $250 million. U.S. investments in the Philippines are higher than in any other country in Southeast Asia.
2. The U.S. contributed substantially to helping the Philippines recover from the devastating effects of the war through War Damage payments, but recovery was still incomplete and the nation was in serious economic difficulties when the Bell Mission made its survey in 1950 and published comprehensive recommendations.
3. By raising taxes in compliance with the Quirino-Foster Agreement, the Philippines made spectacular progress toward putting its finances in order. It also adopted minimum wage legislation and pledged action on other needed reforms. Thus, when the ECA assistance program was initiated in the spring of 1951, a good start toward recovery had been made. (International currency reserves have, however, been declining since mid-1951.)
4. Per capita production and income, while higher than in most other countries of Asia, are still below prewar levels. Inequalities of wealth are strongly marked. The economy is unduly dependent on the prices of three export commodities—copra, sugar, and abaca. Rice yields per acre are extremely low. Low productivity, coupled with inequitable land tenure arrangements, keeps many farmers impoverished.
5. The resulting agrarian discontent forms the main basis for the Communist-led Huk movement which carries on widespread guerrilla activities, particularly in overpopulated central Luzon.





Major U. S. Program Objectives	How the Program Supports the Objectives
• To help increase production—rice, corn, copra, abaca; small-scale manufactures; minerals; etc. (Export-Import Bank is extending loans for power development.)	Aid to: —An agriculture and forestry program (farm extension, fertilizer, irrigation development, etc.) —Reclamation —Coconut and abaca disease control —Construction of roads —Development of handicrafts and cottage industries —Industrial and mining surveys —Technical education; equipment for agriculture and other vocational schools
• To spark an ecomonic development program that will bring broader economic opportunities and higher incomes for the depressed sectors of the population.	Public Health projects ($5.2 million proposed for FY 53) Farm credit Land transfer and tenancy reform Minimum wages Assistance to locally organized agricultural associations Development of handicrafts and cottage industries
• To help build up the efficiency of Government administration.	A number of experts in technical fields and in public administration assigned to key departments of the Philippine Government as advisors Filipino public servants to be brought to the U.S. as trainees Technical assistance to organize college courses and in-service training classes in public administration
• To assist the Philippine Government to promote settlement of the large and fertile Island of Mindanao. This will alleviate population pressure and aid in pacification of the Huks.	Support to settlement of homesteaders on Mindanao, including technical and material assistance in: —road construction—inter-area and farm-to-market —elimination of malaria —building of hospitals and schools —drilling of wells —classification and subdivision of land —registration of land titles



Estimated Cost by Major Field of Activity

[In thousands of dollars]

FISCAL YEAR 1952 PROGRAM

Major Field of Activity	Dollar Cost			Dollar Equivalent of Local Currency Cost [a]
	Total	Supplies and Equipment	Services	
1. Public Health	$3,275	$2,985	$290	$4,295
2. Agriculture, Forestry, Fisheries	10,465	[b] 9,626	839	13,550
3. Transportation, Power, Other Public Works	6,055	5,959	96	9,555
4. Handicraft and Manufacturing, Mining, Other Industry	515	205	310	1,165
5. General Engineering Advisory Services	.....	.....	.....	.....
6. Education	900	734	166	1,065
7. Public Administration	790	60	730	660
8. Other Projects	.....	.....	.....	.....
9. Maintenance of Essential Supply [c]	10,000	10,000	.....	.....
Total Cost of Program	$32,000	$29,569	[d] $2,431	$30,290

FISCAL YEAR 1953 PROGRAM

1. Public Health	$5,185	$4,615	$570	$6,620
2. Agriculture, Forestry, Fisheries	12,635	[b] 11,610	1,025	25,415
3. Transportation, Power, Other Public Works	4,930	4,455	475	9,420
4. Handicraft and Manufacturing, Mining, Other Industry	775	80	695	800
5. General Engineering Advisory Services	.....	.....	.....	.....
6. Education	1,485	1,005	480	650
7. Public Administration	990	60	930	765
8. Other Projects	.....	.....	.....	.....
9. Maintenance of Essential Supply [c]	6,000	6,000	.....	.....
Total Cost of Program	$32,000	$27,825	[d] $4,175	$43,670

[a] Converted at official exchange rate of 2 pesos = U. S. $1.

[b] Includes fertilizer imports.

[c] Requisites for production. (Salable commodities include this item plus $2,988 thousand of fertilizer in FY 1952, $4,725 thousand in FY 1953.)

[d] $1,916 thousand for TA experts and $515 thousand for trainees in FY 1952; in FY 1953, $3,225 thousand and $955 thousand.

Accomplishments to Date

—Major initial success achieved when Philippine Government, in compliance with Quirino-Foster Agreement, instituted tax increases (also greatly stepping up emphasis on tax collections), enacted minimum wage law, and adopted congressional resolution expressing favorable intent of Philippine Congress with respect to the other recommendations of the Bell Report—

—As a result of these new tax measures, installation of a pay-as-you-go income tax system, and improvement of excise tax procedures, actual tax collections for first 5 months of FY 1952 were 108 percent greater than in comparable period of FY 1951—

—Despite increased expenditures for national defense, education, and economic development, budget expected to be balanced in current fiscal year—

—Customs administration and import control mechanism improved—

—Legislation introduced into Philippine Congress to establish a national agricultural extension service, to provide increased facilities for rural credit, to improve labor relations; additional legislation being prepared with advice of U.S. consultants covering these and other objectives of the Bell Report—

—Crops now harvested by 19,000 farmers using U.S.-supplied fertilizer—

—Homesteaders in Mindanao beginning to move into land subdivided with assistance of counterpart funds—

—Cadre of Filipino cottage-industries instructors, trained in U.S. program, now at work—

—Rehabilitation of Los Banos Agricultural Cottage and experiment station begun—

—Comprehensive survey of Manila Railroad completed—

—Mosaic disease control campaign successfully launched to protect future supply of strategic abaca fiber—

—Public morale dramatically improved by initiation of program with its emphasis on raising mass living standards and fostering essential social and civic reforms; Filipinos evincing strong new confidence in the democratic process and in stability of the Republic, and undertaking self-reliant measures to achieve rapid national development with U.S. cooperation—

Major recommendations of the Bell Report

1. Increase tax revenues.
2. Increase productivity of agriculture and assure more equitable distribution of farm income.
3. Enact minimum wage laws and establish adequate public health and education programs.
4. Promote diversification of economy and expand work opportunities.
5. Reorganize and improve public administration.
6. Grants and loans to Philippines of $250 million over 5 years.

BURMA

Salient Facts

1. Burma has attained independence at a time when all Asia is in turmoil. The Government is struggling to establish political stability and national unity in the face of difficulties caused by multiple parties, languages, religions, traditions, and enmities. The task of suppressing insurrectionary groups and bandits is a formidable one. The situation provides the Communists with many opportunities to foment confusion.

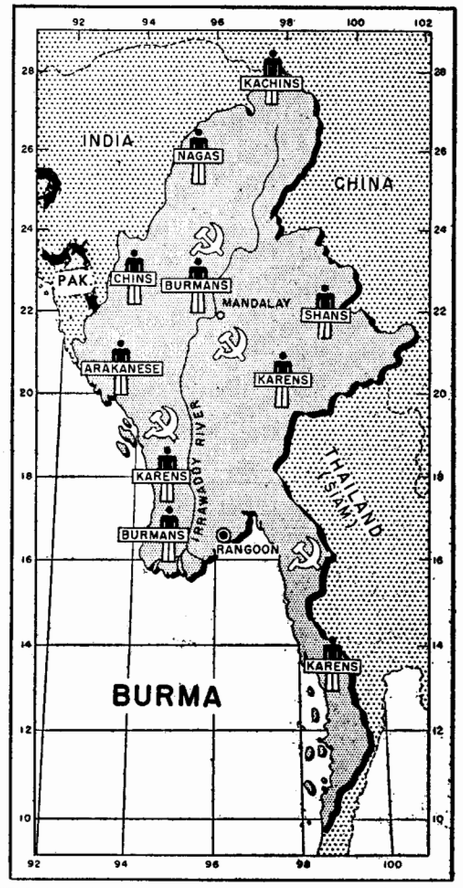
2. Burma occupies a pivotal geographic position. Communist conquest of the country, whether through ideological or military means, would outflank the rest of Southeast Asia on the one hand and the Indian subcontinent on the other. Assistance and advice in military matters is obtained by Burma from Great Britain.

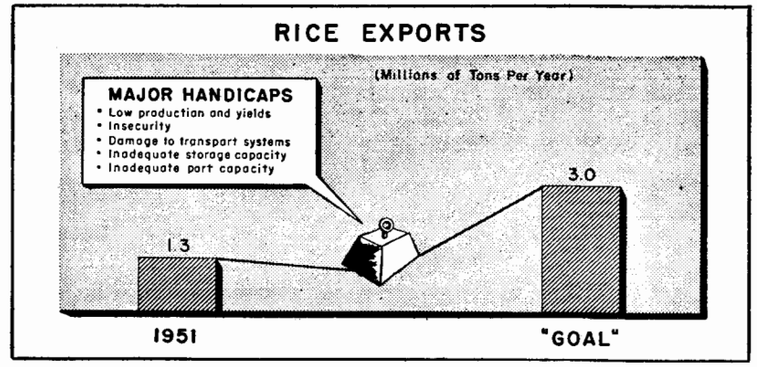
3. The wholesale dismissal of the administrators and technicians who largely ran government and industry in the colonial period has left a void difficult to fill with the rapidity the situation requires. In addition, the extent of destruction suffered by Burma in World War II was equaled in few other countries of the world, and much of this damage has not yet been repaired.

4. Over 90 percent of the population derive their living from agriculture, mostly from rice cultivation. Burma has traditionally been the world's greatest exporter of rice (average prewar export, 3 million tons). Rice production during crop year 1950-51 stood at 73 percent of prewar, and rice exports in 1951 were only about 45 percent of prewar. Exports of petroleum and minerals have virtually disappeared. Exports of teak are very greatly reduced.

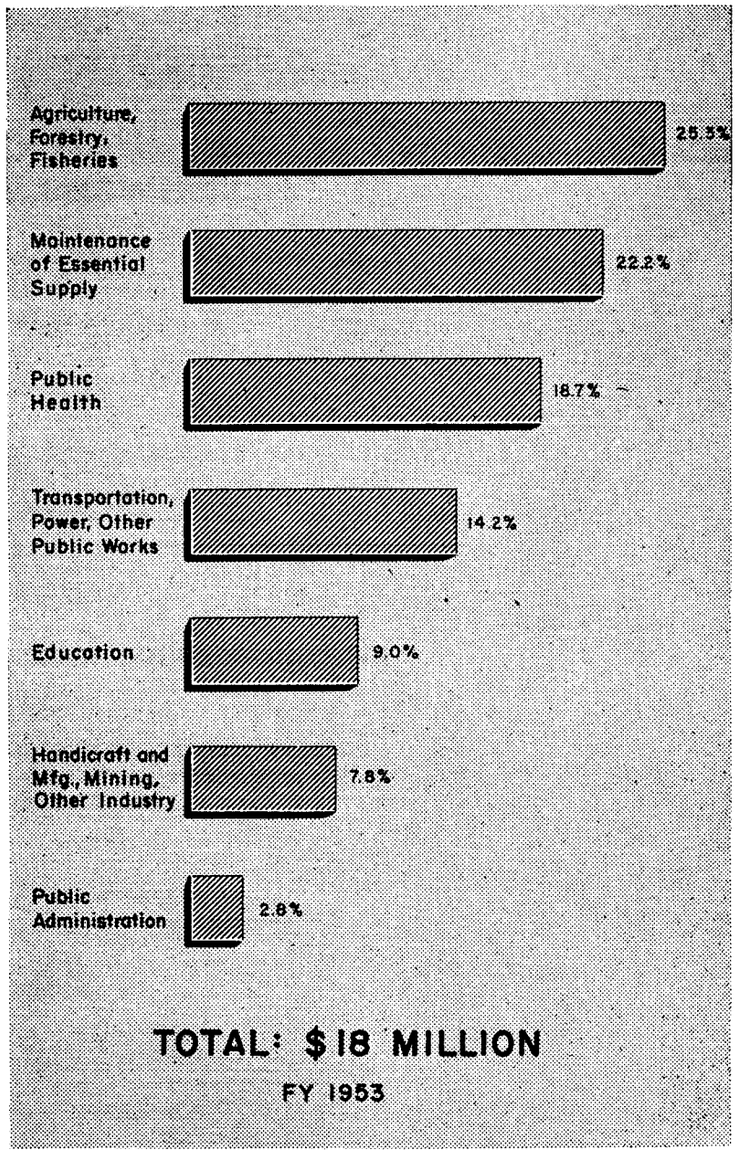
5. National real income in 1951 was only about 60 percent of prewar. Because of population increase, per capita real income has declined still more.

6. The Government of Burma is sincerely devoted to promoting the welfare of the people of the country. The practical difficulties referred to above, coupled with conservative financial policies, have thus far severely restricted the scope of programs to give effect to this intention, but the Government is committed to prosecuting a broad development program in the future.





Major U.S. Program Objectives	How the Program Supports the Objectives
• To strengthen the ability of the Government of Burma to establish *security and unity* and succeed in its aim to meet the needs of the people.	*Advice and Assistance in Improving Government Services* Public health services —public health teams —medical school aid —additional hospital facilities —urban sanitation and water supply —U.S. advisors assigned to key departments in Ministry of Social Services Educational programs —"Rehabilitation Corps" —Mass Education Council to teach villagers —audio-visual aids —technical, vocational, university, and elementary education Low-cost housing provide shelter for 20,000-30,000 families —machinery to establish pilot plants to produce construction materials Agricultural training programs —classes and demonstration in agricultural methods —literature on better techniques —rehabilitation of University of Rangoon Agricultural College —research and experimentation in rodent and insect control *Advice and Assistance in Laying Foundations for Economic Development* Agricultural diversification —cooperative cottage-industry sugar plant —edible oil extraction plant —evaporated milk plant —power saws for timber industry Industrial development —technical assistance to development program of Burma Government (contract with private U.S. firm) —mining surveys —supply of raw cotton to spinning mills —machinery and equipment for small pilot plants —industrial research *Assistance that Enables Government of Union of Burma to Bring Tangible Benefits to Outlying Semi-Autonomous States* —soil conservation and canning projects in Shan States —animal industry projects in Shan, Kachin, and Karenni States —agricultural improvement in Shan, Kachin, and Karenni States and Chin Special Division
• To increase *rice* production (as well as other production) in order (a) to supply food to deficit areas in Asia, and (b) to improve economic conditions in Burma, both directly and through developmental imports made possible by increased foreign exchange earnings.	*Assistance to Production and Export of Rice* —Construction of storage facilities to cut storage losses —Livestock disease control, to overcome shortage of draft animals —Irrigation in Upper Burma; flood control in Lower Burma —Rehabilitation of rice mills and construction of new pilot mill —Port rehabilitation —Rehabilitation of other transport facilities (railways, roads, river transport)



Estimated Cost by Major Field of Activity

[In thousands of dollars]

FISCAL YEAR 1952 PROGRAM

Major Field of Activity	Dollar Cost			Dollar Equivalent of Local Currency Cost [a]
	Total	Supplies and Equipment	Services	
1. Public Health	$2,085	$1,341	[b] $744	$5,495
2. Agriculture, Forestry, Fisheries	3,115	2,708	407	6,735
3. Transportation, Power, Other Public Works	3,410	3,228	182	2,940
4. Handicraft and Manufacturing, Mining, Other Industry	550	485	65	500
5. General Engineering Advisory Services	700	.....	[b] 700	130
6. Education	1,390	1,031	359	1,340
7. Public Administration	250	214	36	385
8. Other Projects	.....	.....	.....	.....
9. Maintenance of Essential Supply [c]	2,500	2,500	.....	.....
Total Cost of Program	$14,000	$11,507	[d] $2,493	17,525

FISCAL YEAR 1953 PROGRAM

1. Public Health	$3,360	$2,130	$1,230	$11,430
2. Agriculture, Forestry, Fisheries	4,550	4,015	535	7,060
3. Transportation, Power, Other Public Works	2,565	2,300	265	3,750
4. Handicraft and Manufacturing, Mining, Other Industry	1,400	1,210	190	1,135
5. General Engineering Advisory Services	.....	.....	.....	130
6. Education	1,625	950	675	1,655
7. Public Administration	500	245	255	310
8. Other Projects	.....	.....	.....	.....
9. Maintenance of Essential Supply [c]	4,000	4,000	.....	.....
Total Cost of Program	$18,000	$14,850	[d] $3,150	$25,470

[a] Converted at official exchange rate of 4.75 rupees = U. S. $1.

[b] Total fiscal year cost of contracts with U. S. firms.

[c] Requisites for production and other essential civilian supplies. (Total of salable commodities in program.)

[d] $2,138 thousand for TA experts (including cost of indicated contracts) and $355 thousand for trainees in FY 1952; in FY 1953, $2,510 thousand and $640 thousand.

Accomplishments to Date

—Five health teams operating in widely distributed areas covering 600,000 persons, using U.S.-financed supplies to control malaria, smallpox, VD, and enteric diseases; as result of growing awareness of these teams, head men of villages in other areas requesting that their communities be visited—

—Over 100 local people trained by teams to continue health measures—spraying, better sanitation, first aid; aid to Rangoon University Medical School and General Hospital resulting in better training and increased number of medical students and nurses—

—Tools and equipment supplied by U.S. now being used for training of 1,100 demobilized guerrillas and other unemployed youth in "Rehabilitation Corps"—

—As result of technical advice and assistance in port rehabilitation, started in FY 1951 and continued this year, ports now handling expanding traffic and Rangoon port at point where most remaining work can be financed on loan basis; first great pontoon at Rangoon to be in use by ocean liners this month—

—First new transit shed for rice export already in use—

—U.S.-financed sluice gates received, for installation before next monsoon to protect large areas of rice land in immediate danger of floods because of worn-out installations—

—Agricultural extension services started in four outlying areas; projects under way to improve rice milling and storage, control livestock disease, classify land and water resources, improve irrigation, conserve soil, and rehabilitate agricultural college—

—Rangoon University given laboratory equipment, thus increasing quality and quantity of science instruction to students who will be future doctors, agriculturists, and scientists of Burma—

—Program aided for development of audio-visual mass education—

—Comprehensive economic and engineering survey, on MSA-financed contract between Burma Government and private U.S. firm, now well begun and preliminary report completed; latter expected to constitute basis for 8-year program of economic rehabilitation and development of Burma, providing framework for most effective use of Burma's own resources and facts and plans on which to base requests for development loans from International Bank, private capital, etc.—

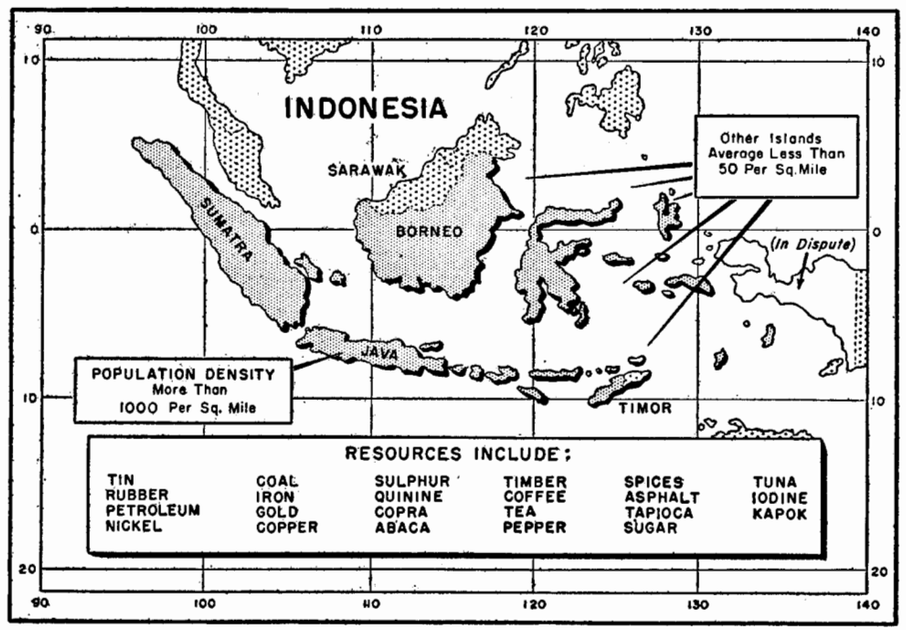
—Significant success in convincing the Burmese Government of the sincere desire of the American Government to assist in rehabilitation of Burmese economy, and of interdependence of economic progress among all nations—

—Better planning, determination of priorities, and achievement of objectives being attained by Burma Government in fields where U.S. assistance requested; also program already in course of furnishing trained local personnel needed to carry on undertakings permanently—

INDONESIA

Salient Facts

1. The 75 million inhabitants of Indonesia, heavily concentrated on Java but scattered over an island chain more than 2500 miles long, make this the sixth most populous country in the world. It is also richly endowed with a wide variety of natural resources—including rubber, tin, and petroleum, the availability of which is a major concern to the U.S.



2. Born in a revolutionary struggle for freedom, which followed the hardships and destruction suffered in World War II, the Republic of Indonesia faces enormous problems in establishing law and order throughout its vast territories and initiating constructive programs to improve economic conditions. War damage, current banditry, shortage of technicians, and the highest rate of illiteracy found anywhere in Southeast Asia (over 90 percent) compound these difficulties.

3. The U.S. has lent a helping hand to Indonesia since she gained independence. Through the Export-Import Bank the U.S. has extended a $100 million credit to Indonesia. The Government of Indonesia has on several occasions shown firmness in putting down internal Communist attack. Cooperation through the economic aid program has provided an essential link with a government that treasures its neutrality.

4. Despite Indonesia's potential wealth, economic conditions are far from good. The per capita gross national product is estimated at about $40. Food supplies are inadequate; rice has to be imported, but Indonesia *could* be self sufficient in rice production. Industrial production is only 60 percent of prewar and there is a shortage of new productive investment. Retail prices in Djakarta were about 16 times prewar in October 1951, with wages lagging seriously. There is an understandable sense of urgency in Indonesian attempts to improve conditions rapidly.

5. Indonesia's foreign exchange reserves are large, with favorable trade balances the general rule. (I.e., in the past export surpluses have generally been maintained, serving to meet invisible payments, such as payments on foreign investments.) During calendar year 1951 exports exceeded imports by more than $200 million, although in the second half of 1951, partly as a result of lower world prices for its major exports (rubber and tin), Indonesia had a trade deficit of over $130 million. Continuation of such a trend would cause serious difficulties for Indonesia. Currently, however, gold and foreign exchange holdings amount to about $400 million.

Major U.S. Program Objective

The objective is to help the Indonesian Government develop effectiveness in critical economic and administrative sectors, so that the Indonesian Government will be better able to carry out programs for the maximum utilization of Indonesia's resources.

How the Program Supports the Objective

Advice and Assistance to Agriculture, Forestry, Fisheries (almost 30% of 1952/53 program)

—Demonstration of fertilizer use

—Help in modernization of fishing industry

—Help in initiating irrigation and reclamation (Borneo)

—Help in providing processing equipment for smallholders' rubber; also for smallholders' sugar

—Livestock production and disease control

—Research to expand cereal crop production

Advice and Assistance in Building an Indonesian Public Health Program (over 20% of 1952/53 program)

—Demonstration of possibilities in endemic disease control (malaria, etc.)

—Help to medical education and related training

—Assistance in production of pesticides

—Public Administration assistance, with emphasis on expansion of public information services and training in field of cooperation

—Education assistance, primarily technical and professional

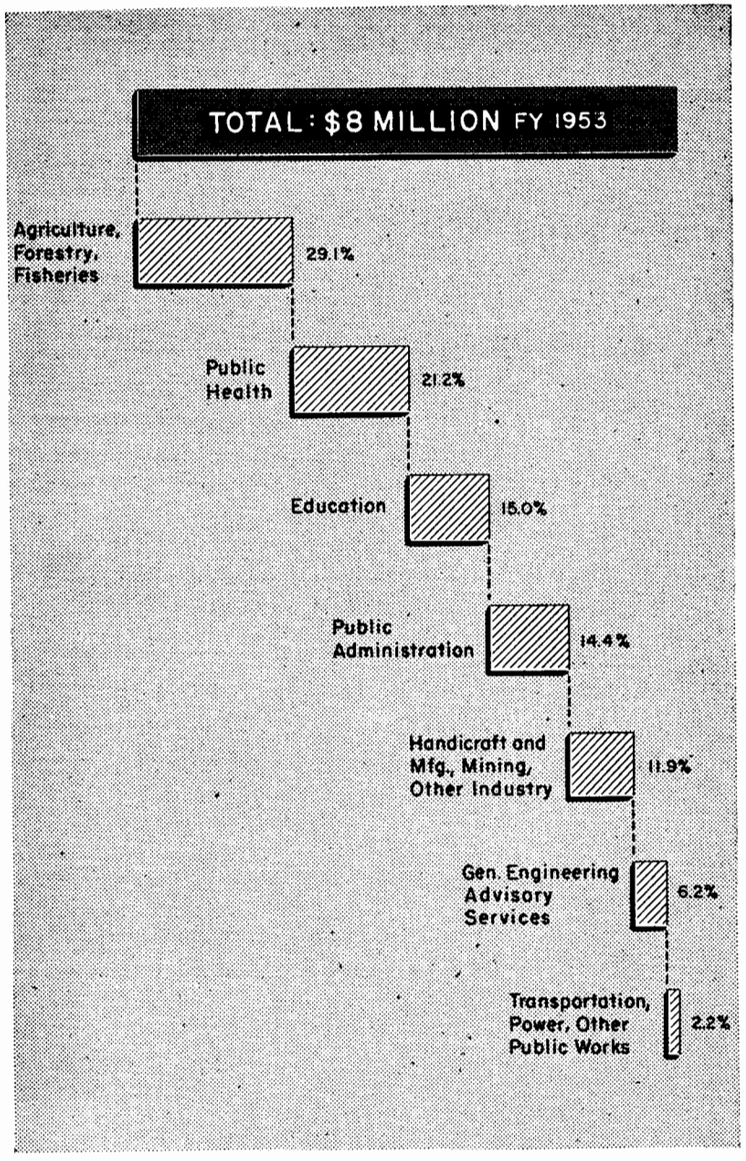
—Pilot work in modernization and rehabilitation of indigenous industries (aid to Central Workshops—textiles, leather tanneries, etc.)

—Aid to vocational training centers and labor leader training centers

—General engineering advisory services. (Under an MSA-financed contract with the Indonesian Government, a private U.S. firm gives technical advice and engineering supervision in the development of railroads, harbors, mining, mechanical and chemical industries, electric power, telecommunications)

—Exploration surveys for hydro-power sites

Note: Counterpart funds in an amount equivalent to $43 million, originally deposited in connection with Marshall Plan aid to the Netherlands on behalf of Indonesia, are now available for expenditure for purposes approved by the Indonesian Government and the U.S. Government. These funds will shortly be put to use for a variety of purposes consistent with the objective of the MSA program. Local currency will be provided from these funds to industry (through an industrial Bank); to agricultural and fisheries associations; to a number of food production and related projects; to transport and communications systems; and to other agreed uses.



Estimated Cost by Major Field of Activity

[In thousands of dollars]

FISCAL YEAR 1952 PROGRAM

Major Field of Activity	Dollar Cost			Dollar Equivalent of Local Currency Cost [a]
	Total	Supplies and Equipment	Services	
1. Public Health	$1,430	$1,205	$225	$990
2. Agriculture, Forestry, Fisheries	2,900	2,366	534	2,690
3. Transportation, Power, Other Public Works	580	550	30	15
4. Handicraft and Manufacturing, Mining, Other Industry	1,100	958	142	1,065
5. General Engineering Advisory Services	.....	.....	.....	.....
6. Education	1,000	874	126	2,325
7. Public Administration	990	680	310	1,650
8. Other Projects	.....	.....	.....	.....
9. Maintenance of Essential Supply	.....	.....	.....	.....
Total Cost of Program	$8,000	$6,633	[b] $1,367	$8,735

FISCAL YEAR 1953 PROGRAM

1. Public Health	$1,700	$1,165	$535	$2,330
2. Agriculture, Forestry, Fisheries	2,325	1,625	700	1,655
3. Transportation, Power, Other Public Works	175	130	45	800
4. Handicraft and Manufacturing, Mining, Other Industry	950	735	215	1,010
5. General Engineering Advisory Services	500	.....	[c] 500	80
6. Education	1,200	925	275	1,900
7. Public Administration	1,150	705	445	1,760
8. Other Projects	.....	.....	.....	.....
9. Maintenance of Essential Supply	.....	.....	.....	.....
Total Cost of Program	$8,000	$5,285	[b] $2,715	$9,535

[a] Converted at rate of 11.43 rupiah = U. S. $1.

[b] $777 thousand for TA experts and $590 thousand for trainees in FY 1952; in FY 1953, $1,790 thousand (including total fiscal year cost of engineering advisory contract) and $925 thousand.

[c] Cost of contract with U. S. engineering firm.

Accomplishments to Date

—Despite scarcity of trained and experienced Indonesians, disorganization caused by wartime occupation and the struggle for independence, and hesitancy in some quarters to accept foreign assistance, program now getting into stride—

—At end of February 1952, 39 American experts, including those employed by the firm of engineering consultants serving under contract financed by ECA, engaged in assisting the Indonesians in agriculture, public health, transportation, power, mining, communications, and industrial development—

—Thirty-one trainees sent to U.S.—doctors, chemists, veterinarians, officials of the cooperative service, rural youth workers, land tenure specialists, small industry trainees; more waiting to go—

—Activities restored in hospitals, laboratories, and malaria institutes; sufficient drugs supplied to enable 500 poly-clinics in remote villages to treat 300,000 children for yaws; medical schools and nursing centers equipped with training aids—

—100,000 people in highly malarious areas given protection in anti-malaria pilot operations through DDT spraying and distribution of chloroquin; surveys completed and newly trained personnel and almost all needed supplies on hand for a coordinated anti-malaria program, now beginning, to provide protection for three million people—

—To meet pressing demand for more food production, U.S.-financed fertilizer and hand tools distributed as demonstration by Indonesia extension service to rice farmers, simple sugar-cane crushing machinery supplied for village use, and technical assistance and laboratory equipment provided to improve strains and combat diseases of both food plants and animals—

—To increase supply of protein food, 75 diesel-driven fishing ships provided and 100 diesel engines for locally built vessels, to be used in demonstrating how motorization increases fish catches; as a result, Indonesians now taking up motorization on a large scale—

—Hand tools and sawmilling machinery supplied to the forestry service—

—Small rubber-gatherers provided with simple processing equipment—

—Equipment ordered for industrial research and development institutes and for "central production units" (a kind of extension service for small rural industries) where small scale craftsmen can take their products for final processing and obtain advice and technical training—

—Replacement parts provided to restore the war-damaged textile industry—

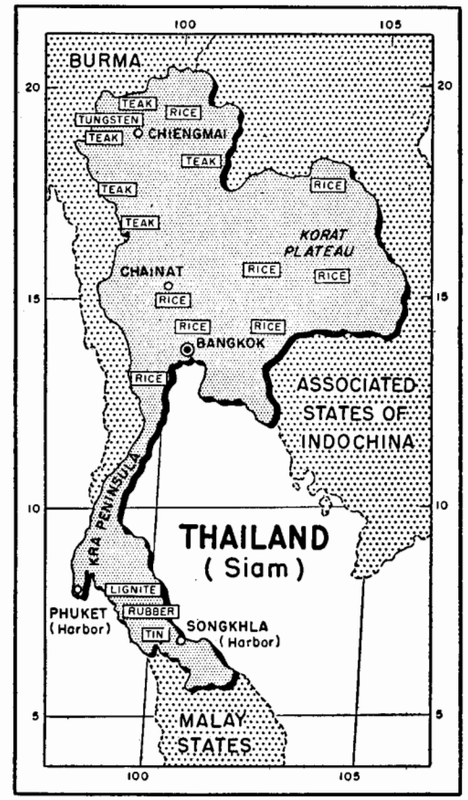
—Machines ordered for Ministry of Labor's vocational teacher training schools and money allotted for equipping about 60 technical schools, to supply need for skilled workers—

—Greater goodwill toward the U.S. demonstrably resulting from program—evidenced by recent Indonesian press and radio publicity for program, warm welcome and appreciative interest accorded Mission representatives even in remote villages, better personal relations and growing trust in Government on ministerial and working levels, increased eagerness in forward planning, and increased interest in requesting technical assistance—

THAILAND

Salient Facts

1. The Government of Thailand is unreservedly committed to the cause of the free world. This has been demonstrated repeatedly—by the sending of Thai troops and naval units to fight in Korea, by Thailand's record in the United Nations, by its support of U.N. policies and its opposition to Communism. Thailand is a staunch outpost of the free world in a threatened and turbulent area.
2. Thailand's finances are in sound condition. It has received a $25 million loan from the International Bank. Its budgetary practices are conservative. Its foreign exchange reserves had risen above $350 million by the end of 1951, with exports of rubber, tin, and rice contributing heavily to foreign earnings. (Rice accounts for more than 50 percent of total export value. This crop is grown on approximately 90 percent of Thailand's cultivated acreage. Japan and rice deficit countries of South and Southeast Asia are heavily dependent on Thailand as a source.)
3. Political and social conditions appear basically stable in spite of recent factional disputes within the Government. The presence of a substantial minority of Chinese whose loyalties are in doubt, and of Viet Minh Communists and other refugees from the Associated States of Indochina (the latter in Eastern Thailand, the region with the lowest living standards), is a cause for concern. However, the U.S. is providing military equipment and training to the Thai forces and there is little doubt that the latter can maintain internal security.
4. Despite relative prosperity in Asian terms, most Thais live at or near subsistence level. Their productivity is greatly limited by wide incidence of malaria and other diseases. The assurance of regular crops is lacking because droughts and floods are insufficiently compensated by modern irrigation. Transport facilities are inadequate; electric power is extremely short. The Thai Government needs outside technical help and encouragement if it is to undertake the various measures needed to promote economic progress for its people.



5. Once Thailand fully mobilizes the resources it has and the marked capacities of its citizens, it can well set an example for productivity and progress to the rest of Asia.

Major U.S. Program Objective

The objective is to support a friendly government in maintaining the stability of a critically situated country, and to help this country toward realization of its potential as a model of what stability plus economic development can accomplish for its people.

How the Program Supports the Objective

Heavy emphasis on technical assistance

—help in maintenance and use of railroad transportation, road building, and irrigation equipment supplied in previous programs
—training in telecommunications, in port and railroad administration
—help in improving air traffic control system (homing devices and meteorological equipment supplied in previous programs)
—assistance to vocational and other education (supplementing UNESCO program)
—advisory work by public administration, tax, and statistical experts
—150 trainees to come to U.S. (27 planned for public administration)

Help to depressed area in Northeast (Korat Plateau, most likely route of an invasion, or center for guerrilla activity)

—public health teams (malaria, plague, VD, etc.)
—construction of many small earth dams for irrigation, to make area self-sustaining
—rural cooperative credit
—agricultural extension
—plant breeding and entomology projects
—road building and repair
—initiation of mass education
—rural power development

Projects in Southern Peninsula

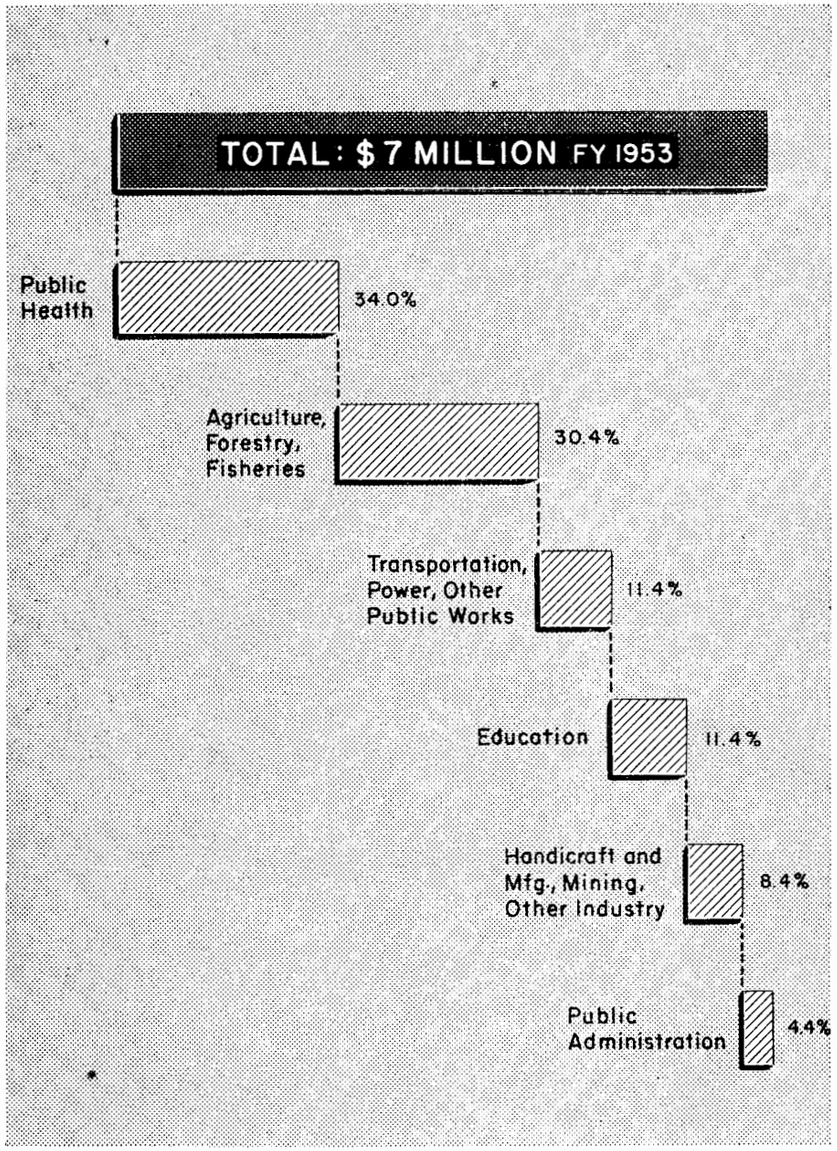
—public health teams (trachoma, filariasis, etc.)
—pilot plants for production of tin and tungsten
—technical assistance for harbor rehabilitation and development
—survey and development of lignite resources, for power expansion, and provision of pilot briquetting plant

Projects in Central Plains area

—testing of over 120,000 varieties of rice (expected to develop better seed yielding 20 to 30 percent more rice by 1956, increasing the national income by $125 to $200 million a year)
—assistance by canal design engineers in construction of major irrigation dam at Chainat

New methods and equipment for marine fisheries

Support to military program, currently through technical assistance and small quantities of equipment for roads, air traffic control system, railways, electric power



Estimated Cost by Major Field of Activity

[In thousands of dollars]

FISCAL YEAR 1952 PROGRAM

Major Field of Activity	Dollar Cost			Dollar Equivalent of Local Currency Cost [a]
	Total	Supplies and Equipment	Services	
1. Public Health	$2,450	$1,797	$653	$4,275
2. Agriculture, Forestry, Fisheries	2,450	2,035	415	4,900
3. Transportation, Power, Other Public Works	623	440	183	935
4. Handicraft and Manufacturing, Mining, Other Industry	531	407	124	750
5. General Engineering Advisory Services	.....	.....	.....	.....
6. Education	816	563	253	900
7. Public Administration	130	.....	130	100
8. Other Projects	.....	.....	.....	.....
9. Maintenance of Essential Supply	.....	.....	.....	.....
Total Cost of Program	$7,000	$5,242	[b] $1,758	$11,860

FISCAL YEAR 1953 PROGRAM

1. Public Health	$2,375	$1,755	$620	$4,150
2. Agriculture, Forestry, Fisheries	2,130	1,202	928	4,300
3. Transportation, Power, Other Public Works	800	435	365	1,200
4. Handicraft and Manufacturing, Mining, Other Industry	590	446	144	875
5. General Engineering Advisory Services	.....	.....	.....	.....
6. Education	800	355	445	1,200
7. Public Administration	305	.....	305	300
8. Other Projects	.....	.....	.....	.....
9. Maintenance of Essential Supply	.....	.....	.....	.....
Total Cost of Program	$7,000	$4,193	[b] $2,807	$12,025

[a] Estimated. Converted at open market rate of 20 baht = U. S. $1.

[b] $1,063 thousand for TA experts and $695 thousand for trainees in FY 1952; in FY 1953, $2,047 thousand and $760 thousand.

Accomplishments to Date

—A health demonstration and training center for the entire country established at Chonburi—

—Intensive malaria campaign launched in FY 1951; 400 Thais trained and the homes of 200,000 sprayed with DDT; 1,050 more persons to be trained in FY 1952, the homes of an additional 1,400,000 to be sprayed and approximately 150,000 to be treated with aralen tablets—

—2,000 provincial health personnel to be trained by the end of FY 1952 in the control of inflammatory eye diseases; approximately 500,000 persons to be examined, and 125,000 treated—

—Control of filariasis (an internal parasite common in Southeast Asia) is being established in an area containing approximately 100,000 people; VD, plague, and environmental sanitation work also under way—

—10 faculty members sent to Thailand in 1951 by Washington University Medical School of St. Louis, Missouri, under contract with MSA, to teach in the two medical schools; more than 1,000 Thai physicians, medical students, and members of the Public Health Service to benefit from this assistance by the end of FY 1952—

—About 300 students now being instructed at the Bangkhen National Agricultural Center with the help of U.S. specialists, following substantial expenditures in FY 1951 to provide the school with necessary equipment and personnel—

—Series of small tank irrigation projects under way in impoverished northeast region bordering Associated States of Indochina; a rice production increase of about 10,000 metric tons achieved in FY 1951, with additional increase of 24,000 metric tons expected this year—

—Large-scale rice breeding experiments under way and expected to result in an increase in rice exports of more than 1 million tons annually—

—Assistance being given both to salt-water fisheries and to fish-pond culture among the farm population, with expectation of substantial increase in protein food supply—

—Technical assistance being given for the repair and rehabilitation of roads, railways, harbors, and electric power facilities, utilizing substantial amounts of equipment furnished in FY 1951—

—A second-hand dredge supplied to open the nation's major port of Bangkok to ocean-going vessels; with a Thai crew trained in its operation, this dredge now operating and 25 percent of its first alloted task completed—

—Bangkok's electric power capacity increased with U.S. aid by one-third—

—Equipment provided for survey and exploration of lignite and other mineral resources, and minerals advisor continuing this work in strategic materials, including tin and wolfram; Thais being instructed in new methods of lode mining—

—To date, 59 American technical experts working in Thailand under MSA program and 71 Thai trainees now studying in U.S. in medicine and agriculture, with about 35 scheduled to arrive shortly—

APPENDIX: *Basic Materials Development Fund, $13 Million for Far East*

To supplement the Defense Materials Procurement Agency program to develop increased production of strategic materials for delivery to the U.S. stockpile and for U.S. procurement, funds are required under the Mutual Security Program (a) to develop increased production of strategic materials to meet the requirements of friendly countries for their security effort, and (b) for transportation and other related development projects to get out the materials that can be made available.

As a result of preliminary investigations a list has been compiled of materials development projects and mining support projects costing $180 million, located in Europe, Africa, South and Southeast Asia and the Pacific. It is proposed to select for assistance during FY 1953 projects urgently requiring MSA participation, at a total MSA cost of not more than $40 million. Of this sum, $13 million is proposed for use in Far East countries receiving economic and technical assistance from MSA.

It is contemplated that the bulk of the proposed Far East expenditures may be devoted to increase of basic materials production in the Philippines, particularly of iron ore, copper and manganese. In Indonesia, current production of bauxite and nickel can be stepped up substantially through provision of mining equipment and improvement of roads and port facilities. In Thailand, preliminary investigation has revealed promising projects for increased production of lead, tin and tungsten. In Formosa, there are strong indications that surveys and improvements connected with coking coal production currently being financed by MSA should be supplemented by mining equipment and improved transportation facilities in order to step up coal exports to Japan.

Most of the MSA Basic Materials Program can be conducted on a loan basis. Wherever their authority permits, Export-Import Bank and DMPA will handle the projects. But there are clear legislative and policy limitations on the operations of these agencies and it is imperative that a loan fund be available which is sufficiently elastic to carry out the objectives described above. Some small part of the funds may be used as grants to governments to get started on public service projects (roads, ports, etc.) that may not themselves produce sufficient revenue to make a loan repayment possible, but are nevertheless vital to the development and export of basic materials.

Arrangements for administration and operation of the program provide for continuing close relationship between DMPA and MSA to minimize administrative costs and to ensure complementary efforts in the field.