PD-ACE-015

MUTUAL SECURITY PROGRAM

Volume II

●

Fiscal Year 1956

BEST AVAILABLE

ASIA

EXCERPT FROM PRESIDENT'S MESSAGE

"....But the immediate threats to world security and stability are now centered in Asia. The preponderance of funds requested of the Congress will be used to meet the threat there. Within the vast arc of free Asia, which extends from the Republic of Korea and Japan to the Middle East, 770 million people, one-third of the world's population, reside. Most of them are citizens of newly independent states. Some have been engaged in recent war against the Communists. All are threatened. Capital is very scarce. Technical and administrative skill is limited. Within the area, however, abundant resources and fertile lands are ready for development.

Now is the time for accelerated development of the nations along the arc. The major responsibility must necessarily lie with the countries themselves. At best, foreign capital as well as foreign aid can only launch or stimulate the process of creating dynamic economies. In this light, the United States has the capacity, the desire, the concern to take the lead in friendly help for free Asia.

For example, we can assist in providing and mobilizing capital for useful and constructive development. We can encourage our successful private industry to join with the people of free Asia in building their private industry and facilitate the way. We can consult and advise on the means by which a free nation builds upon the initiative of independent farmers to achieve a steady advance toward better standards of living, in contrast to the mounting failures of collectivist agriculture.

It is clear that most of the nations of free Asia prefer to quicken their cooperative march toward these objectives through the Colombo Plan Consultative Group which was established in 1950 to promote mutual economic development. We welcome this initiative. As a member of the Group, we shall continue to work in strengthening its cooperative efforts.

The varied nature of national situations requires that our cooperation be essentially bilateral. Some of the nations are members of the Manila Pact and their treaty obligations give rise to special economic problems. Most are members of the Colombo Plan. Most, except for Japan, have very little industrial capacity.

The requested authorization includes substantial funds to further our mutual objectives in this area. Of these funds I suggest that we can achieve the maximum return if $200 million is set aside for the establishment of a President's Fund for Asian Economic Development, with broad rules enacted by Congress for its use through loans and grants, and with adequate latitude to meet changing circumstances and to take advantage of constructive opportunities.

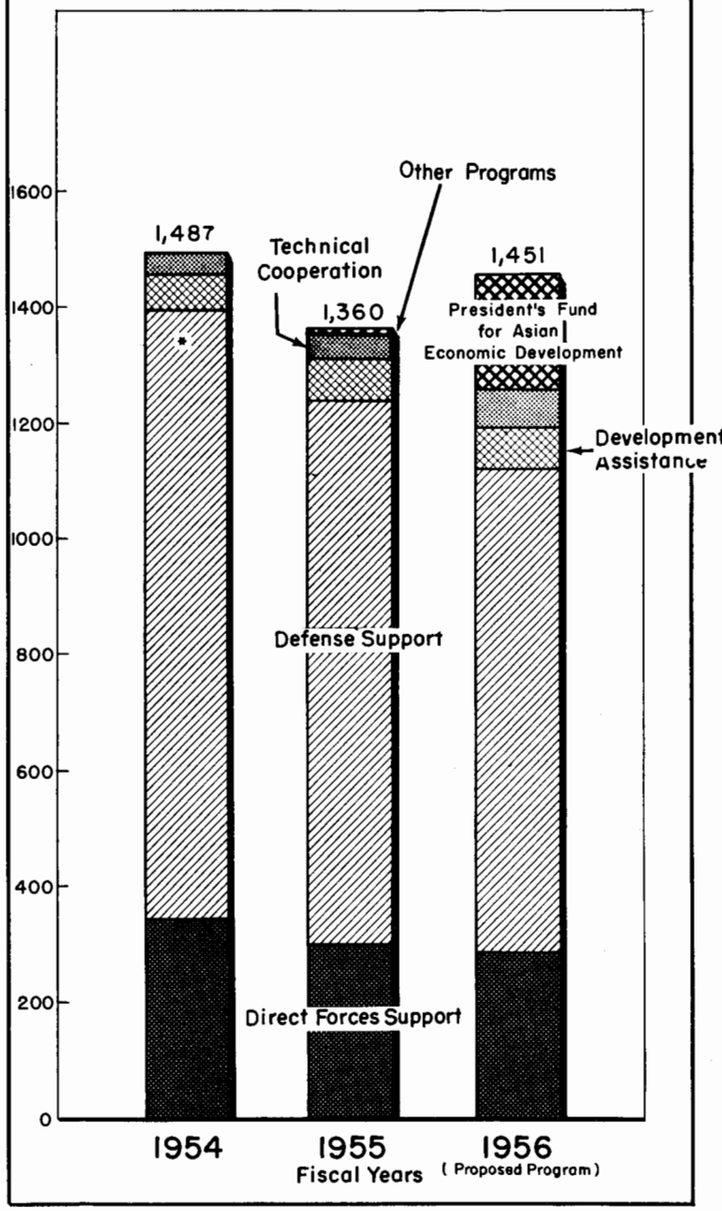
To help assure the most effective use of these funds, this appropriation should be available for use over a period of years. Wisdom and economy in their use cannot be achieved through speed. A small, firm, annual commitment out of this $200 million may prove in many instances to be the most fruitful method.

Because of the continuing threat of aggression and subversion in Asia, a large part of the amounts requested for military assistance and direct forces support is to build and maintain the defensive forces of our allies there. This includes the substantial costs of maintaining and improving the defenses of the Nationalist Government of China in Formosa and provides for military equipment and supplies for Korea. ...."

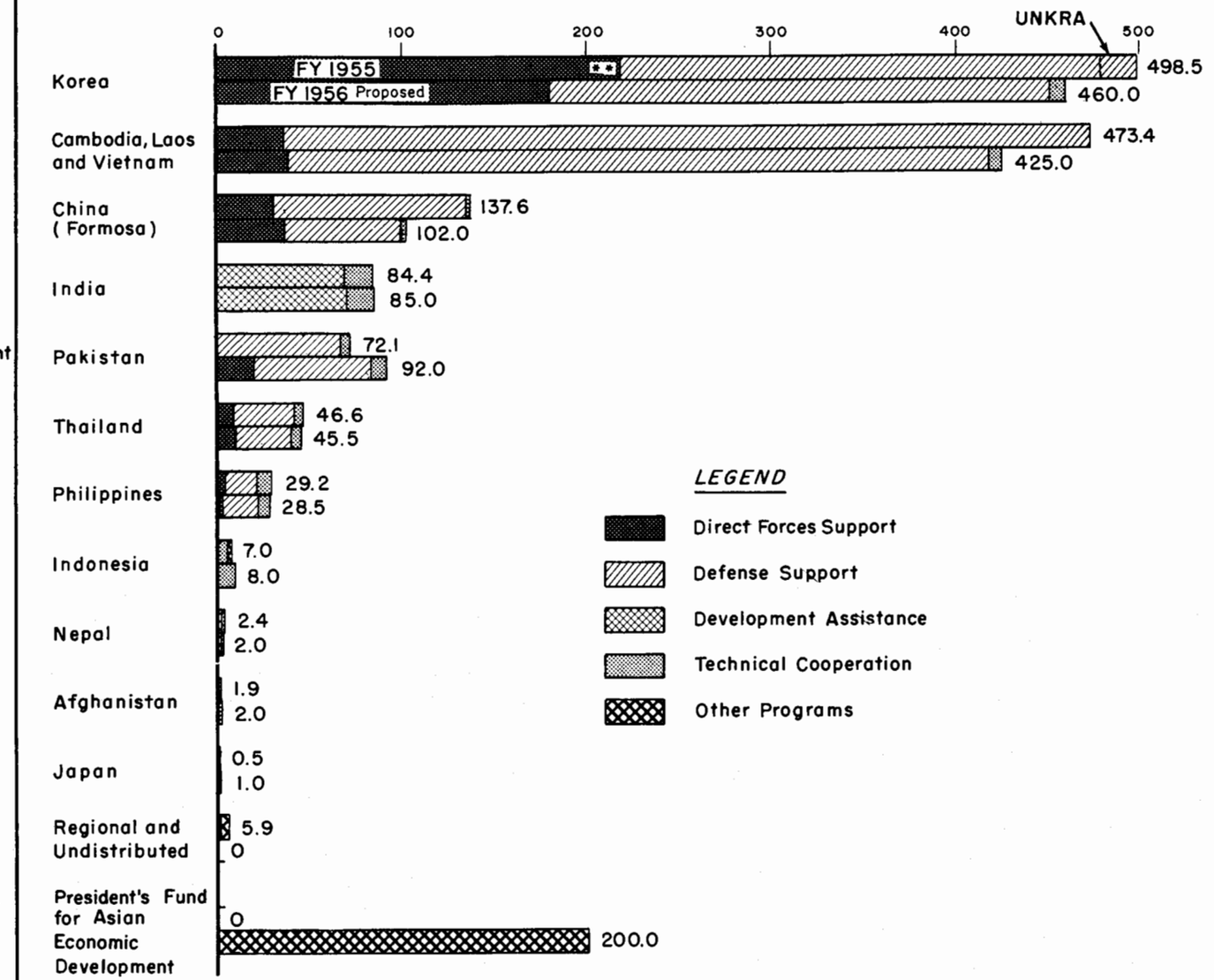
ASIA

($ Millions)

THE TREND



PROGRAM BY COUNTRY FOR FY 1955 AND FY 1956



*Includes $65.9 million Korean Civilian Relief (CRIK) program funded from Dept. of Defense appropriations.

**Direct Forces Support for Korea estimated at $172.0 million in FY 1954 and $218.5 million in FY 1955, of which all the FY 1954 program and $189.6 million of the FY 1955 program were funded from Dept. of Defense appropriations.

ASIA

REGIONAL COMPARATIVE SUMMARY OF PROGRAMS BY FUNCTIONS

(In thousands of dollars)

Function	Program FY 1950/54	Program FY 1955	Proposed FY 1956
Military Assistance	a/	a/	a/
	FY 1954		
Direct Forces Support	329,633b/	296,460b/	285,700
Defense Support	1,059,569c/	940,738	827,800
Development Assistance	61,649	70,935	71,000
Technical Cooperation	35,856	45,516	66,500
Other Programs		5,900	200,000
Total Programs Other Than Military Assistance	1,486,707	1,359,549d/	1,451,000
Of Which Financed by Loan			
Defense Support		40,000	
Development Assistance		45,000	
Total		85,000	
MSP Sales Surplus Agricultural Commodities			
1. Sales in This Area	61,215	90,900	130,000
2. Sales Proceeds Programmed in This Area - Total	16,215	140,900	130,000
Direct Forces Support		4,800	10,000
Defense Support	15,000	110,100	90,000
Development Assistance	1,215	26,000	30,000

a/ Data included in separate submission on Military Assistance.

b/ Includes, for comparability purposes, non-Mutual Security funds (Department of Defense appropriations) totaling $172,033,000 in FY 1954 and $189,600,000 in FY 1955 programmed in Korea for Direct Forces Support.

c/ Includes, for comparability purposes, $65,926,459 of non-Mutual Security funds (Department of Defense appropriations) programmed in Korea for Civilian Relief (CRIK) Program.

d/ Includes $29,958,000 programmed in this area from savings in the prior year program for support of forces in Cambodia, Laos, and Vietnam.

ASIA

REGIONAL DISTRIBUTION OF FY 1956 PROGRAM

By Function and Country

(In thousands of dollars)

Country	Military Assistance	Direct Forces Support	Defense Support	Development Assistance	Technical Cooperation	Other Programs	Total
South Asia							
Afghanistan					2,000		2,000
India				70,000	15,000		85,000
Nepal				1,000	1,000		2,000
Pakistan		20,000	63,000		9,000		92,000
Undistributed by country							
Subtotal		20,000	63,000	71,000	27,000		181,000
Far East							
China (Formosa)		37,000	62,000		3,000		102,000
Indonesia					8,000		8,000
Japan					1,000		1,000
Korea	180,000	272,000			8,000		460,000
Philippines	2,300	19,700			6,500		28,500
Thailand	8,200	31,800			5,500		45,500
Cambodia, Laos, Viet Nam	38,200	379,300			7,500		425,000
Subtotal	265,700	764,800			39,500		1,070,000
President's Fund for Asian Economic Development						200,000	200,000
TOTAL PROGRAM	285,700	827,800		71,000	66,500	200,000	1,451,000

ASIA

Regional Narrative Statement

THE REGION

This region extends from Afghanistan on the West through South and Southeast Asia to Japan on the East. It has a population of about 770 million persons (45 percent of the Free World total), and an area of 3.7 million square miles (9 percent of the Free World). The independent countries in the area in which the Mutual Security Program may operate are Afghanistan, Pakistan, India, Ceylon, Burma, Nepal, Indonesia, free Viet Nam, Cambodia, Laos, Thailand, the Philippines, Formosa, the Republic of Korea and Japan. Two of these countries, Ceylon and Burma, are not participating in the program at the present time. The region has within it the Asian members of two important Free World associations concerned on the one hand with the security and, on the other, with the economic progress of South and Southeast Asia: the Manila Pact Countries and the Colombo Plan organization.

IMPORTANCE OF THE AREA TO THE UNITED STATES AND THE FREE WORLD

This group of countries is a most vulnerable and important area of United States security interests. The military-strategic significance of these countries, apart from the large populations and resources involved, is derived from their location as a great arc of freedom around the center of Communist power in Asia. They include the new states of Asia which are particularly accessible to Communist expansion, either by overt aggression or by internal subversion. They include also the island chain which constitutes our defense line in the Pacific, and the mainland and islands which lie athwart Free World air and sea communications between the Pacific, South Asia and Europe. The denial of Free World access to this route would make immeasurably more difficult the task of stemming Communist advance elsewhere in Asia by peaceful intercourse among free nations, or if the necessity arose, by military undertakings to meet Communist aggression. A loss of any significant segment of this arc would make it infinitely more difficult to fulfill our mutual engagements through the Manila Pact, ANZUS and bilateral defense pacts with Asian countries.

For political and psychological reasons, it is also in the interests of the United States that the economies of these free nations be developed to the degree that these responsible governments can maintain themselves against forces of subversion and fragmentation. To accomplish this objective, it is in our interest to assist the free nations of Asia, even though in some cases their foreign policies may not coincide with ours, if it is their firm policy to remain free. We can be certain that these countries and their governments value their recently acquired independence and that substantial elements in all these countries realize the threat to progress and freedom which the Communist Parties in the area constitute. In most of these countries the fight being waged against these Parties is vigorous and unrelenting. Furthermore, they, like us, are dedicated to peace, stability and security. They need assistance in this critical period while attempting, within a democratic framework, to achieve the economic progress required to help assure their political independence.

The psychological impact of further dramatic Communist successes in South and Southeast Asia would be particularly serious in other areas of Asia and the Near East which are striving to attain economic advancement and to maintain and further political stability under democratic institutions. The spurious claim of Communist China to possess and be practicing the only effective formula for rapidly improving the material well-being of underdeveloped and densely populated countries, would be greatly strengthened. Undesirable consequences to political systems in other parts of the Free World might be expected to follow. The results of Communist inroads among the countries of the area would be damaging to our position in the U.N. and other international forums, even though their posture in some cases is now one of non-commitment rather than active partisanship in the Free World struggle.

Our economic interests in this situation arise principally in three ways. These countries are sources of vital raw

Regional Narrative Statement (Continued)

materials required by Western world defense and civilian goods industries; they furnish important markets for some of the products of our highly industrialized economy though, with their present low incomes, they purchase only 10 to 12 percent of our exports; and they make an important contribution to a well balanced distribution of world trade and investment. In respect to sources of raw materials, over 90 percent of the Free World natural rubber, tea and jute and over 85 percent of its rice comes from South and Southeast Asia. Tin, mica, manganese, chrome and tungsten are other strategic items on which our dependence is very substantial. In addition, Japan relies on Southeast Asia for its oil, bauxite and iron ore supplies as well as for large amounts of food and textile raw materials. To Japan, trade with this area is one possible alternative to trade with Communist China. 39 percent of her exports now go to Southeast Asia as compared with 23 percent before the war. In return for the strategic and other materials furnished to the U.S. and Japan, the area imports large quantities of industrial equipment and consumer goods from these countries and from Western Europe. This trade adds substantially to the dollar earnings with which Europe can pay for its excess imports from the dollar area. The severance of this trade would have a very injurious effect on the strength of European currencies and consequently Free World economic health generally.

SITUATION AND OUTLOOK

1. Communist Offensive

At the present juncture the military forces of Communist aggression have been checked in the Far East. However, these forces are poised for action and remain a constant threat to world peace. Very substantial Communist forces threaten to invade Korea from the North, Formosa from the Mainland, and South VietNam, Laos, and other countries on the periphery of Russia and China. This has necessitated a large mutual security program. Since the U.S. considers the military forces of these countries essential to their protection as well as to its own security, and since these forces are in many instances far larger than the countries can support, it has been necessary for the U.S. to extend considerable assistance not only in the form of training and modern equipment, but also in the form of economic support to underwrite the defense effort.

In addition to the threat from without, internal subversion remains a serious problem, particularly in free VietNam. It is a smoldering menace in Malaya, Indonesia and to a lesser extent in the Philippines. In countries more remote from the threat of an armed Communist offensive, strenuous efforts are being made by the Soviet Bloc to cultivate and intensify anti-Western, and particularly anti-American propaganda and sentiments. This offensive is taking the form, among others, of propaganda disseminated within the countries by disaffected groups such as unemployed intellectuals. Realizing the appeal of technical assistance and the subversive use that can be made of Soviet Bloc technicians, Russia has increased sharply her proffers of technical aid, and even capital equipment, with the outwardly expressed purpose of contributing to economic development programs. In Afghanistan, Russia has undertaken a series of economic development projects, with some technicians from the iron curtain countries. If its vigorous efforts result in tying this strategically important country into the Southern reaches of Soviet power, preservation of the security of Asia will be made more difficult. Offers through the Economic Commission for Asia and the Far East of expenses paid "observation" trips to Russia and Communist Chinese programs of "education" for overseas Chinese, are recent examples which have met with some positive responses. Russia has made a particularly significant offer of a 1,000,000 ton steel mill to India. Tentative agreement has been reached providing for its financing on a long term, low interest basis. A point strongly emphasized in Soviet propaganda surrounding these projects is the claim that Western countries such as the U.K. and the U.S. do not want heavy industry in underdeveloped countries. They falsely represent that what they call our Wall Street monopolies are not willing to undergo the competition in U.S. export markets which an industrialized Asia might present. This propaganda line, feeding on basic anti-colonial and pro-industrialization sentiments of free Asian countries, can be very effective.

Regional Narrative Statement (Continued)

Many persons in Asia believe that by the "redistribution" of existing property and stepping up the rate of capital formation, Red-China is in the vanguard of economic development. At the same time, most Asian leaders now realize that the tyranny, anti-religious ideology and police state methods of Peking are some of the prices paid for such advancement under Communism. Thus, we find in important Asian countries a reaction to Communism which takes the form of strengthening measures against subversive influences within, even while they have a mixture of respect and fear for alleged Communist accomplishments outside their borders.

In those countries but recently wracked by a Communist military onslaught, the Republic of Korea and Viet Nam, priority attention must be paid to reconstruction, as well as economic development, at the same time defense forces must be strengthened to help cope with a possible renewed attack. In Formosa a special problem has arisen from the aggressive posture of Red China. The Manila Pact powers, Pakistan, Thailand and the Philippines are steadfast in their determination to maximize their military contributions to Asian security even while carrying forward programs related to the economic and anti-subversion provisions of that treaty.

2. Political and Economic Situations

A characteristic common to nearly all the countries of South and Southeast Asia is their recent acquisition of sovereignty. In some of these countries the reins of authority are firmly held by stable, democratic governments, but in others a considerable degree of political instability obtains. Independence has stimulated a desire for rapid economic advancement beyond the capacities of their economies to provide, or their institutional and administrative arrangements to properly manage.

Greatly aggravating their political problems is the heavy and growing pressure of population on resources in most of them and the fact that the most vulnerable of these countries have made only limited progress in improving living standards over prewar levels. In some cases living conditions are even inferior to those before the war. Internal savings and investment have not been sufficient to accomplish a perceptible economic growth even when supplemented by the trickle of private foreign investment which has entered the area in recent years. Security, economic, and administrative considerations are limiting this flow. The difficulty of securing sufficient resources to carry out development programs through normal sources of public or private investment has been accentuated by the reduced levels of foreign exchange income from the high levels of the Korean war period. While in some Asian countries, there is not an excessive pressure of population on potentially exploitable natural wealth, including agricultural lands, the need for improvement in technical capacities and skills, and for mechanical equipment to increase productivity and tap underdeveloped resources, is felt everywhere.

Contrary to general experience elsewhere the physical volume of international trade of the area is generally at or below prewar levels. Thus, while the recent increase in food production has made it possible to meet minimum consumption levels, clearly discernible advances are not being achieved in the over-all productivity of these economies. With 10 percent of the world's production to distribute among over a third of its population, the mere maintenance of the status quo is not enough to allay political discontent or counter the appeal or radical solutions.

Free Asian leaders recognize that the reports of economic advances in Communist China disregard the human cost of whatever progress is being achieved, but such reports do intensify their strong belief in the possibilities of economic progress, even in these countries with large populations and limited natural resources. At the same time a feeling of uncertainty flows from the excessive dependence of their own economies on a few export crops or raw materials sold in fluctuating world markets. These price fluctuations are a hampering factor in the orderly execution of development programs since both internal revenues and external income are largely responsive to them. Many of the imports purchased with their unstable foreign exchange earnings

Regional Narrative Statement (Continued)

could be produced internally, given a modest degree of industrialization. There exists a real fear in the area that income from these external sources will not be adequate or sufficiently stable to meet consumption demands, and at the same time provide a surplus required either to purchase capital equipment or to service foreign debts incurred for such purchases. For example, the aggregate trade balance of the countries of the arc of free Asia (excluding Japan) decreased between 1951 and 1954 from a surplus of about $900 million to an estimated deficit of $580 million.

3. Relation of Military and Economic Programs.

Only very productive, flexible and diversified economies such as the United States are able to expand and develop while undertaking a major military effort. Serious inflation, endangering social, political, as well as economic progress, may be expected to result from an unsupported attempt to carry out such a dual program in nearly all Asian countries. A possible alternative to such inflation is a degree of regimentation associated only with Communist dictatorship. To avoid confronting our Allies in Asia with the difficult choice of letting down their defenses and thus inviting attack, or foregoing economic advance and thus paving the way for internal disruption, both economic and defense assistance is proposed in this program.

The extent of the defense burden and particularly the portion thereof which is not offset by U.S. defense support or direct forces support programs, varies considerably among the countries of the region. This variation, and the level of U.S. assistance itself, depends principally on the varying capacities of the different countries to commit their resources to defense programs without excessive sacrifice of living standards and vital development programs.

Our economic support of the defense efforts of the Asian Manila Pact Powers -- the Philippines, Thailand, and Pakistan -- is relatively small and they have used 18 to 37 percent of their own budget expenditures and an even larger percentage of their national budgetary revenues for defense programs. In Formosa, despite the very substantial budgetary support afforded its defense effort by the U.S. program, it has been necessary to scale down the economic development program to meet urgent military needs. In Korea, Viet Nam, Cambodia and Laos, the United States is compelled to carry the major portion of internal defense costs owing to the relatively large forces and the meager resources, in relation to immediate consumption needs, available in those countries. Even with the saleable goods imports we are providing Korea for budget support, inflation associated with deficit financing continues at an undesirably high rate.

4. Problems

The economic factors of principal concern to the governments and peoples of free Asia may be summarized as follows:

a. The burden of military establishments which may be a substantial handicap to the attainment of economic objectives even when allowing for U.S. economic assistance.

b. A lack of sufficient tangible evidences of economic betterment coming from present economic programs, most of which contemplate a level of capital formation and improvement above that now being attained.

c. Unemployment, growing with the expansion of the labor force even in countries such as India and the Philippines, which have had relatively successful programs.

d. Concern over the instability, actual or feared, of a foreign market for staple exports on which better internal stability, as well as capacity to augment productive plants, largely depends.

e. High cost of internal credit (10-20 percent annually even on secured loans) for new enterprises in the private sector of the economies.

f. Generally low foreign exchange reserves, with consequent lack of means to increase imports rapidly enough to

Regional Narrative Statement (Continued)

control internal inflationary pressures. Reserves of Far East countries were about $250 million lower at the end of 1954 than at the end of 1952.

g. Economic, political and social weaknesses stemming in part from war, colonialism and isolation from economic or people-to-people contacts with their neighbors. These weaknesses have impeded investment, led to the retention of obsolete and inequitable systems of land ownership, and slowed down improvements in governmental and private administrations.

5. Evidences of Progress

While the average person in free Asia lives on less than 5 percent of the income of his U.S. counterpart, and in several countries the standard is even lower, opportunities for, and evidences of progress, rather than absolute levels of livelihood are the more important. While pressures for immediate amelioration of consumption deficiencies are felt everywhere and are reflected in expanding social services, minimum wages and other devices to better the peoples' lot, economic development programs looking to basic capital formation and eventually higher productivity are also recording some advances. Having concentrated their programs first on food, the most optimistic aspect of free Asian economies is the attainment in 1954 of the highest level of agricultural output in this century, and the conversion in recent years of South and Southeast Asia from a large deficit immediately after the war, to a more nearly self-sufficient region in this respect. A healthy expansion of intra-regional trade involving Japan and Southeast Asia has been one result.

Other heartening developments are:

a. The success of development efforts in India, Burma and the Philippines, though short of their initial development program goals.

b. The moves (including successful culmination of an agreement with Burma) towards settling Japanese reparations which, if settlements are also reached with Indonesia and the Philippines, would open new avenues for intra-regional trade and investment and provide much needed equipment which Japan is peculiarly fitted to provide.

c. The generally favorable attitude of these countries to utilizing technical assistance from the Free World, and the expanding exchange of technical assistance, both in the number of countries furnishing it and the range of projects involved.

REGIONAL OBJECTIVES

The central objective of the Mutual Security Program is to advance interests which the U.S. shares with the countries of free Asia. These mutual interests are:

1. To strengthen the will and ability of Asian countries to maintain their independence in the face of threats of further Communist expansion and to reduce the general effectiveness of Communism.

2. To give the peoples of the area a sense of present material progress and future hope for improved living conditions.

3. To encourage and support a wider participation in Asian development by private capital, domestic and foreign.

4. To develop a greater degree of unity and cohesion among the countries of the region.

THE PROGRAM

The program proposed for the region in fiscal year 1956 is designed to attack more forcefully than heretofore, these security and related economic problems which confront the United States and the Free World on the periphery of Communist power in Asia. It is a balanced program to:

Regional Narrative Statement (Continued)

1. Supplement the military resources and otherwise improve the defense effectiveness of countries which, in our mutual interests, are maintaining forces which are beyond their economic capacities, without such strain as would defeat our objectives, and to

2. Help these and other countries of free Asia demonstrate to their peoples that free societies, in cooperation with the United States, are capable of economic progress even under the difficult conditions described above.

As indicated above the first of these goals of the fiscal year 1956 program requires relatively large amounts of direct forces and defense support assistance in Korea, Formosa, Viet Nam, Cambodia and Laos and lesser amounts for the Asian Manila Pact powers. This aid will either provide for or increase the production of resources, including financial support, required for defense programs. In addition the maintenance or build-up of defense forces in certain of these countries will continue to require end-items and training which these countries cannot produce or acquire from other sources.

During the past year through the Military Assistance Program, the United States has worked closely and actively with other interested free nations on measures to strengthen the security structure in the Far East and in Pakistan. Because of the cessation of hostilities in the Indochina area and intensified Communist threat elsewhere, greater emphasis has been placed on the military build-up of the entire Asian area.

Free World security arrangements in the area grew in strength and number. Existing security pacts with Australia, New Zealand, Philippines, and Japan were supplemented by the exchange of ratifications on the Mutual Defense Treaty with the Republic of Korea, by the conclusion of the Defense Treaty with the Republic of China on Formosa, and by the new arrangements under the Southeast Asia Collective Defense Treaty. This latter Treaty which includes Australia, France, New Zealand, Pakistan, the Philippines, Thailand, the United Kingdom, and the United States provides that in the case of aggression by armed attack each of the countries will act to meet the common danger in accordance with its constitutional processes.

With the cease fire in the Indochina region shipments of military equipment to that area were halted except for the provision of maintenance and spare parts for the ships and planes needed to assist in the evacuation of North Vietnam. The military supplies originally earmarked for the Indochina area are either being diverted or reprogrammed to assist the build-up in other countries receiving military assistance.

In FY 1955, provision of support for Korean forces, formerly provided by the budgets of the U.S. military services, was taken over as a part of the Military Assistance Program. Since the Mutual Defense Assistance Agreement was signed with Japan in 1954, the U.S. has established a Military Assistance Advisory Group in Japan and commenced shipment of equipment under the Military Assistance Program.

Progress in building new military strength has been slow, but by comparison with forces in being prior to the Military Assistance Program and in view of the problems faced in the area, the results have been significant. The independent governments of the Far East are laboring under handicaps of insufficient financial resources, heavy defense costs, and technical and professional shortages everywhere.

A major obstacle to rapid military build-up in the area is a lack of mechanical background of the people. They must be taught to operate and maintain the complex military equipment required for present-day warfare. The Military Assistance Program, therefore, places great emphasis on training of the armed forces. The soldiers, sailors, and airmen are all eager to learn and once trained they are excellent military men.

To date $2.6 billion has been programmed for military assistance to the Far East and the Pacific. Of this amount $1.9

Regional Narrative Statement (Continued)

billion had been delivered by December 31, 1954. Because of the direct threat of aggression in the Formosan area, high priorities have been placed on deliveries of equipment to the Nationalist Government of China.

In fiscal year 1956, Formosa, facing the threat of Communist invasion and Korea, where the Republic of Korea forces are taking over increased defense responsibilities, will require greater support in the form of both equipment and training. Very substantial military progress has been achieved in both these countries. In Korea the 20-division army is supplemented by small but efficient marine, air and naval components and effective para-military forces for internal security purposes. In Formosa, with the objective of resisting a possible invasion, the former ill-equipped forces have been moulded into an effective military machine. The Formosan Government has faithfully lived up to all its commitments in respect to its armed forces. In the Philippines and Thailand increased equipment and training are necessary for maintaining internal security and for the reorganization of their forces in a manner to make them more effective members of the Manila Pact Organization. Equipment is also needed to assist Japan to contribute more to free world strength in the Pacific. The training of the forces of Viet Nam, Cambodia and Laos is being undertaken jointly by France and the United States.

While much of our aid for free Asia is used for defense, the second function of our program mentioned above requires that we, in combination with other Free World countries, help to provide the knowledge, skills and supplemental capital resources which are needed for self-development. As the majority of the people of the area live off the land and its products are the first essentials of life, primary emphasis has been placed on agricultural projects in the earlier stages of economic development programs. United States technicians have, and are continuing to train local teachers, village workers and government personnel who are the key to community development and extension service programs. U.S. equipment, supplies and know-how now at work, are also concentrated on such fields as water resources development, fertilizer utilization and crop diversification.

For the future it is contemplated that the improvement of transport and communications, and some assistance to medium and small-scale industry, will occupy a more prominent place in our programs. Two of the most pressing immediate economic problems of the area, shortage of foreign exchange income and chronic unemployment, require more production for home consumption and interchange within the region. This has been recognized by the Philippines, India, Korea and other countries which are giving increasing attention to economically sound industrial projects in their economic development programs.

In addition to military end-items and training, $1.451 billion is programmed for the arc of free Asia in fiscal year 1956. $285.7 million of this is for Direct Forces Support, $827.8 million for Defense Support, $71 million for Development Assistance and $66.5 million for Technical Cooperation. The President's Special Fund for Asian Economic Development of $200 million is discussed in detail below.

The interrelationships between these categories of aid is illustrated specifically in the country-by-country presentations. A secure and expanding economic base is essential to successful self-help required to sustain defense programs in these resource-deficient countries. Therefore, in a practical sense, sharp lines should not be drawn between these categories of assistance designed to accomplish our objectives in the area. Some forms of technical assistance, for example, by strengthening public administration in the fiscal field contributes directly to both defense and economic objectives. By the same token, Direct Forces and Defense Support funds have economic by-products since they enable countries to utilize for development projects a more nearly adequate proportion of their scarce foreign exchange and internal resources. The Development Assistance being requested for the India and Nepal programs is designed to provide further economic strength to the Free World in these vital areas.

The Asian Economic Development Fund will be used on a flexible basis under the President's direction to provide a new element of cohesion, by contributing to the promotion of greater economic development of the area as a whole.

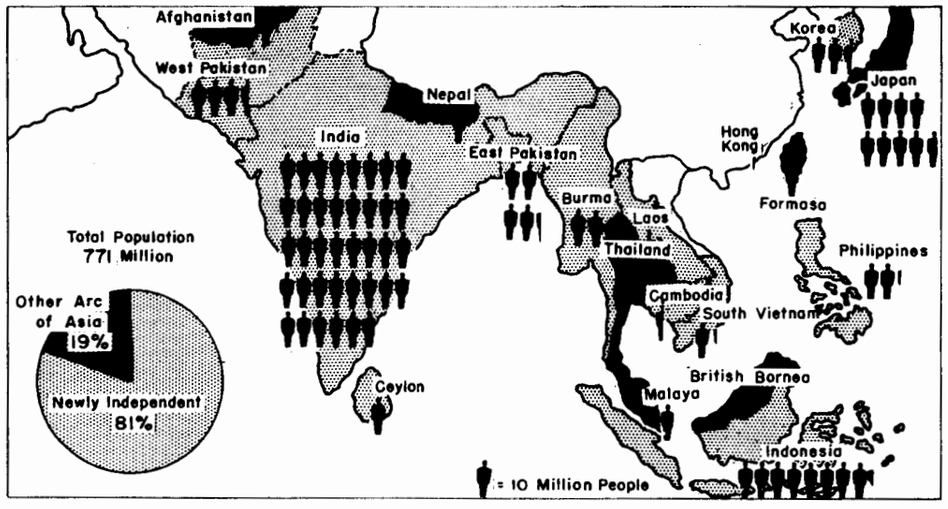
Regional Narrative Statement (Continued)

As in the previous year's program, a major portion of assistance in fiscal year 1956 is planned for the countries which have been subject to direct Communist military attack, Korea and the former Associated States of Viet Nam, Cambodia and Laos. $885 million or about 60 percent of the total non-Military Assistance Program funds for the Asian Arc are programmed for these two areas. This assistance is directed simultaneously at the maintenance and build-up of defense forces and at reconstruction and development required to increase defensive strength. Increased technical assistance, particularly in the basic services of government, is also planned for Viet Nam, Cambodia and Laos.

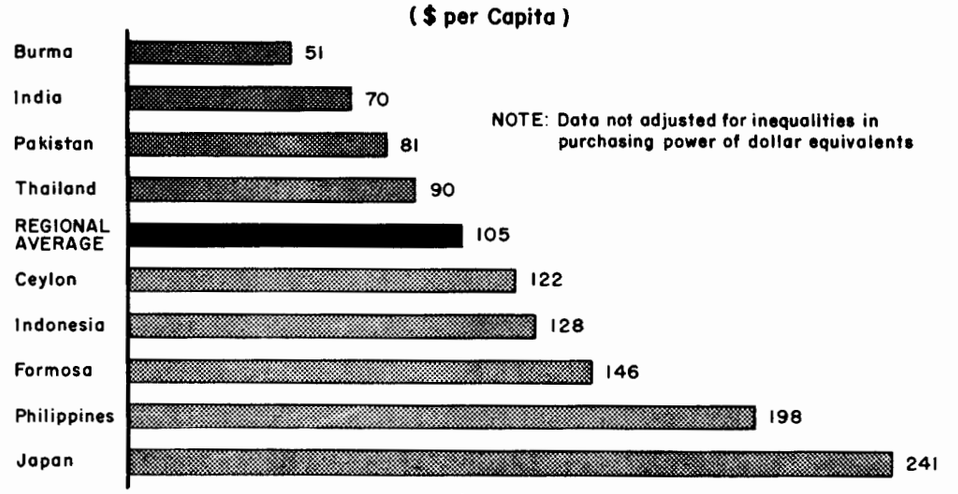
The achievement of U.S. objectives in Formosa, Thailand and Pakistan requires funds not only for their defense efforts but also for technical cooperation and for help in building up their economies, so that they can better carry their heavy military burdens. The same is true to a somewhat lesser extent in the Philippines. $268 million or about 18 percent of the non-Military Assistance program in fiscal year 1956 is planned for these countries with which we have such close mutual defense ties. The remaining 21 percent of the program will include $98 million for Technical Cooperation in India, Nepal, Afghanistan, Indonesia and Japan, and Development Assistance for the first two of these countries, and $200 million for the President's Special Fund for Asian Economic Development.

ASIA - REGIONAL SUMMARY

NEWLY INDEPENDENT COUNTRIES

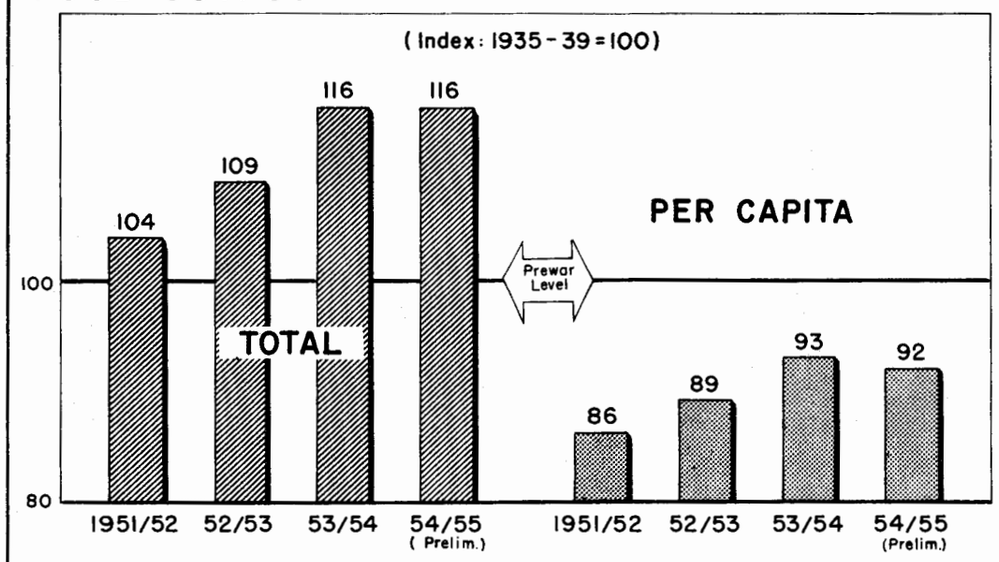


PER CAPITA GNP *

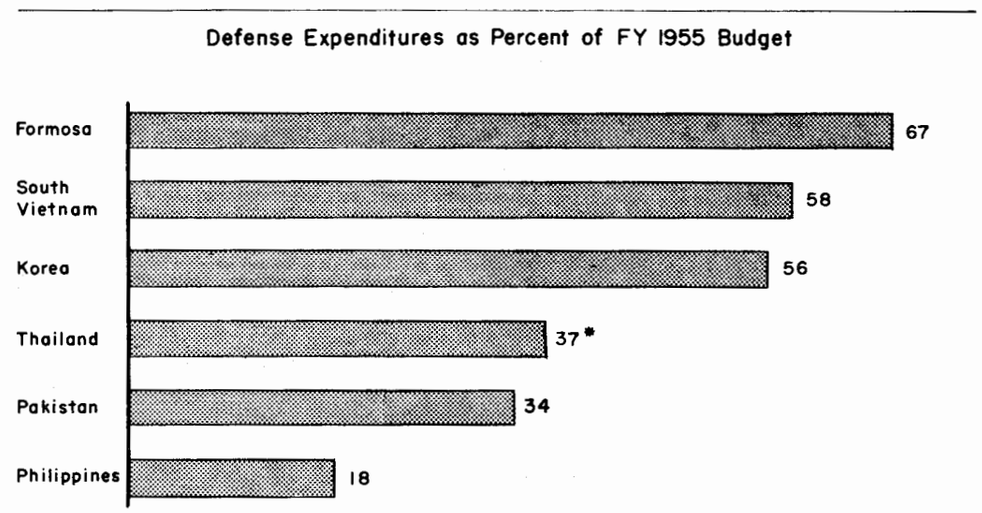


* 1954 FOA estimates

FOOD OUTPUT



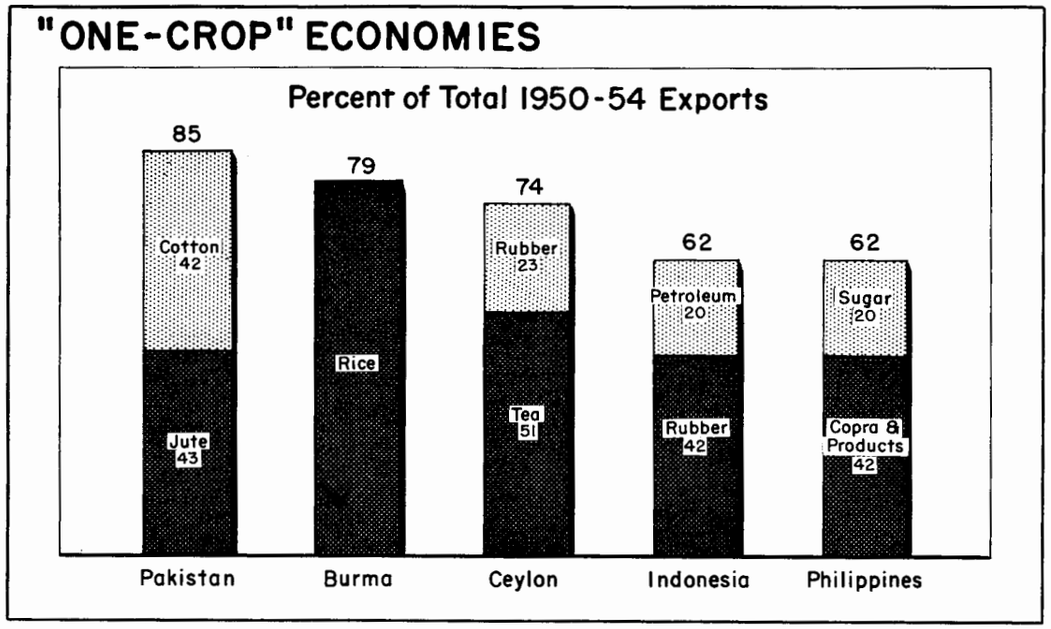
DEFENSE EFFORT

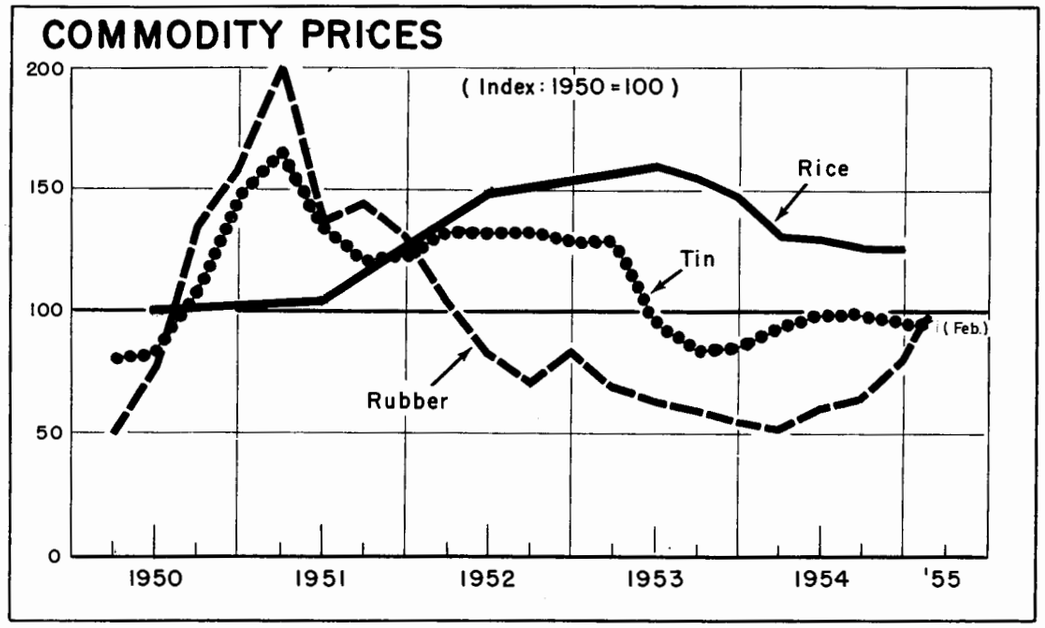


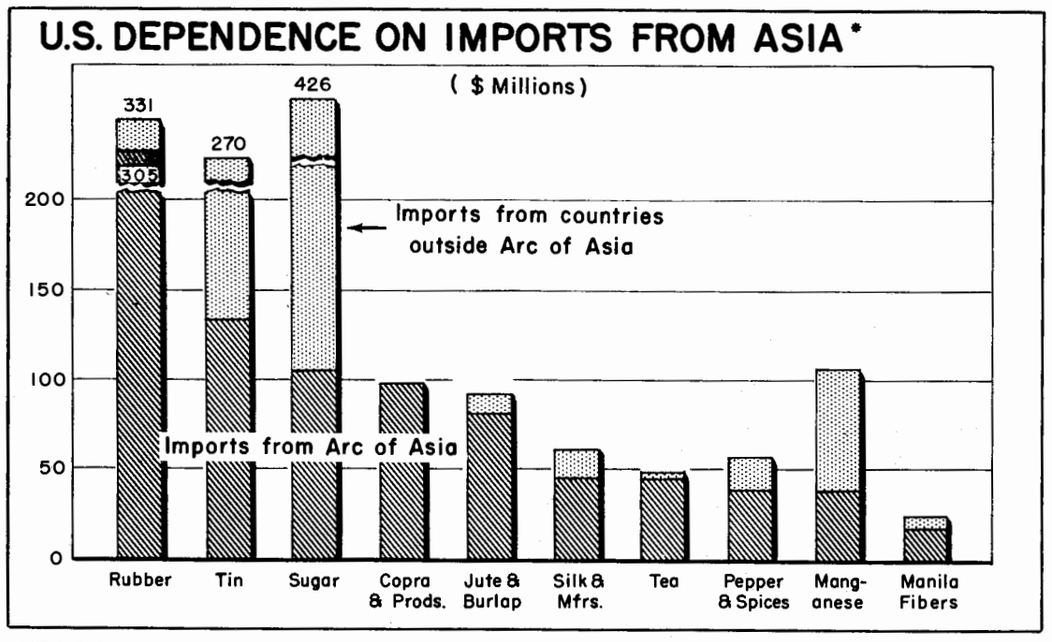
*FY 1954

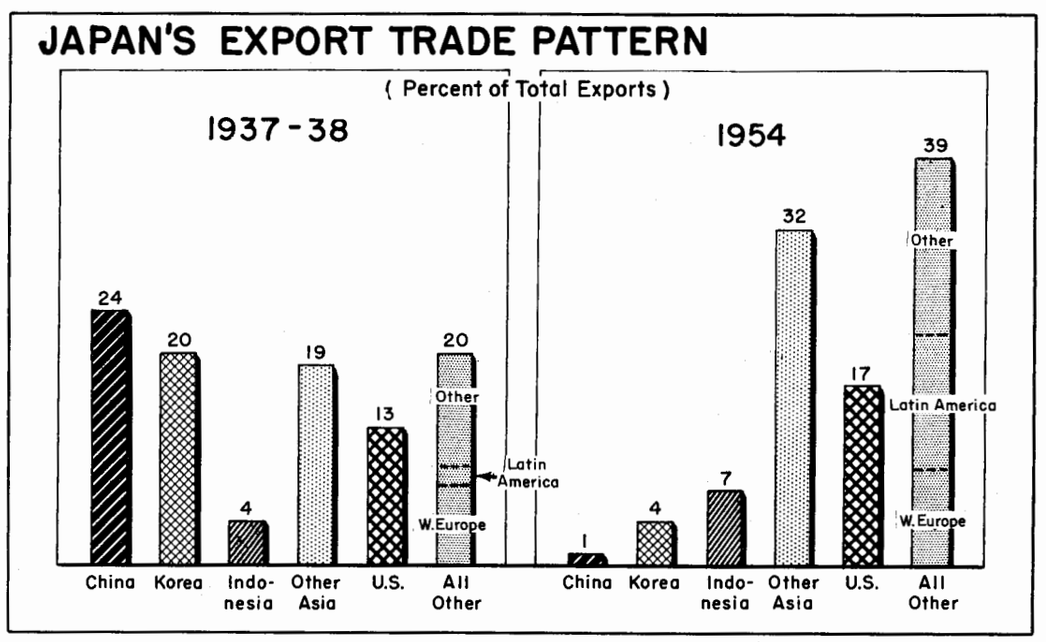
Revised May 18, 1955

ASIA-REGIONAL SUMMARY



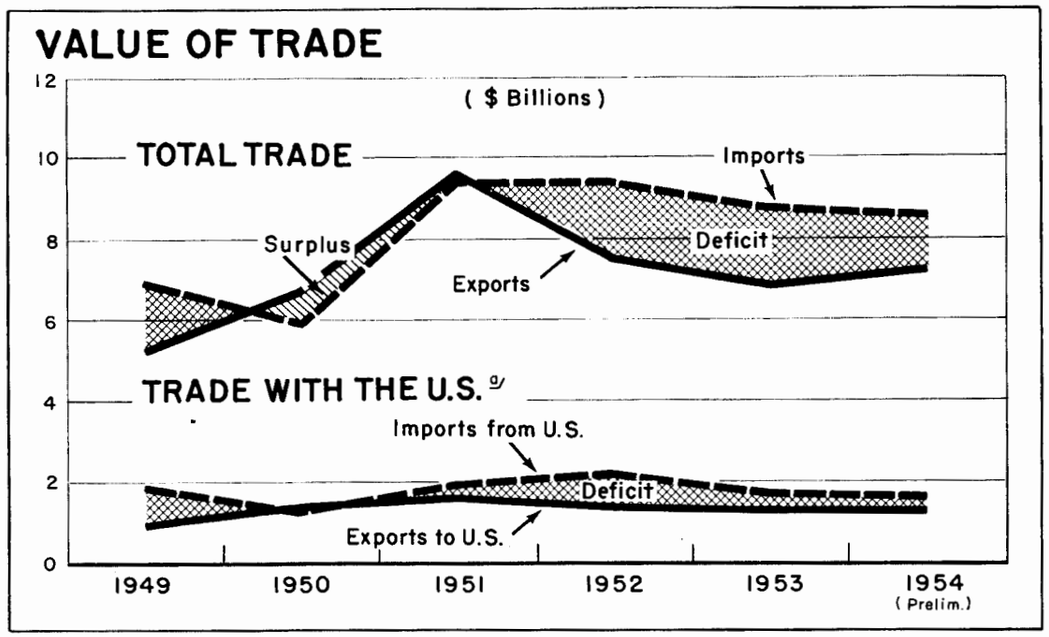






* 1953 U.S. Customs data

ASIA - REGIONAL SUMMARY



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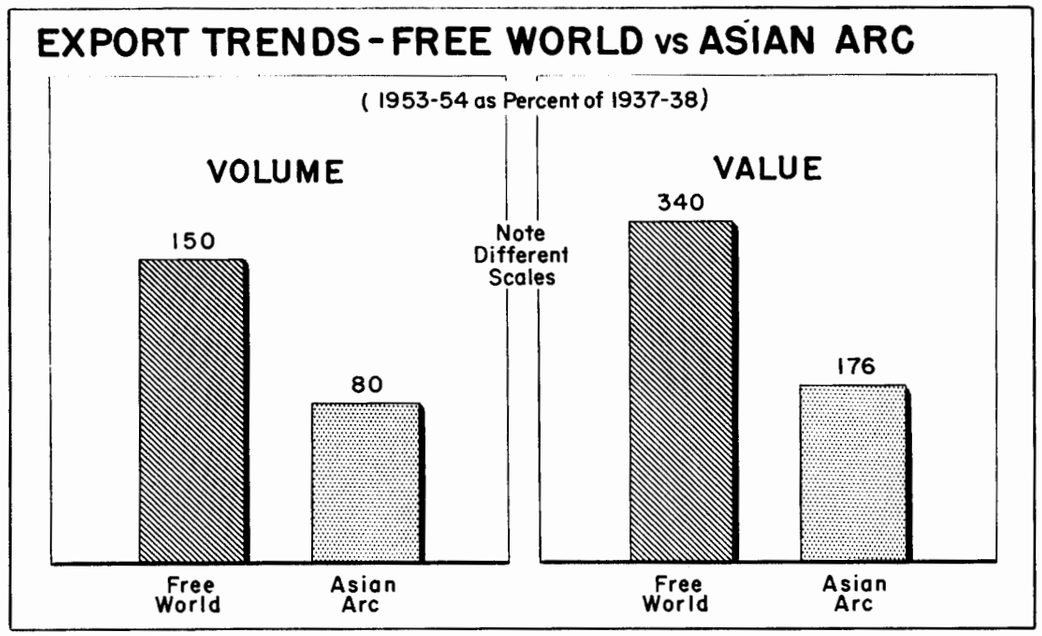

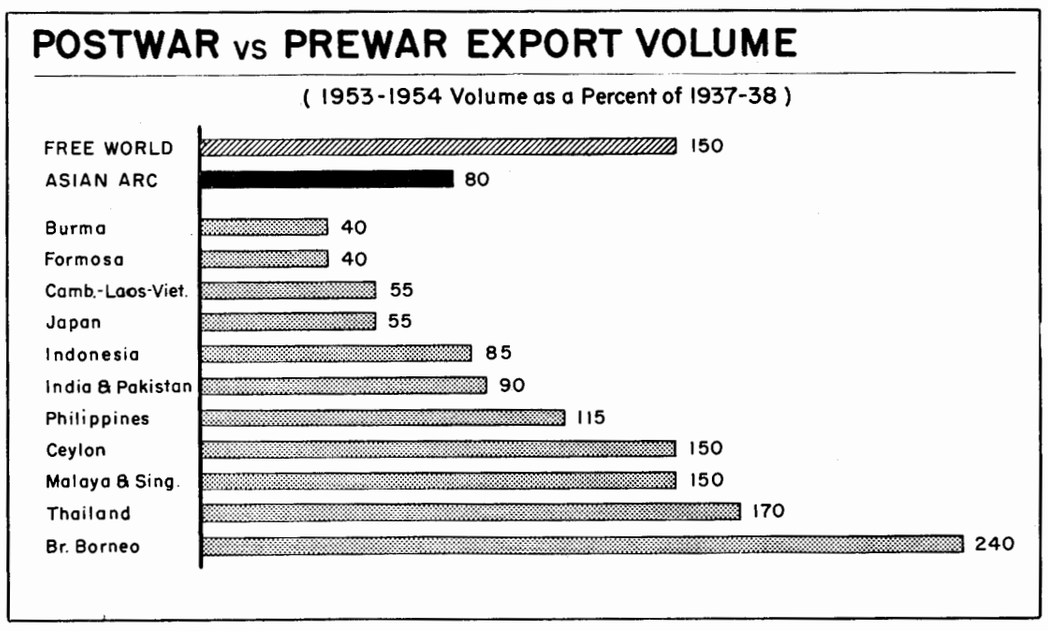

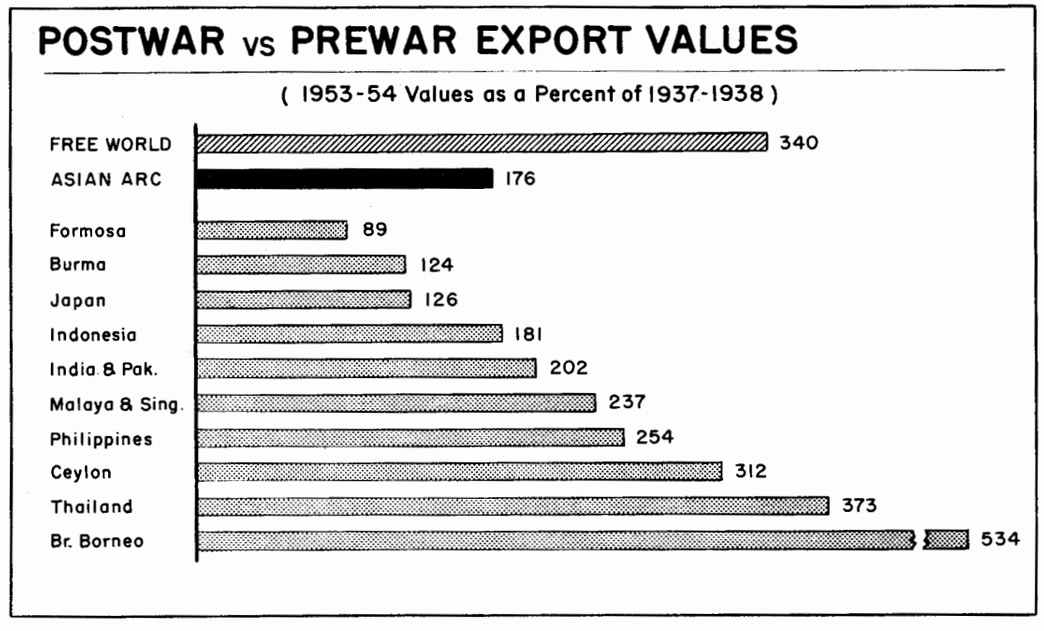

ASIA FACT SHEET

ITEM	DATE	UNIT	FREE WORLD TOTAL	ASIA (Countries Listed) TOTAL	ASIA (Countries Listed) PERCENT OF FREE WORLD	AFGHANISTAN	BRITISH BORNEO	BURMA	CEYLON	FORMOSA	INDIA	CAMBODIA-LAOS-VIETNAM TOTAL	CAMBODIA	LAOS	VIETNAM (SOUTH)	INDONESIA	JAPAN	KOREA (SOUTH)	MALAYA AND SINGAPORE	NEPAL	PAKISTAN	PHILIPPINES	THAILAND	PERCENT OF U.S. SUPPLY FROM REGION
POPULATION	1954	Millions	1,730	771[a]	45	12	1	19	8	10	377	17	4	2	11	81	88	22	7	7	78	21	20	--
LAND AREA	--	1000 Sq.mi.	38,700	3,665[a]	9	251	79	261	25	14	1,270	224	67	91	66	576	142	38	51	54	366	116	198	--
GNP[†]																								
Total	1954[E]	$ Millions	770,200	81,635[a]	11	650	400	980	1,025	1,480	26,410	1,450	n.a.	n.a.	n.a.	10,400	21,225	1,905	2,150	375	6,345	4,245	1,795	--
Per capita	"	U.S. $	442	105[a]	--	54	400	51	122	146	70	88	n.a.	n.a.	n.a.	128	241	87	303	54	61	198	90	--
AGRICULTURAL OUTPUT																								
Abaca	1954[P]	1000 M.T.	114	105	92	--	2	--	--	--	--	--	--	--	--	2	--	--	--	--	--	101	--	76
Copra and coconut oil[b]	1953[P]	"	1,800	1,470	82	--	10[E]	--	140	--	140	--	--	--	--	550	--	--	100	--	--	520	10	65
Cotton, raw	1954[P]	"	7,240	1,148	16	9	--	20	--	1	835	*	n.a.	n.a.	n.a.	*	--	17	--	--	266	*	*	61[c]
Jute	"	"	1,420	1,352	95	--	--	--	--	10	572	--	--	--	--	--	1	--	--	7[E]	762	*	--	100[c]
Palm oil	1953	"	1,060	211	20	--	--	--	--	--	--	--	--	--	--	161	--	--	50	--	--	--	--	27
Pepper	"	"	36	36	100	--	9	--	--	--	22	*	*	--	*	5	--	--	*	--	--	--	--	100
Rice, rough	1954[P]	"	118,700	101,025	85	n.a.	150[E]	6,700	650	2,220	38,560	3,565	1,100	480	1,985	10,400	11,340	3,270	700	n.a.	13,380	3,060	7,030	--
Rubber, natural .	1954	"	1,830	1,719	94	--	40[E]	14[P]	95	--	22	75	24	--	51	757	--	--	594	--	--	2	120[E]	95
Sugar[d]	1953[P]	"	30,800	4,012	13	--	--	23	--	700	1,200	6	--	--	6	620	44	--	--	--	83	1,300	36	23[c]
Tea	"	"	590[E]	555	94	--	--	--	160	12	275	--	--	--	--	37	45	--	2	--	24	--	--	96
MINERAL OUTPUT																								
Bauxite	1953	1000 M.T.	13,000	377	3	--	--	--	--	--	72	--	--	--	--	150	--	--	155	--	--	--	--	*
Chromite	"	"	3,150	688	22	--	--	--	--	--	66	--	--	--	--	--	38	--	--	--	24	560	--	32
Coal[e]	1954	"	1,080,000[E]	85,275	8	15[E]	--	--	--	2,120	37,360	--	--	--	--	890[P]	43,200	890	80[E]	--	560	160[E]	--	--
Graphite	1953	"	120	33	28	--	--	--	7	--	1	--	--	--	--	--	4	21	--	--	--	--	--	(f)
Iron ore	1954	"	226,000[E]	8,235[d]	4	--	--	--	--	--	3,930	--	--	--	--	--	1,510	30	1,230	--	--	1,435	10[E]	--
Manganese ore ...	1953	"	5,800[E]	2,156	37	--	--	--	--	--	1,930	--	--	--	--	17	184	3	--	--	--	22	--	37[E]
Petroleum, crude.	1954	"	621,400	16,643	3	--	4,350[E]	180	--	3	300[E]	--	--	--	--	10,750[E]	300	--	--	--	260	--	--	--
Tin, in concentrates .	"	"	169	110	65	--	--	1	--	--	--	*	--	*	--	36	1	--	62	--	--	--	10	69
Titanium	1953	"	1,030	247	24	--	--	--	--	--	220	--	--	--	--	--	*	--	27	--	--	--	--	--
Tungsten	1952	"	34	6	18		--	--	--	--	*	--	--	--	--	--	*	4	*	--	--	--	2	22
INDUSTRIAL OUTPUT																								
Crude steel	1954	1000 M.T.	166,500	9,472	6	--	--	--	--	25	1,700	--	--	--	--	--	7,740	--	--	--	--	2[E]	5[E]	--
Electric power ..	"	Mill. KWH	1,135,000	73,750[a]	6	--	10[E]	70[E]	160[P]	1,800	7,490	157[E]	16[E]	1[E]	140[E]	500[E]	59,770	900	1,190[P]	--	380[P]	700	130[E]	--
Cement	"	1000 M.T.	159,000	17,615[a]	11	--	--	--	70[E]	540	4,460	--	--	--	--	150[E]	10,680	60	90	--	685	400[P]	380	--
Cotton fabrics ..	"	Mill. Mtr.	n.a.	7,920	n.a.	--	--	1[E]	9[E]	160	4,590	--	--	--	--	--	2,700[E]	120	--	--	320	20	--	--
TRADE AND FINANCE																								
Total foreign trade	1954	$ Millions	149,400	15,880[a]	11	80[E]	310[E]	450	675	305	2,410	521	120	16	385	1,485	4,030	315	2,040	15	685	945	590[E]	--
Gold and foreign exchange 12/31/54		"	49,200[g]	6,050[a]	12	49[E]	(h)	142	200	n.a.	1,782	78	n.a.	n.a.	n.a.	299	1,237[E]	115	850[h,E]	6[E]	328[i]	285	273	--
Gold & dollars .	"	"	*41,850*[g]	*2,150*[a]	*5*	*44*[E]	(h)	*28*	*15*	n.a.	*331*	*6*	n.a.	n.a.	n.a.	*179*	*837*[E]	*108*	—	6[E]	*39*[i]	*285*	*226*	--
Sterling	"	"	*7,350*[g]	*3,550*[a]	*53*	*2*[E]	(h)	*109*	*185*	n.a.	*1,451*	—	n.a.	n.a.	n.a.	*30*	*208*	*7*	*850*[h,E]	--	*289*[i]	--	*47*	--
Other exchange.	"	"		*350*[a]		*3*[E]	(h)	*5*	—	n.a.	—	*72*	n.a.	n.a.	n.a.	*90*	*192*	—	—	—	—	--	—	--

P-Preliminary. E-Estimate. *-Less than one-half the unit. — Nil or negligible. n.a. -Not available. †Data not adjusted for inequalities in purchasing power of dollar equivalents.

[a]Including Hong Kong. [b]Oil equivalent. [c]Percent of U.S. 1953 imports. [d]Centrifugal sugar; India and Pakistan also produce substantial quantities of non-centrigual sugar for domestic consumption.

[e]Including hard coal equivalent of lignite. [f]Ceylon supplied 100% of U.S. supply of strategic grades of amorphous graphite in 1952. [g]Holdings of official government institutions only; excludes holdings of international institutions.

[h]British Borneo included with Mayaya and Singapore. [i]Holdings of Issue Dept. of the State Bank only.

ASIA

ALL PROGRAMS, EXCLUDING MILITARY ASSISTANCE

Summary of Programs by Country

(In thousands of dollars)

Country	Program FY 1954	Program FY 1955	Proposed FY 1956
South Asia			
Afghanistan	2,510	1,946	2,000
India	86,846	84,428	85,000
Nepal	744	2,447	2,000
Pakistan	22,734	72,120	92,000
Undistributed by country	130	300	
Subtotal	112,964	161,241[a]	181,000
Far East			
Burma	-10,094[b]		
China (Formosa)	108,454	137,648	102,000
Indonesia	3,906	7,000	8,000
Japan	10,000	500	1,000
Korea (including UNKRA)	469,373[c]	498,500[c]	460,000
Philippines	14,450	29,150	28,500
Thailand	8,734	46,550	45,500
Cambodia, Laos, Viet Nam	769,445[d]	473,400	425,000
Undistributed by Country	-525	5,560	
Subtotal	1,373,743	1,198,308[e]	1,070,000
President's Fund for Asian Economic Development			200,000
TOTAL PROGRAMS	1,486,707	1,359,549	1,451,000

a/ Includes $10,735,000 programmed in this area from savings in the prior year program for support of forces in Cambodia, Laos, and Viet Nam.
b/ Deobligation of U.S. assistance provided prior to FY 1954.
c/ Includes, for comparability purposes, non-Mutual Security funds (Dept. of Defense Appropriations) programmed in Korea as follows: in FY 1954 $65,926,459 for Civilian Relief (CRIK) program and $172,033,000 for Direct Forces Support; in FY 1955 $189,600,000 for Direct Forces Support.
d/ Includes $400 million U.S. contribution to support of French Expeditionary Corps.
e/ Includes $19,223,000 programmed in this area from savings in the prior year program for the support of forces in Cambodia, Laos, and Viet Nam.

ASIA

REGIONAL SUMMARY FOR ALL PROGRAMS, EXCLUDING MILITARY ASSISTANCE

Summary by Major Activity Field

(In thousands of dollars)

Programs by Fiscal Year	Total U.S. Cost	Agriculture and Natural Resources	Industry and Mining	Transportation	Labor	Health and Sanitation	Education	Public Admin.	Community Development Social Welfare and Housing	General and Misc.	Import Saleable Commodities	Common Use Items	Other Costs
Direct Forces Support													
1954	329,633											329,633	
1955	296,460											265,560	30,900
1956	285,700											285,700	
Defense Support													
1954	1,059,569	20,166	98,618	40,291	365	6,463	4,024	3,444	33,879	797	419,969		431,553
1955	940,738	25,093	54,661	47,662	10	9,882	1,875	2,760	39,520	14,302	522,573		222,400
1956	827,800	28,125	74,255	56,325		10,065	1,175	695	14,025	14,830	501,905		126,400
Development Assistance													
1954	61,649	9,649	32,000	20,000									
1955	70,935		15,800	18,500		4,700					30,000		1,935
1956	71,000	6,300	20,200	6,500		4,000					34,000		
Technical Cooperation													
1954	35,856	15,641	5,880	2,329	47	7,824	4,568	1,296	6,206	(9,637)			1,702
1955	45,516	14,885	4,379	1,577	1,315	8,081	6,824	3,178	1,565	1,140			2,572
1956	66,500	18,672	8,904	1,540	1,410	9,196	12,670	7,695	3,973	2,080			360
Other Programs													
1954													
1955	5,900					1,300							4,600
1956	200,000												200,000
Total All Programs													
1954	1,486,707	45,456	136,498	62,620	412	14,287	8,592	4,740	40,085	(8,840)	419,969	329,633	433,255
1955	1,359,549	39,978	74,840	67,739	1,325	23,963	8,699	5,938	41,085	15,442	552,573	265,560	262,407
1956	1,451,000	53,097	103,359	64,365	1,410	23,261	13,845	8,390	17,998	16,910	535,905	285,700	326,760

ASIA

REGIONAL SUMMARY FOR ALL PROGRAMS, EXCLUDING MILITARY ASSISTANCE

Summary by Major Cost Components

(In thousands of dollars)

Programs by Fiscal Year	Total U.S. Cost	Supplies and Equipment	U.S. Government Technicians		Contract Services		Participants		Other Costs
			No. of Persons	Cost	No. of Persons	Cost	No. of Persons	Cost	
Direct Forces Support									
1954	329,633	329,633							
1955	296,460	265,560							30,900
1956	285,700	285,700							
Defense Support									
1954	1,059,569	594,415	550	3,240	103	17,677	629	2,684	441,553
1955	940,738	709,253	397	3,305	221	10,661	373	1,649	215,870
1956	827,800	683,415	192	2,920	439	14,340	170	825	126,300
Development Assistance									
1954	61,649	61,649							
1955	70,935	70,915	6	20					
1956	71,000	71,000							
Technical Cooperation									
1954	35,856	17,106	295	4,432	219	10,005	701	2,731	1,582
1955	45,516	16,978	572	7,648	432	12,781	1,411	6,026	2,083
1956	66,500	26,408	848	13,292	599	17,122	2,050	8,899	779
Other Programs									
1954									
1955	5,900	1,300							4,600
1956	200,000								200,000
Total All Programs									
1954	1,486,707	1,002,803	845	7,672	322	27,682	1,330	5,415	443.135
1955	1,359,549	1,064,006	975	10,973	653	23,442	1,784	7,675	253,453
1956	1,451,000	1,066,523	1,040	16,212	1,038	31,462	2,220	9,724	327,079

AFGHANISTAN

BASIC DATA

			Afghanistan	Asian Arc	U.S.
Population (1954)..... millions	12	Gross national product#			
Annual growth ..... percent	3	Total (1954 est.) mill $	650	-	-
Area..... 1,000 sq.mi.	251	Per capita ..... $	54	105	2,200
Agricultural land..... percent	46	Literacy rate.... percent	4	32	97
Potentially productive land ..... percent	5	Road miles per 1,000 sq.mi.	24	220	1,100
Agricultural land per capita..... acres	6				

TRADE AND PAYMENTS

	1938	1951	1952	1953	1954
		(millions of US $)			
Exports, f.o.b.a/			37	31	
Imports, c.i.f.a/			28	26	
Trade balancea/			9	5	
Principal Exports					
Karakul skins e/ mill. $		15	8	4	8
Fruits, nuts, cotton and wool			Not available		
Trade with U.S. (U.S. Customs data)					
Exports to U.S.		23	15	15	14
Imports from U.S.		5	4	3	3
Balance		18	11	12	11
Gold and foreign exchange reserves - Mar. 31		59	53	49	49

EXTERNAL RESOURCES

	1950	1951	1952	1953	1954	Program 1955	Program 1956
			(millions of US $)				
FOA obligations (fiscal years)	-	0.1	0.3	2.2	2.5	1.9	2.0
			(calendar years)				
Ex-Im Bank disbursements	-	10.8	6.0	2.1	1.6b/		
IBRD disbursements	-	-	-	-	-		

PRODUCTION

	1938	1951	1952	1953	1954
Agricultural products: cotton, wool, karakul skins, wheat, sugar beets, fruits, oilseeds		Not available			
Major industries: cotton gins, textile mills, sugar refinery, boot factory, slaughter house, coal mining		Not available			

FINANCES

	1951	1952	1953	1954	1955c
	(millions of US $)				
Central government budget - years ending March 20					
Revenue	22.5	26.1	29.2	35.0	36.5
Expenditure	31.9	34.0	39.5	39.9	49.3
Defense	5.8	6.3	7.9	8.1	9.6
Surplus or deficit (-)	-9.4	-7.9	-10.3	-4.9	-12.8
As % of total revenue	-42%	-30%	-35%	-14%	-35%
Defense expend. as % of budget	18%	19%	20%	20%	19%
Prices (Index Jan. 1952=100)					
Cost of living			109d/		

\# Estimated in U.S. dollars by FOA.
a/ Excludes trade with U.S.S.R.
b/ Undisbursed balance as of December 31, 1954: $19 million.
c/ Estimate.
d/ July 15, 1953.
e/ Estimated data. 1951 figure average for earlier years.

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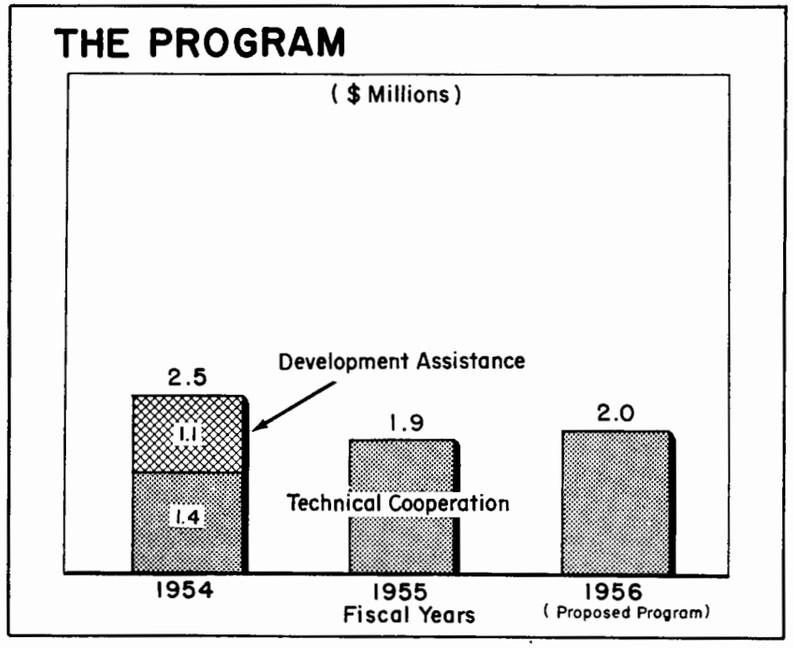
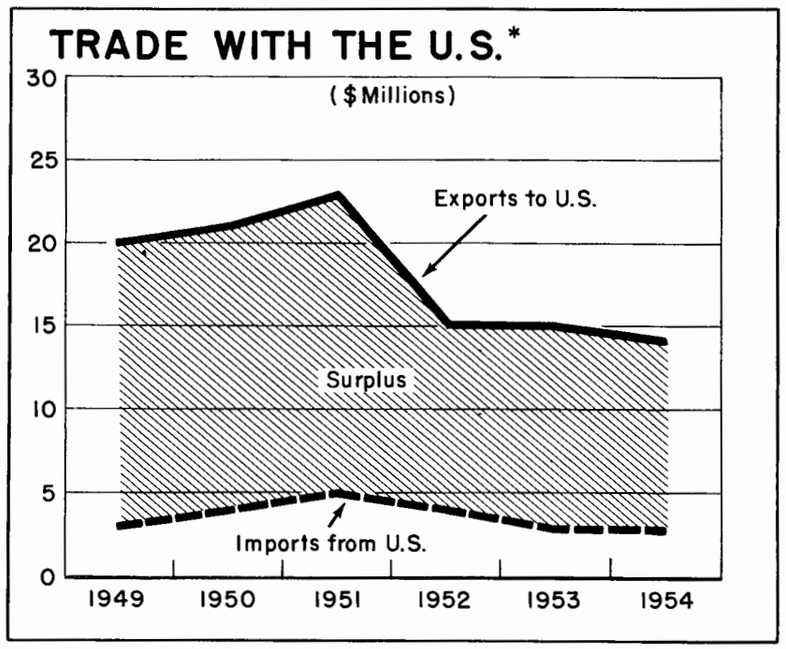
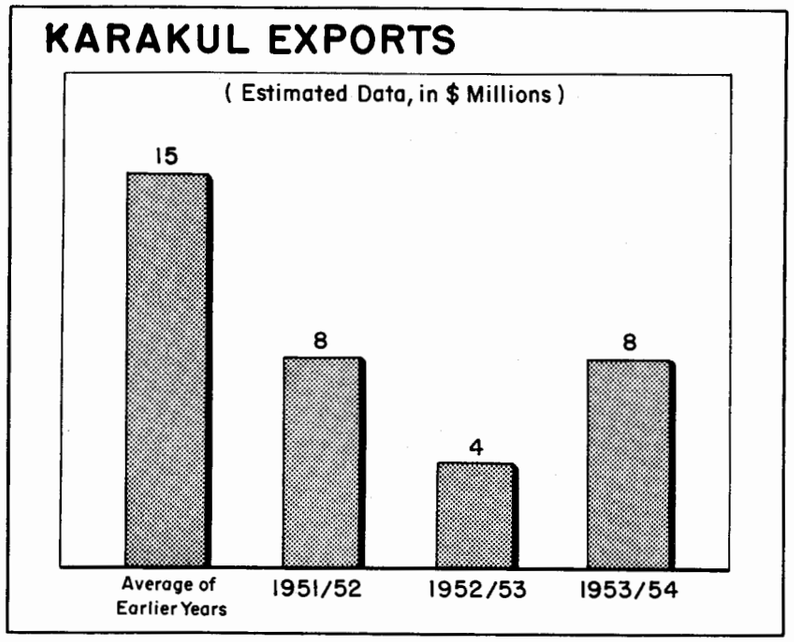
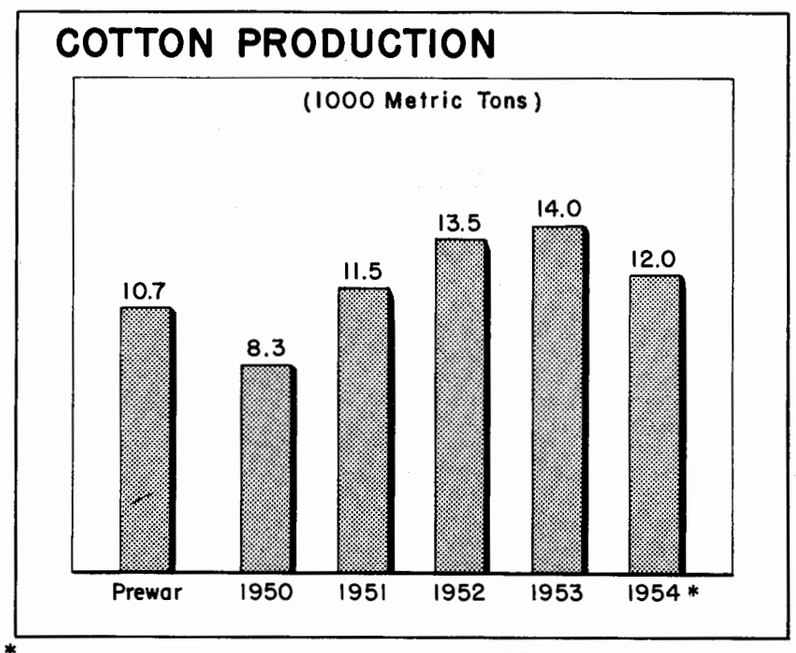
AFGHANISTAN





* Value at U.S. ports





* Excludes short-staple cotton exported to the U.S.S.R

SOUTH ASIA

INDIVIDUAL COUNTRY DATA

Country: AFGHANISTAN

Summary of Program by Function

(In thousands of dollars)

Function	Program FY 1954	FY 1955	Proposed FY 1956
Development Assistance	1,149		
Technical Cooperation	1,361	1,946	2,000
Total Country Program	2,510	1,946	2,000
MSP Sales Surplus Agricultural Commodities			
1. Sales to This Country	1,215	-	-
2. Sales Proceeds Programmed in This Country	1,215	-	-

General Narrative Statement

Current Situation

Afghanistan, a constitutional monarchy with a bi-cameral parliamentary system, is dominated by its royal family which holds the premiership and several key ministries of the Government. This ruling group has demonstrated a sincere dedication to economic and social development.

Afghanistan, situated on the southern borders of the USSR, with people in its north of the same racial origin as those of the Soviet side of the border, has maintained friendly relations with the nations of the Free World. Recent developments indicate greatly increased Soviet Bloc economic activity in Afghanistan. Afghanistan's relations with her southern neighbor, Pakistan, have been marred by a dispute arising out of Afghanistan's claims concerning the status of the Pushtu tribesmen living in the northwest of Pakistan. This dispute is particularly unfortunate, for land-locked Afghanistan's trade route with the free world lies through the seaport of Karachi in Pakistan.

In general, Afghanistan's foreign policy has been directed toward insuring its continued independence and reflects the desire to develop its resources and improve the standard of living of its people.

The economy of the country, like that of other underdeveloped nations of the area, is mainly agricultural; its per capita income is extremely low by U. S. standards. A recent estimate is that the per capita income of its 12 million people is an equivalent of only about fifty-four dollars. Economic conditions generally have not improved in the last twelve months,

General Narrative Statement (Continued)

inflationary pressures are increasing and the standard of living of Afghanistan's small but important middle class has gone down. Only about four percent of the population is literate.

Economic development continues to be hampered by limited primitive communications systems. Economic development and development of more effective communications and other links with the rest of the free world would be beneficial to Afghanistan's total economic situation.

Program Objectives

U. S. aid to Afghanistan is based on the policy of the United States (1) to encourage the strengthening of a stable responsible Government which will resist ideologies inimical to the growth of freedom and democracy, and (2) to encourage the development of a firmer basic economy in which aspirations of the people are met through improvement in their living standards.

In Fiscal Year 1956, the Technical Cooperation Program will remain at approximately the same level as in FY 1955, and will continue the modest beginnings made in previous years.

In carrying out the overall policy of strengthening the economy, primary emphasis has been placed on technical assistance in the development of the Helmand Valley. This is a project of great importance as a long range development on which the Afghan Government has spent millions of its own funds and for which it has recently concluded an additional loan with the Export-Import Bank.

At the same time, U. S. technical assistance has been given to other long term projects which are designed to bring about a higher standard of living. Projects have been designed to strengthen the education system, to improve agriculture through assistance to the Afghan Ministry of Agriculture and the Vocational-Agricultural School, and to increase coal production. These projects are of great importance, but it has become apparent that while progress is being made in attaining long term objectives there are more immediate objectives which must be given attention in order not to jeopardize overall development plans.

Thus in FY 1956, to the extent possible in view of limited funds and prior commitments to long term projects, U. S. technical assistance objectives will also include (1) the extension of the program to other geographic areas in order to bring U. S. assistance to a larger proportion of Afghan people, (2) the development of projects which will show immediate results and give encouragement to the people.

Projects to meet these objectives will grow out of activities already underway and will be expanded in scope and direction as circumstances indicate. It is anticipated that as these projects develop there will be increased need and opportunity for effective use of development funds to assure and accelerate achievement of overall objectives. An increasingly important consideration in the promotion of Afghanistan's economic stability, is the need for improved communications and trade development. The country's landlocked position stresses the need for improved communications and other facilities which will promote trade with the free world. Such trade facilities would increase the immediate economic return from current development efforts and, thereby, contribute to a cumulative base for further economic progress. Present indications are that Afghanistan's economic development in the coming year may, with the resolution of certain other basis problems, make feasible a program for such development in addition to the proposed technical assistance.

The great need for general improvement in areas other than the Helmand Valley justifies an increasing effort to aid the Afghans in such areas.

General Narrative Statement (Continued)

Progress to Date

This program did not begin until late in 1952 and the total of U. S. annual programs for Technical Cooperation since that time amount to $4,174,000. This total, broken down by years, is as follows: $248,000 in FY 1952; $639,000 in FY 1953; $1,361,000 in FY 1954; and $1,946,000 in FY 1955.

The Afghan Government has been putting into joint U. S.-Afghan projects the equivalent of more than $12 million per year, in local currency and foreign exchange, in connection with Technical Cooperation and Export-Import Bank Loan projects. The first Export-Import Bank Loan was for $21 million in 1950 and was increased by $18.5 million in 1954.

The main emphasis in Afghanistan has been directed to the technical assistance needed in the Helmand Valley Development program which is intended to increase the irrigated land areas and settle as many nomad people as possible in more permanent agricultural communities. An Afghan organization for administration of the Helmand Valley was created, and there is now also an American technical advisory group, called the Helmand Valley Advisory Service, advising the Afghan organization. This group of U. S. technicians is advising the Afghan organization in all phases of engineering, agriculture, health and sanitation, community development, public administration, and training. A Community Development Training School and Demonstration Farms have been established in the Helmand Valley.

Considerable progress has been made in the field of education. This is an important development in view of the great need for trained administrative and technical personnel. In addition, approximately forty Afghans have come to the United States for technical training under the program.

Under contracts with FOA, Wyoming University and Columbia Teachers' College personnel are working in the country. Agreement has now been reached between the U. S. Mission, Wyoming University and the Afghan Government to establish an Institute of Applied Science by combining the School of Vocational Agriculture and the Institute of Technology.

In the field of community development, a contract has been negotiated with the Near East Foundation under which this Foundation will cooperate with the U. S. Mission, the United Nations Mission, and the Afghan Government in training village level workers in all phases of community development for work in villages close to Kabul.

Some progress has been made in assisting the Government in its efforts to increase coal production and improve safety measures and living conditions for miners at small coal mines north of Kabul.

In FY 1954, 12,000 tons of wheat were made available to the Government under Section 550 of the Mutual Security Act of 1951, as amended. It is estimated that approximately twenty-five million afghanis will be derived from the sale of this wheat and will be available in 1955 for economic development on projects mutually agreed upon by the two governments.

The FY 1956 Program

Fiscal Year 1956 technical assistance funds will be used primarily on continuing programs. On the basis of progress in 1954 and 1955, it will be possible to accelerate technical assistance in the fields and on projects which are already underway. These are the Helmand Valley Development program, including Health and Sanitation, the Coal Resources project, the Education program, and the Community Development program near Kabul.

In addition, assistance will be given in the field of Public Administration and in the development of small business. Efforts will be made to extend improved farm practices to additional areas, especially those plagued by famine, and possibilities will be explored to improve communications and transportation within Afghanistan and between Afghanistan and the other countries of the free world.

SOUTH ASIA

Country: AFGHANISTAN

INDIVIDUAL COUNTRY DATA

ALL PROGRAMS, EXCLUDING MILITARY ASSISTANCE

Summary by Major Activity Field

(In thousands of dollars)

Programs by Fiscal Year	Total U. S. Cost	Agriculture and Natural Resources	Industry and Mining	Transportation	Health and Sanitation	Education	Public Administration	Community Development Social Welfare and Housing
Development Assistance								
1954	1,149	1,149						
1955								
1956								
Technical Cooperation								
1954	1,361	781	89	7	120	364		
1955	1,946	843	79		86	851	9	78
1956	2,000	862	64		139	693	80	162
Total All Programs								
1954	2,510	1,930	89	7	120	364		
1955	1,946	843	79		86	851	9	78
1956	2,000	862	64		139	693	80	162

SOUTH ASIA

INDIVIDUAL COUNTRY DATA

ALL PROGRAMS, EXCLUDING MILITARY ASSISTANCE

Country: AFGHANISTAN

Summary by Major Cost Components

(In thousands of dollars)

Programs by Fiscal Year	Total	Supplies and Equipment	U.S. Government Technicians		Contract Services		Participants		Other Costs
			No. of Persons	Cost	No. of Persons	Cost	No. of Persons	Cost	
Development Assistance									
1954	1,149	1,149							
1955									
1956									
Technical Cooperation									
1954	1,361	340	29	282	16	306	43	153	280
1955	1,946	208	33	547	26	920	21	100	171
1956	2,000	208	38	671	35	820	22	115	186
TOTAL All Programs									
1954	2,510	1,489	29	282	16	306	43	153	280
1955	1,946	208	33	547	26	920	21	100	171
1956	2,000	208	38	671	35	820	22	115	186

INDIA

BASIC DATA

			India	Asian Arc	U.S.
Population (1954).....millions	377	Caloric intake	1,950	2,035	3,120
Annual growth..... percent	1.4	% Grains & starches	78	79	29
Area.....1,000 square miles	1,270	Literacy rate.....percent	20	32	97
Agricultural land.....percent	40	Life expectancy.....years	32	35	68
Potentially productive land.....percent	12	Road miles per 1,000 sq.mi.	228	220	1,100
Agricultural land per capita..... acres	0.9	Elec. power per capita ..... KWH per yr.	20	117	3,165

USE OF RESOURCES - 1954

		%
Gross national product (million U.S. dollars).....	26,410	
Consumption.....	22,435	85.0
Gross investment (public and private)	2,100	8.0
Government non-defense expenditure.....	1,330	5.0
Government defense expenditure.....	457	1.7
Net foreign balance,.....	88	0.3
Per capita GNP (dollars).....	70	

(FOA estimates; converted at 4.762 rupees per U.S. dollar)

TRADE AND PAYMENTS

	1938	1951	1952	1953	1954*
		(millions of US $)			
Exports, f.o.b.		1,611	1,295	1,116	1,180
Imports, c.i.f.		1,793	1,695	1,197	1,231
Trade balance		-182	-400	-81	-51
Principal exports[a]					
Jute manufactures: Quantity... 1,000 MT	971	820	720	790	830
Value... $ millions	110	550	265	235	255
Tea: Quantity..... 1,000 MT	152	193	194	213	200
Value ..... $ millions	91	196	169	215	284
Trade with U.S. (U.S. Customs data)					
Exports to U.S.	58	297	272	230	200
Imports from U.S.	33	463	381	152	161
Balance	+25	-166	-109	+78	+39
					Jan-June
Balance of payments					
Balance on goods & Services		-152	-57	51	-3
Net capital		155	71	39	49
Private		23	31	13	9
Official and banking		132	40	26	40
Government grants		3	25	37	10
Long-term capital		75	104	-2	6
Short-term capital		54	-89	-9	24
Change in gold & exch. reserves		-103	-134	+59	+32
Gold and foreign exchange reserves[b] (end of yr.)		1,888	1,729	1,765	1,782

EXTERNAL RESOURCES

	1950	1951	1952	1953	1954	Program 1955	Program 1956
			(millions of US $)				
FOA obligations (fiscal years).....	-	5.1	52.8	44.3	86.8	84.4	85.0
U.S. special program allotments (fiscal years)	-	190.0	-	-	-		
				(calendar years)			
Ex-Im Bank disbursements	-	-	-	-	-		
IBRD disbursements	20.1	10.2	5.7	3.6	1.8[c]		
U.S. private investment (net)							
New direct investment	10	7	9	2			
Reinvested subsidiary earnings	1	4	5	3			
Book value of U.S. direct private investment	38	49	63	68			

PRODUCTION

	Unit	1938	1951	1952	1953	1954*
Industrial production.....	1948=100	89	108	118	124	133
Agricultural production.....	1935-39=100	100[d]	106	110	121	116
Major crops:						
Jute.....	1,000 MT	363[d]	849	836	568	572
Cotton.....	1,000 MT	700[d]	686	648	806	835
Rice, milled.....	1,000 MT	22,582[d]	22,450	25,150	27,390	25,700
Other food grains.....	1,000 MT	21,581[d]	22,667	23,168	25,958	26,182
Major industries:						
Jute manufactures.....	1,000 MT	-	889	967	883	930
Cotton cloth.....	mill. yds.	-	4,076	4,598	4,890	4,989
Steel ingots.....	1,000 MT	-	1,500	1,575	1,530	1,720

FINANCES

	1951	1952	1953	1954[e]	1955[e]
	(millions of US $)				
Central government budget - year ending March 31					
Revenue.....	1,163	1,417	1,265	1,166	1,285
Expenditure.....	1,265	1,433	1,458	1,727	2,223
Defense.....	374	389	396	436	465
Capital outlay	205	226	190	269	460
Other non-defense.....	686	818	872	1,022	1,298
Surplus or deficit (-)	-102	-16	-193	-561	-938
As % of total revenue	-9%	-8%	15%	48%	76%
Defense expend. as % of budget..	30%	27%	27%	25%	21%
Defense expend. as % of GNP.....	1.6%	1.7%	1.7%	1.8%	1.8%
Prices (Index 1948=100)					
Wholesale.....	120	105	107	105	98 (Feb.)
Cost of living.....	107	105	108	104	

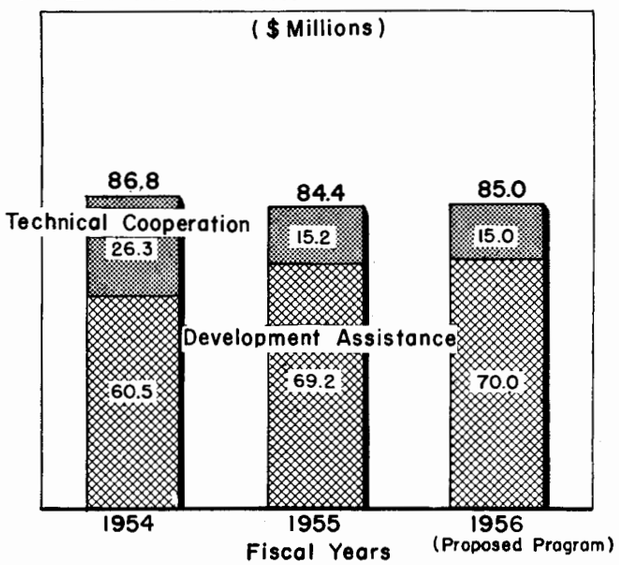
* 1954 data partly preliminary or estimated.
a Years beginning April 1 of year stated.
b Reserve Bank only.
c Undisbursed balance as of December 31, 1954: $60.6 million.
d Prewar average.
e Revised budget estimates.

Revised May 18, 1955

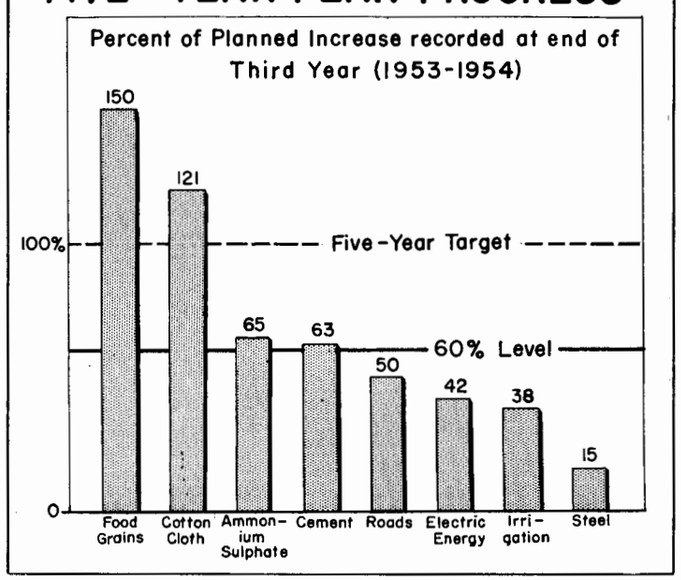
Previous Page Blank

INDIA

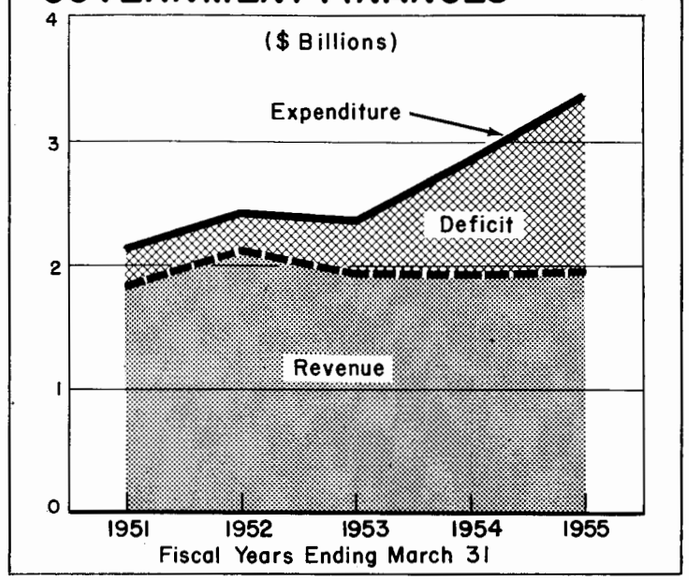
THE PROGRAM



FIVE-YEAR PLAN PROGRESS

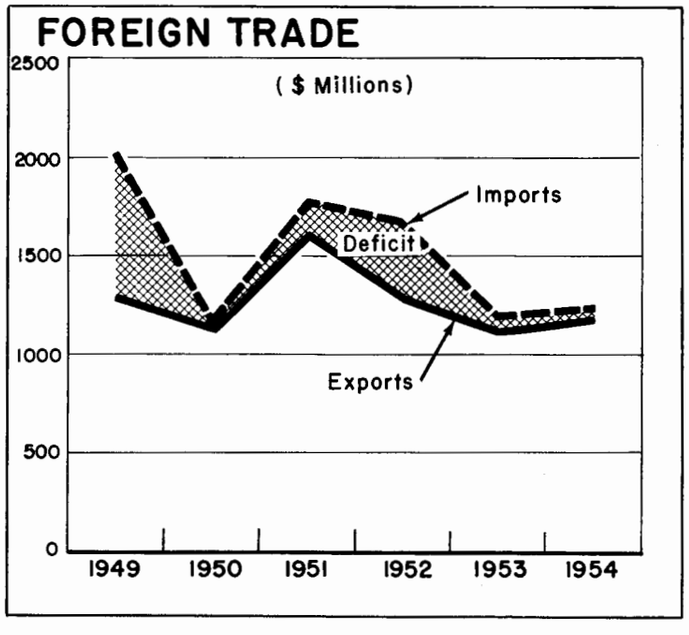


GOVERNMENT FINANCES*

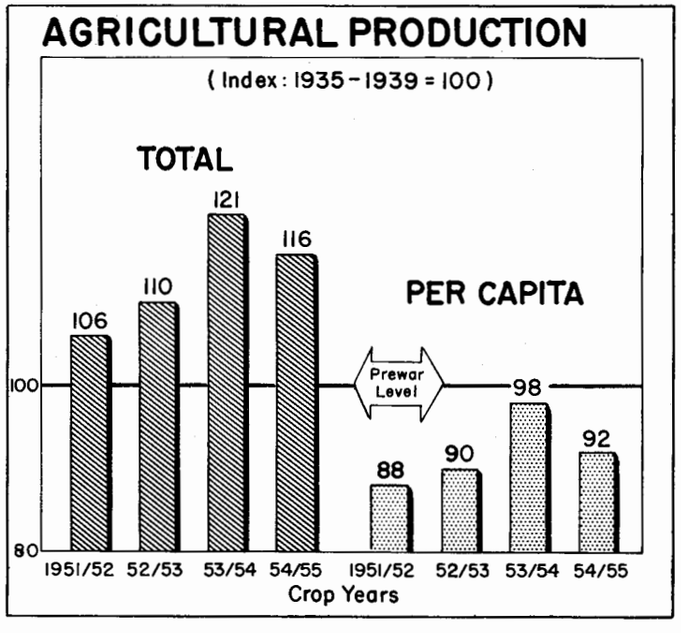


*CENTRAL AND STATE GOVERNMENT BUDGETS COMBINED.

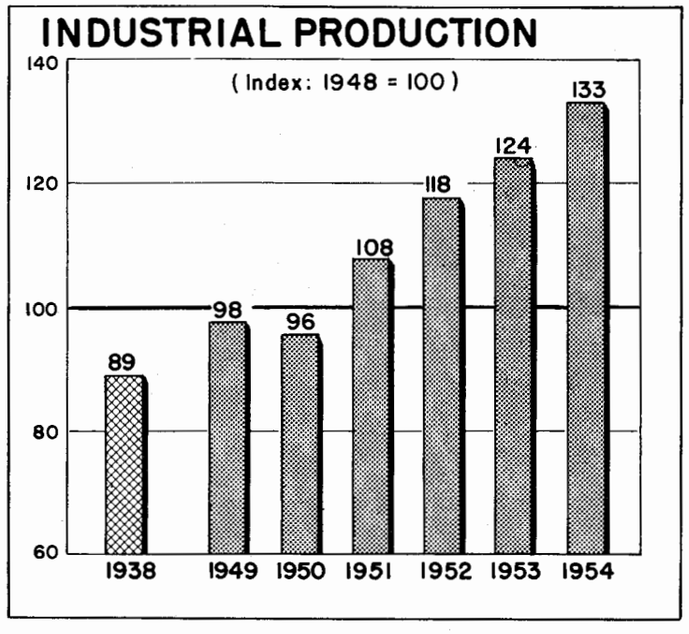
FOREIGN TRADE



AGRICULTURAL PRODUCTION



INDUSTRIAL PRODUCTION



SOUTH ASIA

Country: INDIA

INDIVIDUAL COUNTRY DATA

Summary of Program by Function

(In thousands of dollars)

Function	Program FY 1954	Program FY 1955	Proposed FY 1956
Development Assistance	60,500	69,260	70,000
Technical Cooperation	26,346	15,168	15,000
Total Country Program	86,846	84,428	85,000
Of Which Financed by Loan:			
Development Assistance	-	45,000	-
MSP Sales Surplus Agricultural Commodities			
1. Sales to this country	-	26,000	30,000
2. Sales proceeds programmed to this country	-	26,000	30,000

General Narrative Statement

Current Situation

India is a major country in the key South Asian sector of free Asia. As the largest democracy in Asia and the world, with substantial political, cultural, and economic ties with the free Western world, the stability and economic progress of India are of great importance to the future of Asia and the rest of the free world.

Economic development, although small in comparison with the ultimate goals, is steady, and this, together with relative political stability, characterize the situation in India today. At the close of the fourth year of India's First Five Year Plan of national economic development, India's efforts have resulted in real progress. Among the most important gains is the improvement in the food situation. Industrial output has been rising at about 5 percent a year. Per capita food consumption, however, remains at among the lowest levels in the world, and India is still faced with the serious problems of unemployment and underemployment. It has been estimated that at least 20 million people are unemployed; and perhaps half of the rural population is unemployed except during the four-or five month growing season.

General Narrative Statement (Continued)

Thus, although genuine progress has been made in a number of important economic areas, India's major problems remain to be solved, in the process of which difficult decisions will have to be made, involving considerable economic risks. The very great effort entailed in the development program which is now about to enter the critical final year has been able so far to raise standards of living only minutely. This effort has been backed by a bold financing program despite the inherent threat of inflation. The Indian Government incurred a budget deficit estimated at $450 million equivalent in 1954-55, and the government plans to borrow about $670 million from the Central Bank in 1955-56 in order to help finance economic development. Tentative planning for the Second Five Year Plan contemplates development expenditure at the rate of about $2 billion a year, of which $400-500 million annually is expected to be in the form of foreign exchange. These amounts are modest in terms of the need to create employment opportunities and to provide a moderate rise in the standard of living for the Indian people; but investment at this rate may place severe strains on India's internal as well as external resources. Without substantial foreign aid plus success in its own efforts to improve agricultural and industrial production, India's development plans may prove to be considerably beyond its capacity.

The Communist Party within India has made little progress within recent years. This is partly because of a growing awareness within India of its threat to present free institutions, and partly because living conditions have improved slightly under the present non-Communist democratic leadership. The Congress Party recently defeated the Communists in free elections in the state of Andhra. The coming fiscal year will be especially crucial in this connection since general elections will be held again in nearly all of the states of India in late 1956.

Program Objectives

India has a strong and stable democratic government, which has opposed domestic Communist influence very effectively. We desire to see it remain a strong democratic state. India's ability to continue to do so rests in large part on the ability of its government to meet the demands of its people for perceptible rises in their standard of living, under democratic institutions and procedures. The U.S. program in India is designed to stimulate economic progress and thus strengthen the people's faith in democratic government. These are fundamental goals on which the U.S. and India fully agree.

The Indian Government is striving to double present per capita income of $56 by 1977. The first step in this process is the First Five Year Plan, ending in 1956, to be followed by a Second Five Year Plan, 1956-61, considerably more ambitious than the present Plan. India's rate of economic development depends largely upon its own efforts; foreign aid has been and can be only a small, although important, element in the total picture. India has so far financed 85 percent of all development expenditure.

Asians everywhere are watching India's economic progress, achieved through democratic means, and frequently compare it to Communist China's achieved by totalitarian methods and aid from the Soviet Union. It is important to our national interests that India, which has made so promising a start, should not fail now in its race with Communist China to show practical results in economic development and improved living standards. Therefore, we are extending both technical and developmental aid to India, supplementing India's own efforts.

1956 is a key year in India. It is an election year in which the people will pass on the progress which their government hopes to have achieved during the preceding five years. The continuation of aid to India in FY 1956 can assist the Indian Government towards meeting its goals as well as demonstrate that U.S. policy in Asia is based upon a desire to help free peoples meet their urgent economic problems.

The U.S.-India aid program is designed to assist India through joint projects in the achievement, insofar as possible, of the targets of the Five Year development program of the

General Narrative Statement (Continued)

Government of India. The first target of the Indo-American technical cooperation program was to assist in increasing the food supply. In the first two years of this program, more than 90 percent of American assistance was earmarked for this purpose. The very good progress made and in prospect permitted greater attention during the third year to the acute problem of unemployment and in the addition of a second target, the speeding up of India's industrialization. Greater assistance was extended to other sectors of the economy such as electric power, transport, and industry, to improve the facilities for industrial growth, and to provide materials to make possible fuller utilization of the very considerable existing industrial capacity.

Without neglecting food output, the program in the current fiscal year reflects even greater emphasis on transport and industry. Steel and fertilizers, materials which are in short supply in India, have continued to be supplied. They strengthen the private sector of the economy and enhance India's capacity to accelerate economic development, and their use helps increase employment. Assistance is provided, as before, for the control of malaria, one of the most serious health hazards in India; for the improvement of educational standards; and the spread of rural community development projects. Other projects have been added to improve sanitation, provide pure water supplies and combat other serious diseases such as filariasis. Each of these projects is undertaken after joint agreement between the Government of India and the U.S. regarding the highest priority for assistance available from the U.S. This assistance has supplemented and complemented both the technical and financial resources available to the Government of India and as a result economic development has been accelerated more rapidly than would otherwise have been possible.

Progress to Date

Food production, a primary target of the program, shows encouraging progress; cereals production has (recently, at least) increased faster than the population. Although good weather was a major factor, improved farming methods, the use of over 200,000 long tons of fertilizer supplied by the U.S., greater irrigated acreage and the use of improved implements, have played important parts in increased food production.

The Community Development Program is a bold attempt by India to meet the problems of the village through self-help in the fields of agricultural extension, cottage industry, basic education, and improved health and sanitation practices. Village and extension workers trained during the past two years have begun to reach 47 million of India's people.

Through contracts with universities in the U.S., eight agricultural and engineering schools in India are being helped to re-orient their knowledge to the task at hand. Significant progress has been made in fisheries, insect control, minor irrigation, soil conservation and land reclamation.

Major progress is being made on irrigation through the construction, mostly under private contract, of 3,000 deep wells for the Ganges Plain. Of these 1,150 have been drilled and 850 completed. When all are completed they will irrigate more than 1,000,000 acres. Construction equipment and technical assistance have been supplied to speed the building of a number of water storage dams which will provide irrigation on over 4,000,000 acres. Among these dams are Hirakud, Kakrapar, Mahi, Chataprabha, Jawi, Tunga Anicut, and Gangapur. These will increase food grain production by over 2 million tons annually when completed.

The U.S. has contributed to several projects which help India accelerate its industrial development. Steel has been supplied for the production of farm machinery and to help industry operate at increased levels of production. Some of the steel has gone to transport rehabilitation. During FY 1954 the United States assisted in the rehabilitation of the Indian railways by undertaking to procure 100 locomotives and 5,000 freight cars. $10 million of FY 1955 funds are being used to purchase additional freight cars.

Seventy-five million rupees ($15 million equivalent) from the proceeds of FOA-financed steel have been made available to augment the capital of the Industrial Credit and Investment Corporation of India, Ltd., a privately-managed corporation recently established in India; it will assist in private industrial development, by making long-term loans, supplying other types of capital, rendering advisory technical and management assistance, and encouraging investment of foreign private capital, along with Indian private capital.

General Narrative Statement (Continued)

Advances have also been made in health. The national malaria control program, for example, for which FOA supplied DDT and sprayers for the first three years of operations, is currently providing protection for well over 130 million persons.

The FY 1956 Program

The total program proposed for India in FY 1956 is $85 million. Of this amount, $70 million is for development assistance. The maximum amount possible of the development assistance program will be made available on terms of repayment.

Technical Cooperation

In general, the distribution of technical cooperation funds parallels that of previous years. Principal emphasis continues to be in fields of agriculture, health and sanitation, and industry and mining. A somewhat smaller proportionate contribution will be made in the field of community development than in the early years of the program, principally as a result of a reduction in the funds for supplies and equipment. This reflects the fact that significant progress has already been made in establishing training centers and other facilities needed to carry out the program. It is anticipated that significant progress can be made in the labor program, although it will still remain as a small part of the total. The same is true of public administration, for which inter-university contracts will undoubtedly provide the best approach. In the field of education, it is anticipated that a modest increase will take place in inter-university contract activities.

Development Assistance

The FY 1956 development assistance program for India totals $70 million. It is proposed to devote a total of $10 million to the field of agriculture and natural resources, including: $4 million for fertilizer to meet the rising demand before the completion of additional manufacturing facilities; $4 million for additional deep irrigation wells in the areas shown by the exploratory program to justify the drilling of production wells; and $2 million for river valley development to assist in further expansion of irrigation.

To meet the expanding demand for power as industrial development progresses, $5 million assistance in the construction of electric power facilities is proposed. Further support for industrial development is expected to take the form of steel in the amount of $15 million, to help meet the shortage in India. Some part of this may be used, however, for aid to small rural industries by supplying equipment and making possible increased employment in rural areas.

Assistance in the field of transportation is proposed in the amount of $6 million; this will support agriculture, mineral and industrial development as well as foreign trade. This would represent a continuation of the program to rehabilitate the Indian railways. It is planned that steel for fabrication of railway rolling stock in India and equipment to expand freight car fabrication in India will be supplied.

$4 million is to be used to further extend the area of malaria control during FY 1956.

Assistance in the form of agricultural surplus commodities is proposed in the amount of $30 million. The sales proceeds of these commodities are expected to be used for agreed economic development purposes such as local costs of irrigation, flood control, and power.

SOUTH ASIA

COUNTRY INDIA

INDIVIDUAL COUNTRY DATA

ALL PROGRAMS EXCLUDING MILITARY ASSISTANCE

Summary by Major Activity Field

(In thousands of dollars)

Programs by Fiscal Year	Total U. S. Cost	Agriculture and Natural Resources	Industry and Mining	Transportation	Labor	Health and Sanitation	Education	Public Administration	Community Development, Social Welfare and Housing	Import Saleable Commodities	All Other
Technical Cooperation											
1954	26,346	8,850	3,329	1,965	101	5,009	860	8	5,740		484
1955	15,168	7,796	1,624	55	700	3,025	727	43	279		919
1956	15,000	4,035	3,185	150	275	3,912	1,620	145	1,428		250
Development Assistance											
1954	60,500	8,500	32,000	20,000							
1955	69,260		15,800	18,500		4,700				30,000	260
1956	70,000	6,000	20,000	6,000		4,000				34,000	
Total All Programs											
1954	86,846	17,350	35,329	21,965	101	5,009	860	8	5,740		484
1955	84,428	7,796	17,424	18,555	700	7,725	727	43	279	30,000	1,179
1956	85,000	10,035	23,185	6,150	275	7,912	1,620	145	1,428	34,000	250

SOUTH ASIA

INDIVIDUAL COUNTRY DATA

Country: INDIA

ALL PROGRAMS, EXCLUDING MILITARY ASSISTANCE

Summary by Major Cost Components

(In thousands of dollars)

Programs by Fiscal Year	Total	Supplies and Equipment	U.S. Government Technicians		Contract Services		Participants		Other Costs
			No. of Persons	Cost	No. of Persons	Cost	No. of Persons	Cost	
Technical Cooperation									
1954	26,346	19,666	82	1,682	109	4,351	137	612	35
1955	15,168	8,536	109	1,476	115	4,347	153	765	44
1956	15,000	9,271	130	2,076	68	2,470	227	1,135	48
Development Assistance									
1954	60,500	60,500							
1955	69,260	69,260							
1956	70,000	70,000							
Total All Programs									
1954	86,846	80,166	82	1,682	109	4,351	137	612	35
1955	84,428	77,796	109	1,476	115	4.347	153	765	44
1956	85,000	79,271	130	2,076	68	2,470	227	1,135	48

SOUTH ASIA

Country: INDIA

INDIVIDUAL COUNTRY DATA (EXCLUDING MILITARY ASSISTANCE AND TECHNICAL COOPERATION)

Summary of Commodity Imports and Services

(In thousands of dollars)

Illustrative Composition of Country Program	Actual FY 1954	FY 1955 Development Assistance			FY 1956 Development Assistance		
		For Project Use	For Consumption	Total	For Project Use	For Consumption	Total
Commodities							
Food and Agricultural Imports							
Fertilizer			4,000	4,000		4,000	4,000
Wheat			14,000	14,000		30,000	30,000
Cotton			12,000	12,000			
Other Agricultural products		4,500		4,500	4,000		4,000
Total Food and Agricultural Imports		4,500	30,000	34,500	4,000	34,000	38,000
Industrial Imports							
Industrial Raw Materials Semi-finished products	29,500	15,800		15,800	28,000		28,000
Capital Equipment (Machinery and Vehicles)	30,000	18,700		18,700	4,000		4,000
Other Manufactures	1,000	260		260			
Total Industrial Program	60,500	34,760		34,760	32,000		32,000
Total Commodity Program	60,500	39,260	30,000	69,260	36,000	34,000	70,000
Transfer of Cash							
Services							
Total Country Program	60,500	39,260	30,000	69,260	36,000	34,000	70,000

NEPAL

BASIC DATA

			Nepal	Asian Arc	U.S.
Population (1954)	millions	7			
Area	1,000 sq.mi.	54			
Agricultural land	percent	22			
Agricultural land per capita	acre	1			
Gross national product#					
Total (1954 est.)	Mill $..		375		
Per capita	$..		54	105	2,200
Road miles per 1,000 sq.mi.			4	220	1,100

TRADE AND PAYMENTS

	1938	1951	1952	1953	1954
			(millions of US $)		
Exports, f.o.b.			7.2[a]		
Imports, c.i.f.			4.0[a]		
Trade balance			3.2[a]		
Trade with U.S. (U.S. Customs data)					
Exports to U.S. Thous. US $			609	103	120
Imports from U.S. Thous. US $			b	3	4
Balance Thous. US $			+609	+100	+116

PRODUCTION

	Unit	1938	1951	1952	1953	1954
Major crops:						
Jute	1,000 MT	9.9[c]	7.0	7.0	7.0	
Food grains	1,000 MT		2,500			
Major industries:						
Factories producing consumer goods for local consumption; textiles, flour and sugar mills, etc.		NOT AVAILABLE				

EXTERNAL RESOURCES

	1950	1951	1952	1953	1954	Program 1955	Program 1956
			(millions of US $)				
FOA obligations (fiscal years)	-	0.1	0.2	0.5	0.7	2.4	2.0
			(calendar years)				
Ex-Im Bank disbursements	-	-	-	-	-		
IBRD disbursements	-	-	-	-	-		

FINANCES

Central government budget - year ending	1951	1952	1953	1954	1955
	(millions of US $)				
Revenue	3.6	3.8	4.8		
Expenditure	3.0	6.5	6.3		
Defense	1.3	2.2	2.2		
Non-defense	1.7	4.3	4.1		
Surplus or Deficit (-)	0.6	-2.7	-1.5		
As % of total revenue	16%	-71%	-31%		
Defense expend. as % of budget	43%	34%	35%		

[a] April-December. Converted at rate of 8.096 Nepalese rupees per U.S. dollar.

[b] Less than $500.

[c] Prewar average.

Estimated in U.S. dollars by FOA.

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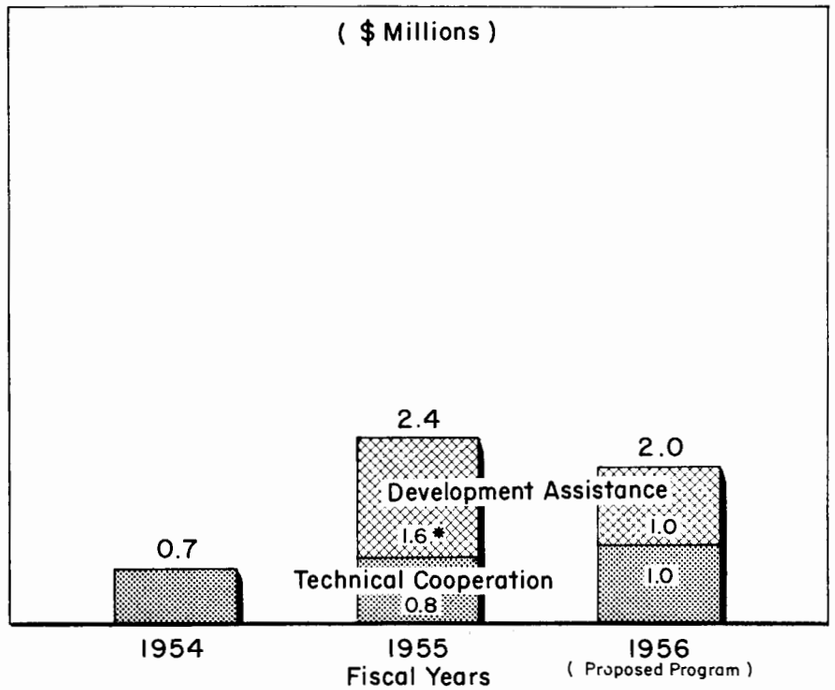
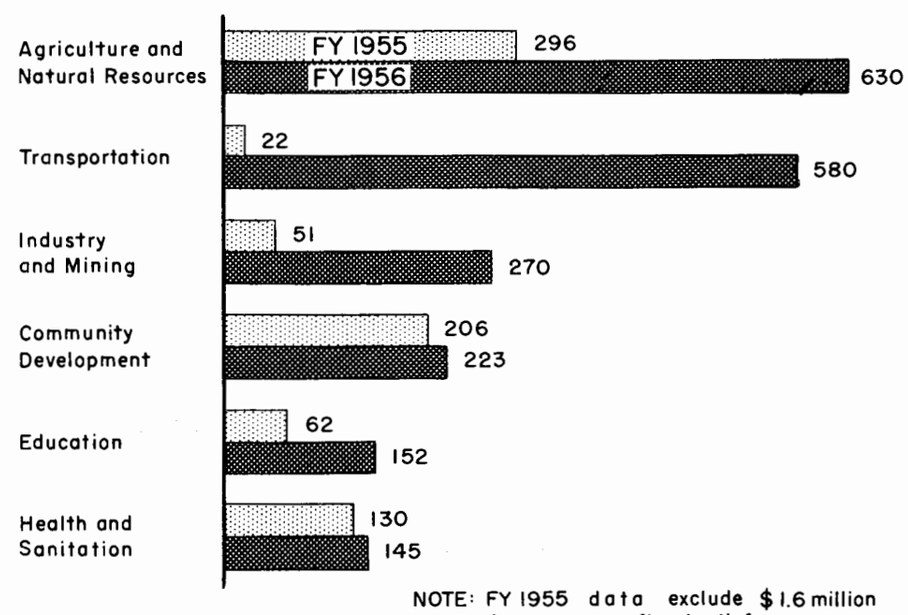
NEPAL

THE PROGRAM



*Flood relief

FOA PROGRAM BY ACTIVITY



NOTE: FY 1955 data exclude $1.6 million for emergency flood relief.

SOUTH ASIA

Country: NEPAL

INDIVIDUAL COUNTRY DATA

Summary of Program by Function

(In thousands of dollars)

Function	Program FY 1954	Program FY 1955	Program Proposed FY 1956
Development Assistance	-	1,675	1,000
Technical Cooperation	744	772	1,000
Total Country Program	744	2,447	2,000

General Narrative Statement

Current Situation

Nepal is a mountainous state approximately the size of Arkansas, with an estimated population of eight million people, located between Tibet and China on the north, and India on the south. During the past four years a new regime in Nepal has been attempting to develop a democratic government. These attempts at political reform have been accompanied by efforts to improve living standards and institute social change. At the same time it has been faced with problems in maintaining the internal security of the country against subversion and in resisting influence by Communist China. In its efforts to meet its problems Nepal is handicapped by the absence of adequate administrative machinery or trained personnel, by still inexperienced politicians and by a small but growing Communist movement. As a result Nepal today is in a state of political flux, and its economy is so vulnerable that the country presents a fertile ground for Communist infiltration.

India has pledged its support to Nepal's development and to the maintenance of its territorial integrity. Nepal accepts Indian administrative, military and financial assistance.

The Cabinet which had been administering Nepal's affairs since June 1953 resigned recently because of inter- and intra-party difficulties; the country is now ruled directly by King Mahendra who succeeded to the throne on March 14, 1955, following the death of his father. The initial steps taken by the new king provide hope that the experiment in democracy and development started by his father will be continued and expanded.

The economy of Nepal is almost entirely agricultural. The rough mountainous topography of the country and the poor lines of communications, both internal and external, and the fact that the Terai and other areas are malaria-ridden, have constricted much of the population into relatively small areas such as Katmandu Valley. There are practically no roads except in the small Katmandu Valley and in the Terai. Of necessity, much in the way of new road building has to be

General Narrative Statement (Continued)

accomplished before the country can be linked together as an economic entity. Whole areas, which potentially are a source of additional food supply and other resources, have been denied the people because of acute malarial conditions. Power facilities outside Katmandu are practically nonexistent; only a few small scale industries are in operation, almost entirely in Katmandu and the Terai. The backwardness of the economy is suggested by the fact that wagons and draft animals are little used; transportation of goods is mainly accomplished over poor trails and footpaths on human backs.

The already low standard of living of the people was last year adversely affected by high prices, a decline in export earnings and the consequent restriction of imports to meet the severe strain on Nepal's limited foreign exchange resources.

Further aggravating Nepal's unfavorable economic situation were the serious floods in the fall of 1954, which destroyed roads and villages, made over 125,000 people homeless, and caused a grave set-back to the country's economic development efforts. The U.S. extended emergency assistance to Nepal to assist the country in meeting this devastation.

The year 1956 may well be one of critical importance to Nepal since it may be determined during this period whether economic development can be maintained at a rate satisfactory enough to assure political stability and at the same time inflation kept within reasonable bounds.

Program Objectives

The U.S. desires a strong stable Nepal, friendly to the U.S., and having the will and ability to resist communist infiltration. This depends in large measure on economic and social progress of the people of Nepal and on a stability of the Nepalese economy which furthers the success of democratic political institutions.

The U.S., in furtherance of its objectives, is assisting the Nepalese in their firm desire to improve the country's low standard of living through a somewhat limited technical cooperation program. However, this alone is insufficient to the need. In cooperation with Nepalese, programs are being developed to utilize the country's natural resources and to supply some impetus to the development of small industries. In furtherance of this objective it is proposed to add a small development assistance program.

Progress to Date

For the past three years the U.S. has participated with Nepal in a technical cooperation program. Cooperative Services have been instituted for the advancement of village improvement, education, public health, agriculture, irrigation and mining. Technical advisers from the U. S. have pointed the way toward improvements in agriculture, living conditions, the beginnings of an educational system, and the utilization of Nepal's resources. Village level workers are being trained in three schools and 174 graduates are now manning six village improvement centers. Villagers are being taught the importance of sanitation and public health measures to reduce communicable diseases. An extensive program is being conducted to reduce the incidence of malaria and other insect-borne diseases. Village schools are being opened; a teachers' training college has been started, providing the first formal training for teachers and laying the groundwork for standards of instruction. A program is under way to increase the yield of indigenous crops and over 500 types of seeds and plants from outside Nepal have been introduced for experimentation. Improved farming methods, the use of simple improved farm tools and the use of insecticides and fertilizers are being demonstrated to the villagers. An agricultural experiment station is being instituted. An iron ore deposit which Nepalese believe to be promising is being studied. Geologic explorations and a mining code developed by a U. S. technical adviser encourage the development of private mining which heretofore has been practically non-existent.

General Narrative Statement (Continued)

The FY 1956 Program

In FY 1956, $1 million is proposed for the Technical Cooperation program to extend the village improvement, health and agricultural program into additional areas; to expand the eductional program through the medium of a second university contract with a U. S. institution, and to provide additional technical assistance in the fields of mining and industry.

To begin meeting the needs for the development of the Rapti Valley and other isolated areas, and for better communication and transportation facilities, it is proposed that development assistance be extended to Nepal to the extent of $1 million; of which approximately $300,000 would be for irrigation, land reclamation and other agricultural development programs; $500,000 for transportation and communication equipment and materials needed from outside Nepal, and $200,000 for the development of hydro-electric power on a very small scale, and aid to small industries.

SOUTH ASIA

Country: NEPAL

INDIVIDUAL COUNTRY DATA

ALL PROGRAMS, EXCLUDING MILITARY ASSISTANCE

Summary by Major Activity Field

(In thousands of dollars)

Program by Fiscal Year	Total U. S. Cost	Agriculture and Natural Resources	Industry and Mining	Transportation	Labor	Health and Sanitation	Education	Public Administration	Community Development Social Welfare and Housing	Import Saleable Commodities	All Other
Development Assistance											
1954											
1955	1675										1675
1956	1000	300	200	500							
Technical Cooperation											
1954	744	239	34	4		94	224	13	136		
1955	772	296	51	22		130	62	5	206		
1956	1000	330	70	80		145	152		223		
Total All Programs											
1954	744	239	34	4		94	224	13	136		
1955	2447	296	51	22		130	62	5	206		1675
1956	2000	630	270	580		145	152		223		

SOUTH ASIA

Country: NEPAL

INDIVIDUAL COUNTRY DATA

ALL PROGRAMS, EXCLUDING MILITARY ASSISTANCE

Summary by Major Cost Components

(In thousands of dollars)

Programs by Fiscal Year	Total	Supplies and Equipment	U.S. Government Technicians No. of Persons	U.S. Government Technicians Cost	Contract Services No. of Persons	Contract Services Cost	Participants No. of Persons	Participants Cost	Other Costs
Development Assistance									
1954									
1955	1,675	1,655	6	20					
1956	1,000	1,000							
Technical Cooperation									
1954	744	261	9	157	2	220	37	78	28
1955	772	480	11	183	2	17	16	64	28
1956	1,000	458	17	290	3	134	17	85	33
Total All Programs									
1954	744	261	9	157	2	220	37	78	28
1955	2,447	2,135	17	203	2	17	16	64	28
1956	2,000	1,458	17	290	3	134	17	85	33

PAKISTAN

BASIC DATA

		Pakistan	Asian Arc	U.S.
Population (1954)..... millions	78.3			
Annual growth..... percent	1.1			
Area..... 1,000 sq. mi.	366			
Agricultural land..... percent	21			
Potentially productive land..... percent	9			
Agricultural land per capita ..... acres	0.7			
Caloric intake.....		2,044	2,035	3,120
% Grains & starches.....		81	79	29
Literacy rate..... percent		14	32	97
Infant mortality per 1,000 births.....		125	n.a.	28
Road miles per 1,000 sq.mi.		158	220	1,100
Elec. power per capita..... KWH per yr.		6	117	3,165

USE OF RESOURCES - 1954

Gross national product (million U.S. dollars).....	$6,345	%
Consumption.....	5,155	81.2
Gross investment (public and private)	490	7.7
Government non-defense expenditure.....	555	8.8
Government defense expenditure.....	235	3.7
Net foreign balance.....	-90	-1.4
Per Capita GNP (dollars).....	$81	

(FOA estimates; converted at rate of 3.309 rupees per U.S. dollar)

TRADE AND PAYMENTS

	1938	1951	1952	1953	1954*
		(millions of US $)			
Exports, f.o.b.[a]		763	532	439	359
Imports, c.i.f.[a]		530	611	349	324
Trade balance.....		+233	-79	+90	+35
Principal exports[b]					
Jute: Quantity .....1,000 MT			886	957	916
Value.....$ millions			301	171	168
Cotton: Quantity 1,000 MT			199	274	209
Value $ millions			235	210	150
Trade with U.S. (U.S. Customs data)					
Exports to U.S.....		44	23	26	23
Imports from U.S.		38	55	98	33
Balance		+6	-32	-72	-10
Balance of payments					Jan-June
Balance on goods & services.....		167	-235	-41	-36
Net capital.....		-154	65	73	14
Private.....		-	-19	-12	-3
Official and banking.....		-154	84	85	17
Government grants.....		-1	-	82	12
Long-term capital.....		-149	83	4	5
Short-term capital.....		-4	1	-1	-
Change in gold and exchange reserves.....		+14	-174	+33	-23
Gold and foreign exchange reserves[c] (end of yr.)		505	295	296	328

EXTERNAL RESOURCES

	1950	1951	1952	1953	1954	Program 1955	Program 1956
			(millions of US $)				
FOA obligations (fiscal years).....	-	0.4	10.6	42.0	22.7	72.1	92.0
U.S. special program allotments (fiscal years)	-	-	-	66.0	-		
			(calendar years)				
Ex-Im Bank disbursements.....	-	-	-	-	-		
IBRD disbursements.....	-	-	5.7	4.8	13.9[d]		
Book value of U.S. direct private investment..	8	8	9	8			

PRODUCTION

	Unit	1938	1951	1952	1953	1954*
Agricultural production[e].....	1935-39=100	100[f]	101	101	103	102
Major crops[e]						
Jute.....	1,000 MT	1,154[f]	1,149	1,230	450	760
Cotton.....	" "	460[f]	292	346	276	266
Wheat.....	" "	3,184[f]	4,015	3,109	2,858	3,740
Rice, milled.....	" "	7,353[f]	7,870	8,278	9,305	8,900
Major industries:						
Cotton and jute mills, foods, paper			not available			
Cotton cloth.....	mill. yds.		128	174	252	342
Electric power	mill. KWH		223	306	408	500

FINANCES

Central government budget - year ending March 31	1951	1952	1953	1954[g]	1955[g]
	(millions of US $)				
Revenue, excl. counterpart.....	451	520	451	496	451
Expenditure.....	388	548	675	671	686
Defense.....	204	259	290	236	234
Capital outlay.....	25	95	83	108	139
Other non-defense.....	159	194	302	327	313
Surplus or deficit (-) before counterpart.....	+63	-28	-224	-175	-235
Counterpart receipts.....	-	-	-	-	10
Surplus or deficit (-) after counterpart.....	+63	-28	-224	-175	-225
As % of total revenue.....	14%	-5%	-49%	-35%	-50
Defense expend. as % of budget.....	50%	47%	43%	35%	34%
Defense expend. as % of GNP.....	3.6%	4.4%	4.8%	3.8%	3.7%
Prices (index 1950=100)					
Wholesale: Jute.....	159	98	82	91	
Cotton.....	171	120	85	91	
Cost of living: Karachi.....	104	106	118	116	113(Jan.)

* 1954 data partly preliminary or estimated.
a Data adjusted to January-December year.
b Years ending June 30.
c Holdings of Issue Department of State Bank.
d Undisbursed balance as of December 31, 1954: $20.0 million.
e Crop year beginning in year stated.
f Prewar average.
g Budget estimates.

Revised May 18, 1955

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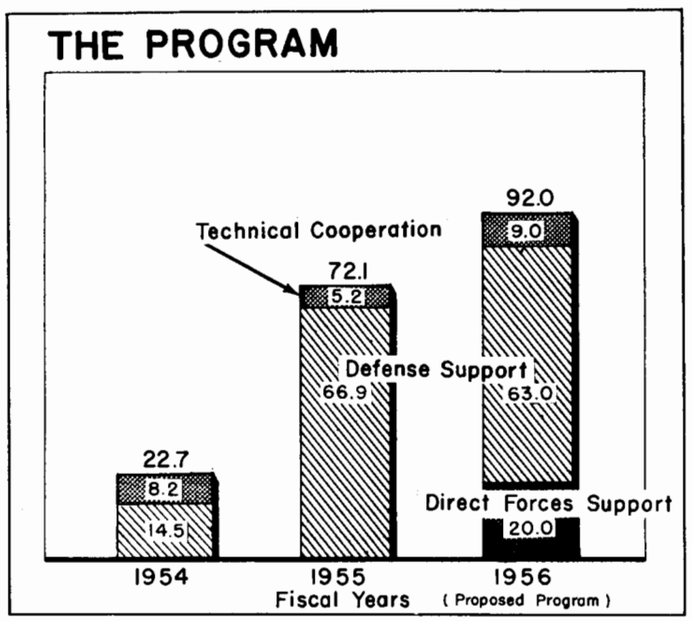
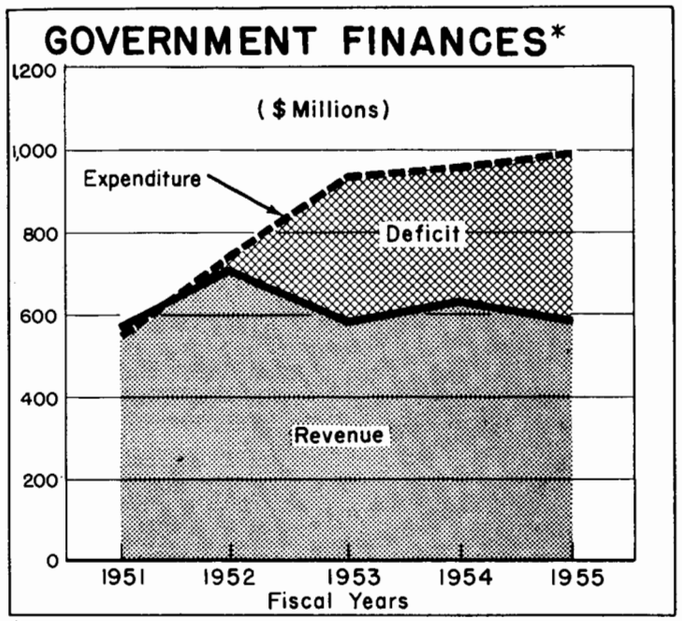
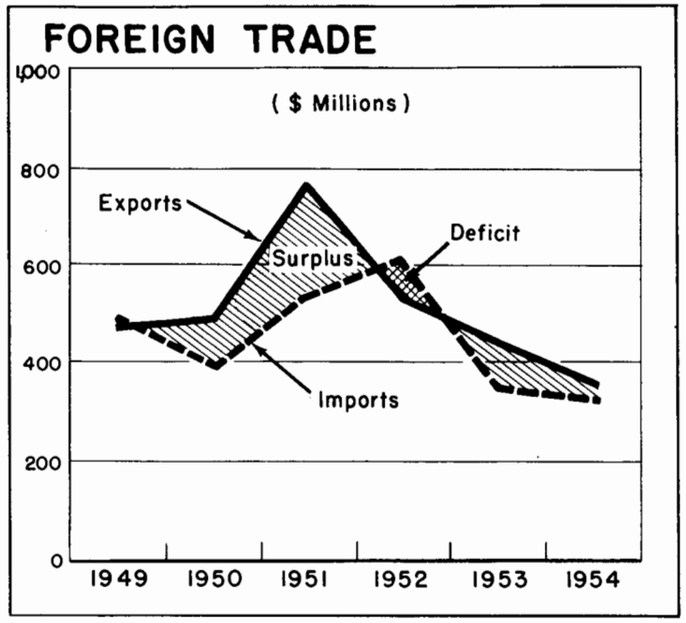
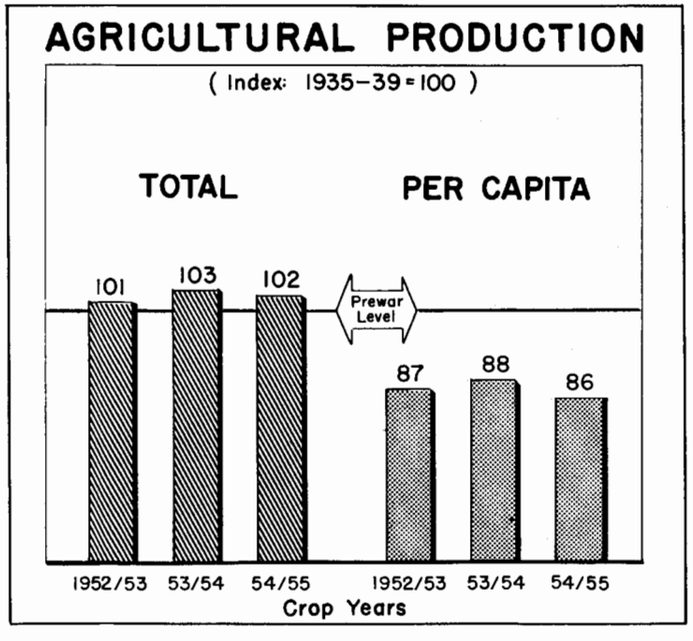
PAKISTAN

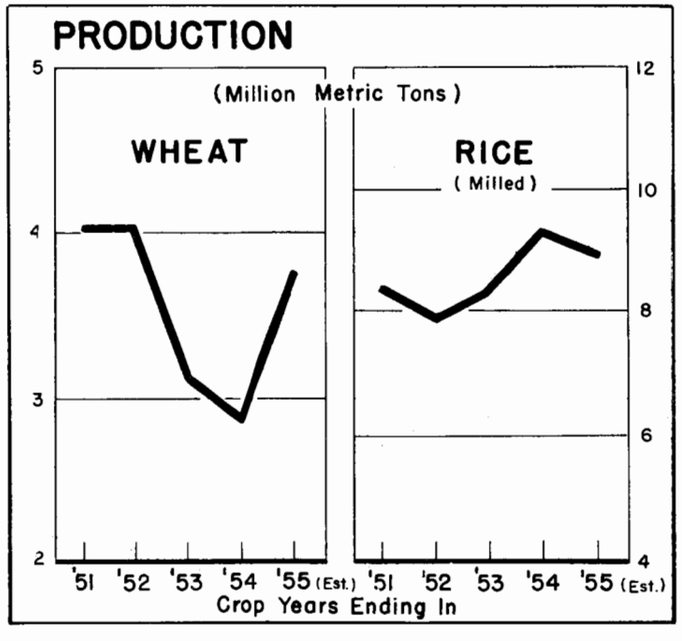


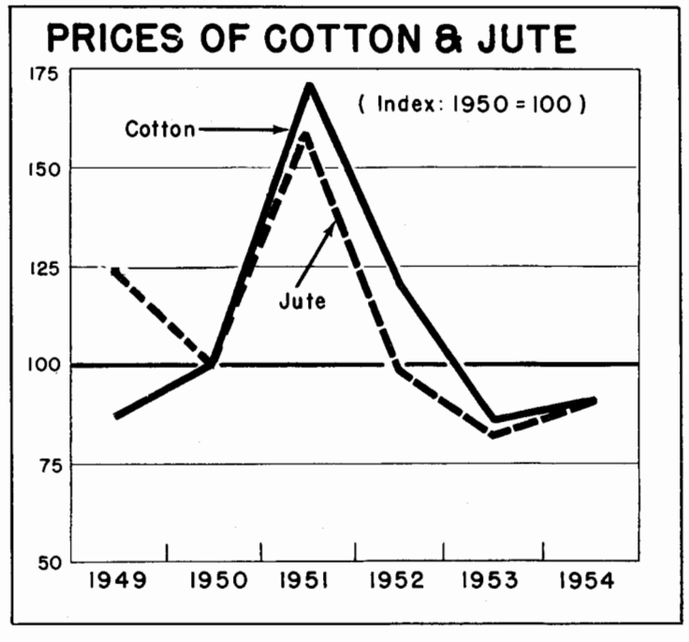


*CENTRAL AND STATE GOVERNMENT BUDGETS COMBINED.









SOUTH ASIA

INDIVIDUAL COUNTRY DATA — Country: PAKISTAN

Summary of Program by Function

(In thousands of dollars)

Function	Program FY 1950/54	FY 1955	Proposed FY 1956
Military Assistance	a/	a/	a/
	FY 1954		
Direct Forces Support	-	-	20,000
Defense Support	14,500	66,900	63,000
Technical Cooperation	8,234	5,220	9,000
Total Country Program Other Than Military Assistance	22,734	72,120	92,000
Of Which Financed by Loan:			
Defense Support	-	20,000	-
MSP Sales Surplus Agricultural Commodities	-		
1. Sales to this country	-	900	-
2. Sales proceeds programmed in this country	-	900	-

a/ Data included in separate submission on Military Assistance.

General Narrative Statement

Current Situation

Pakistan has taken a clear stand at the side of the United States in unconditional opposition to Communist aggression. The leaders of its Government are dedicated and determined men. Under their guidance, Pakistan joined with other freedom loving nations to form the Manila Pact. It is united with Turkey to strengthen defenses of the Middle East. However, it has great economic problems which arise from the poverty of the masses of the people, low productivity and a critical budgetary and foreign exchange situation.

Pakistan is also confronted with serious political problems which are aggravated by these economic problems. Its political difficulties encompass the problems arising from the framing of a new constitution, maintenance of a stable central government, a greater political cohesion of the two geographically separated parts of the country, the settlement of critical issues with neighboring nations, and the need to act effectively with other countries against the common danger of Communist imperialism.

General Narrative Statement (Continued)

The efforts of Government leaders are devoted to the maintenance of political stability, the maintenance of adequate military strength for defense of the country and the development of Pakistan's economic potential. It is their major premise that political stability and a capacity to maintain a satisfactory defense effort may be obtained only through enhancement of the fundamental strength of the economy and the betterment of living levels of the populace at large. To this end, total expenditures on development have risen in each year of the past several years at the expense of consumers' goods expenditures.

The precarious economic situation of Pakistan, characterized since the formation of the country by extremely low standards of living and per capita production, was critically disturbed in 1954 by a combination of natural disasters and unfavorable market developments which has taxed the resources of the Government to the limit. In the circumstances, the Government felt it necessary to request emergency aid from the United States over and above the amount originally programmed; and this was extended. Even without these unfavorable developments, the economy of Pakistan was having difficulty - despite forceful action - making headway against serious internal and external economic problems involving shortages of consumer goods, inflationary pressures, a courageously pushed but faltering development program, and deficits in budgets and balances of payments. Fortunately, the food situation is reasonably favorable. Harvests in 1954 were good and current crop prospects are about normal.

One of the chief characteristics of the economy of Pakistan is its reliance on favorable conditions of foreign trade in a few commodities and terms of trade in order to insure stability in the internal economic situation. Sales abroad of cotton and jute normally account for about 90 per cent of the country's foreign exchange earnings which are needed to procure the consumer and capital goods which the country is unable to produce on an adequate scale. Since 1951, however, the terms of trade and balance of payments position of Pakistan have been consistently unfavorable, so that the liquid foreign exchange reserves have fallen to a minimal level.

Internally, the economy of Pakistan is beset by inflationary increases in currency circulation, rising consumers goods prices, and consequent pressures on standards of living. It is clear that substantial foreign assistance is a vital supplement to Pakistan's own resources. The resources of the country, although being bolstered by a multiform capital investment program, both in the public and private sectors, are not sufficient in themselves to turn the tide. With a substantial amount of foreign aid, there are excellent prospects that in time the country should be in a position to cope better with its internal and external problems.

Program Objectives

The primary U. S. objectives in Pakistan are (1) to assist the Pakistan Government in development of an expanding economy conducive to the maintenance of political stability and (2) to assist also in the strengthening of Pakistan's defenses both for preservation of its own security and so that it can realize the common desire to contribute to free world defenses in the area.

The United States supports the efforts of Pakistan in the economic objectives which immediately underlie these primary objectives. Pakistan has begun a vigorous campaign of economic development with a two-fold purpose: first, the furtherance of political stability, which depends on improvement of living conditions, and second, the improvement of Pakistan's future capacities to carry its military burden - in that the present heavy burden of the nation's own defense expenditures can be lightened only if national income - and consequently the ability to carry the burden - is increased. Government expenditures constitute the major share of the development effort in these early years. It is the Pakistan Government's intent and practice, however, to foster private enterprise - both domestic and foreign, in every way possible.

To support these objectives, the United States is providing technical, economic and military assistance, the specific aims of which are:

General Narrative Statement (Continued)

a. Increase agricultural production through improved methods and expansion of cultivable area.

b. Accelerate development of natural resources, e.g., mineral and forest exploitation.

c. Stimulate new industries and new investment - both domestic and foreign.

d. Supply critical raw materials and consumer goods.

The total effort required in developing the economy while maintaining an adequate defense establishment and adequate living standards exceeds Pakistan's present capacities. Initiation of a self-generating process of economic growth which will increase national income markedly depends on aggressive private and public investment. Public funds from revenues and borrowings, together with private investment funds, are not adequate for the purpose of raising income at a sufficiently rapid rate.

On the foreign exchange side, export earnings have been disappointingly low and over the past three years have reduced Pakistan's ability to buy needed foreign capital goods and a steady flow of raw materials for established industries. Low exports (and consequent low imports) reduce domestic revenues which depend heavily on export and import duties and sales taxes. So long as this situation persists in Pakistan, its strength in the free world is lessened.

In FY 1955, the United States provided Defense Support assistance to Pakistan. Also, direct military assistance was begun. Defense Support was based on a calculation of needs, recommended by a special survey team. In FY 1956, the prospects continue to be unfavorable, so that this same type of assistance is called for.

Pakistan needs technical assistance in many fields. Lack of technicel experts continue to obstruct or to slow development. The long range prosecution of a Technical Cooperation program is the best feasible measure to assist in removing this obstacle to realization of U. S. objectives in Pakistan.

Progress to Date

Military Assistance

On February 24, 1954, the President of the United States determined that Pakistan was eligible to receive grant of military assistance. Subsequently, a program to supply Pakistan with equipment to strengthen their armed forces was begun. To date, one shipment of Army equipment consisting of tanks and signal equipment has been delivered. The effect of these deliveries cannot yet be evaluated, because of the short time this equipment has been in the country. The MDA Naval Program is in the formative stage with one former United States vessel having been delivered. Presently scheduled equipment for the Pakistan Air Force is for conversion to jet fighters and includes necessary supply, maintenance and training. Perhaps the greatest influence which MDAP has exerted on the country to date is its effect on morale. The fact of United States support in the development of its armed forces serves as an incentive for the country to accomplish the maximum within its own economic capabilities.

Defense Support

Under the Defense Support program, industry is developing and expanding. Railway operations system has and is being improved through the establishment of machine shop training centers and diesel locomotive training schools. A fertilizer factory is under construction. U. S. assistance in small industries is improving methods of operation at minimum increase in cost as well as improving design and quality of products manufactured. Construction of irrigation dams with U. S. aid is being rapidly accomplished. These will not only increase cultivable lands for increased production but will also provide sizeable areas of inhabitable land for the resettlement of great numbers of refugees from congested areas. They will also serve to control flood waters and to store it for use during the dry season.

General Narrative Statement (Continued)

The United States responded to an urgent appeal in the summer of 1954 for special financial assistance to import essential consumer goods and raw materials. Commodities being provided include iron and steel, POL products, commercial vehicles, industrial chemicals, spare parts for agricultural and other machinery, drugs and medicines and sugar financed with MSP funds. In addition, substantial amounts of surplus items are programmed as sales and grants under Public Law 480. This aid serves the dual purpose of reducing threats of inflation and preventing stoppages in critical industries in the first instance.

Local currencies (counterpart and sales proceeds) are to be used for economic development and defense - the latter in conjunction with the MDA program of end item assistance.

Technical Cooperation

Projects which were initiated in the 1952, 1953, 1954 programs and are currently underway in 1955 are primarily of a long range nature. These programs have touched nearly every sector of the Pakistan economy and are operating in all of the provinces and territories of that country. In the field of agriculture, U. S. assistance has helped to stabilize the food situation.

Under the Technical Cooperation program, demonstration of the application of fertilizer has had its effect in increased production of foodstuffs. Through cooperatives and agricultural extension work, introduction of better seed and livestock is improving the strains and management paactices. There are 20 seed multiplication farms being organized and developed. The Government is using test relief work to build farm roads, irrigation canals and flood control funds to afford employment as well as to get public works projects accomplished at minimum cost. The U. S. provides technical guidance in planning such work and in coordinating the results with agricultural projects. The last timber reserve, one of the major factors in the East Pakistan economy, is being better protected and is being extracted more systematically under the technical direction of a U. S. logging engineer and with a minimum of proper equipment provided by the U. S. The buildings for a forest research laboratory are almost completed and expected to be in operation within six months. Improved plant protection methods are further helping to increase crop production. In the field of education, contracts have been entered into between five major U. S. educational institutions and provincial educational institutions in Pakistan. In the field of health and sanitation, anti-malarial programs, T. B. eradication programs and environmental sanitation have been started, the latter primarily through the village development program. In the field of village development, the U. S. has assisted in the creation of village training centers in each of the major provinces of Pakistan and village workers are being trained in the fields of agriculture, health and sanitation, education, and cottage industries. The Government of Pakistan is instituting, with great emphasis, a country-wide village aid program with a large staff of workers in each province.

Other Programs

Two additional successful programs were the 1953 U. S. Wheat Grant amounting to more than 600,000 tons and the East and West Pakistan Flood Relief programs in FY 1955. These programs were instrumental in alleviating great suffering and avoided widespread starvation and disease which would have resulted in the absence of such assistance. An important collateral achievement to date has been the development of understanding, mutual respect and faith between Pakistani technicians and administrative officials and their U. S. counterparts. This has contributed greatly to the feeling of friendship between the peoples of the two countries.

The FY 1956 Program

Direct Forces Support

The Direct Forces Support program of $20 million for Pakistan will provide to the military forces such items as tools,

General Narrative Statement (Continued)

spare parts and cordage; textiles for uniforms, construction material, including structural steel and steel sheets; dockyard equipment and machinery; and aviation gas and lubricants to:

a. Assist in provision of goods required for training in the use and utilization of MDAP materiel

b. Assist in the development and rehabilitation of essential defense facilities required for adequate maintenance and support of MDAP and related materiel.

Defense Support

The proposed Defense Support program of $63 million is aimed at sustaining current consumption and industrial production levels and increasing the rate of development required by Pakistan to attain a stronger more diversified economy consistent with economic development goals and defense commitments.

By comparison with the FY 1955 program, U. S. aid to development will concentrate far more on industry and mining and transportation. A new long term development plan drawn up by the Government of Pakistan with the help of the Ford Foundation will provide a comprehensive framework for future industrial and investment projects. FOA will strive to activate key parts of this plan by providing expert guidance in investment, starting pilot plant and industrial development centers. A start will be made on an industrial investment bank to encourage expansion of private capital development.

Counterpart derived from U. S. aid in the FY 1956 program will be used to supplement Pakistan's defense and economic development efforts.

Technical Cooperation

The proposed FY 1956 program is for $9 million. This expansion over FY 1955 is required in order to stimulate an overall increase in productivity throughout the economy. Major increases of expenditures, compared with FY 1955, are contemplated in the fields of education, health and sanitation, agriculture and natural resource development.

SOUTH ASIA

Country: PAKISTAN

INDIVIDUAL COUNTRY DATA

ALL PROGRAMS, EXCLUDING MILITARY ASSISTANCE

Summary by Major Activity Field

(In thousands of dollars)

Programs by Fiscal Year	Total U. S. Cost	Agriculture and Natural Resources	Industry and Mining	Transportation	Labor	Health and Sanitation	Education	Public Administration	Community Development Social Welfare and Housing	Import Saleable Commodities	All Other
Direct Forces Support											
1954											
1955											
1956	20,000										20,000
Defense Support											
1954	14,500	12,720	280						1,500		
1955	66,900	8,700	5,000	1,000		3,800				40,000	8,400
1956	63,000	13,200	13,900	3,100		1,400				30,000	1,400
Development Assistance											
1954											
1955											
1956											
Technical Cooperation											
1954	8,234	3,904	946	74	-	138	1,681	18	330		1,143
1955	5,220	1,230	300	785	-	840	654	131	887		393
1956	9,000	3,700	200	50	20	1,600	2,100	120	1,100		110
Total All Programs											
1954	22,734	16,624	1,226	74	-	138	1,681	18	1,830	-	1,143
1955	72,120	9,930	5,300	1,785	-	4,640	654	131	887	40,000	8,793
1956	92,000	16,900	14,100	3,150	20	3,000	2,100	120	1,100	30,000	21,510

SOUTH ASIA

Country: PAKISTAN

INDIVIDUAL COUNTRY DATA

ALL PROGRAMS, EXCLUDING MILITARY ASSISTANCE

Summary by Major Cost Components

(In thousands of dollars)

Programs by Fiscal Year	Total	Supplies and Equipment	U.S. Government Technicians		Contract Services		Participants		Other Costs
			No. of Persons	Cost	No. of Persons	Cost	No. of Persons	Cost	
Direct Forces Support									
1954									
1955									
1956	20,000	20,000							
Defense Support									
1954	14,500	14,500							
1955	66,900	64,543	13	260	3	131	23	36	1,870
1956	63,000	59,350	15	300	45	2,050			1,300
Development Assistance									
1954									
1955									
1956									
Technical Cooperation									
1954	8,234	3,073	73	1,261	67	2,734	1	2	1,164
1955	5,220	704	79	1,422	84	2,042	89	472	580
1956	9,000	3,051	118	2,100	84	2,718	124	619	512
Total All Programs									
1954	22,734	17,573	73	1,261	67	2,734	1	2	1,164
1955	72,120	65,247	92	1,682	87	2,173	112	568	2,450
1956	92,000	82,401	133	2,400	129	4,768	124	619	1,812

INDIVIDUAL COUNTRY DATA (EXCLUDING MILITARY ASSISTANCE AND TECHNICAL COOPERATION)

Summary of Commodity Imports and Services

(In thousands of dollars)

Illustrative Composition of Country Program	Actual FY 1954	FY 1955 Defense Support: For Project Use	FY 1955 Defense Support: For Consumption and Generating Local Currency	FY 1955 Direct Forces Support	FY 1955 Total	FY 1956 Defense Support: For Project Use	FY 1956 Defense Support: For Consumption and Generating Local Currency	FY 1956 Direct Forces Support	FY 1956 Total
Commodities									
Food and Agricultural Imports									
Fats and Oils			900		900		900		900
Sugar			4,500		4,500		4,000		4,000
Fertilizers	4,000		1,500		1,500		2,000		2,000
Wool			3,000		3,000				
Transportation a/			1,400 a/		1,400				
Other Agricultural Products	125	542			542	700			700
Total Food and Agricultural Imports	4,125	542	11,300		11,842	700	6,900		7,600
Industrial Imports									
Fuel			6,750		6,750			5,000	5,000
Industrial Raw Materials	867	6,275	8,400		14,675	9,340	9,900	5,000	24,240
Machinery and Vehicles	8,944	8,905	6,600		15,505	12,525	4,500	4,000	21,025
Other Manufactures			8,250		8,250	3,235	8,000	6,000	17,235
Miscellaneous and Unclassified	564	3,321	5,600		8,921	3,550	700		4,250
Total Industrial Imports	10,375	18,501	35,600		54,101	28,650	23,100	20,000	71,750
Total Commodity Program	14,500	19,043	46,900		65,943	29,350	30,000	20,000	79,350
Transfer of Cash									
Services		957			957	3,650			3,650
Total Country Program	14,500	20,000	46,900		66,900	33,000	30,000	20,000	83,000

a/ $1.4 million ocean transport for Title II P.L. 480 Program.

INDIVIDUAL COUNTRY DATA

Summary of Program by Function

(In thousands of dollars)

Function	Program FY 1954	FY 1955	Proposed FY 1956
Technical Cooperation	130		
Other Programs		300	
Total	130	300	

General Narrative Statement

Funds shown under this category in FY 1954 represents amounts used for regional technical cooperation projects in the South Asia area.

In FY 1955, $300,000 is programmed from Mutual Security funds to expand United States information activities in the South Asia area.

MUTUAL SECURITY PROGRAM

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CHINA (Formosa)

BASIC DATA

			Formosa	Asian Arc	U.S.
Population (1954).....millions	10	Caloric intake	2,340	2,035	3,120
Annual growth.....percent	2.4	% Grains & starches..	80	79	29
Area..... ... 1,000 sq mi	14	Literacy rate...percent	65	32	97
Agricultural land....percent	26	Life expectancy...years	43	35	68
Agricultural land per capita.....acres	0.2	Road miles per 1000 sq.mi.	785	220	1,100
		Elec. power per capita .....KWH per yr.	179	117	3,165

USE OF RESOURCES - 1954

		%
Gross national product (million U.S. dollars).....	$1,480	
Consumption	1,125	76
Gross investment (public and private).....	135	9
Government purchases of goods and services.....	345	23
Net foreign balance	-125	-8
Per capita GNP (dollars)	$146	

(FOA estimates; converted at NT $ 15.65 per U.S. $)

TRADE AND PAYMENTS

	1938	1951	1952	1953	1954*
	(millions of US $)				
Exports, f.o.b.	130	93	120	130	98
Imports, c.i.f. (incl. aid)	104	151	222	199	207
Trade balance	26	-58	-102	-69	-109
Principal exports					
Sugar: Quantity..... 1,000 MT	996	284	454	866	533
Value..... $ millions	54	50	70	90	57
Rice: Quantity..... 1,000 MT	649	85	108	50	37
Value..... $ millions	36	15	23	11	8
Trade with U.S. (U.S. Customs data)					
Exports to U.S.	1	6	6	7	6
Imports from U.S.	1	41	59	82	94
Balance	-	-35	-53	-75	-88
Balance of payments					
Balance on goods and services		-61	-99	-80	-125
Net capital		61	94	90	95
Private		3	--	9	10
Official and banking		58	94	81	85
Government grants		61	92	83	85
Long-term capital.....		-6	-2	-2	--
Short-term capital.....		3	4	--	--
Change in gold and exch. reserves		+10	+4	+16	-23

PRODUCTION

	Unit	1938	1951	1952	1953	1954*
Industrial production.....	1941=100	79[a]	92	111	140	152
Agricultural production[b]/.....1935-39=100		100[c]	83	102	99	102
Major crops:						
Sugar[b]	1,000 MT	1,060[c]	520	880	700	560
Rice, rough[b].....	1,000 MT	1,744[c]	2,013	2,050	2,290	2,220
Sweet potatoes	1,000 MT	1,726	2,021	2,090	2,227	2,600
Major industries:						
Electricity .....mill. KWH		696	1,292	1,382	1,564	1,805
Coal	1,000 MT	2,199	1,657	2,286	2,392	2,117
Fertilizers.....	1,000 MT	27	111	150	164	167
Cotton cloth.....	mill. yds	3	62	89	152	180

FINANCES

	1951	1952	1953	1954	1955
Central government and provincial finance	(d)	(d)	(d)		(e)
Deficit (-) before counterpart As % of total revenue (excl. counterpart)	-31%	-36%	-33%	--	-31%
Defense expenditure As % of budget	61%	58%	58%	--	67%
Prices (index 1952=100)					
Wholesale.....	82	100	109	111	119 (Feb)
Retail.....	86	100	104	105	116 (Feb)

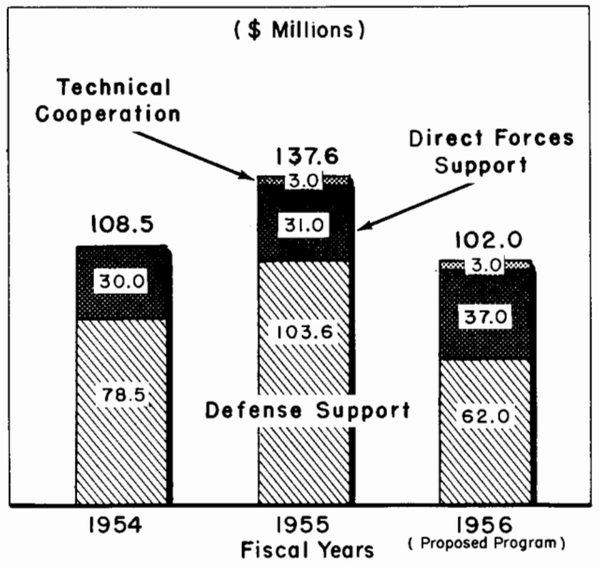
EXTERNAL RESOURCES

	1950	1951	1952	1953	1954	Program 1955	Program 1956
	(millions of US $)						
FOA obligations (fiscal years)	----98.0----		81.5	105.5	108.5	137.6	102.0
	(calendar years)						
Ex-Im Bank disbursements	-	-	-	-	-		
IBRD disbursements	-	-	-	-	-		

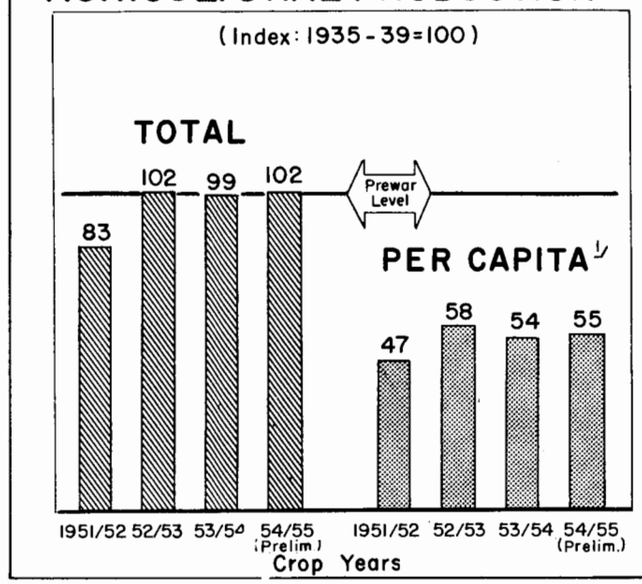
* 1954 data partly preliminary or estimated
a/ 1937
b/ Crop year beginning in year stated
c/ Prewar average
d/ Fiscal year ending December 31
e/ Budget estimates fiscal year ending June 30

CHINA (Formosa)

THE PROGRAM

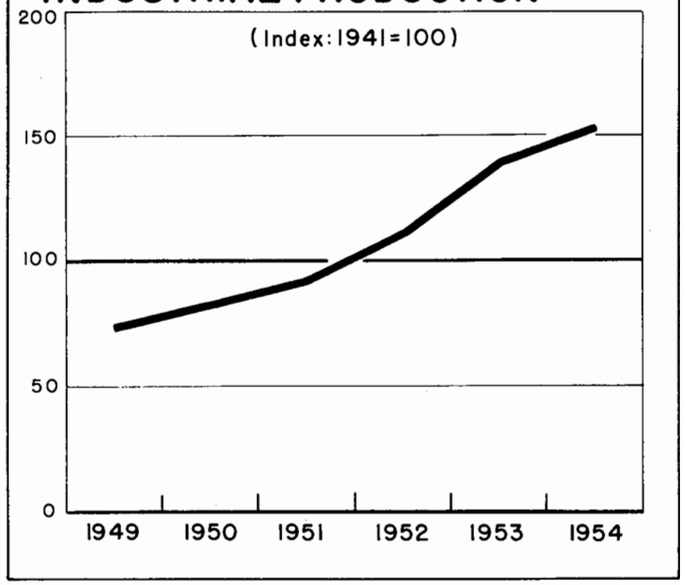


AGRICULTURAL PRODUCTION

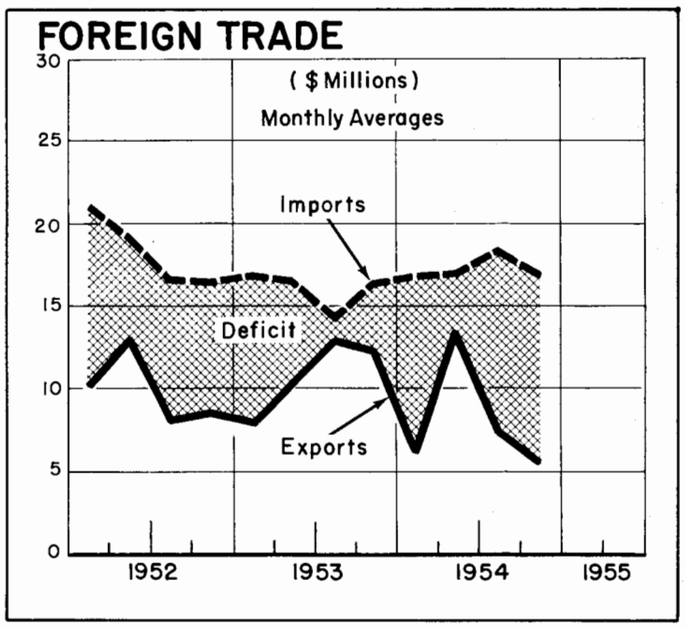


1/ Low per capita output reflects influx from mainland and population growth

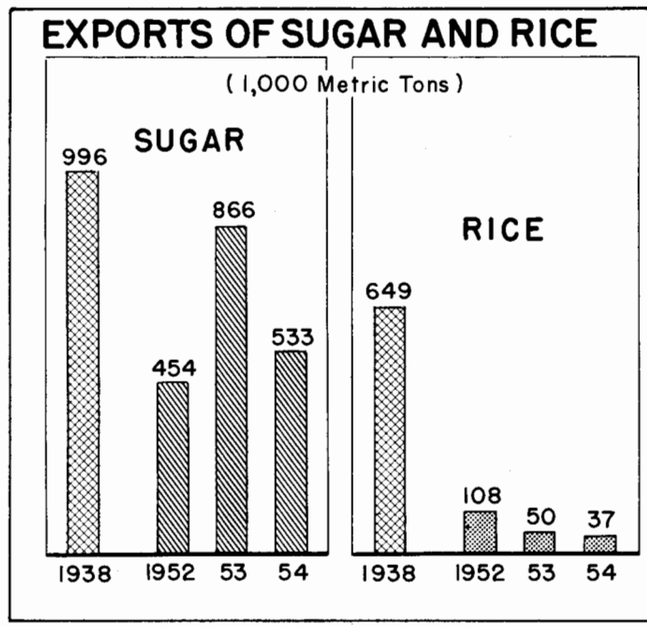
INDUSTRIAL PRODUCTION



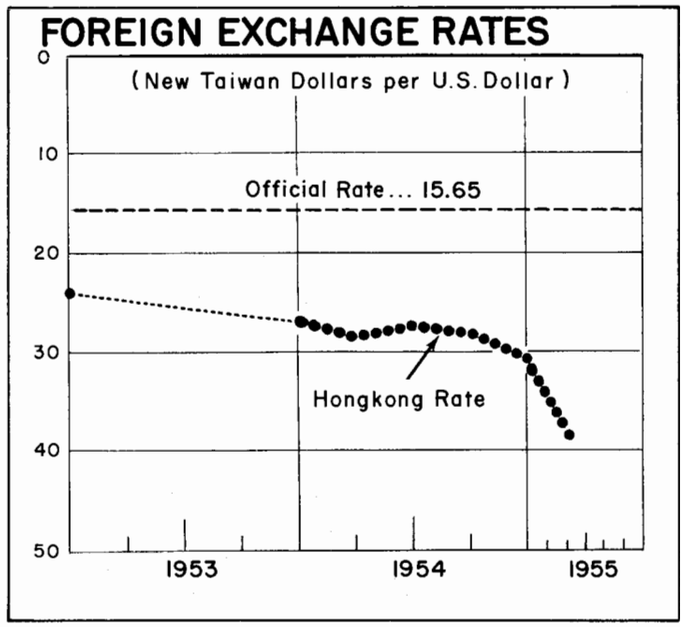
FOREIGN TRADE



EXPORTS OF SUGAR AND RICE



FOREIGN EXCHANGE RATES



ASIA

INDIVIDUAL COUNTRY DATA

Country: CHINA (Formosa)

Summary of Program by Function

(In thousands of dollars)

Function	Program FY 1950/54	Program FY 1955	Program Proposed FY 1956
Military Assistance	a/	a/	a/
	FY 1954		
Direct Forces Support	30,000	31,000	37,000
Defense Support	78,454b/	103,598	62,000
Technical Cooperation	-	3,050b/	3,000
Total Country Program Other Than Military Assistance	108,454	137,648	102,000
Of Which Financed by Loan:			
Defense Support	-	20,000	
MSP Sales Surplus Agricultural Commodities			
1. Sales to China	10,000	30,600	40,000
2. Sales Proceeds Programmed in China	5,000c/	30,600	40,000
Direct Forces Support	-	4,800	10,000
Defense Support	5,000	25,800	30,000

a/ Data included in separate submission on Military Assistance.
b/ Excludes regional and inter-regional costs.
c/ Balance of $5,000 utilized for off-shore procurement of military end-items.

General Narrative Statement

Current Situation

Formosa constitutes an important link in the Free World's island chain of defense in the Western Pacific. Because of the aggressive posture of Communist China, the maintenance of Formosa's defense is considered essential to the security of other free countries in the Far East and ultimately of the United States. The Free Chinese armed forces represent a vital element

General Narrative Statement (Continued)

in the defense of Formosa, and therefore in the free world's power to resist Communist aggression.

Moreover, the Chinese Government in Formosa provides a political challenge to Communist domination of the Asian mainland and to Communist influence among the 13 million overseas Chinese, many of whom are located in strategic parts of Southeast Asia and the Pacific. The substantial progress made in the economic sphere and in governmental administration, during the five and a half years since the Government of the Republic of China established itself on Formosa, has demonstrated that a free Chinese society can be developed in Formosa which will stand in increasingly favorable contrast to the harsh rule on the mainland.

Because of the limited economic resources of Formosa in relation to its population and its military establishment, maintenance of the island as a military and political asset to the free world is dependent upon U. S. Military and economic assistance.

In July 1954 the Chinese Communists launched a massive propaganda campaign promising the "liberation" of Formosa, and in September they opened artillery fire on the Quemoy Islands from the nearby mainland coast. In January 1955 they took the island of Yikiangshan by force, and in February the Chinese Government in Formosa ordered the evacuation of the Tachen and Nanchi Islands. In East China and particularly along the coast, the Communists have carried out extensive military preparations. To counter this threat, a Mutual Defense Treaty was entered into between the United States and the Republic of China in Formosa, becoming effective on March 3, 1955.

Meanwhile economic developments since July 1954 on balance have been somewhat unfavorable. Agricultural and industrial production has generally held up well, with such items as textiles, fertilizer, and electric power recording further increases. Continued overall improvement of agricultural and industrial production, however, has been jeopardized by a severe drought beginning late in 1954 which has already caused partial loss of the current sugarcane, rice, and peanut crops, and has necessitated the temporary closing of several industrial plants due to the shortage of electric power.

From November 1954 to February 1955, the wholesale price index rose about 10 percent and the market quotation of the U. S. dollar approximately 20 percent, largely representing reaction to the intensified military threat. The foreign trade deficit increased nearly 60 percent in 1954 over 1953, due primarily to a decline in exports resulting from difficulties in marketing the two major exports, sugar and rice. The government budget deficit for the current fiscal year is expected to be substantially greater than for prior years because of increased military requirements.

In the light of military developments, the need has become apparent for an additional effort to strengthen the Chinese military forces and improve their combat effectiveness, within approved force levels. Requirements have developed for additional equipment, for a substantially increased reserve training program, and for retirement of considerable numbers of servicemen who are no longer qualified for combat duty. Constructive provision also must be made for assimilating these veterans into the civilian economy.

These requirements, together with those resulting from the resettlement of evacuees from the Tachens and other offshore islands, are placing exorbitant demands on slender Chinese Government resources and are serving to highlight both the inability of the economy to support a defense effort of such magnitude and the consequent high degree of dependence upon U. S. aid. Mounting budgetary deficits and increasing import costs are heightening the inflationary pressures on the economy. Furthermore, the shortage of foreign exchange, accentuated by the decline in exports, makes it impossible to import either a sufficient volume of consumer goods and industrial raw materials or the capital equipment required for the expansion of productive facilities.

General Narrative Statement (Continued)

Compounding the problem are the needs of a rapidly growing population, already burdened by the presence of two to three million mainland refugees. The population is currently estimated at more than ten million and is increasing about 2.4 percent a year. If their needs for employment and normal government services are not at least partially satisfied, the problem will be further compounded.

Specific MSP objectives are to assist the National Government of the Republic of China (a) to develop an Army capable of defending Formosa against invasion; a small Navy capable of conducting limited coastal patrol and anti-shipping operations; and an Air Force capable of conducting air defense and troop support missions; (b) to support the mutual defense effort; (c) to maintain the degree of economic stability essential to a successful defense effort; (d) to enhance the prestige of Free China in the eyes of the free world; and (e) to increase the island's capacity for economic self-support. These program objectives stem directly from the U. S. policy aims of denying Formosa to the Chinese Communists, of maintaining the Free Chinese Government as stable and friendly to the United States, of increasing the effectiveness of its armed forces, and of using the Free Chinese political and military potential in the best interests of the Chinese people and the free world.

Progress to Date

Military Assistance

U. S. assistance under the MDA Program has transformed the loyal but poorly equipped armed forces of the Chinese Government in Formosa into relatively modern fighting units. MDAP deliveries recently have been accelerated and are continuing in substantial quantities.

At the inception of the MDA program, the Army had limited defensive capability. Under the guidance of the U. S. Military Assistance Advisory Group (MAAG), the combat infantry divisions have been reorganized so that available and planned combat equipment could be properly utilized. With the receipt of equipment from the United States a progressive and vigorous training program was begun. At this date, the combat divisions provide a significant deterrent to any Chinese Communist intention to invade Formosa.

At the beginning of MDAP, the Chinese Navy was in very poor materiel condition and in most other respects ineffective as a military force. The condition of most of the larger ships and some of the smaller ones is now satisfactory. Operational readiness has greatly improved. Much of this improvement has been made possible by the receipt of large quantities of MDAP materiel aid and by MAAG assistance in maintenance, training, organization and planning. However, much still remains to be done. The Navy is short on technical knowledge and maintenance ability. Recently, however, great progress in hull maintenance in most ships has been observed and maintenance of machinery, fire control, and electronics is improving.

The FY 1950-55 MDA program provides major items of equipment and maintenance support for the Army combat divisions; destroyers, amphibious craft and Marine Corps equipment for the Navy; F-47, F-51, F-84, F-86, and PBY aircraft for the Air Force. Particular emphasis is presently being placed on the delivery of jet aircraft as replacement for propeller-driven planes.

Defense Support and Other Programs

During the fiscal years 1951-55 U. S. assistance to Formosa, exclusive of military end-items, has totalled about $530 million. From FY 1951 through FY 1954, overall aid levels remained roughly constant, averaging about $100 million per year. The FY 1955 total of $137.7 million includes $48.0 million of supplemental funds to accelerate military preparedness. Funds made available in FY 1955 comprise $31.0 million for Direct Forces Support, $103.6 million for Defense Support, and $3.0 million for Technical Cooperation.

The following accomplishments are illustrative of the progress to date.

General Narrative Statement (Continued)

Maintenance of Economic Stability: Of the $530 million made available during the period 1951-55, approximately half has been utilized for the importation of industrial raw materials and consumer goods which, by supplementing locally-produced supplies and Chinese-financed imports, have constituted the major factor in the tranzition from a situation of rampant inflation in 1950-51 to that of the current relative price stability. Although prices have risen in recent months after remaining nearly stable for more than a year, the current trend is not as serious as in 1950 and 1951.

Industrial raw materials and aids to farming such as fertilizer and insecticides, which were included in these imports, have been major factors causing overall production increases since 1951 of approximately 40 percent on a total basis and 25 percent on a per capita basis. Among the items showing outstanding increases in 1954 as compared with 1951 are rice (1.5 to 1.7 million tons of brown rice equivalent), wheat flour (22,000 to 137,000 tons), soy-bean oil and cake (41,000 to 59,000 tons), and cotton yarn (40,000 to 127,000 bales).

Since U. S. financed imports were sold to local users, they have further contributed to control of inflation through the withdrawal of local currency from circulation and the generation of counterpart funds which have been used to finance essential military and civilian expenditures. Counterpart funds from these sources supply annually about 25 percent of total local currency requirements of the Chinese Government.

Support of the Defense Effort: Direct support to the defense effort has been provided through the financing of imported civilian-type supplies and equipment used directly by the armed forces. This, the Direct Forces Support component of the Formosa program, has constituted about 20 percent of total cumulative aid, exclusive of military end-items. Among the items provided with these funds have been petroleum products for aircraft and combat vehicles, raw materials for the local manufacture of certain types of ammunition and small arms, protein-type foodstuffs for the improvement of army rations, and raw cotton for the manufacture of military uniforms.

Direct support to the defense effort is also provided from local currency counterpart funds generated by saleable commodity imports financed under the Defense Support component of the program. Nearly half of total counterpart funds have been used to assure the effective utilization of military equipment and technical assistance furnished by the MAAG under the MDA program. Construction of warehouses, barracks, training centers, transportation facilities, airfields and revetments for jet and conventional aircraft has absorbed the major part of these funds.

To improve further the combat effectiveness of the armed forces, a special program is currently being launched with supplemental dollar funds made available in FY 1955. The objectives of this program are (a) to muster out combat ineffectives and retire them in soldiers' settlements and hospitals, or employ them in public works projects including development and improvement of agricultural and forest areas; and (b) to furnish necessary additional training facilities for recruits in order to bring existing units up to approved strength within the authorized force goals. The major expenses of this project are in local currency and are being financed from counterpart funds.

Increasing Formosa's Capacity for Self-Support: About 20 percent of total cumulative aid, exclusive of military end-items, has been used to import capital equipment for agricultural and industrial development, in order to provide a better base for self-support and reduce dependence on outside aid. The aim is to increase local production, export earnings and governmental revenues, concurrently reducing import requirements, as a means of helping meet requirements for the military effort and civilian consumption.

Substantial gains have already accrued from capital development activities. By increasing electric power capacity and repairing existing installations, power production rose 40 percent from 1951 to 1954, output of paper and pulp increased 60 percent, and production of chemical fertilizers increased 50 percent. Other gains in industrial as well as agricultural production have already been referred to.

General Narrative Statement (Continued)

These are solid achievements but they represent only a beginning, since the principal impact of the investment program is still to be felt. As of January 31, 1955, the value of U. S. financed capital goods imports which had actually arrived in Formosa was $40 million, whereas approximately $70 million was either in the procurement pipeline or will be obligated in FY 1955.

Although the full impact of the capital development program is yet to be felt, significant advances in the capacity of Formosa to support its requirements have been achieved over the past several years. This is evidenced by the relative constancy of the level of U. S. aid during the fiscal years 1951-54, even though military requirements were mounting and population was increasing at a rapid rate. The explanation for this significant accomplishment lies in the effectiveness of activities jointly undertaken during this period to help develop Formosa's capacity to provide increasingly for its own support. Had these efforts not been undertaken, substantially larger amounts of aid would almost certainly now be required in order to maintain economic stability.

Enhancing the Prestige of Free China Abroad: Toward the achievement of this objective, the primary effort in this program has been to assist the Chinese to improve public administration, economic planning, education and public welfare. While a relatively small proportion of total aid (about ten percent) has been used for this purpose, the impact is believed to have been proportionately much greater, although it cannot in all instances be measured in concrete terms.

An outstanding example of assistance in this field is the Joint Commission on Rural Reconstruction, which through encouragement of improved crop techniques and expanded irrigation facilities has been responsible to a marked degree for increases which have been achieved in agricultural production. Moreover, through technical and financial assistance in implementation of the land reform program, strengthening of local farmers' associations, and improvement of rural health services, JCRR has made a major contribution to the general welfare of the rural people, who comprise the great majority of the island's population. Surveys have shown that approximately 95 percent of the rural people have benefited from JCRR activities.

FOA also has provided the services of technicians in various phases of public administration, including budgetary and banking affairs, as well as in public health, education and community development. Aid to education has been concentrated primarily in the technical fields, through university contracts with Purdue, the University of California and Pennsylvania State, as a companion measure aiding agricultural and industrial development.

A special program has been initiated to provide facilities for overseas Chinese students, in order partially to offset the large numbers currently going to Communist China for educational purposes. Counterpart funds are being utilized for the expansion of dormitory and classroom facilities, and dollar funds are being provided for the purchase of books and for the advice of a technical advisor in planning a well-rounded program to attract larger numbers of overseas Chinese students to Formosa. About 2,000 college students and 600 highschool students are expected during 1955.

The FY 1956 Program

Overall Magnitude

For FY 1956 it is proposed that $102 million be made available to Formosa - $37 million for Direct Forces Support, $62 million for Defense Support, and $3 million for Technical Cooperation. The FY 1956 total compares with FY 1955 assistance of about $138 million, including $48 million of supplemental funds.

General Narrative Statement (Continued)

The proposed FY 1956 aid level of $102 million is based upon the continued need for U. S. assistance to supplement anticipated deficiencies in Chinese foreign exchange and government budgetary resources.

Assuming larger shipments in FY 1956 of such items as rice, tea, coal and fruits, exports would be increased somewhat over the 1954 total of $98 million. Imports, however, will have to be continued at the average level of the past three years (about $210 million) in order to maintain consumption at present levels and to provide the supplies and equipment needed for continued operation of local productive facilities and for further increases in output. On these assumppptions, there will be an estimated deficit of about $100 million, which must be covered by imports financed by the United States.

Similarly, as regards the government budgetary situation: While revenues will probably continue the upward trend established during recent years, they will fall far short of covering budgetary expenditures, which are also increasing. On these assumptions, continued U. S. assistance will be required both for direct support of the budget and for defraying the local currency costs of the U. S. aid program. As heretofore, such assistance will be provided in the form of saleable commodities to generate local currency counterpart funds.

Total counterpart requirements for FY 1956 are estimated at the local currency equivalent of approximately $130 million, of which the major portion represents military expenditures and budgetary support projects, including the retirement of military ineffectives. Smaller portions of counterpart accruals will be used for industrial development, the JCRR program, and other activities (primarily health and education).

Considering the uncertainty of military developments in the Formosa area during FY 1956, the $102 million recommended for programs other than end-item aid is believed to be a minimum requirement, not only for continued progress toward MSP objectives but for reasonable assurance that gains thus far achieved will not be lost.

Components of the Program

Direct Forces Support: The proposed increase from $31 million in FY 1955 to $37 million in FY 1956 reflects a partial shift from local procurement to direct importation. This shift is proposed partly to speed implementation of military projects, and partly to free counterpart funds for special projects having a high local cost component, such as the retired servicemen's project. The funds requested for FY 1956 will be used to meet additional needs for such imports as aviation gasoline, lubricating oils, motor vehicle parts, construction materials, raw cotton, wheat and soy-beans. Surplus agricultural commodities will total almost $10 million in FY 1956, as compared with less than $5 million in the previous fiscal year.

Technical Cooperation: A total of $3 million, approximately the same amount as in FY 1955, is required for continuation of this program. Activities to be continued include the JCRR program which, through its village level approach, strongly influences the entire pattern of rural activity in Formosa.

Provision also is made for continuation of the contract services of an American engineering firm which is providing expert technical advice to the Chinese on the rehabilitation and expansion of power, transportation, and industrial facilities, as well as technical review of the soundness of projects proposed for U. S. financing. It is further planned to extend engineering services to new industrial lines now being developed, such as pharmaceutical packaging, specialized chemical products, and electrical fabrication facilities.

Funds will also be provided for the continued services of U. S. technicians, many working through university contracts, in the fields of technical and community education, health, labor and public administration. Training programs in the United States for Chinese technicians in these fields will be continued.

Defense Support: As in prior years, the major portion of aid resources in FY 1956 will necessarily be used for Defense Support, primarily to maintain economic stability. The $62 million

General Narrative Statement (Continued)

requested for FY 1956 compares with a FY 1955 total of about $104 million, including $42 million of supplemental funds. More than half of the amount proposed for FY 1956 will be required to finance imports of industrial raw materials and consumer goods to meet Chinese supply deficiencies and to generate counterpart funds needed to supplement government budgetary resources. These imports will include about $30 million of surplus agricultural commodities, as compared with about $26 million in FY 1955.

Funds to supplement Chinese foreign exchange resources for imports of capital equipment for agricultural and industrial development total approximately $20 million in FY 1956, as compared with about $30 million in FY 1955; in percentage terms the investment component comprises about 20 percent of the defense support total in FY 1956, compared to about 24 percent the year before. Hydroelectric and steam power, chemical fertilizers, metal manufactures, and small industry development will receive special emphasis in FY 1956.

Other factors permitting, it would be desirable to increase the amount of aid funds for capital development in FY 1956, since it contributes directly to increasing Formosa's capacity for self-support. However, because the overriding need to support the military effort and to offset the inflationary pressures that would result from commodity shortages, substantially larger amounts cannot be safely programmed for investment without a commensurate increase in overall aid. Any increase in direct dollar investment, moreover, would entail increased expenditures of local currency as well, thus requiring additional dollar funds for counterpart generating imports.

Present plans are to continue working with the Chinese Government to refine and improve programs for achieving a self-supporting economy. Should military developments in FY 1956 prove sufficiently favorable to provide a sound basis for setting a timetable for the attainment of this goal, it is proposed to direct future U. S. aid toward that end as an integral part of a jointly approved economic development plan based on agreement as to armed force levels and civilian consumption standards to be maintained.

Chinese Government Self-Help Efforts: The Chinese are now devoting nearly two-thirds of the combined National and Provincial Governments' budgetary resources to the military effort. They are also assuming a larger share of the local currency costs of U. S. sponsored technical assistance projects in health, education, and rural development. Growing awareness of the need for a greater flow of private capital to Formosa to promote economic growth is reflected in the enactment of a liberalized foreign investment law. Improved budgetary procedures and controls have recently been instituted, and more rational planning for the use of economic resources has become evident. In these and other fields, progress is continuing.

ASIA

INDIVIDUAL COUNTRY DATA

Country: CHINA (FORMOSA)

Summary by Major Activity Field

(In thousands of dollars)

Programs by Fiscal Year	Total U. S. Cost	Agriculture and Natural Resources	Industry and Mining	Transportation	Labor	Health and Sanitation	Education	Public Admin.	Community Development Social Welfare and Housing	General and Misc.	Import of Saleable Commodities	Common Use Items	Other Costs
Direct Forces Support													
1954	30,000											30,000	
1955	31,000											31,000	
1956	37,000											37,000	
Defense Support													
1954	78,454	1,648	26,619	1,683	19	607	720	423		870	45,865		
1955	103,598	4,230	26,005	1,355		2,300		120	20		69,568		
1956	62,000	4,515	13,805	1,240		2,700		135	220	2,080	37,305		
Technical Cooperation													
1954													
1955	3,050	915	65	40	5	320	815	195	15	680			
1956	3,000	725	85	35	30	240	875	300	15	695			
Total All Programs													
1954	108,454	1,648	26,619	1,683	19	607	720	423		870	45,865	30,000	
1955	137,648	5,145	26,070	1,395	5	2,620	815	315	35	680	69,568	31,000	
1956	102,000	5,240	13,890	1,275	30	2,940	875	435	235	2,775	37,305	37,000	

ASIA

INDIVIDUAL COUNTRY DATA

Country: CHINA (FORMOSA)

Summary by Major Cost Components

(In thousands of dollars)

Programs by Fiscal Year	Total U. S. Cost	Supplies and Equipment	U.S.Government Technicians		Contract Services		Participants		Other Costs
			No. of Persons	Cost	No. of Persons	Cost	No.of Persons	Cost	
Direct Forces Support									
1954	30,000	30,000							
1955	31,000	31,000							
1956	37,000	37,000							
Defense Support									
1954	78,454	74,306	48	692	45	2,738	174	718	
1955	103,598	101,208	18	230	27	1,910	72	250	
1956	62,000	61,190	19	270	34	310	50	230	
Technical Cooperation									
1954									
1955	3,050	1,125	42	570	35	665	168	690	
1956	3,000	1,000	46	720	37	560	156	720	
Total All Programs									
1954	108,454	104,306	48	692	45	2,738	174	718	
1955	137,648	133,333	60	800	62	2,575	240	940	
1956	102,000	99,190	65	990	71	870	206	950	

INDIVIDUAL COUNTRY DATA (EXCLUDING MILITARY ASSISTANCE AND TECHNICAL COOPERATION)

Summary of Commodity Imports and Services

(In thousands of dollars)

Illustrative Composition of Country Program	Actual FY 1954	FY 1955				FY 1956			
		Defense Support				Defense Support			
		For Project Utilization	For Consumption and Generating Local Currency	Direct Forces Support	Total	For Project Utilization	For Consumption and Generating Local Currency	Direct Forces Support	Total
Commodities									
Food and Agricultural Imports									
Bread Grains	15,104		7,150	3,230	10,380		4,840	5,160	10,000
Coarse Grains	2,000								
Cotton	22,039		13,500	1,600	15,100		12,360	2,640	15,000
Dairy Products	1,215		2,000	-	2,000		1,000	-	1,000
Fats and Oils	13,779		14,175	1,880	16,055		12,130	1,870	14,000
Tobacco	100		-	-	-				
Total Food and Agricultural Imports	54,237		36,825	6,710	43,535		30,330	9,670	40,000
Less Sales Proceeds Programmed for Other Countries	5,000								
Net U.S. Financed Food and Agricultural Imports	49,237		36,825	6,710	43,535		30,330	9,670	40,000
Industrial Imports									
Petroleum Products	4,599		1,270	8,655	9,925		700	8,140	8,840
Raw and Semi-Finished Products	19,905	7,220	18,355	5,460	31,035	4,935	3,095	5,180	13,210
Machinery and Vehicles	28,910	21,320	10,440	1,545	33,305	16,535	2,450	3,960	22,945
Miscellaneous and Unclassified	1,655	3,100	2,678	8,630	14,408	2,415	730	10,050	13,195
Total Industrial Imports	55,069	31,640	32,743	24,290	88,673	23,885	6,975	27,330	58,190
Total Commodity Program	104,306	31,640	69,568	31,000	132,208	23,885	37,305	37,000	98,190
Services	4,148	2,390			2,390	810			810
Total Country Program	108,454	34,030	69,568	31,000	134,598	24,695	37,305	37,000	99,000

INDONESIA

BASIC DATA

			Indo-nesia	Asian Arc	U.S.
Population (1954)..... millions	81	Caloric intake.....	2,120	2,035	3,120
Annual growth..... percent	1.6	% grains & starches....	79	79	29
Area.....1,000 square miles	576	Literacy rate.... percent	55	32	97
Agricultural land..... percent	6	Life expectancy.....years	32	35	68
Agricultural land per capita..... acres	0.4	Road miles per 1000 sq.mi	75	220	1,100

USE OF RESOURCES - 1954

Gross national product (million U.S. dollars)	$10,400	
Consumption	8,500	82
Gross investment (public and private).....	616	6
Government non-defense expenditure	825	8
Government defense expenditure	482	5
Net foreign balance	-23	-1
Per capita GNP (dollars)	$128	

(FOA estimates; converted at 11.4 rupiahs per $)

TRADE AND PAYMENTS

	1938	1951	1952	1953	1954 *
		(millions of US $)			
Exports, f.o.b.	381	1,292	916	820	856
Imports, c.i.f.	275	873	924	753	630
Trade balance	106	419	-8	67	226
Principal exports					
Rubber .....Quantity....1,000 MT	407 [a]	793	789	702	746
Value.... $ millions	119 [a]	654	424	270	264
Petroleum .....Quantity....1,000 MT	6,020 [a]	6,725	7,453	9,600	9,887
Value.... $ millions	90 [a]	185	182	201	226
Tin ore .....Quantity....1,000 MT	28 [a]	45	51	47	48
Value ....$ millions	21 [a]	81	86	81	59
Trade with U.S. (U.S. Customs data)					
Exports to U.S.	69	266	276	215	167
Imports from U.S.	28	162	132	104	71
Balance	41	104	144	111	96
Balance of payments					
Balance on goods & services		128	-251	-136	-23
Net capital		5	93	4	63
Private		-7	-19	2	3
Official and banking		12	112	2	60
Government grants		1	7	3	5
Long-term capital		39	79	-7	-1
Short-term capital		-28	26	6	56
Change in gold & exch. reserves		+120	-200	-116	+23
Gold and foreign exchange reserves.....		592	392	276	299

PRODUCTION

	Unit	1938	1951	1952	1953	1954 *
Agricultural production [d]	1935-39=100	100 [e]	112	111	111	113
Major crops: [d]						
Rice, rough	1,000 MT	9,580 [e]	9,900	10,460	11,110	10,400
Copra & coconut oil [d] (as copra)	1,000 MT	1,320 [e]	1,140	870	880	1,000
Rubber .....1,000 MT		322	828	758	703	757
Major industries:						
Petroleum, crude	1,000 MT	7,400	7,440	8,520	10,220	10,750
Tin concentrates (metal content)	1,000 MT	30.2	31.5	35.0	34.4	36.4

FINANCES

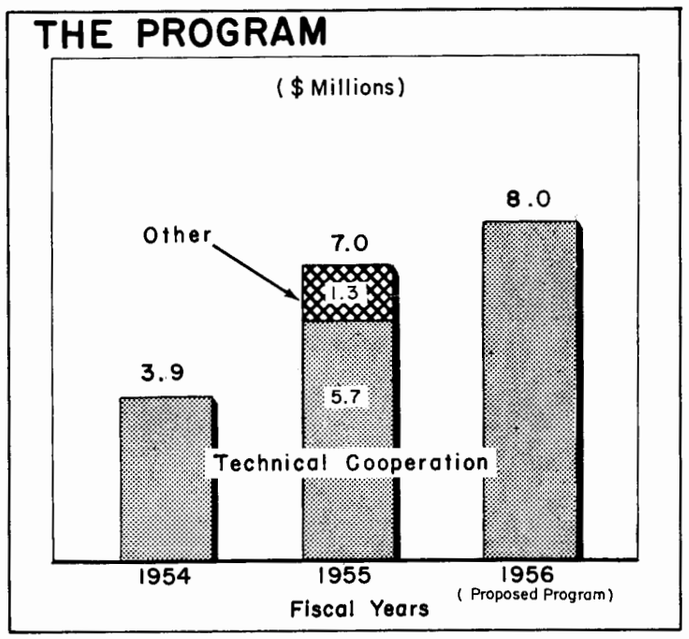
	1951	1952	1953	1954	1955
	(millions of US $)				
Central government budget					(f)
Revenue, excl. counterpart.....	1,038	1,061	1,038	1,000	1,009
Expenditure	928	1,524	1,399	1,263	1,277
Defense	329	448	428	482	n.a.
Capital outlay	599	282	971	265	n.a.
Other non-defense		794		516	n.a.
Surplus or deficit (-) before counterpart .	110	-463	-361	-263	-268
Counterpart funds	--	--	--	44	10
Surplus or deficit (-) after counterpart	110	-463	-361	-219	-258
As % of total revenue	11%	-44%	-35%	-22%	-26%
Defense expend. as % of budget	35%	29%	31%	38%	n.a.
Defense expend. as % of GNP	5%	6%	5%	5%	n.a.
Prices (index 1948=100)					
Wholesale: Djakarta [g]	349	331	352	374 [h]	
Cost of living - food: Djakarta	189	199	211	225	254(Jan)

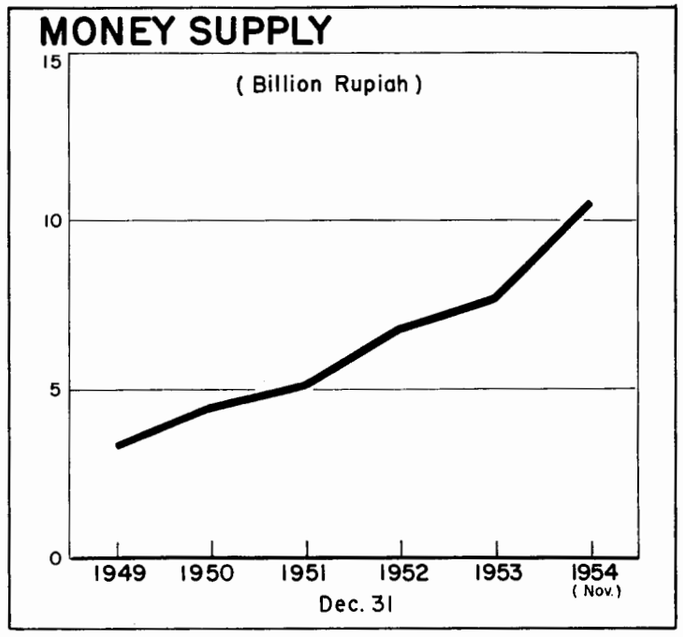
EXTERNAL RESOURCES

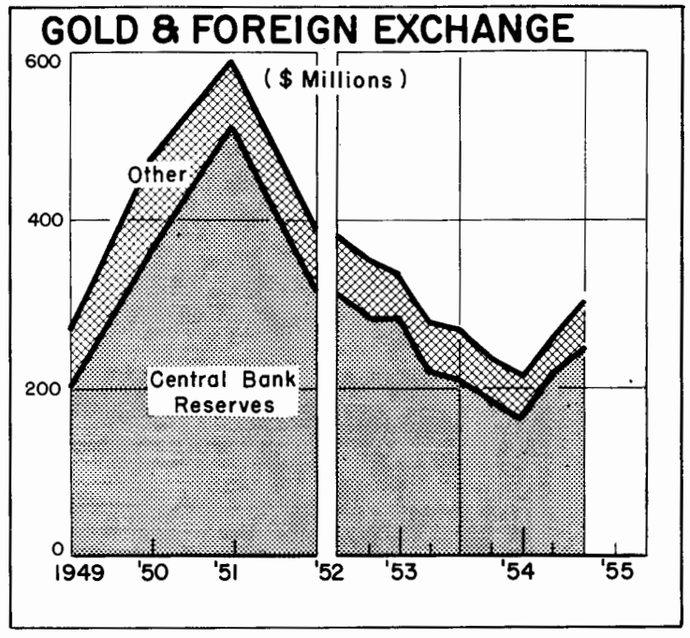
	1950	1951	1952	1953	1954	Program 1955	Program 1956
			(millions of US $)				
FOA obligations (fiscal years)	--	8.0	-1.9	13.2	3.9	7.0	8.0
			(calendar years)				
EX-IM Bank disbursements.....	--	--	31	12	19 [b]		
IBRD disbursements	--	--	--	--	--		
U.S. private investment (net)							
Net direct investment	-13	4	-23	14			
Reinvested subsidiary earnings.	9	4	25	(c)			
Book value of U.S. direct private investment	58	72	74	88			

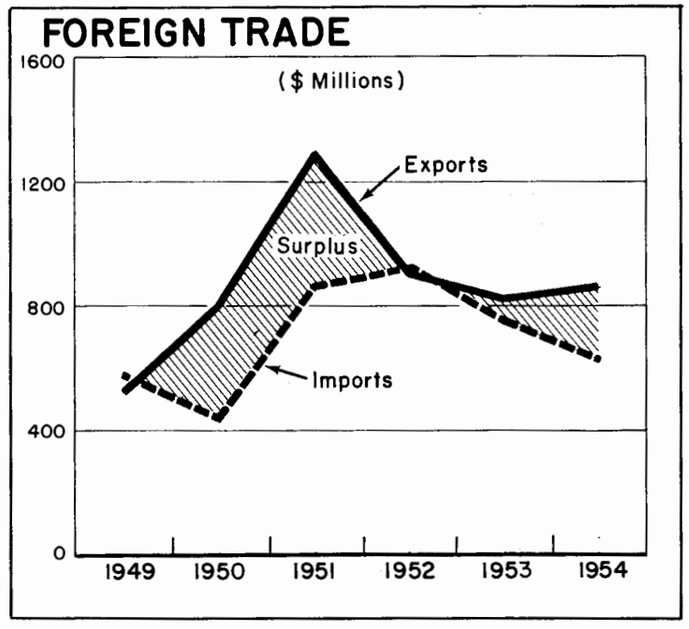
* 1954 data partly preliminary or estimated. n.a. - Not available.
a 1937-38 average.
b Undisbursed balance as of 12/31/54 - $29 million.
c Less than one-half the unit shown.
d Crop year beginning in year stated.
e Prewar average.
f Budget estimates.
g Imported goods
h Average Jan - Sept.

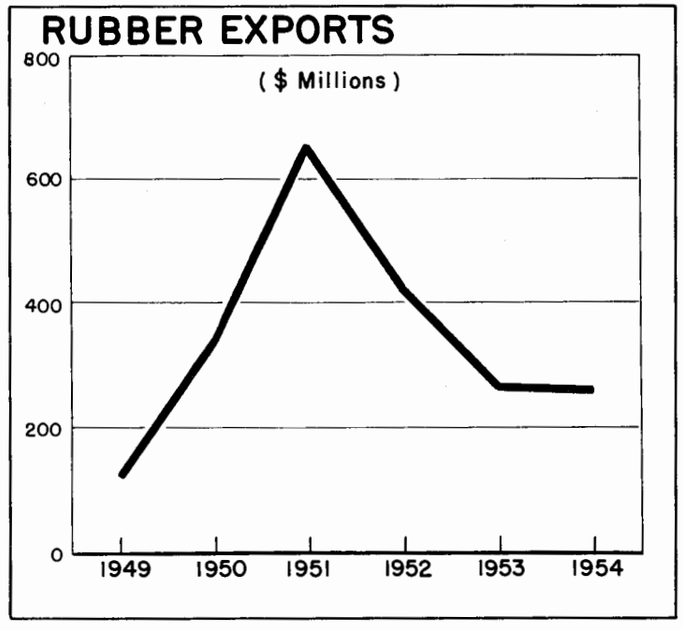
INDONESIA

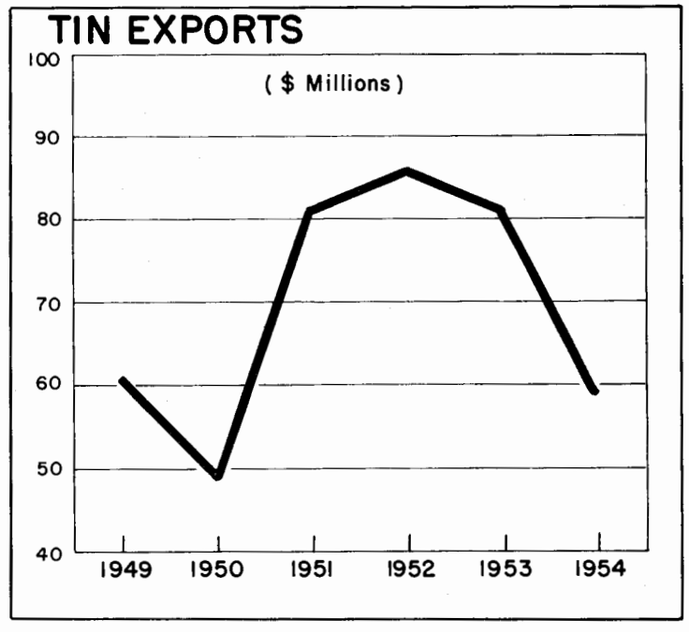

THE PROGRAM
($ Millions)
Other
7.0
1.3
8.0
3.9
5.7
Technical Cooperation
1954
1955
1956
(Proposed Program)
Fiscal Years


MONEY SUPPLY
(Billion Rupiah)
15
10
5
0
1949
1950
1951
1952
1953
1954
(Nov.)
Dec. 31


GOLD & FOREIGN EXCHANGE
($ Millions)
600
400
200
0
Other
Central Bank Reserves
1949
'50
'51
'52
'53
'54
'55


FOREIGN TRADE
($ Millions)
1600
1200
800
400
0
Exports
Surplus
Imports
1949
1950
1951
1952
1953
1954


RUBBER EXPORTS
($ Millions)
800
600
400
200
0
1949
1950
1951
1952
1953
1954


TIN EXPORTS
($ Millions)
100
90
80
70
60
50
40
1949
1950
1951
1952
1953
1954

ASIA

Country: INDONESIA

INDIVIDUAL COUNTRY DATA

Summary of Program by Function

(In thousands of dollars)

Function	Program FY 1950/54	Program FY 1955	Proposed FY 1956
Technical Cooperation	3,906[a/]	5,700[a/]	8,000
Other Programs	-	1,300	-
Total Country Program	3,906	7,000	8,000

a/ Excludes regional and inter-regional costs.

General Narrative Statement

Current Situation

The Republic of Indonesia, a nation of more than 2,500 islands stretching for 3,000 miles across the sea and air approaches between the Pacific and Indian Oceans and Asia and Australia, is the sixth most populous nation in the world, ranking immediately after Japan. Indonesia produces 40 percent of the free world's supply of natural rubber, 20 percent of its tin, and as the largest producer of petroleum east of the Persian Gulf, was a principal goal of Japan's drive toward the south during World War II.

Indonesia is currently governed by a broad coalition made up of conservative Moslem parties and a range of nationalist parties, including the largest nationalist party, the PNI. The Indonesian Communist Party, discredited by a bloody uprising against the Indonesian state during the struggle against the Dutch, is seeking to rehabilitate itself by associating with the nationalist movement, and has consistently supported the present government in the Indonesian parliament. The parliament, a temporary appointed body, was created during the revolution to represent the principal political parties, organizations, and groups working for independence. The nation's first general elections are scheduled to be held during 1955.

Confronted by staggering internal problems, Indonesia has taken the position that its national interests are best served by refusing to associate itself with either of the principal world power concentrations and follows an active and independent foreign policy. Aware, nevertheless, of its responsibilities as a member of the family of nations, Indonesia is a member of the United Nations and is active in many of the international organizations affiliated with the United Nations.

The Indonesian economy has been slow in regaining prewar levels of activity, and has failed to provide adequately for the needs of an increasing population. Substantial disinvestment has occurred since independence, mainly as a result of Dutch withdrawals. Per capita income is below prewar and declining.

With its very great dependence on the production of a few raw material exports (rubber, tin, petroleum and copra), Indonesia's economy is extremely sensitive to the vagaries of world markets. During the latter part of 1954 a combination

General Narrative Statement (Continued)

of factors, including an upward swing in the price of rubber and stringent import restrictions, temporarily checked the decline in the country's meager foreign exchange reserves. The deficit in the government budget, however, is estimated to have been the equivalent of $263 million for 1954. The increased money supply and import restrictions have led to a rising cost of living, particularly in urban areas.

The nation's economic aspirations call for rapid development toward more balanced and diversified economic activity, with greater emphasis on manufacturing industries utilizing indigenous materials. Progress toward solving the country's problems is inhibited by its lack of trained and experienced personnel and by the low rate of savings and investment.

In attempting to attain its national economic goals, Indonesia is faced with many problems, the most important of which include:

(1) Lack of internal security in certain areas resulting from marauding armed gangs and dissident groups in West and Central Java, North Sumatra and the Celebes.

(2) Widespread prevalence of malaria in epidemic proportions and of other diseases constituting a hazard to health and an obstacle to labor productivity.

(3) Overpopulation on Java and Madura creating great pressure on tillable land.

(4) Serious dearth of trained and experienced personnel in government and the trades and professions.

(5) Inflation and underproduction tending to discourage the accumulation of adequate savings for investment.

(6) Inefficient and uneconomic practices in rubber production resulting in reduced exports and government revenues, with possible adverse effect on Indonesia's future position as a major exporter of rubber.

Program Objectives

The broad objective of the program is to help Indonesia attain its national aspirations by strengthening its independence and laying the groundwork for sound economic growth and better standards of living.

More specifically, the U.S. aid program is directed toward assisting Indonesia to:

(1) Meet its need for technically trained manpower and expand the supply of managerial talent needed to implement an economic development program.

(2) Maintain and expand those productive elements of the economy, both agricultural and industrial, which can best mitigate the inflationary pressures and improve the country's international balance of payments position.

(3) Maintain social and economic stability by strengthening public health and other social services.

Progress to Date

In the five years since FY 1951, the United States has made available to Indonesia technical and economic assistance totaling about $30 million; approximately $19 million was provided in fiscal years 1951 - 1953 and was used in large part to finance supplies and equipment for key projects. The relatively smaller programs for FY 1954 ($3.9 million), and FY 1955 ($7.0 million) have placed greater emphasis on technical assistance and training, with minimum supporting supplies and equipment.

General Narrative Statement (Continued)

The FY 1955 total includes $3.3 million of supplemental funds - $2.0 million to meet increased technical cooperation requirements and $1.3 million for a malaria control project initiated in FY 1953. Contract services, a significant element in the implementation of the program, amounted to $1.7 million in FY 1954 and to $1.9 million in FY 1955.

The Indonesian Government pays all the local costs of U.S. assisted projects, in addition to meeting its obligation for deposit of counterpart funds.

The following are illustrative of accomplishments achieved with U.S. assistance to date:

Technical Training: Thus far, more than 475 participants have received technical training in the United States in agriculture, labor, public health, education and other fields.

To improve technical training facilities in Indonesia, the U.S. is financing the dollar costs of contracts between American universities and the Indonesian Government in the fields of medical, technical and vocational education, business and public administration, and the production of educational and documentary films.

Assistance in Engineering Fields: Through the contractual services of a U.S. engineering firm, technical assistance has been given to the Indonesian Government in formulating an economic development plan and in restoring and improving the country's transportation facilities. Activities in the latter field have included advisory services in the organization of railroad repair shops to keep rolling stock moving; also assistance in helping organize and improve the operation of port facilities at Tandjung Priok, Indonesia's principal port and harbor serving Djakarta. Significant results in the port improvement project include: reduction in the turn-around time per ship from 14 to about four days; reduction of pilferage losses from as high as 37 to only two percent; and increase in the daily cargo-handling capacity per ship from 160 to 400 tons.

Improving Agricultural Production: Assistance in agriculture has been directed toward helping Indonesia meet its food requirements from domestic sources. Rice imports have already been reduced from 760,000 tons in 1952 to an estimated 270,000 tons in 1954.

U.S. technicians are assisting the Indonesian Ministry of Agriculture to find satisfactory methods for clearing new lands for settlers from the crowded island of Java. In North Sumatra, 4,400 acres of land previously covered by tiger grass, which cannot be rooted out with hand tools, have been cleared by farm machinery, much of it provided by the U.S. With such equipment farmers can now clear one acre at a cost of $25, far less than the gross value of the area's yield in one year.

Strengthening Public Health Services: Indonesia has approximately one doctor for every 70,000 persons, as compared to one for every 800 persons in the United States. The U.S. aid program is directed toward relieving the pressing need for doctors by financing the training of medical teachers and students. This is being accomplished under a U.S.-financed contract between the University of California School of Medicine and the University of Indonesia for expanding and reorganizing its medical school. One of the most successful projects in the field of health has been the nurses training school at Bandung.

One of the most pressing health problems is malaria, which in Indonesia kills over 150,000 people each year. To help control this disease, a project begun in FY 1953 was expanded in FY 1955 because of the imperative need for a concentrated effort over a short period of time for maximum effectiveness. During the past three years, in an area with a population of over 3 million malaria has been practically eliminated. In another area - Surabaya, East Java - sample tests on infants made before the project was undertaken revealed that 30 percent had malaria and that many of them would not survive. Two years later, a similar test showed that not one infant had malaria.

The FY 1956 Program

The program proposed for FY 1956 embraces Technical Cooperation projects totaling $8 million. These include projects

General Narrative Statement (Continued)

begun in FY 1955 or prior years and new projects selected by the Republic of Indonesia. The program is composed of three elements: (1) Technical education to help Indonesia train the personnel so urgently needed in technical fields; (2) technical advice and assistance to help increase agricultural and industrial production, in an effort with technical assistance to aid Indonesia in meeting its basic long-range economic problems; and (3) assistance in improving the health of the people, particularly in eradicating malaria as a serious health menace and thus increasing their ability to produce.

In view of the critical need for trained personnel, the FY 1956 program is concentrating to a greater extent than in previous years on technical education. The Indonesian Government has expressed a strong desire for an effective two-part program in the field of technical education: (1) to assist the Ministry of Education in formulating and initiating a ten-year program of technical education within the country, which will cover all scholastic levels, as well as on-the-job training; and (2) to provide training in the United States for the largest possible number of potential Indonesian leaders in technical fields.

The FY 1956 program envisages an extension of the contractual relationship between universities and technical institutions in Indonesia and the United States. A survey team of American educators will undertake to draft a national long-range plan of technical education in line with the Indonesian Government's request, and the FY 1956 program through its contractual relationships is expected to help implement the recommendations of this group.

New projects in the fields of engineering education, public and business administration, and agriculture are to be initiated in FY 1956. A nationwide program of vocational education is being worked out under the continuing contract with an American institute. The new arrangements contemplated for instruction at the university level will help make possible, in total, a broad, comprehensive contribution to the needs of the country.

The program also provides for assistance in the industrial field in which the country needs help at almost every point. It will assist in assessing the economic feasibility of proposed projects, in making pre-project surveys and studies preliminary to an application for credit, and in advising on the improvements needed to make existing industries and supporting facilities more efficient. Consultant services will be provided through a contract with a U.S. engineering firm. Furthermore, expert assistance is to be given the industrial institutes in Indonesia which are now training young men and women in various industrial fields and providing a pool of advisory services to small and medium-sized industries.

The farmer's problem in Indonesia is not, as in so many countries in Asia, a problem of land tenure with the consequent need for land reform. It is, instead, a problem of increasing his yields on his small holdings, of opening up new acreage in frontier lands such as Sumatra and Borneo, of inducing the young men and women in over-populated Java to migrate to areas where free fertile land is available in under-populated Sumatra. To assist in these endeavors, the FY 1956 program provides for: Expanding services in the field of agricultural extension to assist the government in getting existing and recently developed knowledge, techniques and better seed into the hands of the farmer; continued assistance for training Indonesian personnel in the operation and maintenance of land-clearing equipment; soils analysis and soil conservation; and the diversification of agricultural production.

As a part of the U.S. effort to increase the food supply of the country, particularly in the much needed proteins, technical assistance is being given in the field of marine fisheries. The 1956 program proposes the establishment of two fishing communities as demonstration projects in which the necessary demonstration equipment would be provided: ice plant, cannery, drying and salting facilities, gear, boat yard. Demonstration equipment which can be obtained only from abroad would be financed under the program, and two experts would be made available to supervise its installation and advise the Indonesian Government on its effective utilization.

General Narrative Statement (Continued)

In the field of labor, the Indonesian Government has requested technicians to assist in developing a program of workers' education, in cooperation with the Ministry of Labor and the trade unions. Plans also are under way to establish a demonstration low-cost housing project for workers, using indigenous materials and self-help.

The FY 1956 health program provides for the continued financing of a contract between the University of California School of Medicine and the University of Indonesia Medical College, rendering assistance in developing and improving its curriculum and methods of instruction. Further assistance also will be given to the effort to eradicate malaria.

The FY 1956 program represents a new emphasis in technical cooperation with Indonesia. Recognizing that hope for a better life is essential if the country is to succeed in maintaining its independence, the program is directed at helping in those areas in which greatest impact may be achieved in terms of the well-being of the people, thereby helping to achieve some progress toward mutually agreed upon goals.

INDIVIDUAL COUNTRY DATA

Summary by Major Activity Field

(In thousands of dollars)

Programs by Fiscal Year	Total U. S. Cost	Agriculture and Natural Resources	Industry and Mining	Transportation	Labor	Health and Sanitation	Education	Public Admin.	Community Development Social Welfare and Housing	General and Misc.	Import of Saleable Commodities	Common Use Items	Other Costs
Technical Cooperation													
1954	3,906	97	1,337	78	(69)	403	476	1,172		412			
1955	5,700	1,345	1,300	120	300	835	710	750	100	240			
1956	8,000	1,555	2,075	235	645	460	1,215	1,040	290	485			
Other Programs													
1954													
1955	1,300					1,300							
1956													
Total All Programs													
1954	3,906	97	1,337	78	(69)	403	476	1,172		412			
1955	7,000	1,345	1,300	120	300	2,135	710	750	100	240			
1956	8,000	1,555	2,075	235	645	460	1,215	1,040	290	485			

ASIA

Country: INDONESIA

INDIVIDUAL COUNTRY DATA

Summary by Major Cost Components

(In thousands of dollars)

Programs by Fiscal Year	Total U. S. Cost	Supplies and Equipment	U.S. Government Technicians		Contract Services		Participants		Other Costs
			No. of Persons	Cost	No. of Persons	Cost	No. of Persons	Cost	
Technical Cooperation									
1954	3,906	1,442	44	93 a/	23	1,744	216	627	
1955	5,700	1,565	70	960	86	1,930	270	1,245	
1956	8,000	3,075	97	1,300	107	2,095	323	1,530	
Other Programs									
1954									
1955	1,300	1,300							
1956									
Total All Programs									
1954	3,906	1,442	44	93	23	1,744	216	627	
1955	7,000	2,865	70	960	86	1,930	270	1,245	
1956	8,000	3,075	97	1,300	107	2,095	323	1,530	

a/ Excludes financing costs of some technicians financed from prior year funds.

JAPAN

BASIC DATA

			Japan	Asian Arc	U.S.
Population (1954)..... millions	88	Caloric intake.....	2,100	2,035	3,120
Annual growth..... percent	1.0	% grains & starches ...	75	79	29
Area.....1,000 square miles	142	Literacy rate.... percent	95	32	97
Agricultural land.....percent	18	Life expectancy.... years	56	35	68
Agricultural land per capita..... acres	0.2	Road miles per 1,000 sq.mi	1,800	220	1,100
		Elec. power per capita ..... K.WH per year	680	117	3,165

USE OF RESOURCES-1954

Gross national product (millions of U.S. dollars).....	$21,225	%
Consumption	13,105	62
Gross investment (public and private).....	5,695	27
Government non-defense expenditure	1,950	9
Government defense expenditure **	553	3
Net foreign balance	-78	-1
Per capita GNP	$241	

(FOA estimates; converted at 360 yen per $)

TRADE AND PAYMENTS

	1938	1951	1952	1953	1954*
		(millions of US $)			
Exports, f.o.b.....	1,109	1,355	1,273	1,275	1,629
Imports, c.i.f.....	1,070	1,995	2,028	2,410	2,399
Trade balance.....	39	-640	-755	-1,135	-770
Principal exports					
Cotton fabrics .....million sq.yds.	2,274	1,092	762	914	1,278
$ millions	129	317	180	179	252
Iron & steel..... 1,000 MT	455[a]	967	1,633	843	1,183
$ millions	34[a]	206	263	140	166
Machinery & transport equip..$ millions	68	109	110	189	202
Trade with U.S. (U.S. Customs data)					
Exports to U.S.	127	205	229	262	279
Imports from U.S.	240	598	621	668	677
Balance.....	-113	-393	-392	-406	-398
Balance of payments					
Balance on goods & services		158	193	-226	-78
Net capital		227	31	76	187
Private		50	65	3	44
Official & banking		177	-34	73	143
Government grants		155	5	-	-
Long-term capital		-3	-71	-200	2
Short-term capital		25	32	273	141
Change in gold & exch. reserves		+394	+223	-148	+108
Gold and foreign exchange reserves[b]...	326	950[E]	1,165	1,017	1,125

PRODUCTION

	Unit	1938	1951	1952	1953	1954*
Industrial production	1948=100	228[f]	193	213	257	276
Agricultural production[e] .....1935-39=100		100[f]	106	114	99	108
Major crops:						
Rice, rough[e] .....1,000 MT		12,150[f]	11,240	12,330	10,250	11,340
Wheat[e] .....1,000 MT		1,360[f]	1,490	1,540	1,370	1,510
Sweet potatoes[e] .....1,000 MT		3,420[f]	5,530	6,200	5,390	5,210
Major industries:						
Manufacturing .....1948=100		274	219	244	299	325
Mining .....1948=100		157	138	142	152	145
Electricity and gas.....1948=100		94	134	146	160	172
Woven cotton fabrics...million sq. mtrs.		2,760	1,820	1,870	2,350	2,662

EXTERNAL RESOURCES

	1950	1951	1952	1953	1954	Program 1955	Program 1956
			(millions of US $)				
FOA obligations (fiscal years).....	-	-	-	-	10.0	0.5	1.0
Other U.S. aid - GARIOA (calendar years)	361	155	5	-	-	-	-
			(calendar years)				
Ex-Im Bank disbursements	10	-	40	40	80[c]		
IBRD disbursements	-	-	-	-	11[d]		
U.S. private investment (net)							
New direct investment	7	21	23	16			
Reinvested subsidiary earnings	-	-	1	3			
Book value of U.S. private direct investment	19	45	69	88			

FINANCES

	1951	1952	1953	1954	1955
		(millions of US $)			
Central government budget (fiscal year ending March 31)				(g)	(g)
Revenue, excl. GARIOA counterpart	1,984	2,475	2,979	2,837	2,830
Expenditure	2,004	2,638	3,003	3,477	3,187
Defense **	327	330	299	484	575
Capital outlay	729	1,249	1,344	1,431	1,106
Other non-defense	948	1,059	1,360	1,562	1,506
Surplus or deficit (-) before GARIOA counterpart	-20	-163	-24	-640	-357
Counterpart funds (GARIOA)	453	151	119	65	44
Net surplus or deficit (-)	433	-12	95	-575	-313
As % of total revenue	22%	(h)	3%	-20%	-11%
Defense expend. as % of budget **	16%	13%	10%	14%	18%
Defense expend. as % of GNP **.....	3%	2%	2%	2%	3%
Prices (index 1948 = 100)					
Wholesale	268	273	274	272	269 (Jan)
Cost of living	143	150	160	170	170 (Jan)

* 1954 data partly preliminary or estimated.

** Defense expenditure includes the expenditure of the National Defense Agency and the expenditure of other agencies and departments for defense purposes.

a 1939. b Excludes Bank of Japan's gold holdings in postwar years.

c Undisbursed balance as of Dec. 31, 1954 - $40 million.

d Undisbursed balance as of Dec. 31, 1954 - $29 million.

e Crop year beginning in year stated. f Prewar average.

g Budget estimates. h Less than 1/2 of one percent.

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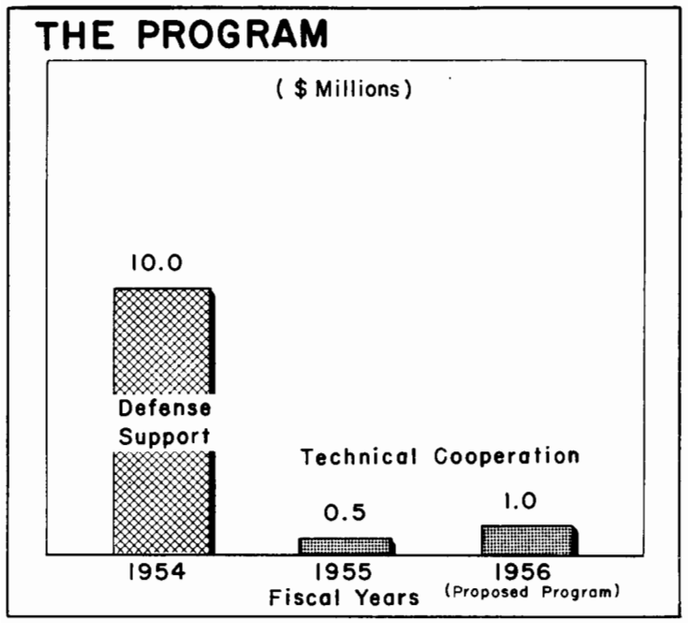
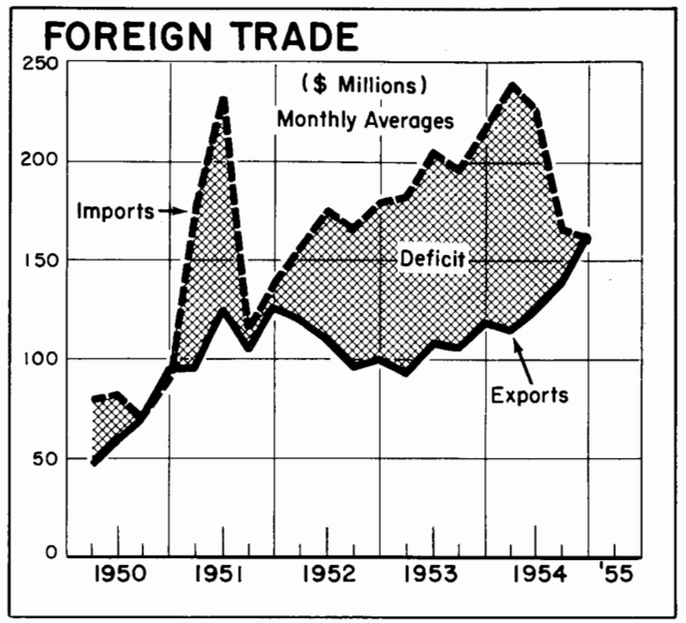
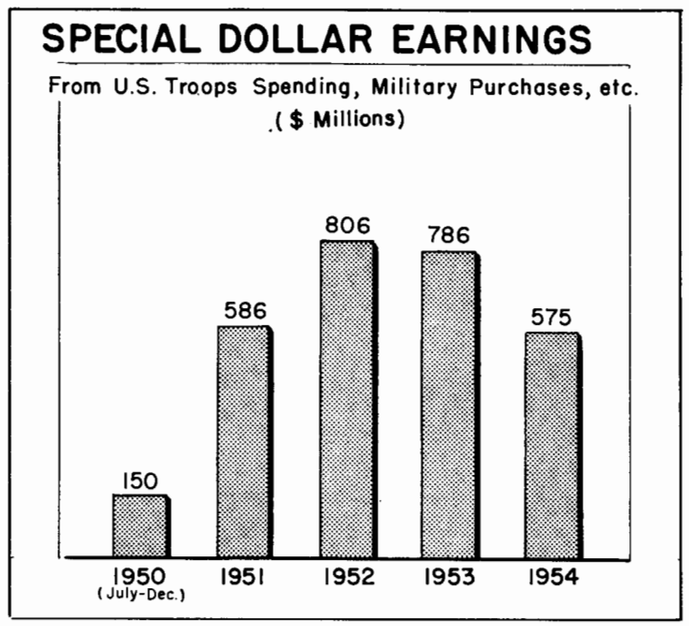
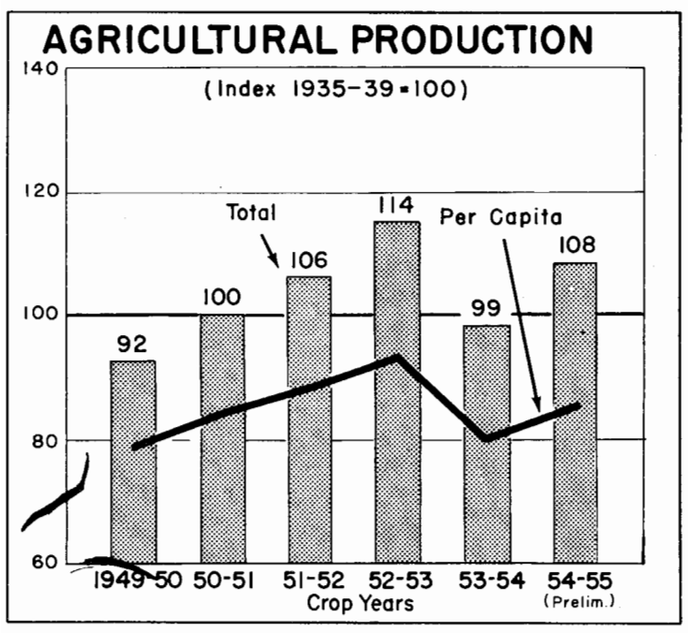
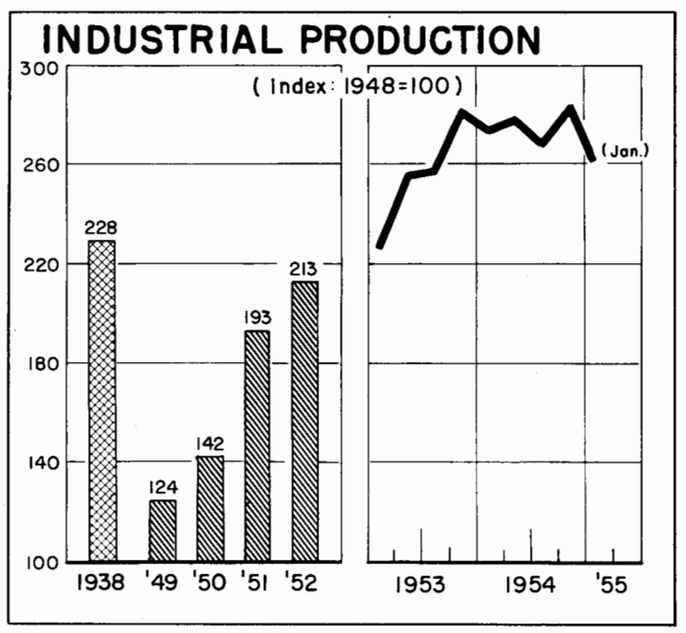
JAPAN

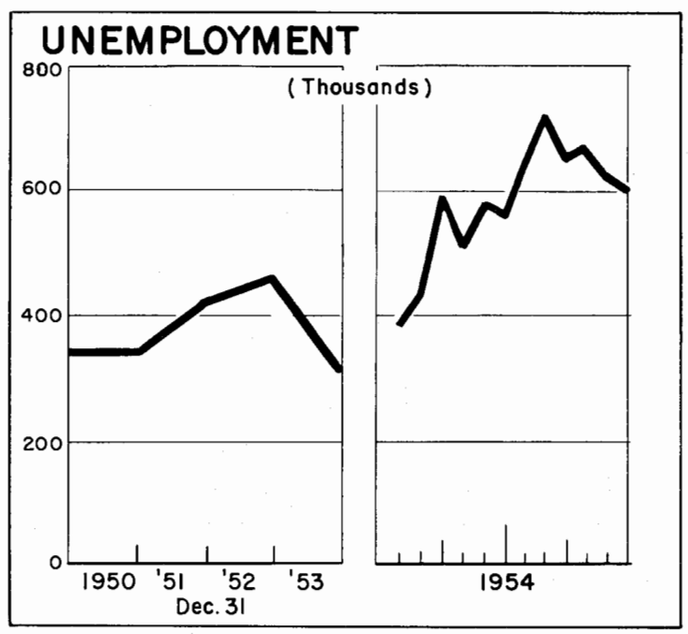

THE PROGRAM
($ Millions)
10.0
Defense Support
Technical Cooperation
0.5
1.0
1954
1955
1956
Fiscal Years
(Proposed Program)


FOREIGN TRADE
($ Millions)
Monthly Averages
Imports
Deficit
Exports
250
200
150
100
50
0
1950
1951
1952
1953
1954
'55


SPECIAL DOLLAR EARNINGS
From U.S. Troops Spending, Military Purchases, etc.
($ Millions)
150
586
806
786
575
1950
(July-Dec.)
1951
1952
1953
1954


AGRICULTURAL PRODUCTION
(Index 1935-39=100)
140
120
100
80
60
Total
Per Capita
92
100
106
114
99
108
1949-50
50-51
51-52
52-53
53-54
54-55
(Prelim.)
Crop Years


INDUSTRIAL PRODUCTION
(Index: 1948=100)
300
260
220
180
140
100
228
124
142
193
213
(Jan.)
1938
'49
'50
'51
'52
1953
1954
'55


UNEMPLOYMENT
(Thousands)
800
600
400
200
0
1950
'51
'52
'53
1954
Dec. 31

ASIA

Country: JAPAN

INDIVIDUAL COUNTRY DATA

Summary of Program by Function

(In thousands of dollars)

Function	Program FY 1950/54	Program FY 1955	Program Proposed FY 1956
Military Assistance	a/	a/	a/
	FY 1954		
Defense Support	10,000		
Technical Cooperation	-	500	1,000
Total Country Program Other Than Military Assistance	10,000	500	1,000
MSP Sales Surplus Agricultural Commodities			
Sales to This Country	50,000	-	-
Sales Proceeds Programmed in This Country	-		
Defense Support	10,000	-	-

a/ Data included in separate submission on Military Assistance.

General Narrative Statement

Current Situation

Japan is the northern-most anchor of the strategically important offshore island chain on the Western Pacific and is by far the most industrially advanced country of Free Asia. It is of vital importance to the Free World that Japan be politically stable, economically viable, capable of defending itself against internal subversion and external aggression, aligned with the countries of Free Asia, and able and willing to contribute to the mutual security of the Area.

An economically strong Japan would contribute to the economic development of the entire Far East and would provide another strong link in the Free World's chain of defense against Communist aggression.

Japanese effort expended during the war and the loss of the war itself seriously damaged the country politically, economically, and psychologically, and left it with no means for self-defense. During the period of the U.S. military occupation from 1945 to 1951, Japan established certain democratic institutions and attacked the problem of rehabilitating its economy and restoring its international trade.

The United States during this period assisted directly in Japan's economic rehabilitation by expending some $2 billion for emergency relief and economic assistance under GARIOA (Government and Relief in Occupied Areas). The outbreak of the Korean War brought about heavy U.S. expenditures in Japan in support of

General Narrative Statement (Continued)

U.S. forces. These expenditures, together with personal expenditures by U.S. troops in Japan, resulted in special dollar earnings of approximately $806, $786 and $575 million in 1952, 1953 and 1954, respectively, and provided a tremendous stimulant to the Japanese economy. Although these special earnings permitted Japan to finance the large trade deficits which it incurred, they helped put off the day when certain weaknesses in the Japanese economy had to be attacked.

Problems

(1) Economic: Japan's economic difficulties arise fundamentally out of the growing disparity between population and available resources. Its population of approximately 88 million people is increasing at a rate of more than one million per year. Consequently, even with as intensive cultivation of land as anywhere in the world, Japan must import approximately 20 percent of its food requirements. Since the country is poor in material resources, it must depend on imports for much of its raw material requirements. The loss of prewar territories which supplied many of its import needs has necessitated the development of new sources of supply. However, Japan does have a skilled, industrious population, and managerial and technical capacity.

Japan's problem is to expand exports sufficiently to offset the expected decline of U.S. military spending in order to provide foreign exchange income to cover the costs of its food and raw material import requirements. In 1954 the Japanese Government took steps to restrict imports, promote exports, and curb the inflationary boom created during the Korean war; these measures had much to do with the improvement which occurred during that year. These steps, however, are not sufficient to solve the basic trade problem. The trade negotiation now under way at Geneva, if concluded successfully, and the accession of Japan into GATT (General Agreement on Tariffs and Trade) would increase Japan's ability to export. In addition, efforts to promote the economic development of South and Southeast Asia will tend to expand the market for Japan's goods.

(2) Political: An active and voluble Communist minority aggravates the Japanese political scene and encourages destructive tactics by other dissident groups. In November 1954, the split within the Liberal Party (conservative) resulted in the resignation of Prime Minister Yoshida and set the stage for a general election and the establishment of a new government. As a result of the elections held in February 1955, the combined strength of the several conservative parties is slightly less than two-thirds of the seats of the House of Representatives, thus requiring substantial cooperation among the conservative elements.

(3) Military: In accordance with U.S. occupation policy, Japan had no military defense forces at the time of the outbreak of hostilities in Korea. In July 1950, however, the Japanese Government was authorized to organize a 75,000-man National Police Reserve to provide for the maintenance of peace and order within the country; thus permitting U.S. combat divisions to be transferred to the fighting front in Korea. This Reserve was gradually transformed and augmented so that in 1955 it consisted not only of Ground but also of Naval and Air components, with a total strength of approximately 150,000. The present Japanese force, however, is far short of that capable of defending the country against a major external attack. The United States, meanwhile, maintains in and around Japan sizeable components of all three of its basic services.

Program Objectives

The objectives of the Mutual Security Program in Japan are to assist the country to strengthen its defense forces and to develop a strong, viable economy.

Within these objectives the portion of the program under the direction of the U.S. Military Assistance Advisory Group (MAAG) is directed toward the expeditious organization, training and equipping of Japanese forces capable of maintaining internal security and of effectively contributing to the security of Japan against external aggression, a major purpose of which would be to permit the redeployment of certain U.S. forces.

General Narrative Statement (Continued)

The technical cooperation portion of the Mutual Security Program and other bilateral arrangements with Japan are directed toward encouraging: (a) Japanese participation in programs of economic development in Free Asia, with special emphasis on development projects which would increase sound intra-regional trade; (b) the development of defense and defense-supporting industries assisted by a proper coordination of offshore procurement with defense and mutual security funds; (c) the expansion, rehabilitation and modernization of Japan's other industries on a sound economic basis; (d) improvement of the managerial and marketing efficiency of Japanese industrial enterprises through, among other means, technical assistance; and (e) an improved climate for private foreign investment and reduction of tariff and other barriers to Japanese trade.

To assist in carrying out the economic portion of the program a small U.S. Operations Mission (USOM) was established in December 1954 and The Economic Section of the Embassy was integrated with it. This mission will help assure a coordinated approach to all U.S. activities affecting the Japanese economy.

Progress to Date

Military Assistance

Japan was included in the Military Assistance Programs for fiscal years 1954 and 1955 and these programs are being implemented since signing of the Mutual Defense Assistance Agreement on March 8, 1954. Prior thereto, the United States loaned military equipment and provided other assistance to Japan within Department of Defense FY 1950-53 appropriations. The Mutual Security Act of 1954 authorized transfer of this equipment to Japan; transfer will be completed by June 30, 1955.

During the past year, the Japanese have expanded their military defense forces. The Coastal Safety Force (naval force) has increased, largely as the result of the turnover by the United States of 2 destroyers, 18 frigates and 50 landing craft, pursuant to authority contained in Public Laws 188 and 467. The United States has transferred to the National Safety Force (army force) equipment procured out of 1950/53 Army appropriations. The United States also has trained the National Safety Force in the use of this equipment.

The FY 1954/55 programs are planned to provide assistance to Japan in developing its forces by supplying selected major items of military equipment for its present and proposed land, sea and air forces. The Army program provides training, ammunition and maintenance for materiel procured out of FY 1950/53 Army appropriations, and materiel supplied under MDA Programs. The Navy program will provide a number of escort vessels, mine vessels, maritime aircraft, equipment for installation in Japanese constructed vessels, and maintenance materiel. The Air Force program will provide modern aircraft and related equipment for the Japanese Air Force.

Technical Cooperation and Other Programs

Although there has been no formal U.S. economic assistance to Japan since the termination of GARIOA in June 1951, there have been a number of activities which have had a direct impact on the Japanese economy. These include procurement of military materiel in Japan for U.S. and allied military requirements; procurement of manufactured goods and industrial equipment for U.S. economic assistance programs throughout the Far East; four short-term cotton credits totaling $200 million from the Export-Import Bank (the loan currently outstanding is for $60 million); the sale of $50 million of surplus agricultural commodities for local currency under Section 550 of the Mutual Security Act of 1951 (as amended); and an allocation during FY 1955 of $500,000 for technical assistance to a productivity program.

In 1954, under Section 550 of the Mutual Security Act of 1951 (as amended), Japan purchased for local currency $50 million worth of surplus wheat. Approximately $40 million of this local currency is being used for payments against deliveries under existing offshore procurement contracts and for future

General Narrative Statement (Continued)

purchases of goods under the Mutual Security Programs; $10 million has been made available to Japan in the form of a grant for the support of defense production industries. In addition, an agreement is currently being negotiated with Japan under which equivalent of approximately $100 million worth of surplus agricultural commodities would be sold to Japan under the provisions of the Agricultural Trade Development and Assistance Act of 1954 (P.L. 480).

FY 1956 Activities

Although Japan is receiving only a limited amount of Technical Cooperation assistance under the Mutual Security Program, the economic benefit to Japan of other U.S. activities will be, in fact, very substantial. Special dollar receipts will continue to accrue to Japan during 1956, although at a reduced level, from (a) Department of Defense expenditures in support of the U.S. military establishment in the country, (b) offshore procurement, and (c) private expenditures of the U.S. Government and U.S. military personnel in Japan. These special dollar receipts, although not aid in the normal sense, necessarily result in a substantial indirect element of economic assistance to the Japanese economy, as would loans made from the proceeds derived from sales of U.S. agricultural surpluses (P.L. 480) under the Loan and Sales Agreements now under negotiation.

The specific efforts of the U.S. to assist Japan to increase its trade with South and Southeast Asia includes a number of programs. During FY 1956, nationals of other free Asian countries will be given training in various Japanese enterprises. Their activities will be coordinated by the Regional Training Center a part of the United States operations Mission.

Technical cooperation will assist Japan in increasing its food production through utilization of undeveloped lands, in particular the Alpine Uplands, which have previously been considered of little value.

A Japanese productivity center has recently been established and will receive assistance in the amount of $1 million. This program which includes projects for improvement in engineering, design, quality control, packaging, marketing, management and labor relations, is designed to help Japan modernize its industrial and marketing techniques in order to improve the country's competitive position in world markets, thus increasing its exports and reducing its dependence on U.S. special dollar receipts. Through joint participation in this program there should be diffused throughout the Japanese economy a realization of the advantages of the modern production management, and marketing techniques which will enhance Japan's economic future by greater association with private foreign enterprises.

Japanese Efforts and Progress

In October 1953, the Japanese Government adopted a deflationary program consisting principally of restrictions on credit and import financing. The effects of this program were most salutary, including a reversal of the inflationary trend. Measures were adopted to encourage greater production for export rather than domestic consumption.

Industrial production for 1954 reached 170 percent of the 1934/36 average. Electric energy output continued to increase through construction of new plants and some rehabilitation of old. In the overall, exports expanded while imports declined. In spite of this improvement, a substantial commercial trade deficit continues, and Japan needs to adopt additional new techniques and the concept of increased production at lower cost. Japan's recognition of this need is evidenced by its contribution of the yen equivalent of $200,000 for the balance of FY 1955 toward the support of a Productivity Center under an Agreement with the U.S., signed in March 1955.

Settlement of Japan's reparations problems with its Far Eastern neighbors would be a major step toward removing one of the serious obstacles to the expansion of its trade in this area. In September 1954, a Reparations Accord with Burma was signed and

General Narrative Statement (Continued)

recently, meetings were begun in Tokyo with representatives of the Philippine Government on this same subject.

Since the end of the occupation, the Japanese Export-Import Bank has extended almost $50 million in short term credits to Japanese exporters to finance capital goods exports to other Free Asian countries. Many of these countries are sending technicians to Japan in increasing numbers to receive training in the particular technical fields in which Japan is highly advanced and peculiarly suited, such as fishing and agriculture. Japan also is furnishing technicians to these countries under the Colombo Plan.

INDIVIDUAL COUNTRY DATA

Summary by Major Activity Field

(In thousands of dollars)

Programs by Fiscal Year	Total U.S. Cost	Agriculture and Natural Resources	Industry and Mining	Labor	Education	General and Misc.
Defense Support						
1954	10,000		10,000			
1955						
1956						
Technical Cooperation						
1954						
1955	500	55	315	35	-	95
1956	1,000	125	535	65	175	100
Total All Programs						
1954	10,000		10,000			
1955	500	55	315	35		95
1956	1,000	125	535	65	175	100

ASIA

INDIVIDUAL COUNTRY DATA

Summary by Major Cost Components

Country: JAPAN

(In thousands of dollars)

Programs by Fiscal Year	Total U. S. Cost	Supplies and Equipment	U.S. Government Technicians		Contract Services		Participants		Other Costs
			No. of Persons	Cost	No. of Persons	Cost	No. of Persons	Cost	
Technical Cooperation									
1954									
1955	500	130	11	150	3	110	109	110 a/	
1956	1,000	145	14	255	6	350	207	250 a/	
Defense Support									
1954	10,000								10,000
1955									
1956									
Total All Programs									
1954	10,000								10,000
1955	500	130	11	150	3	110	109	110 a/	
1956	1,000	145	14	255	6	350	207	250 a/	

a/ Provides for study-tours averaging six weeks' duration.

KOREA

BASIC DATA

			Korea	Asian Arc	U.S.
Population (1954).....millions	22	Caloric intake	2,230	2,035	3,120
Annual growth..... percent	1.7	% grains & starches ...	88	79	29
Area ..... 1,000 sq.mi.	38	Literacy rate....percent	65	32	97
Agricultural land....percent	23	Life expectancy... years	37	35	68
Agricultural land per capita..... acres	0.2	Road miles per 1,000 sq.mi.	260	220	1,100
		Electric power per capita .....KWH per year	41	117	3,165

TRADE AND PAYMENTS

	1938	1951	1952	1953	1954*
		(millions of US $)			
Exports, f.o.b.			28	40 E	24
Imports, e.i.f.(incl. aid)			242 E	405 E	289E
Trade balance			-214 E	-365 E	-265E
Principal exports					
Rice: Quantity ..... 1,000 MT	515 a/	-	-	-	-
Value ..... $ millions	67 b/	-	-	-	-
Tungsten: Quantity..... 1,000 MT	2 a/	n.a.	4E	7E	3E
Value .....$ millions	4 b/	n.a.	16	27	11
Trade with U.S. (U.S. Customs data)					
Exports to U.S.		4	18	30	18
Imports from U.S.c/		45	94	94	86
Balance		-41	-76	-64	-68
Balance of payments					
Balance on goods and services			-147	-243	-219
Net capital			186	269	217
Private			-	-	-
Official and banking			186	269	217
Government grants			187	249	194
Short-term capital			-1	20	23
Change in gold and exch. reserves			+41	+29	-1
Gold and foreign exchange reserves		46	87	116	115

EXTERNAL RESOURCES

	1950	1951	1952	1953	1954	Program 1955	Program 1956
			(millions of US $)				
FOA obligations (fiscal years)	80.1	32.9	-13.1	-9.6	469.4d/	498.5	460.0
CRIK obligations (fiscal years).....	-	50	149	127	(d)	-	-
UNKRA obligations (fiscal years).....	-	0.5	4	53	39	35	-
			(calendar years)				
Ex-Im Bank disbursements	-	-	-	-	-		
IBRD disbursements			(not a member)				

PRODUCTION

	Unit	1938	1951	1952	1953	1954*
Industrial production	1949=100	n.a.	63	111	146	149
Agricultural production e/	1935-39=100	100f/	72	80	91	96
Major crops:						
Rice, rough	1,000 MT	3,060f/	2,558	2,903	3,200	3,270
Major industries:						
Electricity	mill. KWH	n.a.	337	635	736	898
Cotton cloth	mill. yds	n.a.	31	65	130	132
Coal, anthracite	1,000 MT	227	112	576	866	891
Tungsten ore	1,000 MT	n.a.	1.2	3.8	7.4	3.8

FINANCES

	1954	1955	1956
	(millions of US $)		
Central government budget (fiscal year ending June 30).....	(g)		
Revenue, excl. counterpart.....	60	108	218
Expenditure	131h/	203h/	319h/
Defense	65	113	148
Non-defense	66	90	171
Surplus or deficit (-) before aid	-71	-95	-101
Counterpart funds i/	3	24	--
Net surplus or deficit (-)	-68	- 71	-101
As % of total revenue	-113%	- 66%	- 46%

	1951	1952	1953	1954	1955
Prices (index 1953=100)					
Wholesale: Seoul	n.a.	79j/	100	126	188 (Jan)
Cost of living	28	69	100	136	190 (Jan)

* 1954 data partly preliminary or estimated. E-Estimate. n.a.-Not available.

a 1939.
b Average 1938-39.
c Excludes goods imported by U.S. armed services.
d Department of Defense CRIK obligations included with data for FOA.

e Crop year beginning in year stated.
f Prewar average.
g Year ending March 31.
h Excludes large expenditures from FOA, CRIK, and UNKRA counterpart funds with the exception of small amounts uded to finance defense expenditures.
i Only those funds used to finance defense expenditures.
j Pusan 1952 and Jan-July 1953.

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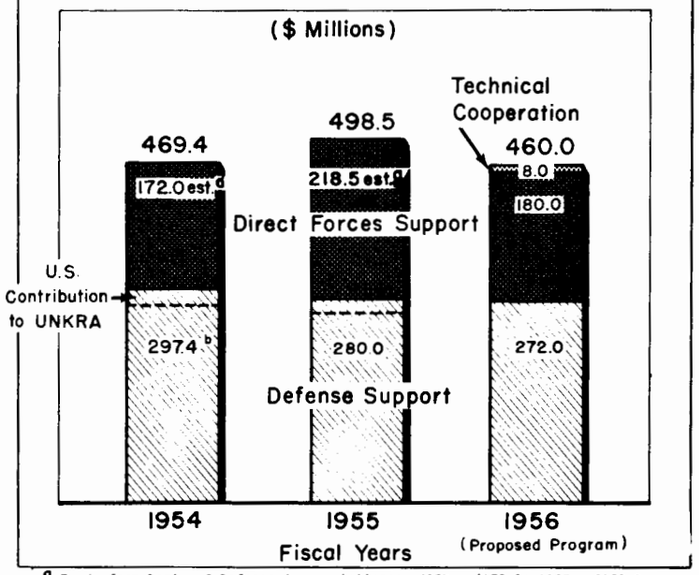
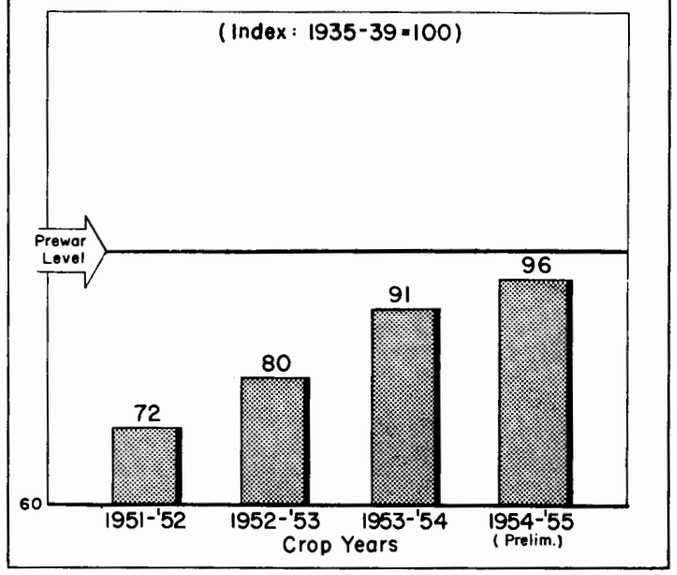
KOREA

THE PROGRAM

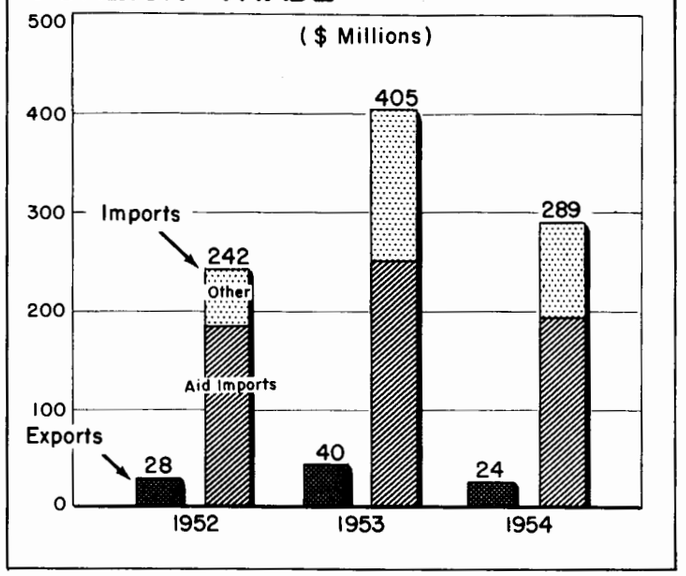


[a] Funds from Dept. of Defense Appropriations: 1954 - $172.0; 1955 - $189.6
[b] Includes Dept. of Defense CRIK program

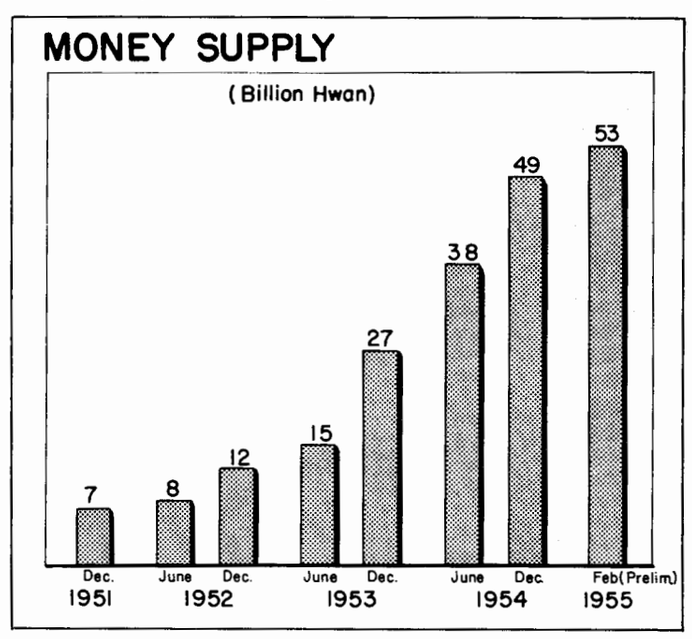
AGRICULTURAL OUTPUT



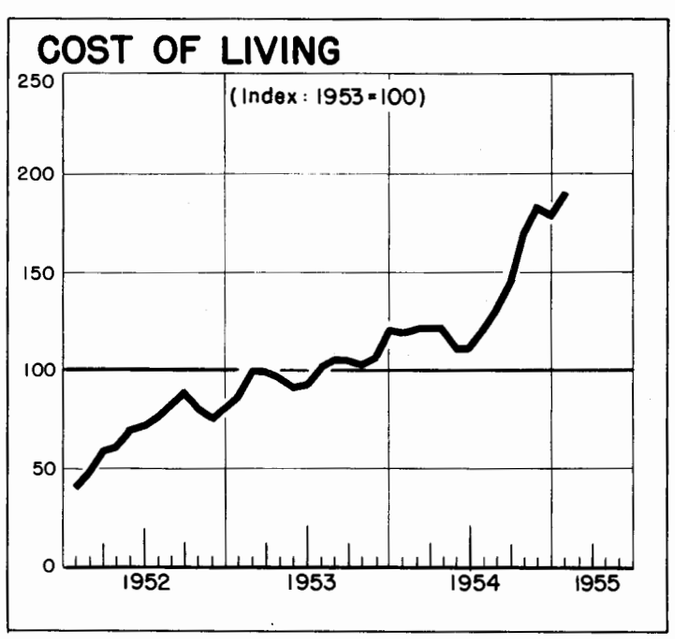
FOREIGN TRADE



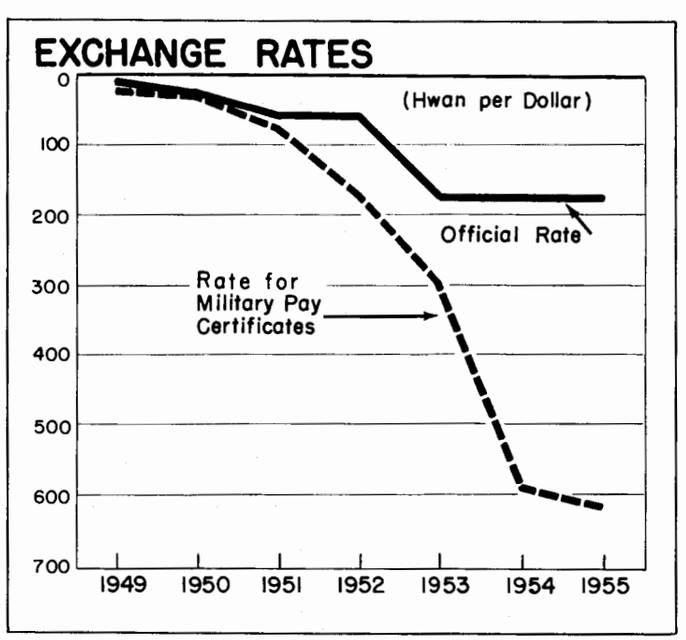
MONEY SUPPLY



COST OF LIVING



EXCHANGE RATES



ASIA

Country: KOREA

INDIVIDUAL COUNTRY DATA

Summary of Program by Function

(In thousands of dollars)

Function	Program FY 1950/54	Program FY 1955	Proposed FY 1956
Military Assistance	a/	a/	a/
	FY 1954		
Direct Forces Support	172,033b/	218,500b/	180,000
Defense Support	265,187c/	261,000	272,000
FOA/CRIK	23,153	19,000	
U.S. Contribution to UNKRA	9,000		
Korea Emergency Food Relief			
Subtotal	297,340	280,000	272,000
Technical Cooperation (FOA/CRIK)	d/	d/	8,000
Total Country Program Other Than Military Assistance	469,373	498,500	460,000
MSP Sales Surplus Agricultural Commodities		28,800	45,000
Sales to Korea			
Sales Proceeds Programmed in Korea		28,800	45,000
Defense Support			

a/ Data included in separate submission on Military Assistance.
b/ Estimated.
c/ Includes $65,926,459 Civilian Relief (CRIK) program financed from Department of Defense funds.
d/ Conducted as integrated program, including Technical Cooperation-type activities.

General Narrative Statement

Current Situation

One of the principal objectives of the United States in the Far East is to strengthen the capacity of the free countries there to resist the threat of further Communist expansion. The 21 battle-tested divisions of the Republic of Korea are non-Communist Asia's greatest fighting force. They protect the southern half of the Korean peninsula and serve to deter Communist

General Narrative Statement (Continued)

aggression elsewhere in the Far East. This formidable force induces Red China to maintain in North Korea troop units which otherwise might be dispatched to fronts farther south. Moreover, Korea's progress under U. S. and U. N. auspices toward rebuilding its war-devastated economy is being carefully watched by other Far Eastern countries, and resistance by others to Communism in Asia will be affected by the success achieved.

The most important current development affecting interests which the United States shares with Korea in that country is the build-up of the North Korean ground and air forces. The problems in the Formosa Strait, combined with general uncertainty in other parts of Asia, explain the U.S.-ROK Government decision to maintain the defensive strength of the Korean forces at their present level, in spite of the heavy economic burden this decision implies.

Since July 1954 there has been steady progress in agriculture and industry, but the economic situation as a whole is still far from bright. Inflation continues to present difficulties. From June 1954 to February 1955, the ROK wholesale price index rose about 77 percent. The deficit in the government's budget is expected to be about 34 percent larger in FY 1955 than the year before. The improvement in the country's food production has decreased import requirements for relief food; the worsening of the internal financial situation has been due to heavier expenditures for military and investment needs.

Korea's economic problems, in general those of an underdeveloped country, have been aggravated by the destruction resulting from the Communist aggression of 1950-53 and is greatly magnified by the need to maintain a 21-division military force. The need for this force has been mutually agreed upon and will continue until tensions are eased in the Far East. More than half of Korea's total budgetary expenditures in the current fiscal year are being devoted to its military establishment, even though the United States through the Department of Defense has provided all the logistical support for the ROK forces, except for food and limited amounts of other indigenous supplies.

The heavy burden of ROK military requirements severely limits the funds that can be supplied either by the U. S. or the ROK for investment to be absorbed in agriculture, power, transportation and telecommunications, education, and industrial facilities. Only 35 percent of the $280 million defense support funds provided in FY 1955 is programmed for these purposes. Efforts to maintain an army and at the same time reconstruct the country inevitably have led to inflation, even with the substantial assistance provided from the outside.

The shortage of technical and administrative skills also seriously impedes the economic progress of the country. This shortage stems largely from the situation during the 40-year Japanese occupation, when Koreans were systematically excluded from important administrative and technical positions in both the government and business world. While substantial strides have been taken to correct the situation, much more time is required to enable the ROK to develop on a sufficiently broad basis the governmental and business experience essential to deal with its complex problems.

Added to these fundamental factors which retard economic recovery are other impediments arising out of certain internal economic and financial policies. One of these is the exchange rate and pricing policy for some commodities which overvalues the Korean hwan in terms of dollars. As a consequence, imports are underpriced and exports overpriced, thus stimulating the consumption of imported goods and discouraging exports and local production. A further effect of this pricing policy is that aid goods sold on the domestic market do not yield the maximum possible sales proceeds, thus reducing the counterpart funds available for inflation control and internal support of military and investment undertakings. In addition, internal prices of some basic items, such as power and coal and certain utility rates, are legislatively fixed at levels which result in unprofitable operation of some government-owned enterprises and loss of potential revenue.

Program Objectives

Specific Mutual Security Program objectives are to assist the Korean Government to (a) strengthen its armed forces

General Narrative Statement (Continued)

sufficiently to maintain internal stability and take over an increasing share of the country's defense; (b) support the mutual defense effort; (c) maintain the degree of economic stability essential to a successful defense effort; (d) increase the country's capacity for economic self-support; and (e) train Korean technicians for public administration, business, and other activities conducive to economic progress.

Progress to Date

Military Assistance

The ROK forces have progressed from very limited strength in June of 1950 when hostilities commenced in Korea, to an Army of 20 divisions, a Marine Corps of one division, a Navy of 52 vessels, and an Air Force consisting of one fighter wing and miscellaneous supporting aircraft. In addition, there are two paramilitary forces - the National Police Force and the Korean Service Corps. These ROK forces, with United Nations support, participated successfully in a major conflict. Their present leaders are combat trained and experienced. Their present military strength has been achieved largely as a result of U. S. materiel and economic support, as well as assistance in the form of advice, leadership and guidance.

Defense Support and Other Programs

U. S. assistance to Korea, including U. S. contributions to UNKRA (United Nations Korean Reconstruction Agency) amounted to almost $470 million in FY 1954 and $498.5 million in FY 1955. U. S. operations are carried out by the U. S. Army's Korean Civil Assistance Command (KCAC), which is under the direction of the Commander-in-Chief of the United Nations Command (CINCUNC) and the operational control of his Economic Coordinator.

The $498.5 million provided for FY 1955 programs includes $218.5 million for direct forces support and $280 million for defense support, including technical cooperation activities. The $280 million defense support total for FY 1955 consists of the $205 million appropriated for this purpose, an authorized $16.2 million carryover from FY 1954 funds for CRIK (Civilian Relief in Korea), and a $19 million U. S. contribution to UNKRA, plus $39.8 million of supplemental assistance.

The following accomplishments are illustrative of the progress toward objectives resulting from some of the more important program activities to date.

Support of the Defense Effort: Support to the Korean defense effort has been provided primarily through the direct forces support component of the U. S. aid program, which in FY 1955 constituted over 40 percent of total assistance for the year. These funds were provided from appropriations to the Department of Defense and were used largely to finance imported supplies and equipment needed for the armed forces - in particular, such items as petroleum products for aircraft and combat vehicles, raw cotton for the manufacture of military uniforms, construction materials for barracks and military installations, and foodstuffs to improve army rations.

Support for the defense effort is also provided from local currency counterpart funds generated by saleable commodity imports financed under the "defense support" component of the program. Almost 75 percent of total counterpart funds withdrawn thus far this year has been used for military expenditures of the ROK Government. Also of direct assistance to the ROK defense effort is the reconstruction of basic utilities such as railroads, highways, and telecommunications, serving military as well as civilian needs, though financed from defense support funds.

Maintenance of Economic Stability: Of the $280 million total for defense support in FY 1955, approximately 65 percent has been utilized for imports of industrial raw materials and consumer goods which have been the major factor in reducing inflationary pressures. Inflation, nevertheless, continues to be a serious problem.

General Narrative Statement (Continued)

Imports of industrial raw materials (cotton, lumber, coal, cement) and aids to farming (fertilizer, insecticides) have helped raise industrial production since 1952 by 34 percent and agricultural production by 20 percent. Among the items showing outstanding increases in 1954, as compared with 1952, are rice (2.9 to 3.3 million tons) and cotton cloth (65 to 132 million yards).

Sold to local users, these imports further contributed to the control of inflation by absorbing excess purchasing power and generating local currency counterpart funds to finance essential military and civilian projects. Such counterpart funds in FY 1955 supplied about 26 percent of total local currency requirements of the ROK Government.

Increasing Korea's Capacity for Self-Support: About 35 percent of FY 1955 defense support funds has been used to import capital equipment for agricultural and industrial development. This is aimed at helping to build the permanent improvements which will step up local production, provide exports and increase government revenues, while reducing import requirements. It is expected that the capital investment program will eventually reduce the magnitude of assistance required from the United States.

Under the stimulus of aid provided for rehabilitation and capital development, electric power output increased 41 percent from 1952 to 1954, and anthracite coal production rose 55 percent. Since the end of hostilities in 1953, over 2,000 miles of highway have been improved, and 50 factories and 20 major terminal warehouses rehabilitated. More than 1,500 freight cars have been provided, together with essential locomotive parts, crossties, and railway repair equipment. Three railway extension lines are now being built under a contract estimated to cost $205,000. Under a $30 million contract, three thermal power plants capable of producing 100,000 KW are being constructed.

Up to February 1955, the UNKRA program of economic assistance to Korea totaled $127 million, of which $84 million represented the U. S. contribution. Under this program, technical assistance and equipment have been provided to increase coal output; a mineral assay laboratory has been established; the textile industry has been partly rehabilitated; and construction of cement, flat glass and paper plants is under way. When completed, the two cement plants will increase production capacity by 200,000 tons, and flat glass and paper output will satisfy domestic requirements.

The Civilian Relief program has been most effective in combating disease and unrest resulting from the Korean War. Relief needs have been met by imports of food, medical supplies and housing construction materials, and by a large-scale program of innoculation, health care, and resettlement. The number of persons wholly dependent upon relief has been reduced from 3 million in 1952 to approximately 700,000 in 1954. The decrease in the incidence of communicable diseases through joint U. S. Army and UNKRA efforts has been phenomenal. Death rates from smallpox and typhoid during 1954, for example, were only about one-fourth as high as in 1953.

The AFAK Program (Armed Forces Assistance to Korea), directed by the Eighth U. S. Army, had available for public works and civilian medical aid projects $15 million in FY 1954 and $5 million in FY 1955. The effect of this program on the Korean economy, however, has been out of all proportion to the amount expended because of the use of U. S. Army equipment and technical skills. With the help of these funds, units of the UN and ROK armed forces, acting as project sponsors, provided assistance to local Korean communities in rehabilitating local facilities. Schools, churches, orphanages, public health facilities, civic buildings, bridges and highways have been constructed with this aid.

Training Korean Technicians: The training of Korean technicians in the United States was begun on a small scale in FY 1955, with initial emphasis on power and industry. Under a three-year contractual arrangement with the University of Minnesota, Seoul National University will be provided with technical advice and essential equipment in the fields of engineering, medicine, and agriculture. Under an earlier contract with an American engineering firm, Korean engineers and crews are

General Narrative Statement (Continued)

being trained in modern methods of railroad tunnel construction. U. S. and U. N. technicians in Korea, in the normal course of their activities, are providing to their ROK counterparts on-the-job training in such fields as agriculture, transportation, telecommunications, industry, mining, public health, and education.

The FY 1956 Program

a. Over-all Magnitude

For FY 1956, it is proposed that $460 million be made available to Korea: $180 million for direct forces support, $272 million for defense support, and $8 million for technical cooperation. The FY 1956 total compares with FY 1955 assistance, exclusive of military end-items, of $498.5 million.

The amount requested for FY 1956 assumes that the Korean Government will be able to provide, by non-inflationary means, 20 to 30 percent of the funds needed for local procurement of supplies and equipment for the ROK military forces. Should the ROK not be able to meet this goal, the possible alternatives would be to decrease the size and cost of the military establishment or to reduce the amount planned for capital investment in FY 1956. In view of the high priority given to maintenance of the military establishment, however, any shortfall probably would force a cutback in the investment sector in order to make more funds available for saleable commodity imports which would generate the local currency needed to supplement ROK budgetary resources.

Present estimates of probable developments during the coming year strongly suggest that $460 million will prove to be the minimum amount of assistance necessary to assure maintenance of relative internal stability and some further progress in FY 1956 toward the attainment of joint U.S.-ROK goals.

No provision is made for a U. S. contribution to UNKRA in FY 1956 since the present intention is to terminate the program when existing funds are exhausted.

b. Components of the Program

Direct Forces Support

The funds requested for direct forces support in FY 1956 will be used to import aviation gasoline, lubricating oils, motor vehicle parts, construction materials, raw cotton, clothing, wheat, and daily necessities for the ROK forces. The decrease from $218.5 million in FY 1955 to $180 million in FY 1956 reflects not a reduction of requirements for this type of assistance but a shift in part from dollar to local currency financing of supplies available from indigenous sources.

Defense Support

Of the $272 million requested for defense support in FY 1956, approximately 65 percent ($176 million) will be required to finance imports of industrial raw materials and consumer goods to meet Korean supply requirements and to generate counterpart funds for supplementing government budgetary resources. These imports will include approximately $45 million of surplus agricultural commodities, as compared with $32 million in FY 1955; also $32 million of coal, $16 million of petroleum products, and $61 million of fertilizer.

Funds to be devoted to the purchase of capital equipment for agriculture and industry, as presently planned, total approximately $95 million in FY 1956, as compared with $100 million in FY 1955. The investment component thus comprises about 35 percent of the defense support program. Irrigation and flood control, railway and highway construction, steam power, chemical fertilizers, telecommunications, and small private industry development will receive special emphasis.

Technical Cooperation

Although the Korean program from the first has included some technical cooperation activities, these are being presented as an identifiable component for the first time in FY 1956. Activities to be financed with the $8 million requested have been planned so as to make a substantial contribution to the total

General Narrative Statement (Continued)

effort. Principal emphasis will be on increasing Korean technical competence in fields of activity which are fundamental to the country's economic rehabilitation and growth, and on reducing present shortages of administrative skills in government and business. The three techniques being used to provide technical assistance and training are: contracts with universities and with private management and engineering firms; assistance through daily contacts between US/UN technicians and their Korean counterparts; and a program for training Korean technicians and specialists in Korea and in the United States.

In FY 1956 it is planned to devote a substantial portion of the technical cooperation funds to additional contracts with universities and private management and engineering firms. One such contract for about $1 million will provide vocational education in agriculture, mining, metallurgy, industry and architecture. Another proposed contract for $1.5 million will provide engineering and management guidance in industry, transportation and power to ROK Government officials. The training program for Korean technicians and specialists will be increased in such areas as agriculture, education, public administration and public health.

Korean Government Self-Help Efforts: The Korean Government is devoting 85 percent of its budgetary revenues to the defense effort. It is also supplementing U.S.-generated counterpart funds in meeting the costs of local labor and domestic materials for capital investment projects.

Late in 1954, the ROK National Assembly amended the 1948 constitution to provide encouragement to private foreign investment and private ownership of property. An increasing proportion of the aid program is being implemented by the ROK commercial community. ROK farmers now produce more than enough rice for the needs of both the armed forces and the civilian population, the surplus available for export in 1954 exceeding 100,000 tons. ROK officials cooperate with US/UN personnel in jointly planning and implementing the aid program. To improve efficiency, the ROK Government recently centralized in one ministry all economic development and stabilization activities.

ASIA

Country: KOREA 1956

INDIVIDUAL COUNTRY DATA

COMBINED FOREIGN OPERATIONS ADMINISTRATION, CIVILIAN RELIEF IN KOREA, AND UNITED NATIONS KOREAN RECONSTRUCTION AGENCY PROGRAMS

Summary by Major Activity Field

(In thousands of dollars)

Programs by Fiscal Year	Total Cost	Agriculture and Natural Resources	Industry and Mining	Transportation	Labor	Health and Sanitation	Education	Public Admin.	Community Development Social Welfare and Housing	General and Misc.	Import of Saleable Commodities	Common Use Items	Other Costs
Direct Forces Support													
1954	172,033										172,033		
1955	218,500										187,600	30,900[a]	
1956	180,000										180,000		
Defense Support													
1954	298,920[b]	4,254	77,260	26,405		6,145	3,005	710	36,516		140,200		4,425[c]
1955	295,953[b]	8,656	42,216	29,772		5,962	3,750	1,110	24,700	14,197	161,000		4,590[c]
1956	272,000	6,655	39,850	27,620		3,100	975		6,400	10,400	177,000		
Technical Cooperation													
1954													
1955													
1956	8,000	3,120			80	600	1,945	1,680	185	390			
Total All Programs													
1954	470,953[b]	4,254	77,260	26,405		6,145	3,005	710	36,516		140,200	172,033	4,425
1955	514,453[b]	8,656	42,216	29,772		5,962	3,750	1,110	24,700	14,197	161,000	187,600	35,490
1956	460,000	9,775	39,850	27,620	80	3,700	2,920	1,680	6,585	10,790	177,000	180,000	

a/ Utilized for local procurement (in Korea) for ROK forces.
b/ Includes total UNKRA program and therefore exceeds U. S. financing in FY 1954 by $10,580 thousand and in FY 1955 by $15,953 thousand.
c/ Utilized for administrative costs and special projects.

INDIVIDUAL COUNTRY DATA

FOREIGN OPERATIONS ADMINISTRATION AND CIVILIAN RELIEF IN KOREA PROGRAMS[a]

Summary by Major Activity Field

(In thousands of dollars)

Programs by Fiscal Year	Total U. S. Cost	Agriculture and Natural Resources	Industry and Mining	Transportation	Labor	Health and Sanitation	Education	Public Admin.	Community Development Social Welfare and Housing	General and Misc.	Import of Saleable Commodities	Common Use Items	Other Costs
Direct Forces Support													
1954	172,033											172,033	
1955	218,500											187,600	30,900[b]
1956	180,000											180,000	
Defense Support													
1954	265,187	1,050	61,682	25,786		3,104	752	710	31,903		140,200		
1955	261,000	8,110	21,415	29,770		2,460	1,500	1,110	22,800	12,835	161,000		
1956	272,000	6,655	39,850	27,620		3,100	975		6,400	10,400	177,000		
Technical Cooperation													
1954													
1955													
1956	8,000[c]	3,120			80	600	1,945	1,680	185	390			
Total All Programs													
1954	437,220	1,050	61,682	25,786		3,104	752	710	31,903		140,200	172,033	
1955	479,500	8,110	21,415	29,770		2,460	1,500	1,110	22,800	12,835	161,000	187,600	30,900[b]
1956	460,000	9,775	39,850	27,620	80	3,700	2,920	1,680	6,585	10,790	177,000	180,000	

a/ Excludes U. S. contribution to UNKRA and Korea Emergency Food Relief (FY 1954) but includes, for comparability with FY 1956, direct forces support ($172.0 million in FY 1954 and $189.6 million in FY 1955) financed from Department of Defense funds non-mutual security appropriations. In FY 1955, $28.9 million of mutual security funds were used for this purpose.

b/ Utilized for local procurement (in Korea) for ROK forces.

c/ Includes $500,000 for inter-regional costs.

INDIVIDUAL COUNTRY DATA

FOREIGN OPERATIONS ADMINISTRATION AND CIVILIAN RELIEF IN KOREA PROGRAMS[a/]

Summary by Major Cost Components

(In thousands of dollars)

Programs by Fiscal Year	Total U. S. Cost	Supplies and Equipment	U. S. Government Technicians		Contract Services		Participants		Other Costs
			No. of Persons	Cost	No. of Persons	Cost	No. of Persons	Cost	
Direct Forces Support									
1954	172,033	172,033							
1955	218,500	187,600							30,900
1956	180,000	180,000							
Defense Support									
1954	265,187	252,535	341[b/]	n.a.	n.a.	12,364	58	288	
1955	261,000	256,680	261[b/]	1,500[c/]	n.a.	1,815	185	1,005	
1956	272,000	266,630	68	1,020	n.a.	4,000	70	350	
Technical Cooperation									
1954									
1955									
1956	8,000	3,200	79	1,185	n.a.	2,545	185	1,070	
Total All Programs									
1954	437,220	424,568	341	n.a.[c/]	n.a.	12,364	58	288	
1955	479,500	444,280	261	1,500[c/]	n.a.	1,815	185	1,005	30,900
1956	460,000	449,830	147	2,205	n.a.	6,545	255	1,420	

n.a. - Not available.

a/ Excludes U. S. contribution to UNKRA and Korea Emergency Food Relief (FY 1954) but includes, for comparability with FY 1956, direct forces support ($172.0 million in FY 1954 and $189.6 million in FY 1955) financed from Department of Defense Funds non-mutual security appropriations. In FY 1955, $28.9 of mutual security funds were used for this purpose.

b/ Estimated.

c/ Estimated; excludes cost of military personnel assigned to FOA/CRIK program activities.

INDIVIDUAL COUNTRY DATA

FOREIGN OPERATIONS ADMINISTRATION AND CIVILIAN RELIEF IN KOREA PROGRAMS

Summary of Commodity Imports and Services

(In thousands of dollars)

Illustrative Composition of Country Program	Actual FY 1954 a/	FY 1955 Defense Support: For Project Utilization	FY 1955 Defense Support: For Consumption and Generating Local Currency	FY 1955 Direct Forces Support	FY 1955 Total	FY 1956 Defense Support: For Project Utilization	FY 1956 Defense Support: For Consumption and Generating Local Currency	FY 1956 Direct Forces Support	FY 1956 Total
Commodities									
Food and Agricultural Imports									
Bread Grains	5,002		3,800		3,800		3,000		3,000
Raw Cotton	19,000		24,000		24,000		40,000		40,000
Fats and Oils	1,347		1,000		1,000		2,000		2,000
Fertilizer	21,625		41,600		41,600		61,000		61,000
Sugar	576		2,300		2,300		2,000		2,000
Other	625		3,600	27,000	30,600			18,800	18,800
Total Food and Agric. Imports	48,175		76,300	27,000	103,300		108,000	18,800	126,800
Less Sales Proceeds Programmed for Other Countries									
Net U.S. Financed Food & Agr.Imp.	48,175		76,300	27,000	103,300		108,000	18,800	126,800
Industrial Imports									
Petroleum Products	8,500		11,300	34,400	45,700		15,600	31,600	47,200
Coal	2,000		31,600	700	32,300		32,300	2,500	34,800
Raw and Semi-Finished Products	73,685	38,000	30,555	22,700	91,255	39,500	14,400	3,700	57,600
Machinery and Vehicles	83,561	30,000	4,500		34,500	46,000	5,200	800	52,000
Miscellaneous and Unclassified	36,614	27,680	6,745	35,300	69,725	4,130	1,500	37,400	43,030
Clothing				67,500	67,500			85,200	85,200
Total Industrial Imports	204,360	95,680	84,700	160,600	340,980	89,630	69,000	161,200	319,830
Less Sales Proceeds for Coal Programmed for Other Countries									
Net U.S.Financed Ind.Imports	204,360	95,680	84,700	160,600	340,980	89,630	69,000	161,200	319,830
Total Commodity Program	252,535	95,680	161,000	187,600	444,280	89,630	177,000	180,000	446,630
Transfer of Cash Services	12,652	4,320			4,320	5,370			5,370
Total Country Program	265,187	100,000	161,000	187,600 b/	448,600	95,000	177,000	180,000	452,000

a/ Excludes direct forces support financed from Department of Defense funds (non-Mutual Security appropriations).
b/ Excludes $30.9 million utilized for local procurement (in Korea) for ROK forces.

ASIA

Country: KOREA

INDIVIDUAL COUNTRY DATA

TOTAL UNITED NATIONS KOREAN RECONSTRUCTION AGENCY PROGRAM

Summary by Major Activity Field

(In thousands of dollars)

Programs by Fiscal Year	Total Cost	Agriculture and Natural Resources	Industry and Mining	Transportation	Labor	Health and Sanitation	Education	Public Admin.	Community Development Social Welfare and Housing	General and Misc.	Import of Saleable Commodities	Common Use Items	Other Costs
Defense Support													
1954	33,733[a]	3,204	15,578	619		3,041	2,253		4,613				4,425[b]
1955	34,953[a]	548	20,800			3,505	2,250		1,900	1,360			4,590[b]
1956													

a/ U. S. contributions as follows: FY 1954, $23,153,615; FY 1955, $19,000,000. Distribution by major activity field of funds contributed by U. S. not available.

b/ Utilized for administrative costs and special projects.

PHILIPPINES

BASIC DATA

			Philippines	Asian Arc	U.S.
Population (1954)..... millions	21	Caloric intake	2,400	2,035	3,120
Annual growth.....percent	1.9	% grains & starches ..	62	79	29
Area .....1,000 square miles	116	**Literacy rate ...percent**	65	32	97
Agricultural land.....percent	22	Life expectancy....years	42	35	68
Potentially productive land.....percent	17	Road miles per 1,000 sq mi.	160	220	1,100
Agricultural land per capita.....acres	0.8	Elec. power per capita ..... KWH per year	55	117	3,165

USE OF RESOURCES 1954

		%
Gross national product (million U.S. dollars).....	$4,245	
Consumption	3,615	85
Gross investment (public and private)	395	9
Government non-defense expenditure	225	5
Government defense expenditure	81	2
Net foreign balance	-71	-1
Per capita GNP (dollars)	$198	

(FOA estimates; converted at rate of 2 pesos per $)

TRADE AND PAYMENTS

	1938	1951	1952	1953	1954 *
	(millions of US $)				
Exports, f.o.b.	117	410	352	392	405
Imports, f.o.b.	133	483	430	448	483
Trade balance	-16	-73	-78	-56	-78
Principal exports					
Copra & products .....Quantity....1,000 MT[a]	596[b]	947	843	749	925
Value.... $ millions	35[b]	192	116	149	160
Sugar, centrifugal .....Quantity....1,000 MT	817[b]	567	793	783	869
Value.... $ millions	49[b]	64	90	96	106
Abaca .....Quantity....1,000 MT	153[b]	128	110	112	98
Value.... $ millions	16[b]	67	41	39	26
Trade with U.S. (U.S. Customs data)					
Exports to U.S.	94	284	236	276	260
Imports from U.S.	86	350	283	351	324
Balance	8	-66	-47	-75	-64
Balance of payments					
Balance on goods & services		-92	-53	-56	-71
Net capital		26	51	49	62
Private		13	37	29	46
Official and banking		13	14	20	16
Government grants		15	26	22	19
Long-term capital		-3	-8	-2	-4
Short-term capital		1	-4	--	1
Change in gold & exchange reserves		-51	-2	-10	-22
Gold and foreign exchange reserves	n.a.	319	317	307	285

PRODUCTION

	Unit	1938	1951	1952	1953	1954 *
Industrial production: mfg. .....1949=100		n.a.	112	119	169	185
Agricultural production[d] ..... 1935-39=100		100[e]	119	127	135	134
Major crops:						
Rice, rough[d]	1,000 MT	2,141[e]	2,830	3,144	3,180	3,060
Corn	1,000 MT	399[e]	757	721	829	813
Abaca	1,000 MT	169[e]	126	112	109	101
Copra & coconut oil[a]	1,000 MT	656[e]	1,002	903	820	900
Sugar, centrifugal	1,000 MT	960[e]	976	1,028	1,300	1,270
Major industries:						
Electricity[f]	mill. KWH	145	497	558	617	702
Cement	1,000 MT	167	316	317	319	400
Iron ore	1,000 MT	920	904	1,170	1,219	1,435
Chromite ore	1,000 MT	41	335	544	560	456

EXTERNAL RESOURCES

	1950	1951	1952	1953	1954	Program 1955	Program 1956
	(millions of US $)						
FOA obligations (fiscal years).....	--	15.0	32.1	17.9	14.5	29.2	28.5
	(calendar years)						
EX-IM Bank disbursements	0.3	--	--	8	6[c]		
IBRD disbursements	--	--	--	--	--		
U.S. private investment (net)							
Net direct investment	6	5	9	5			
Reinvested subsidiary earnings	11	9	6	5			
Book value of U.S. direct private investment	149	163	178	188			

FINANCES

	1951	1952	1953	1954	1955
	(millions of US $)				
Central government budget (fiscal year ending June 30)					(g)
Revenue, excl. counterpart.....	253	362	346	352	363
Expenditure	263	328	344	391	432
Defense	65	93	82	80	78
Capital outlay	54	69	62	98	135
Other non-defense	144	166	200	213	219
Surplus or deficit (-) before counterpart	-10	34	2	-39	-69
Counterpart funds	--	3	14	23	27
Net surplus or deficit (-).....	-10	37	16	-16	-42
As % of total revenue	-4%	10%	5%	-5%	-12%
Defense expend. as % of budget.....	25%	28%	24%	20%	18%
Defense expend. as % of GNP	2%	2%	2%	2%	n.a.
Prices					
Wholesale (1949=100).....	109	100	99	94	91 (Feb)
Cost of living: Manila (1948=100).....	97	93	87	86	84 (Feb)

n.a. - not available.

* 1954 data partly preliminary or estimated.

[a] Copra equivalents.

[b] Average 1937-38.

[c] Undisbursed balance as of 12/31/54 - $11 million.

[d] Crop years beginning in year stated.

[e] Prewar average.

[f] Manila and suburbs only.

[g] Budget estimates.

Revised May 26, 1955

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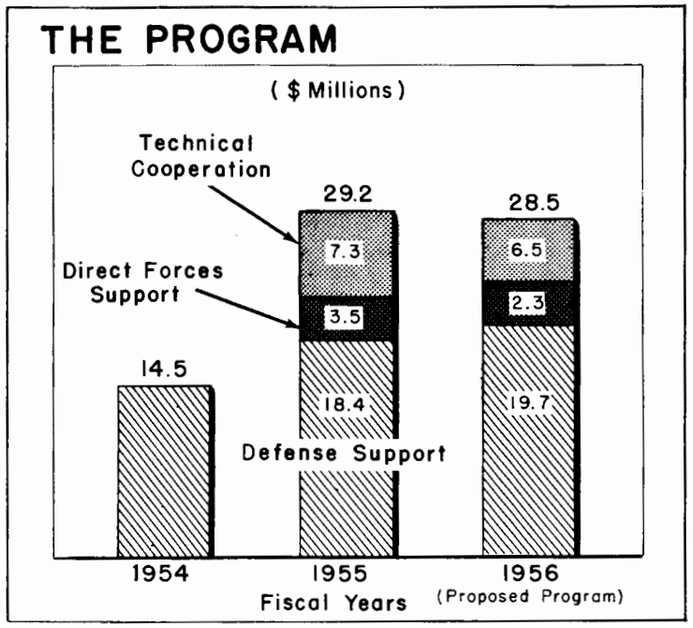
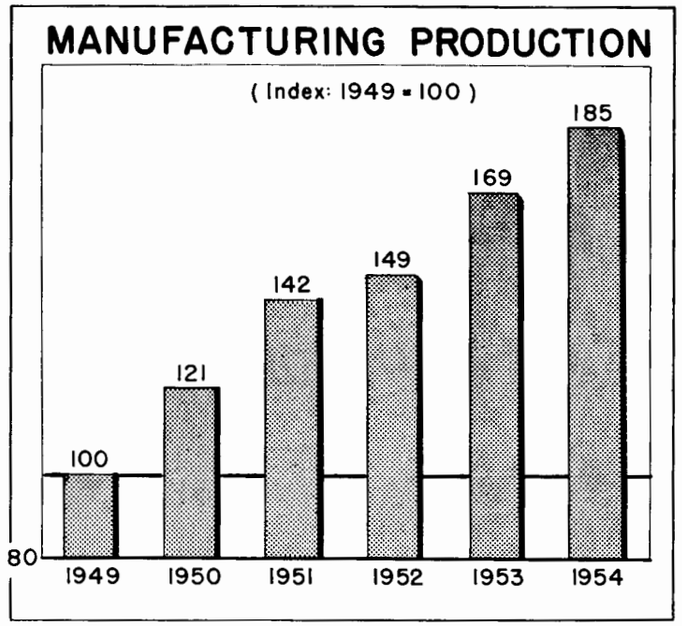
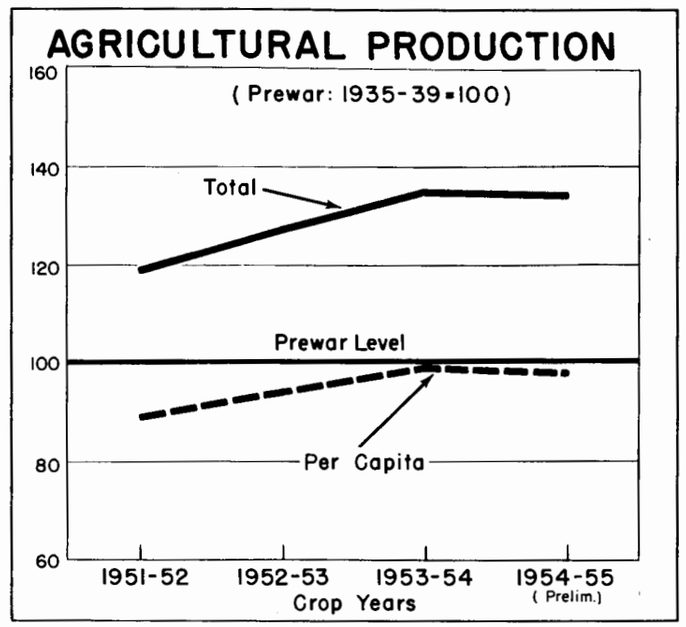
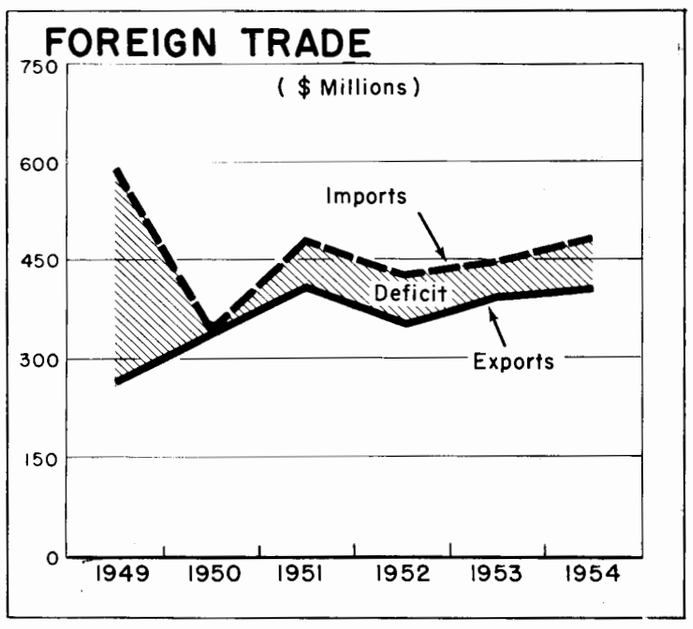
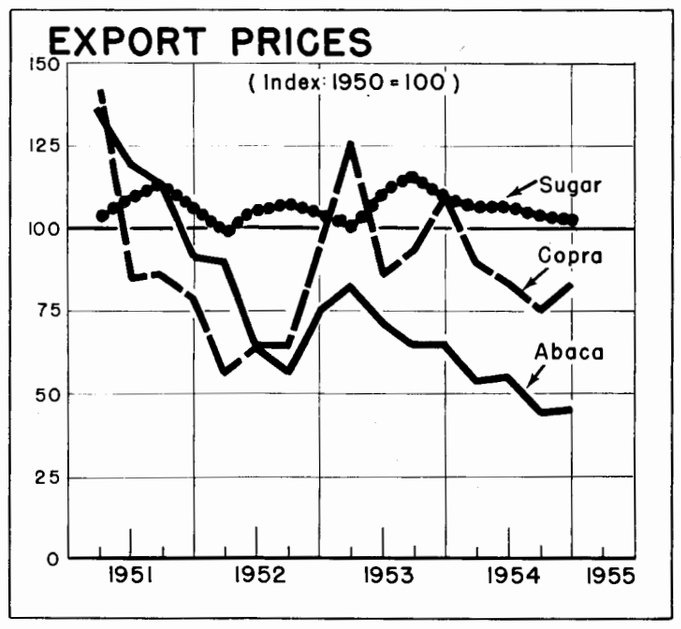
PHILIPPINES

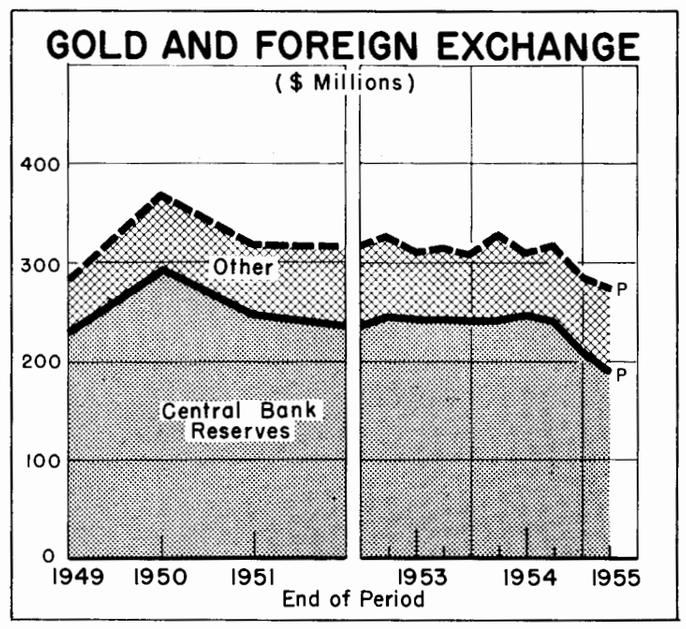












P - Preliminary

ASIA

Country: PHILIPPINES

INDIVIDUAL COUNTRY DATA

Summary of Program by Function

(In thousands of dollars)

Function	Program FY 1950/54	Program FY 1955	Program Proposed FY 1956
Military Assistance	a/	a/	a/
	FY 1954		
Direct Forces Support	-	3,500	2,300
Defense Support	14,450	18,400	19,700
Technical Cooperation	-	7,250	6,500
Total Country Program Other Than Military Assistance	14,450	29,150	28,500
MSP Sales Surplus Agricultural Commodities			
Sales to Philippines	-	-	5,000
Sales Proceeds Programmed in Philippines	-	-	5,000

a/ Data included in separate submission on Military Assistance.

General Narrative Statement

Current Situation

The Republic of the Philippines, already a principal link in the Far East defense perimeter, is becoming an increasingly important element in Free World collective defense arrangements. As a leading democratic, non-Communist Asian country, the Philippines also is demonstrating how Asians can achieve economic and political aspirations as free world members with economic and political approaches relying principally on individual enterprise. To an increasing degree, the Philippines will be able to demonstrate to other countries in Asia the benefits of its experience in continued development toward stable democratic government. With internal economic strength and stability it will have greater capacity to contribute to the mutual defense effort and to improve the economic opportunities and conditions of the Philippine people.

The past year has been marked by relative stability in the Philippines, with significant advances in agriculture, health and education, but without notable improvement in the overall economic situation upon which continued political stability depends.

The hopes of the Philippine people have been raised by their continued faith in President Magsaysay's pledged determination to improve their welfare through a vigorous domestic program encompassing strengthened national security, continued improvement of health, education, and welfare conditions, more effective public administration, improvement of rural conditions, and encouragement of industrial development and of free unionism under responsible leadership. Should these hopes be disappointed,

General Narrative Statement (Continued)

disillusionment and skepticism regarding the ability of a country to achieve economic progress under a democratic government would result.

There still is substantial progress to be made toward eliminating the basic long-run weaknesses of the Philippine economy: extensive unemployment and under-employment; vulnerability of foreign exchange income. Marked deterioration in the balance of payments occurred during the last quarter of calendar 1954 and continued into the first quarter of 1955. This was due to shipping shortages as well as falling export prices. Toward the end of that quarter, foreign exchange reserves had fallen to about $265 million - the lowest level since the economic crisis of 1949.

A Philippine Government budget deficit of $42 million is expected in FY 1955, and an even larger deficit is anticipated in FY 1956.

The Philippines is faced with the following major problems affecting interests and objectives mutually shared in the present situation with the United States:

(1) Some reorganization and strengthening of the Philippine Army is necessary to meet more effectively the new responsibilities and requirements arising from the country's role in the Southeast Asian defense arrangements.

(2) Threats to internal stability still exist in remnants of the Huk resistance, despite President Magsaysay's personal popularity and his success in reducing Communist pressure.

(3) Normal Philippine foreign exchange earnings and government revenues are inadequate to meet defense costs, while the country is pressing forward with developmental activities. Government borrowings from non-inflationary sources are not sufficient to make up these deficiencies.

(4) Shortages of trained personnel and inadequate government organization inhibit economic progress and imperil public confidence in democratic processes.

The Mutual Security Program is directed toward the solution of specific aspects of these problems, which can be attacked through cooperative efforts of the Philippines and the United States.

Program Objectives

The broad objectives of the Mutual Security Program in the Philippines are:

(1) To help reorganize and strengthen the armed forces of the Philippines to enable them to maintain internal security, eliminate all effective Huk forces, and increase their capabilities for defense against external aggression.

(2) To help increase the nation's economic capacity to support an expanded defense effort and concurrently achieve a higher rate of productive investment.

(3) To strengthen internal political and social stability by improving the practice of democratic government.

(4) To prevent decreased foreign exchange income and increased defense expenditures from causing a loss of momentum in achieving economic, political and social stability.

Within these broad objectives, the MSP program is concentrated on the following specific goals:

(1) To encourage reorganization and strengthening of the Philippine Army by provision of materiel and training and, to the extent necessary, direct financial support.

(2) To foster diversification and expansion of agricultural production, encourage more extensive extraction and use of raw material resources, and stimulate private investment in productive industrial enterprise.

General Narrative Statement (Continued)

(3) To improve technical training facilities, help increase the effectiveness of government operations, and encourage the expansion of essential government services.

(4) To help improve rural living conditions by cooperating in President Magsaysay's health, education and community development programs.

(5) To assist in Philippine Government efforts to expand public revenues and to increase and conserve earnings of foreign exchange.

Progress to Date

Military Assistance

The Philippine armed forces have shown definite and steady improvement since the beginning of the Mutual Defense Assistance Program. Such assistance to date has provided major items of equipment for the Philippine Army; surface vessels and aircraft, together with equipment for modernization of both MDAP and non-MDAP ships in the possession of the Philippine Navy; and F-51, C-47, H-19, and L-5 aircraft for the Philippine Air Force.

MDAP trained personnel are being placed as instructors in service schools and in key positions requiring technical knowledge. This upgrading of personnel, together with proper use of mobile training teams, has materially increased the ability of the armed forces to utilize more effectively available equipment.

MDAP deliveries have been in phase with the country programs and schedules for activation, organization, and training of units. Equipment furnished under the grant assistance program is being properly utilized.

Until recently employment of all major Philippine combat units in the anti-dissident campaign has handicapped organized and continuous training. Through the experience gained in the anti-dissident campaign, however, the Army is considered capable of coping with any internal military threat to the security of the country. The Philippine Government is now moving ahead, with U. S. assistance, to reorganize its armed forces into divisions. The Philippine Air Force and Navy, although small, are developing into a well-trained combatant force.

Defense Support and Other Programs

Since the inception in April 1951 of U. S. assistance to the Philippines, about $100 million has been made available for Technical Cooperation and Defense Support activities, and an additional $9.5 million (in FY 1955) for barracks and other items for the Philippine armed forces. Activities undertaken with these funds have been directed toward establishing a sound base for implementation of the Philippine Government's five-year development plan.

The following accomplishments are illustrative of the specific benefits derived from the more important parts of these programs to date.

Increased Agricultural and Industrial Production: Rice production rose from 2.8 million tons in 1951/52 to 3.1 million tons in 1954/55, and significant production increases also occurred in corn, sugar, and other crops. Irrigation and agricultural extension projects have contributed to this increase. In the last two years approximately 70 pump irrigation systems, serving 50,000 acres, were installed with U. S. assistance; and 31 agricultural schools were equipped with essential tools, supplemented by the necessary technical assistance. Over 200 cooperatives, with a membership of more than 105,000, have been established and the equivalent of nearly $10 million has been loaned to farmers for crop and farm improvement.

To encourage increased utilization of Philippine natural resources, technical advice has been provided for geological and mineral surveys of deposits of strategic materials, including copper, coal, iron ore, manganese, molybdenum, lead, zinc and nickel. These exploratory surveys are preparatory to actual development by private enterprise.

To stimulate private investment, an Industrial Development Center has been established to provide technical advisory

General Narrative Statement (Continued)

services to prospective investors. To help overcome the shortage of credit needed to encourage small and medium-size industrial undertakings, a Loan and Guarantee Fund has been established to supply the peso financing and a $5 million Industrial Fund to provide foreign exchange for the importation of essential equipment. Applications for assistance in establishing industrial enterprises under these arrangements have already reached $11 million, and commercial credit in this field has been expanded.

Improved Training Facilities and Government Operations: Various technical facilities at the University of the Philippines are being upgraded and government operations in important areas substantially improved through professional advice, largely under contractual arrangements, financed with U. S. aid funds. Under contracts with four American universities, (Stanford, Connecticut, Michigan, and and Cornell) technical assistance is being provided to the College of Agriculture at Los Banos, the Institute of Public Administration, the Labor Education Center, and the faculties of business administration, engineering and education at the University of the Philippines. Under four additional contracts with U. S. private firms, the U. S. is meeting the dollar costs of assistance to the Philippine Government in streamlining operations of the Bureau of Lands; generally modernizing budgeting, accounting and auditing procedures; helping to complete a wage and position classification survey; and assisting in a survey of operations of the Executive Branch of the Government.

Improved Rural Living Conditions: U. S. assistance has provided substantial stimulus to President Magsaysay's Barrio (village) Self-Help Program - a nationwide effort to extend the benefits of the country's development activities to hitherto neglected farm families. About 1800 barrio councils, representing approximately 300,000 farmers, have been organized and a number of rural community organizations established. Philippine 4-H Clubs already have about 50,000 members.

Health services have been improved through the establishment of rural health units and the rehabilitation of provincial hospitals. Through the activities of specially trained teams, malaria may be eliminated as a serious health menace by 1957. The prevalence of water-borne diseases has been reduced by U. S. provision of pumps and equipment for the drilling of deep wells to provide potable water.

Rural communities have been brought into closer touch with urban centers and new lands, particularly in Mindanao, have been opened up for settlement through the improvement and construction of nearly 1,000 kilometers of roadways and over 70 bridges. Selected farm tenants and workers are being assisted to transfer to these new areas from crowded high-tenancy sections, including many former Huk territories. This program of "land for the landless" has been facilitated by reorganization of the Bureau of Public Lands. In the first nine months of the current fiscal year, as many public land patents were issued as in the entire 1951-54 period.

The FY 1956 Program

The recommended level for assistance in FY 1956 exclusive of military end-items is $28.5 million, distributed as follows: $2.3 million for Direct Forces Support, $19.7 million for Defense Support, and $6.5 million for Technical Cooperation. The magnitude of aid and the distribution of funds among these functional categories have been determined on the basis of requirements and proven capacity of the Philippines to implement an integrated program of this size.

After four years, progress achieved with assistance from the U. S. has reached the point where emphasis can be shifted from problems of immediate social unrest and political instability to those related to basic economic development, upon which the Philippines must rely for the solution of its fundamental, longer-term problems. Unemployment and underemployment, particularly in urban areas, and vulnerability of foreign exchange income to world prices of its exports are the

General Narrative Statement (Continued)

most important of these problems. The Philippine Government plans to attack them through diversification of the economy and industrial expansion. Existing or potentially favorable factors are: relative internal security, undeveloped natural resources, expanding power supply, an increasing reservoir of trained or trainable labor, and initiative in private enterprise. The timing also is propitious since, under existing slightly deflationary conditions in the Philippine economy, a substantial investment program could be undertaken with a minimum of financial disturbance.

A program based on these favorable conditions can demonstrate to Asians how an Asian nation can, through democratic procedures and in cooperation with the United States, raise itself to a higher standard of living and to a position of greatly increased political and military security.

Of the $19.7 million requested for Defense Support in FY 1956, $4.7 million is intended to provide local currency support of the military effort from counterpart funds generated by saleable commodity imports. The balance is programmed in part for continuation of projects of proven value begun in earlier years, and in part to provide a further stimulus to private industrial investment by expansion of the program initiated in FY 1955. The significant feature of this program is that it supplements foreign exchange available for imports of industrial equipment and at the same time stimulates the expansion of local commercial credit.

The $2.3 million of Direct Forces Support recommended for FY 1956 is to be utilized for imports needed to expand military facilities.

The Technical Cooperation Program proposed for FY 1956, amounting to $6.5 million as compared with $7.3 million in FY 1955, provides principally for continued support of projects initiated in prior years for which dollar financing is still required. These funds provide a minimum of supplies and equipment for demonstration and instruction, technical services, and contractual costs for projects in public administration, agriculture, industry and mining, and education.

Philippine Government Contribution to Mutual Objectives

Contributions by the Philippine Government to U. S. assisted and related projects in the non-military field amounted to the equivalent of $47.5 million in 1954, and are expected to reach the equivalent of $71.5 million in 1955, or about two and a half times the assistance being provided by the United States.

In addition to this financial contribution, the Philippine Government has instituted legislative and administrative reforms to improve government services and operations, and to encourage private investment. The operations of several key government offices, including the Bureau of Lands, Budget Commission, Department of Finance, and Bureau of Internal Revenue have been reorganized and modernized. Bills liberalizing foreign investment regulations and revising the Retail Trade Nationalization Law (to relieve restrictive provisions on commercial activities of aliens) have been introduced in the Philippine Congress.

A significant Philippine contribution to the U. S. policy of fostering regional cooperation has been the increasingly important role assumed by the Philippines as a center of technical training for other Far Eastern countries. In FY 1955, nearly 300 participants from other Southeast Asian countries received training in various Philippine educational institutions, and an Agricultural Extension Workshop, held in Manila in February 1955, was attended by 39 representatives of several Asian countries, including Japan, Nationalist China, Thailand, Indonesia, Viet Nam, and the Republic of Korea.

INDIVIDUAL COUNTRY DATA

Summary by Major Activity Field

(In thousands of dollars)

Programs by Fiscal Year	Total U.S. Cost	Agriculture and Natural Resources	Industry and Mining	Transportation	Labor	Health and Sanitation	Education	Public Admin.	Community Development Social Welfare and Housing	General and Misc.	Import of Saleable Commodities	Common Use Items	Other Costs
Direct Forces Support													
1954													
1955	3,500											3,500	
1956	2,300											2,300	
Defense Support													
1954	14,450	3,821	37	4,970	346	1,393	2,456	1,681	(10)	(135)	(109)		
1955	18,400	2,625	910	3,865							11,000		
1956	19,700	2,650	400	3,300		1,650					11,700		
Technical Cooperation													
1954													
1955	7,250	1,490	315	120	245	1,770	1,690	1,620					
1956	6,500	1,195	1,745	285	195	525	1,190	1,350	15				
Total All Programs													
1954	14,450	3,821	37	4,970	346	1,393	2,456	1,681	(10)	(135)	(109)		
1955	29,150	4,115	1,225	3,985	245	1,770	1,690	1,620			11,000	3,500	
1956	28,500	3,845	2,145	3,585	195	2,175	1,190	1,350	15		11,700	2,300	

() Net deobligation during FY 1955 applicable to prior fiscal years' obligations.

ASIA

INDIVIDUAL COUNTRY DATA

Country: PHILLIPPINES

Summary by Major Cost Components

(In thousands of dollars)

Programs by Fiscal Year	Total U. S. Cost	Supplies and Equipment	U.S.Government Technicians No. of Persons	U.S.Government Technicians Cost	Contract Services No. of Persons	Contract Services Cost	Participants No. of Persons	Participants Cost	Other Costs
Direct Forces Support									
1954									
1955	3,500	3,500							
1956	2,300	2,300							
Defense Support									
1954	14,450	9,443	89	1,502	48	1,977	366	1,528	
1955	18,400	18,400							
1956	19,700	19,700							
Technical Cooperation									
1954									
1955	7,250	2,960	136	1,290	61	1,665	333	1,335	
1956	6,500	1,630	126	2,095	82	1,665	296	1,110	
Total All Programs									
1954	14,450	9,443	89	1,502	48	1,977	366	1,528	
1955	29,150	24,860	136	1,290	61	1,665	333	1,335	
1956	28,500	23,630	126	2,095	82	1,665	296	1,110	

INDIVIDUAL COUNTRY DATA (EXCLUDING MILITARY ASSISTANCE AND TECHNICAL COOPERATION)

Summary of Commodity Imports and Services

(In thousands of dollars)

Illustrative Composition of Country Program	Actual FY 1954	FY 1955 Defense Support: For Project Utilization	FY 1955 Defense Support: For Consumption and Generating Local Currency	FY 1955 Direct Forces Support	FY 1955 Total	FY 1956 Defense Support: For Project Utilization	FY 1956 Defense Support: For Consumption and Generating Local Currency	FY 1956 Direct Forces Support	FY 1956 Total
Commodities									
Food and Agricultural Imports									
Bread Grains							3,000		3,000
Dairy Products							2,000		2,000
Total Food & Agricultural Imports							5,000		5,000 a/
Less Sales Proceeds Programmed for Other Countries									
Net U.S. Financed Food and Agr. Imports							5,000		5,000
Industrial Imports									
Fuel									
Raw and Semi-Finished Products	2,895	1,100		3,500	4,600	2,050		2,300	4,350
Machinery and Vehicles	4,925	5,535	11,000		16,535	4,560	6,700		11,260
Miscellaneous and Unclassified	1,623	765			765	1,390			1,390
Total Industrial Imports	9,443	7,400	11,000	3,500	21,900	8,000	6,700	2,300	17,000
Less Sales Proceeds for Coal Programmed for Other Countries									
Net U.S. Financed Industrial Imports	9,443	7,400	11,000	3,500	21,900	8,000	6,700	2,300	17,000
Total Commodity Program	9,443	7,400	11,000	3,500	21,900	8,000	11,700	2,300	22,000
Services	5,007								
Total Country Program	14,450	7,400	11,000	3,500	21,900	8,000	11,700	2,300	22,000

a/ Programmed for surplus agricultural imports.

THAILAND

BASIC DATA

Population (1954)..... millions	20
Annual growth.....percent	1.9
Area.....1,000 square miles	198
Agricultural land.....percent	15
Agricultural land per capita.....acres	1.0

	Thailand	Asian Arc	U.S.
Caloric intake	2,190	2,035	3,120
% grains & starches ..	62	79	29
Literacy rate...percent	50	32	97
Life expectancy...years	49	35	68
Road miles per 1,000 sq. mi	20	220	1,100
Elec. power per capita ..... KWH per year	8	117	3,165

USE OF RESOURCES - 1954

		%
Gross national product (million U.S. dollars).....	$1,795	
Consumption	1,495	83
Gross investment (public and private)	175	10
Government non-defense expenditure	100	6
Government defense expenditure	92	5
Net foreign balance	-67	-4
Per capita GNP (dollars)	$90	

(FOA estimates; converted at 20 baht per $)

TRADE AND PAYMENTS

	1938	1951	1952	1953	1954 *
		(millions of US $)			
Exports, f.o.b.	89	396 E	355 E	327 E	280 E
Imports, c.i.f.	57	276 E	341 E	337 E	310 E
Trade balance	32	120	14	-10	-30
Principal exports					
Rice .....Quantity....1,000 MT	1,328 a	1,555	1,428	1,336	1,004
Value.....$ millions	38 a	198 E	236 E	233 E	145 E
Rubber .....Quantity....1,000 MT	41 a	111	99	97	119
Value.....$ millions	11 a	124 E	58 E	42 E	51 E
Trade with U.S. (U.S. Customs data)					
Exports to U.S.	0.3	137	99	70	54
Imports from U.S.	3.3	50	58	57	43
Balance	-3.0	87	41	13	11
Balance of payments					
Balance on goods & services		83 E	-21 E	-58 E	-67 E
Net capital		-66	50	15	50
Private (incl. errors and omissions)...		-2 E	-13 E	2 E	42 E
Official and banking		-64	63	13	8
Government grants		-1	4	5	4
Long-term capital		-63	59	11	4
Short-term capital		--	--	-3	--
Change in gold & exchange reserves.....		+17	+29	-43	-17
Gold and foreign exchange reserves[b].....	55	359	352	302	273

PRODUCTION

	Unit	1938	1951	1952	1953	1954 *
Agricultural production[d].....	1935-39=100	100 e	178	162	192	171
Major crops:						
Rice, rough[d]	1,000 MT	4,349 e	7,325	6,602	8,200	7,030
Rubber[f]	1,000 MT	41 a	111	99	97	119
Major industries:						
Tin concentrates (metal content)	1,000 MT	15	10	10	10	10

EXTERNAL RESOURCES

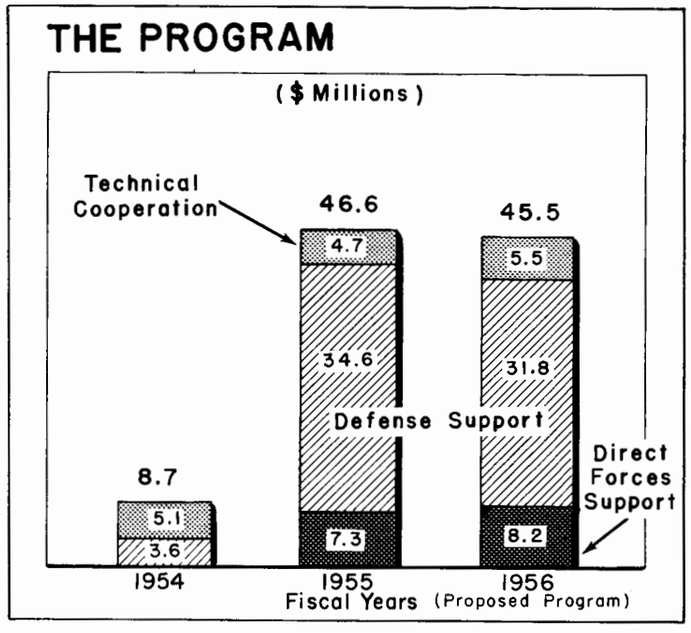
	1950	1951	1952	1953	1954	Program 1955	Program 1956
			(millions of US $)				
FOA obligations (fiscal years).....	--	8.9	7.2	6.5	8.7	46.6	45.5
			(calendar years)				
EX-IM Bank disbursements.....	--	1	--	--	--		
IBRD disbursements.....	--	4	9	8	2 c		

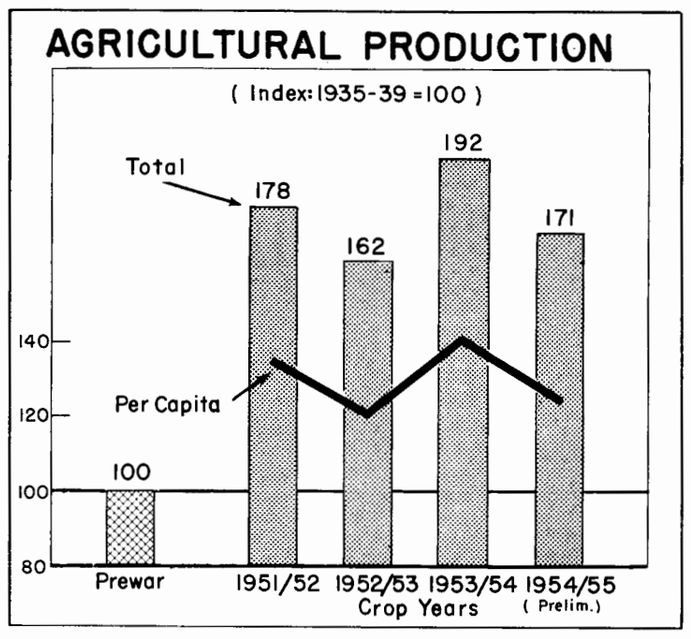
FINANCES

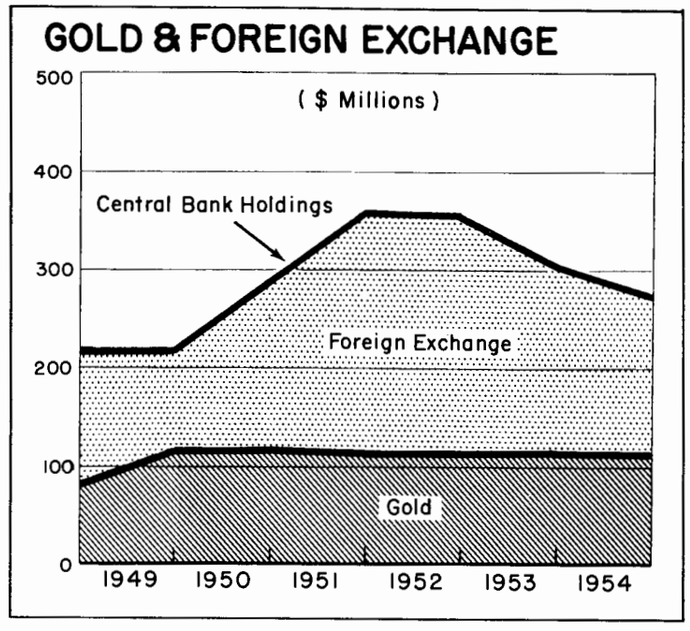
	1951	1952	1953	1954	1955
	(millions of US $)				
Central government budget					
Revenue, excl. counterpart.....	123	167	207 g	244 g	
Expenditure	163	218	289	251	
Defense	39	68	94	92	
Capital outlay	43	52	55	66	
Other non-defense	81	98	140	93	
Surplus or deficit (-) before counterpart	-40	-51	-82	-7	
Counterpart funds	--	2	3	6	
Surplus or deficit (-) after counterpart	-40	-49	-79	-1	
As % of total revenue	-33%	-29%	-38%	-0.4%	
Defense expend. as % of budget	24%	31%	32%	37%	n.a.
Defense expend. as % of GNP	3%	4%	5%	5%	n.a.
Prices (index 1948 = 100)					
Wholesale: Bangkok	104	109	103	99	104(Jan)
Cost of living: Bangkok	110	123	135	134	

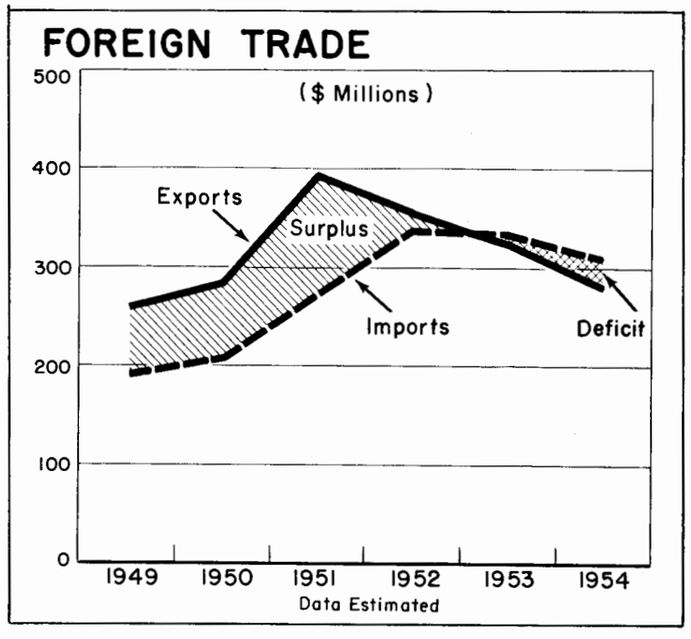
* 1954 data partly preliminary or estimated.
a Average 1937-38.
b Central Bank only.
c Undisbursed balance as of 12/31/54 - $3 million.
E - Estimate
d Crop year beginning in year stated.
e Prewar average.
f Exports.
g Includes withdrawals of extraordinary proceeds from the currency profit account - $10 million in 1953 and $36 million in 1954.

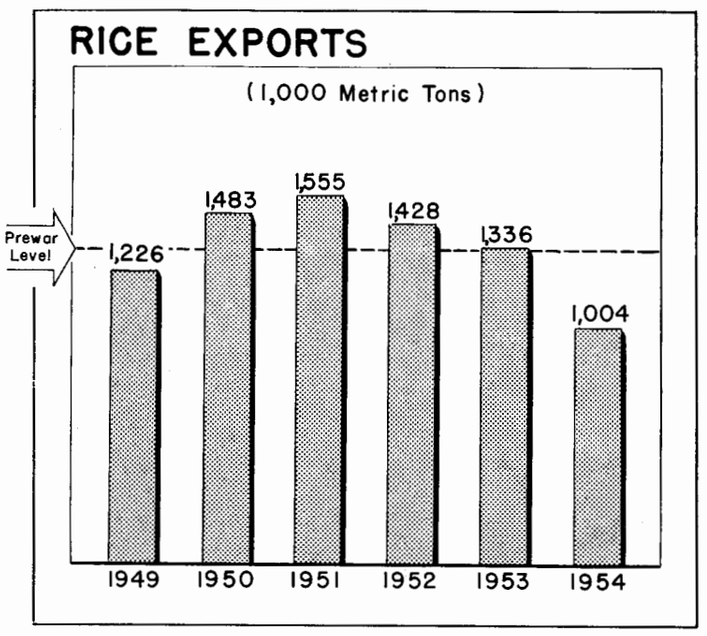
THAILAND

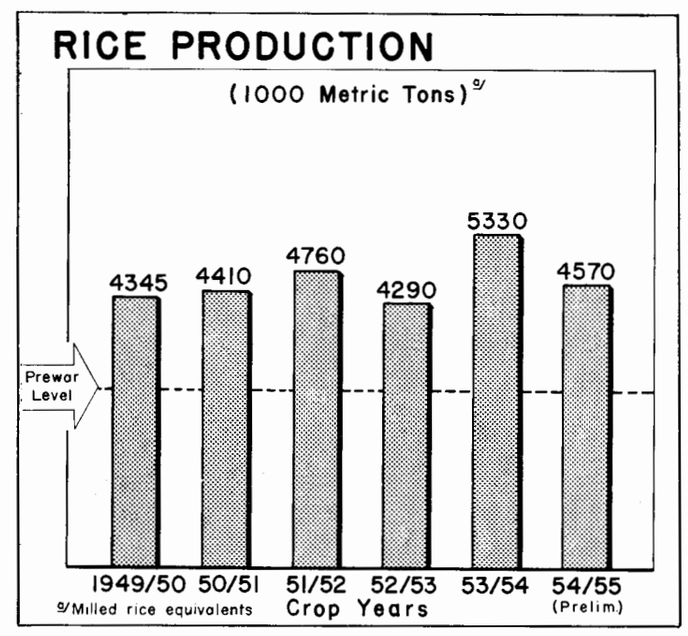

THE PROGRAM
($ Millions)
Technical Cooperation
46.6
45.5
4.7
5.5
34.6
31.8
Defense Support
Direct Forces Support
8.7
5.1
3.6
7.3
8.2
1954
1955
1956
Fiscal Years (Proposed Program)


AGRICULTURAL PRODUCTION
(Index: 1935-39 = 100)
Total
178
162
192
171
140
120
100
80
Per Capita
100
Prewar
1951/52
1952/53
1953/54
1954/55
Crop Years
(Prelim.)


GOLD & FOREIGN EXCHANGE
($ Millions)
500
400
300
200
100
0
Central Bank Holdings
Foreign Exchange
Gold
1949
1950
1951
1952
1953
1954


FOREIGN TRADE
($ Millions)
500
400
300
200
100
0
Exports
Surplus
Imports
Deficit
1949
1950
1951
1952
1953
1954
Data Estimated


RICE EXPORTS
(1,000 Metric Tons)
Prewar Level
1,226
1,483
1,555
1,428
1,336
1,004
1949
1950
1951
1952
1953
1954


RICE PRODUCTION
(1000 Metric Tons) a/
Prewar Level
4345
4410
4760
4290
5330
4570
1949/50
50/51
51/52
52/53
53/54
54/55
(Prelim.)
Crop Years
a/Milled rice equivalents

ASIA

Country: THAILAND

INDIVIDUAL COUNTRY DATA

Summary of Program by Function

(In thousands of dollars)

Function	Program FY 1950/54	FY 1955	Proposed FY 1956
Military Assistance	a/	a/	a/
	FY 1954		
Direct Forces Support	-	7,260	8,200
Defense Support	3,580	34,640	31,800
Technical Cooperation	5,154a/	4,650	5,500
Total Country Program Other Than Military Assistance	8,734	46,550	45,500

a/ Data included in separate submission on Military Assistance.

General Narrative Statement

Current Situation

Situated at the heart of Southeast Asia, Thailand occupies a stragetic position in the free world struggle with Communism. It is also economically important to the free world as one of the world's principal exporters of rice and as a producer of tin and rubber.

With the recent expansion of Communist influence in Viet Nam, Cambodia and Laos, Thailand is emerging as a frontier of resistance to the Communist conquest of Southeast Asia. Its assumption of increased international responsibilities under the Manila Pact is further evidence of its importance. If Thailand should succumb to internal subversive Communist pressures, the danger to the whole of Southeast Asia would be greatly increased.

Free world strength also will be enhanced if Thailand, as an Asian nation, continues to demonstrate to Asians the benefits of participation in the free world family of nations.

The partition of Viet Nam has had a profound effect on the thinking of the Thai, creating in their view increased uncertainty as to the political future of Laos and Cambodia with which Thailand shares more than 1,000 miles of common border.

Since the Geneva truce the Communists have substantially accelerated their campaign to subvert the peoples of Northeast Thailand. There remain in these provinces some 50,000 Vietnamese refugees, practically all of whom openly support Ho Chi Minh. In the background looms the recently-publicized Chinese Communist efforts to bring into a so-called Greater Thai Autonomous State most of the provinces of Thialand, together with Laos and the Shan States of Burma.

General Narrative Statement (Continued)

Thailand's firm orientation to the free world, long evidenced by its participation in the United Nations action in Korea, has been further demonstrated by its charter membership in the recent Manila Pact, its host role to the first Manila Pact meeting, and by its willingness to cooperate openly with the free world in opposition to Communism in other important matters.

Thailand suffers from the conventional ills of a poorly-developed, one-crop, raw materials economy. Approximately 85 percent of the population is engaged in agriculture, forestry and fisheries, mostly in rice growing. Rice yields are about one-third as high as in Japan.

The depressed world market price for rice and the accumulation of large rice surpluses have had a depressing effect on the entire Thai economy. The country's international payments position changed from a surplus of $81 million in 1951 to a deficit of approximately $25 million in 1954; Central Bank gold and foreign exchange holdings declined from $352 million in 1952 to $273 million in 1954.

Thai defense expenditures, which in the 1954 budget were more than double those of 1950, are placing increasing strain on Thai financial resources and causing reductions in appropriations for essential public services.

Measures taken to correct Thailand's unfavorable balance of payments have aggravated the budgetary problem. Liberalization of rice export controls to facilitate competition in the decling world market is expected to reduce government income from this important source by more than 55 percent.

The Thai economic situation is seriously weakened at a time when more substantial resources than ever before are required to support a military build-up and to fight a cold war with economic and psychological measures.

Internal security and defense considerations require the maintenance and modernization of large military and police forces which the Thai budget cannot sustain without cutbacks in the civilian sector.

Inadequate transportation and communications are serious handicaps to trade and development, and to the conduct of defense, both internally and in mainland Southeast Asia.

Because of the general inadequacy of basic governmental services and the lack of significant progress toward improved standards of living, many of the Thai people are vulnerable to Communist subversion. The risks inherent in this situation are of particular concern in the relatively isolated and economically depressed Northeast provinces bordering on Laos.

Lack of modern organization, procedures and training within the Thai Government, especially in planning and in fiscal management, leads to under-utilization of Thailand's own economic and natural resources. Severe shortages of skilled and technically trained personnel further impede proper utilization and development of Thailand's resources.

Poor agricultural yields, low industrial productivity, and lack of diversification handicap economic growth. Present marketing practices, especially poor quality control, hamper the competition of Thai exports in world markets.

Program Objectives

The Mutual Security Program objectives support the overall U.S. objective to strengthen Thailand's position as a center of non-Communist influence in Southeast Asia and a bulwark against further Communist expansion in that area. They are:

(1) To assist in supporting a level of Thai military and police forces adequate to maintain internal security and cope with border incursions.

General Narrative Statement (Continued)

(2) To aid in strengthening the Thai economy in order to help maintain political stability.

(3) To promote closer ties between Thailand and the other anti-Communistic countries of Asia.

The specific means being employed to accomplish these objectives are to provide military end-items and training for the Thai armed forces, and further assist the Thai Government to:

(1) Meet the non-military needs of its security forces and construct essential military installations and facilities.

(2) Develop essential communication and transportation services, especially facilities in the Northeastern provinces and services connecting Thailand with Laos and Cambodia.

(3) Increase the scope and effectiveness of essential governmental services to the people.

(4) Improve the budgetary and fiscal activities of the government and its planning and management of developmental projects.

(5) Expand and diversify production, improve marketing and distribution facilities, and facilitate increased private investment in productive enterprises.

(6) Engage in joint planning with the governments of Laos, Cambodia, and Viet Nam for the Development of regional projects of Mutual interest.

Progress to Date

Military Assistance

At the inception of the MDA Program, the Thai Armed Forces had a limited capability. They were equipped with a collection of varied and obsolete arms and equipment procured from diverse sources. Since the beginning of MDAP, these forces have been modernized and their equipment generally standardized. While not capable of repelling a full-scale invasion, the Thai forces can now provide internal security and act as a deterrent to outside aggression.

The Thai Army has been strengthened by deliveries of modern types of equipment and by a training program for army personnel, including study in the United States. Activities of the U.S. military mission in Thailand currently are stressing the training and development of Thai junior and non-commissioned officers and the improvement of local technical skills for armaments, operations and maintenance.

When the U.S. MAAG was established in the fall of 1950, the Royal Thai Air Force possessed virtually no combat capability. It was equipped with obsolescent aircraft, and pilots and support personnel lacked adequate training in the use of modern equipment and tactics. With intensive training, however, they are becoming increasingly proficient in the maintenance and use of aircraft. Though still a small service, the Thai Air Force now has a real combat potential.

The MDA program has assisted the Royal Thai Navy by provision of a limited number of small craft and equipment for modernization of existing vessels. Although lack of training has been a major limiting factor, the U.S. is currently assisting in the development of a new training program for naval personnel.

Defense Support & Other Programs

During the fiscal years 1951-54 U.S. assistance to Thailand exclusive of military end-items totaled $31.2 million - $28.7 million for Technical Cooperation and the remaining $3.6 million for Defense Support.

General Narrative Statement (Continued)

Early in FY 1955 it became apparent that budgetary limitations were seriously impeding the Thai Government's ability to maintain adequate defense forces and at the same time provide adequately for essential government services and minimum investment needs. In recognition of Thailand's more vulnerable economic situation and the urgent need to accelerate defense activities, the FY 1955 U.S. aid program was recently expanded to provide $7.3 million for direct forces support and $34.6 million for defense support, in addition to the $4.7 million originally programmed for technical cooperation.

The following illustrates the activities undertaken and the progress achieved in the important segments of the U.S. aid program.

Supplies and Installations for Military Forces: The $7.3 million for direct forces support will make it possible to increase the effectiveness of the armed forces by providing gasoline for military training and operations, field hospital equipment, uniforms and field equipment for the troops. With additional funds made available from the Department of Defense, several existing airfields and a naval base will be improved and expanded, and a new military training center constructed.

Communication and Transportation Services: To facilitate access from Central Thailand to the relatively isolated and politically vulnerable Northeast, a highway is being built with funds provided in FY 1954 and supplemented in FY 1955. Selective improvement of key portions of the existing highway system is also to be undertaken, especially of roads leading to the Laotian and Cambodian borders. In addition, equipment and engineering assistance will be provided for: a rail extension from Udorn to the Mekong River at a point a few miles below Vientiane, the capital of Laos; a telecommunications survey to plan a modern system for linking key cities now without effective means of communication; and a program for improving operations of the Thai Airways, a vital link in the transportation system serving upcountry Thailand and mainland Southeast Asia.

Government Services: Activities undertaken with Technical Cooperation funds are helping make substantial improvements in Thai public services. Such activities include: agricultural extension, rural health improvement, malaria control, teacher training, livestock improvement, rice seed improvement through plant breeding, and vocational education. Since inception of this program, over 700 technicians, mostly Thai Government employees, have been brought to the United States for technical training. Educational facilities throughout the Thailand benefit from a contract between the University of Indiana and the Thai Teacher Training College for improving teacher training.

Budget and Fiscal Activities: The Thai system of revenue collection is being improved under a technical assistance contract. Another contract is to provide additional assistance to help modernize budgetary procedures and improve fiscal management throughout The Thai Government. Improvements such as these are expected to result in improved mobilization of Thailand's domestic financial resources for productive economic undertakings and support of its defense forces.

Improved Production and Marketing: Technical cooperation activities contribute to the expansion and diversification of production. For example, a livestock project has improved marketing techniques and expanded export sales of meat and of livestock. Crop diversification is being encouraged through the introduction of new and improved forage crops. Fertilizer trials and demonstrations show promise of doubling and tripling crop yields on certain soils. Tank irrigation projects are expected to provide water for almost 300,000 acres in the semi-arid Northeast. The eradication of malaria in several North Central provinces greatly increases the productivity of the population in those areas. The Bangkok Technical Institute is helping develop skilled artisans needed to increase productivity in the industrial sector of the economy.

General Narrative Statement (Continued)

Regional Projects: To strengthen regional ties and promote planning on a regional basis, technical exchanges have been arranged between Thailand and the new governments in Laos and Cambodia. Technicians from Laos and Cambodia are being brought to Thailand for practical training. Several projects, notably those concerned with rinderpest and malaria control, and improvement of highways, railways, airways and telecommunications, are being considered on a regional basis. A cooperative survey of the development potentialities of the Mekong River will be jointly sponsored, with U.S. assistance, by Thailand, Laos, Cambodia and Viet Nam.

The FY 1956 Program

Exclusive of military end-items, total assistance of $45.5 million is proposed for Thailand in FY 1956 - $8.2 million for Direct Forces Support, $31.8 million for Defense Support, and $5.5 million for Technical Cooperation.

As in FY 1955, primary emphasis will be given to strengthening defense facilities and improving transportation and communications services important to economic growth and to mobility of the defense forces. Regional cooperation will be stressed and relatively greater emphasis given to marketing, and credit; vocational education; and public administration, including fiscal management. Private trade and investment ties between U.S. and Thai business interests, and diversification of the Thai economy, are to be encouraged by a new project being developed to improve and expand secondary exports.

Assistance for direct forces support will help to provide essential supplies, such as petroleum products; and to construct key military installations and facilities, including improvements at airfields, ports, and military training centers, and vehicle and aircraft engine rebuild plants.

Of the $31.8 million proposed for defense support, about $22.7 million will be required to finance the local currency costs of forces support and defense support projects, which cannot be met from the Thai Government's budget. The local currency will be generated through sale in the local market of U.S.-financed imports of essential commodities.

The total of $45.5 million recommended for FY 1956 will enable Thailand to continue to undertake activities essential to defense and economic growth. Without such aid, military support activities would have to be severely curtailed in order to avoid increasing inflationary pressures which would seriously impair the stability of the Thai economy.

Thai Government Efforts and Progress: The Thai Government has moved aggressively to solve several of its most pressing problems. Perhaps most significant is its large increase in defense expenditures since 1950 to expand and modernize its military and police forces.

To alleviate some of the country's economic ills, it has established drastic import controls, restricted the use of preferential rates of exchange, and greatly liberalized rice export regulations. A much larger budget deficit has been avoided by substantial curtailment of its developmental expenditures. The Thai Government has already utilized most of a $25 million IBRD loan and has been actively negotiating for additional loans to finance essential development projects.

On the psychological front, the government is conducting a large-scale anti-Communist campaign among national and provincial officials who, in turn, are conducting a similar program for the general population through such media as films, printed material and lectures.

To improve the climate for foreign investment the Thai Government recently enacted the Industry Promotion Act, signed an investment guaranty agreement with the United States, and is sending high officials abroad in an effort to stimulate outside investments.

INDIVIDUAL COUNTRY DATA

Summary by Major Activity Field

(In thousands of dollars)

Programs by Fiscal Year	Total U.S. Cost	Agriculture and Natural Resources	Industry and Mining	Transportation	Labor	Health and Sanitation	Education	Public Admin.	General and Misc.	Import of Saleable Commodities	Common Use Items
Direct Forces Support											
1954											
1955	7,260										7,260
1956	8,200										8,200
Defense Support											
1954	3,580			3,580							
1955	34,640	40	650	8,905		305				24,740	
1956	31,800		4,125	4,575		200	200			22,700	
Technical Cooperation											
1954	5,154	1,640	145	201	15	2,060	963	85	45		
1955	4,650	915	330	435	30	1,075	1,315	425	125		
1956	5,500	1,535	345	495	50	1,075	1,650	260	90		
Total All Programs											
1954	8,734	1,640	145	3,781	15	2,060	963	85	45		
1955	46,550	955	980	9,340	30	1,380	1,315	425	125	24,740	7,260
1956	45,500	1,535	4,470	5,070	50	1,275	1,850	260	90	22,700	8,200

ASIA

Country: THAILAND

INDIVIDUAL COUNTRY DATA

Summary by Major Cost Components

(In thousands of dollars)

Programs by Fiscal Year	Total U.S. Cost	Supplies and Equipment	U.S. Government Technicians		Contract Services		Participants		Other Costs
			No. of Persons	Cost	No. of Persons	Cost	No. of Persons	Cost	
Direct Forces Support									
1954									
1955	7,260	7,260							
1956	8,200	8,200							
Defense Support									
1954	3,580	3,030				550			
1955	34,640	30,200	10	90	85	4,350			
1956	31,800	29,650	15	205	190	1,945			
Technical Cooperation									
1954	5,154	2,418	58	957	2	520	267	1,259	
1955	4,650	1,270	81	1,050	20	1,085	252	1,245	
1956	5,500	1,275	101	1,380	56	1,520	295	1,325	
Total All Programs									
1954	8,734	5,448	58	957	2	1,070	267	1,259	
1955	46,550	38,730	91	1,140	105	5,435	252	1,245	
1956	45,500	39,125	116	1,585	246	3,465	295	1,325	

ASIA

INDIVIDUAL COUNTRY DATA (EXCLUDING MILITARY ASSISTANCE AND TECHNICAL COOPERATION) Country: THAILAND

Summary of Commodity Imports and Services

(In thousands of dollars)

Illustrative Composition of Country Program	Actual FY 1954	FY 1955 Defense Support: For Project Utilization	FY 1955 Defense Support: For Consumption and Generating Local Currency	FY 1955 Defense Support: Direct Forces Support	FY 1955 Total	FY 1956 Defense Support: For Project Utilization	FY 1956 Defense Support: For Consumption and Generating Local Currency	FY 1956 Defense Support: Direct Forces Support	FY 1956 Total
Commodities									
Food and Agricultural Imports									
Bread Grains									
Coarse Grains									
Fats and Oils									
Fertilizer									
Total Food and Agricultural Imports									
Less Sales Proceeds Programmed for Other Countries									
Net U. S. Financed Food and Agr. Imports									
Industrial Imports									
Fuel			8,900	1,800	10,700		7,795	2,400	10,195
Raw and Semi-Finished Products		50	5,460	645	6,155		5,075	615	5,690
Machinery and Vehicles	2,959	2,795	7,750	730	11,275	6,250	7,345	1,930	15,525
Miscellaneous and Unclassified	71	2,615	2,630	4,085	9,330	700	2,485	3,255	6,440
Total Industrial Imports	3,030	5,460	24,740	7,260	37,460	6,950	22,700	8,200	37,850
Less Sales Proceeds for Coal Programmed for Other Countries									
Net U. S. Financed Industrial Imports	3,030	5,460	24,740	7,260	37,460	6,950	22,700	8,200	37,850
Total Commodity Program	3,030	5,460	24,740	7,260	37,460	6,950	22,700	8,200	37,850
Transfer of Cash									
Services	550	4,440			4,440	2,150			2,150
Total Country Program	3,580	9,900	24,740	7,260	41,900	9,100	22,700	8,200	40,000

CAMBODIA–LAOS–VIETNAM

BASIC DATA

	Total	Cambodia	Laos	South Vietnam
Population (1954)..... millions	16.5	4.0	1.5	11.0
Area .....1,000 square miles	224	67	91	66
Agricultural land.....percent	n.a.	20	8	n.a.
Agricultural land per capita .....acres	n.a.	2.2	3.2	n.a.

	Cambodia Laos & Vietnam	Asian Arc	U.S.
GNP per capita	88	105	2,200
Caloric intake	2,070	2,035	3,120
Literacy rate .... percent	15	32	97
Life expectancy .... years	30	35	68
Road miles per 1,000 sq.mi.	40	220	1,100
Electric power per capita ..... KWH per year	10	117	3,165

CAMBODIA–LAOS–VIETNAM

EXTERNAL RESOURCES	1950	1951	1952	1953	1954	Program 1955	Program 1956
	(millions of US $)						
FOA obligations (fiscal years).....	0.7	21.8	24.6	54.1	769.4	473.4	425.0
EX-IM Bank disbursements.....	--	--	--	--			
IBRD disbursements.....	(Not a member)						

CAMBODIA

TRADE	1938	1951	1952	1953	1954*
		(millions of US $)			
Exports, f.o.b.	n.a.	11.6[a]	19.4[a]	66	61
Imports, c.i.f.	0.6	4.8[a]	8.2[a]	52	59
Trade balance	n.a.	6.8[a]	11.2[a]	14	2
Principal exports					
Rice[b].....Quantity.....1,000 MT	n.a.	225	190[E]	139	296
Value.....$ millions	n.a.	27[E]	30	17	23
Rubber[a].....Quantity.....1,000 MT	17[E]	16	16	21	18
Value.....$ millions	6[E]	18[E]	11[E]	11	12

PRODUCTION Unit	1938	1951	1952	1953	1954*
Major crops:					
Rice, rough[c] .....1,000 MT	800	1,400	1,400	1,400	1,100
Rubber .....1,000 MT	17	16	19	22	24

PRICES (index 1949=100)					
Cost of living[d]	n.a.	124	137	n.a.	184

* 1954 data partly preliminary or estimated. n.a. - not available. E-Estimate.

a Excludes trade with other Associated States.
b Shipments; includes trade with other Associated States.
c Crop year beginning in year stated.
d December of year stated.
e 1939.
f Excludes trade with North Vietnam.

LAOS

TRADE	1938	1951	1952	1953	1954*
		(millions of US $)			
Exports, f.o.b.	n.a.	0.4[a]	3.9	2.7	1.3
Imports, c.i.f.	n.a.	2.0[a]	15.9	13.0	15.0
Trade balance	n.a.	-1.6[a]	-12.0	-10.3	-13.7
Principal exports					
Tin[a].....1,000 MT	0.9[e]	0.1	0.1		
Coffee[b].....1,000 MT	n.a.	1.4	2.2		

PRODUCTION	1938	1951	1952	1953	1954*
Major crops:					
Rice, rough[c] .....1,000 MT	n.a.	500[E]	500[E]	500[E]	480[E]

PRICES (index: Dec 1948=100)					
Cost of living: Vientiane	n.a.	113	157	212	260

SOUTH VIETNAM

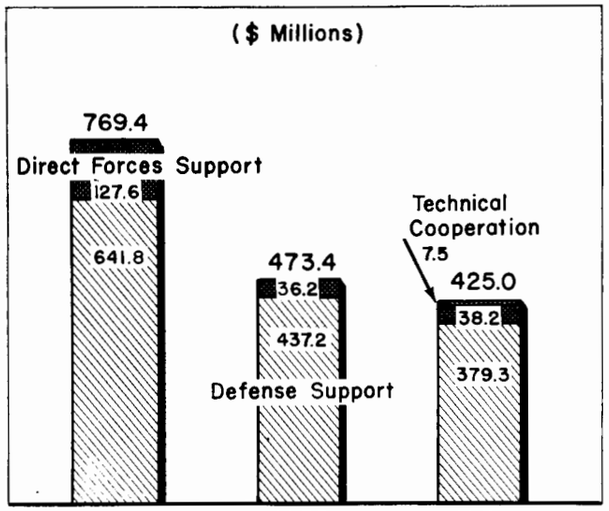
TRADE (data largely estimated)	1938	1951	1952	1953	1954*
		(millions of US $)			
Exports, f.o.b.	n.a.	113[af]	89[af]	100[f]	95[f]
Imports, c.i.f.	n.a.	200[af]	328[af]	340[f]	290[f]
Trade balance	n.a.	-87[af]	-239[af]	-240[f]	-195[f]
Principal exports					
Rice[af].....Quantity....1,000 MT	1,000	300	173	110	183
Value.....$ millions	27	36	28	19	n.a.
Rubber[af].....Quantity....1,000 MT	41	38	47	52	55
Value.....$ millions	14	42	31	25	n.a.

PRODUCTION Unit	1938	1951	1952	1953	1954*
Major crops:					
Rice, rough[c] .....1,000 MT	3,700	1,900[E]	1,900	1,975	1,985
Rubber .....1,000 MT	44	37[E]	46	54	51

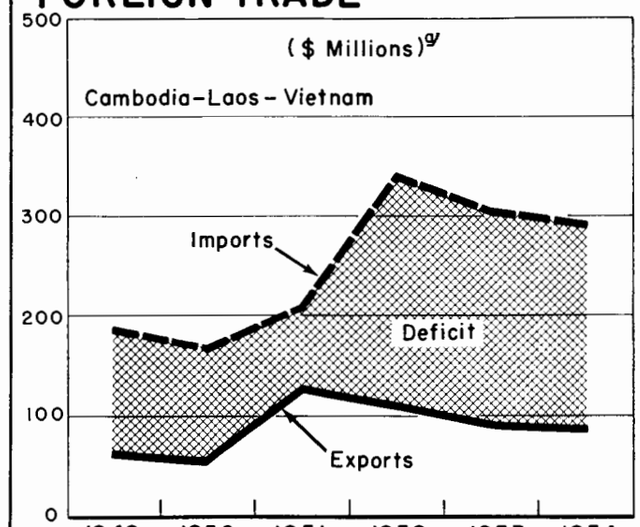
PRICES (index 1949=100)					
Wholesale: Saigon-Cholon	5	117	132	152	160
Cost of living: Saigon	2[e]	116	142	180	203

CAMBODIA - LAOS - VIETNAM

THE PROGRAM

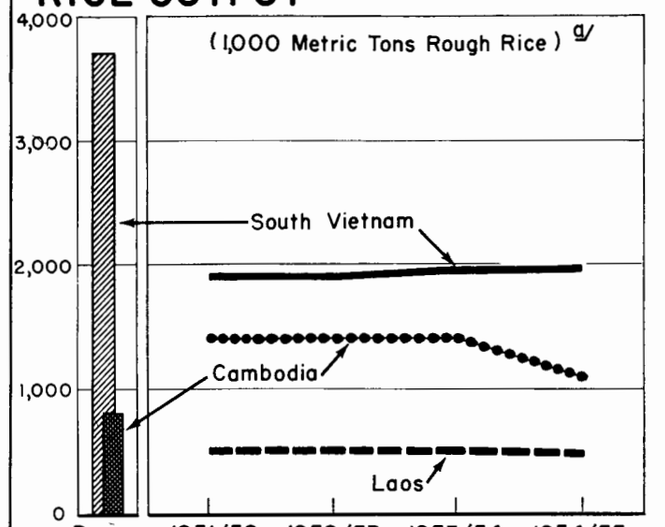


FOREIGN TRADE



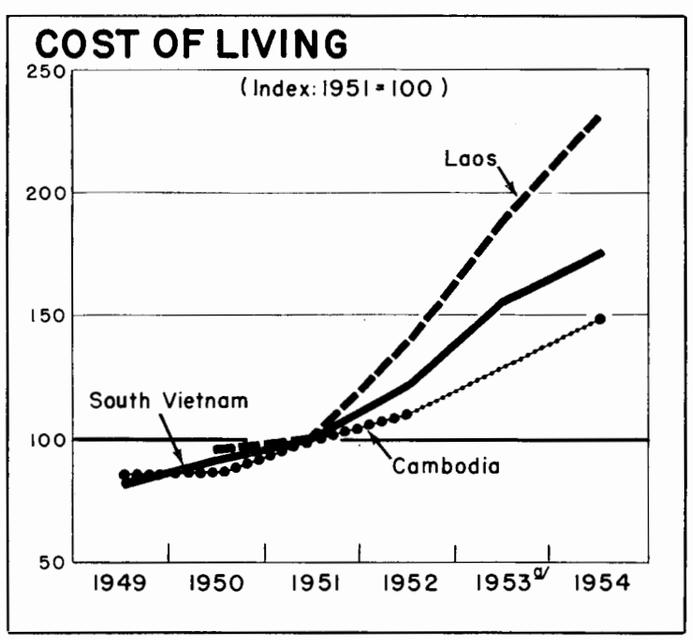
g/ Excludes trade between Cambodia - Laos - Vietnam and trade of North Vietnam.

RICE OUTPUT



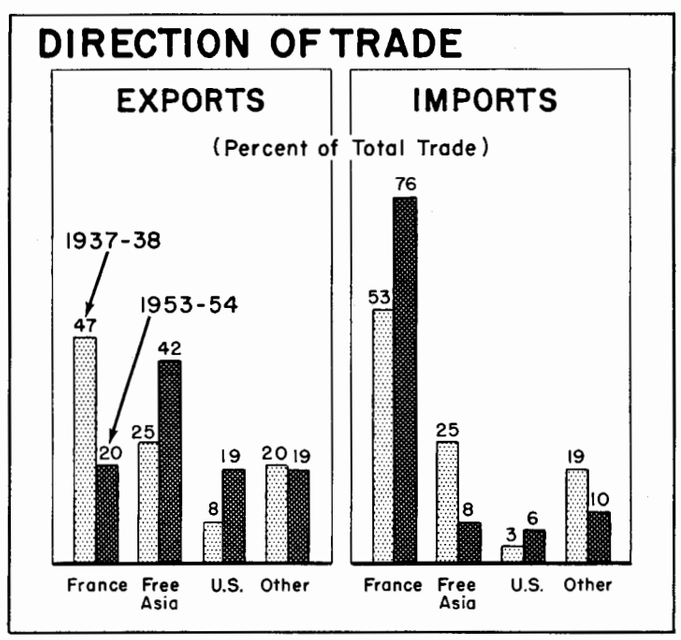
g/ FOA estimates

COST OF LIVING

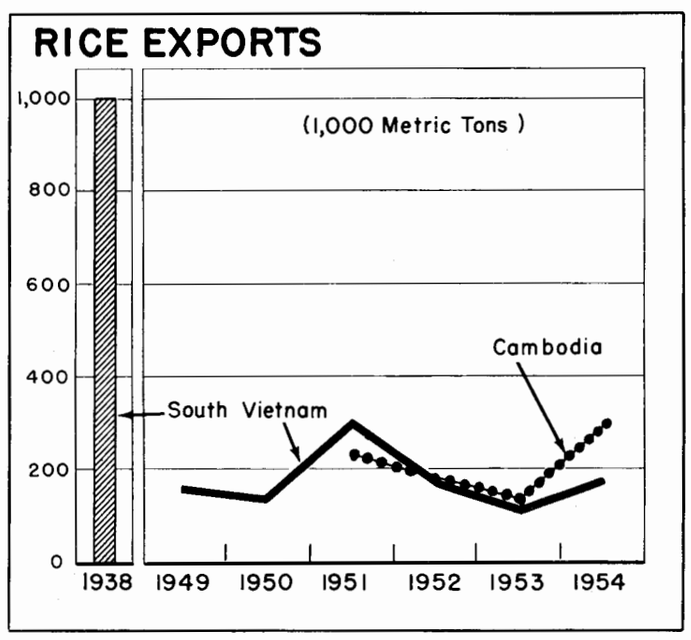


g/ Data not available for Cambodia.

DIRECTION OF TRADE



RICE EXPORTS



g/ Excludes trade with Cambodia & Laos.

ASIA

CAMBODIA, LAOS AND VIET NAM

Summary of Program by Function

(In thousands of dollars)

Function	Program FY 1950/54	Program FY 1955	Program Proposed FY 1956
Military Assistance	a/	a/	a/
	FY 1954		
Direct Forces Support	127,600	36,200	38,200
Defense Support	641,845 b/	437,200	379,300
Technical Cooperation	c/	c/	7,500
Total Country Program Other Than Military Assistance	769,445	473,400	425,000
MSP Sales Surplus Agricultural Commodities			
Sales to Cambodia and Viet Nam		4,600	10,000
Sales Proceeds Programmed in Cambodia and Viet Nam		54,600	10,000

a/ Data included in separate submission on Military Assistance.
b/ Includes $400 million U.S. contribution to support of the French Expeditionary Corps in the Indochina States.
c/ Programmed and Administered as an integral part of the Defense Support program.

General Narrative Statement

Current Situation

The cease-fire agreement signed at Geneva in July 1954 left the Viet Minh in control of Vietnam above the 17th parallel and was followed by a drastic revision of relationships between France and the then Associated States of Cambodia, Laos, and Vietnam. The achievement of independence brought with it the added burden of responsibilities.

Traditionally dependent upon the French and weakened by internal political strife, with their economies dislocated and undermined by the burden of eight years of war, the three countries were confronted with an array of complex problems which they had neither the technical and administrative experience nor the financial resources to solve, without assistance from the outside. Immediate steps had to be taken to help the three newly independent nations plan and implement action with respect to defense measures, internal security, refugee relief, fiscal policy, and general economic rehabilitation. U. S. assistance previously planned was reappraised in the light of the radically changed situations within the countries and their external relationships with each other, and with France and neighboring Asian countries.

The broad courses of action that had to be undertaken in each country were clear; development of a detailed blueprint will take time. In the meantime, judgments as to the magnitude of U. S. assistance required have been based on the best estimates currently available of urgent needs that must be met. The cost to the United States will be substantially lower in FY 1955 than FY 1954 and will be further reduced in FY 1956.

Progress to Date

Mutual Defense Assistance

Since the beginning in 1950 of the MDA Program in the Associated States, French and local forces have received approximately one billion dollars in U. S. military end-item assistance, which was used in combat operations in that area.

After signing of the Geneva agreement, all deliveries of MDAP materiel to the Associated States were stopped. France is reducing the French Expeditionary Forces and present plans are to reduce also the levels of the indigenous forces. The U. S., therefore, is now proceeding to identify equipment which is excess to present needs in that area and is redistributing this equipment to meet other MDAP requirements. Equipment that was in the pipeline at the time of the cease-fire has been reallocated to other countries.

In refining the FY 1955 program, account was taken of the additional equipment which it was estimated will be recovered from the Indochina area and funds have been earmarked for repair and rehabilitation of this equipment to make it serviceable for other users. Since the final force levels and composition of the French Expeditionary Corps and the armies of the new independent States are not yet firm, and inventories of serviceable and repairable major items of equipment are not yet completed, redistribution and the declaration of all excesses are still far from complete.

Direct Forces Support

Prior to FY 1955: In the summer of 1953, the French Government informed the United States of a plan to build up the national military forces of Cambodia, Laos and Vietnam, in order to prosecute more vigorously and effectively the war in the Indochina States. The total cost of this build-up was estimated at $557 million for calendar year 1954 - a sum far in excess of the capabilities of the three States.

After consultation with the Congress and appropriate agencies within the Executive Branch of the U. S. Government, the President approved the provision of up to $385 million from FY 1954 Military Assistance funds to help finance a portion of the expanded costs of the Associated States forces during CY 1954. This assistance was additional to the $400 million which the Congress had already authorized (Section 304 of the Mutual Security

General Narrative Statement (Continued)

Act of 1953) to help support the forces in Indochina, primarily the French Expeditionary Corps, during 1954. All $785 million was to be channelled through France.

An agreement regarding the purpose and application of the total $785 million was signed with the French Government in September 1953, and a further memorandum of understanding on administrative procedures was signed on March 1, 1954. The aid agreements provided, among other matters, for some reduction in the $385 million U. S. commitment by the application to this program of certain of the franc counterpart funds accruing in 1954 from previous defense support assistance to France.

Initially, applicable franc counterpart accruals were estimated at $40 million and, accordingly, only $745 million was obligated as of June 30, 1954. Actual accruals, however, have exceeded the original estimate. Further savings to the U. S. will accrue from the reduction of total expenditures for these forces in 1954, as the result of the cessation of hostilities and subsequent changes in force goals.

Under the FY 1956 definitions of the various functional categories, $127.6 million of the $345 million total specifically earmarked for the Associated States is estimated to have been Direct Forces Support. The balance of $217.4 million and the $400 million authorized by the Congress in Section 304 of the Mutual Security Act of 1953 are more appropriately included in Defense Support, constituting, as they do, budgetary support to France and the three States to help finance local currency expenditures (viz. food, clothing, pay, etc.) for the armed forces. The estimated proportionate shares of Cambodia, Laos and Vietnam in the $345 million provided through France for support of the national armies during calendar year 1954 are shown in the individual country data in the classified appendix to this presentation.

FY 1955: In accordance with the new status of full independence of the previously Associated States, the United States in January 1955 initiated direct assistance to Cambodia, Laos and Vietnam for the support of their armed forces. In addition, a minimal amount of assistance is being continued to France for support of the French Expeditionary Forces which must remain in the three countries until the national armies, through reorganization and intensive training, have developed sufficient strength to re-establish and maintain internal security and provide initial resistance to external aggression.

For these purposes, a total of $374.8 million has been approved for allocation out of FY 1955 appropriations - $36.2 million as "Direct Forces Support" for procurement outside the three countries of non-MDAP items required for the exclusive use of their military forces, and $338.6 million as "Defense Support" to help defray internal expenditures for the national armies and the French Expeditionary Corps. In accordance with the precedent established in FY 1954, these funds are intended to cover calendar year 1955 costs. The breakdown by function and country is available in the classified appendix hereto.

Other Programs

Prior to FY 1955: Exclusive of military end-items and other assistance for support of the armed forces, the U. S. made available to Cambodia, Laos and Vietnam approximately $95 million for defense support and technical cooperation activities undertaken during the fiscal years 1951-1954. Unlike the assistance for forces support, these funds were provided directly to the Associated States to cover fiscal rather than calendar year costs. Since Vietnam was then the focal point of hostilities and its need for defense support assistance greater than that of either Laos or Cambodia, it received the largest share of this aid. Fairly significant amounts, however, were channeled to the other two States.

In the aggregate, over half of the $95 million was used to finance imports of civilian commodities essential to the maintenance of production. Sold to local users, these imports also helped to defray the local currency costs of U.S.-assisted activities which could not otherwise have been financed by the States' already overburdened budgets.

Approximately one-fourth of the total dollar funds and one-half of total counterpart accruals during the period provided

General Narrative Statement (Continued)

direct support to the military effort by maintaining and improving transportation facilities, and such activities as emergency relief and other assistance for war refugees. Most of the remaining funds were used to strengthen the public services and help increase popular support of the existing governments through health and sanitation projects, and assistance to agriculture. A small amount was utilized for education and public administration assistance.

The specific uses of these funds in each of the three States and the progress attributable to this assistance are more fully described in the general statements for Cambodia, Laos and Vietnam which follow.

FY 1955: U. S. assistance for the continuation of these activities in FY 1955, initially estimated on the basis of the pre-independence status of the three States, was subsequently reappraised and tailored to the situations confronting them individually and their needs as independent nations in order to achieve objectives mutually shared with the United States.

For the three countries combined, $98.6 million has been made available to finance the dollar and local currency costs of technical cooperation and defense support projects, as distinguished from the defense support assistance provided as a supplement to their budgetary resources for armed forces support (See section on Direct Forces Support above.). Almost half of the total ($45 million) has been used to finance the transportation, relief and resettlement costs of the mass exodus of refugees from Communist-controlled North Vietnam to Free Vietnam.

The FY 1956 Program

Exclusive of end-item assistance permissible under the Geneva agreement, it is proposed that the U. S. make available in FY 1956 for Cambodia, Laos, Vietnam and other requirements in the Indochina region a total of $425 million - $38.2 million for Direct Forces Support, $379.3 million for Defense Support, and $7.5 million for Technical Cooperation, to be identified as a separate component for the first time. About two-thirds of the total for defense support will be required to help defray the internal expenditures of the armed forces in the three countries. U. S. assistance for this purpose in FY 1956, however, will be almost 30 percent less than in FY 1955.

The distribution of the total $425 million by function and country, and within each country by (a) major activity field and (b) major cost components, are given in the classified appendix. The country statements following provide the underlying rationale for the continuation of assistance in the magnitude requested and the general purposes for which the funds are to be used.

ASIA

Country: CAMBODIA, LAOS, VIETNAM

COMBINED COUNTRY DATA, EXCLUDING MILITARY ASSISTANCE

Summary by Major Activity Field

(In thousands of dollars)

Programs by Fiscal Year	Total U.S. Cost	Agriculture and Natural Resources	Industry and Mining	Transportation	Labor	Health and Sanitation	Education	Public Admin.	Community Development Social Welfare and Housing	General and Misc.	Import Saleable Commodities	Common Use Items	Other Costs
Direct Forces Support													
1954	127,600											127,600	
1955	36,200											36,200	
1956	38,200											38,200	
Defense Support													
1954	641,845	927		4,272		1,359	96	630	486	62	234,013		400,000
1955	437,200	1,390	680	2,765	10	1,020	375	1,530	16,700	1,465	216,265		195,000
1956	379,300	1,105	2,175	16,490		1,015		560	7,405	2,350	223,200		125,000
Technical Cooperation													
1954	a/												
1955	a/												
1956	7,500	1,490	600	210	50	500	1,055	2,720	555	320			
Total All Programs													
1954	769,445	927		4,272		1,359	96	630	486	62	234,013	127,600	400,000
1955	473,400	1,390	680	2,765	10	1,020	375	1,530	16,700	1,465	216,265	36,200	195,000
1956	425,000	2,595	2,775	16,700	50	1,515	1,055	3,280	7,960	2,670	223,200	38,200	125,000

a/ Included in Defense Support.

COMBINED COUNTRY DATA, EXCLUDING MILITARY ASSISTANCE

Summary by Major Cost Components

(In thousands of dollars)

Programs by Fiscal Year	Total U.S. Cost	Supplies and Equipment	U.S. Government Technicians		Contract Services		Participants		Other Costs
			No. of Persons	Cost	No. of Persons	Cost	No. of Persons	Cost	
Direct Forces Support									
1954	127,600	127,600							
1955	36,200	36,200							
1956	38,200	38,200							
Defense Support									
1954	641,845	240,601	72	1,046	10	48	31	150	400,000
1955	437,200	238,220	95	1,225	106	2,455	93	300	195,000
1956	379,300	246,895	75	1,125	170	6,035	50	245	125,000
Technical Cooperation									
1954	a/								
1955	a/								
1956	7,500	3,095	82	1,220	121	2,245	198	940	
Total All Programs									
1954	769,445	368,201	72	1,046	10	48	31	150	400,000
1955	473,400	274,420	95	1,225	106	2,455	93	300	195,000
1956	425,000	288,190	157	2,345	291	8,280	248	1,185	125,000

a/ Included in Defense Support.

General Narrative Statement

Current Situation

Cambodia is strategically situated between Thailand, Laos and Free Vietnam, and is one of the targets of Communist subversion in Southeast Asia. Its continuing independence is vital to the security of the free world in that area.

Having recently regained their independence after a long struggle, the Cambodians do not intend to yield their freedom. Strongly nationalistic and anti-Communist, they are prepared resolutely to defend their country against Communist encroachment. In order successfully to meet the Communist challenge Cambodia, because of its limited resources, will require assistance from friendly countries, especially the United States for some time to come.

General Developments

Political and Military: In accordance with the country's new status of full independence, the United States in January 1955 initiated direct assistance to Cambodia for the support of its armed forces, instead of providing it indirectly as had been done previously through France. A military assistance agreement is currently being negotiated. Defense support and technical cooperation programs have been conducted in Cambodia on a small scale since FY 1951. In FY 1955 they were expanded, and a small U. S. Operations Mission was established in Phnom Penh to administer them.

As a result of the Geneva Agreements, an International Control Commission was stationed in Cambodia to supervise the cessation of hostilities, including evacuation of Viet Minh invaders. This evacuation has been virtually completed. For the most part, various dissident semi-military bands of extreme nationalists and left-wing sympathizers also have been dissolved. It is expected, however, that they will transfer their activities from the military to the political sphere. Pending elections for the National Assembly which have been called for September 1955, a caretaker cabinet is administering the government. The forthcoming election will witness a contest between moderate nationalists and left-wing neutralist elements including Communist sympathizers. Recently, the King who led his country's battle for independence abdicated in favor of his parents. He remains, nonetheless, an important figure in the future of this newly independent nation.

The Cambodian Army at present is not adequately equipped and trained nor appropriately organized for the country's increased defense needs. The police, likewise, are inadequately trained and equipped, lacking mobility and modern communications. Since the more immediate threat to Cambodia is likely to come not from invasion but from infiltration and subversion, the strengthening of the country's internal security forces is an urgent task.

Economic: The Cambodian economy has been particularly hard-pressed during the last year. There have been a poor rice crop, a low fish catch, and the loss of a market for slaughtered cattle as the French Expeditionary Corps was reduced. Difficulties have been compounded by problems arising in trade with Vietnam, as a result of the dissolution of the customs and monetary union of the three Associated States.

General Narrative Statement (Continued)

Existing low living standards provide a fertile ground for Communist propaganda. Per capita income is estimated at less than $50 per year. Educational opportunities are extremely limited; disabling diseases such as malaria, yaws, trachoma and tuberculosis are endemic; and housing is poor.

Agriculture, the mainstay of the economy, is retarded by poor transportation and marketing facilities. The rail, highway, and air transportation systems are run down after eight years of wartime destruction and neglect. This impedes both domestic and foreign trade. Lacking a deep seaport of its own, Cambodia must depend on access to foreign ports for essential supplies.

Cambodia's balance of payments position is largely determined by two factors: rice and rubber sales and foreign assistance. Mainly because of the poor rice crop, it is expected that exports during 1955 will pay for only 60 percent of normal imports; by contrast in 1954, it is estimated that exports and imports were in approximate balance. Foreign aid covered the deficit on invisible and capital account during 1954 and is expected to be a large balancing item in 1955.

Although faced with an extreme shortage of trained technicians and administrators, Cambodia has been required in a very short time to establish a central bank and exchange control office, and to negotiate the complex details of monetary, fiscal, commercial and customs arrangements with its neighbors and with other friendly states. Failure as yet to have worked out these arrangements has resulted in a partial paralysis of foreign trade, with a shortage of consumer goods laying the ground for serious inflation.

From such budget data as are available, it appears that in calendar year 1955 Cambodia would be able to cover only about one-third of the expenditures required for an adequate defense organization. If the domestic rice deficit is as serious as is presently feared, even this estimate may be optimistic.

Problems: Urgent security considerations require the establishment and maintenance of military and police forces which cannot be financed by the Cambodian budget without resort to inflationary deficit financing. With prices already rising, further inflationary pressure would threaten political stability.

Extreme shortage of experienced technical and administrative personnel hinders progress in the Government's effort to provide the basic services upon which popular support and economic advancement depend, and results in under-utilization of Cambodia's own resources.

Outmoded agricultural and marketing practices, together with inadequate transportation and irrigation facilities, keep crop yields and farm incomes at low levels.

Inadequate internal transportation facilities and lack of a seaport seriously handicap both domestic and foreign trade, as well as the establishment of an effective defense system.

Program Objectives

The broad objectives of the Mutual Security Program are to:

a. Assist Cambodia in its efforts to strengthen the internal security forces needed to protect its independence.

b. Help the country maintain financial stability in order to provide a firm base for economic progress upon which support of an effective defense effort depends.

c. Encourage closer military, economic, technical and cultural cooperation between Cambodia and other friendly countries in the free world.

Progress to Date

Prior to FY 1955: During the fiscal years 1951-54, the United States provided small-scale technical and economic

General Narrative Statement (Continued)

assistance to Cambodia as an integral part of aid programs for Indochina as a whole. A number of projects initiated in previous years have continued successfully into FY 1955. Among them is assistance to a teacher training workshop, malaria control teams, and a training school for nurses. Projects in seed selection and animal husbandry have been continued. The ancient irrigation system at Siem Reap (near Angkor Wat) has been rehabilitated. Land flooding ditches have been constructed along the Mekong to trap river silt and increase production. Technicians have been trained in the use of earth-moving equipment required for irrigation projects. Extensive radio and motion picture equipment has been furnished, along with technical training in their operation, to assist the Cambodian Government in reaching the population with anti-Communist information.

The United States also helped to support the Cambodian military establishment. A portion of the U. S. aid to France during calendar year 1954 for expenditures on behalf of the then Associated States, was used by the French to reimburse the Cambodian budget for military costs during calendar year 1954.

The FY 1955 Program: In recognition of the increased post-independence demands on Cambodia's slender resources, U. S. assistance in FY 1955 is substantially greater than the amount provided directly or through France in FY 1954. More than two-thirds of the FY 1955 total provides either direct or indirect support to the Cambodian armed forces; the balance is for expanded defense support and technical cooperation activities.

The following are illustrative of some of the more important purposes for which FY 1955 aid funds are being used.

Maintenance of Military and Internal Security Forces: Support to the military effort is being provided in part through the financing of imported civilian-type supplies used directly by the armed forces, and equipment and materials for military installations. A much larger share, however, of the U. S. contribution to support of the military effort is being provided through local currency counterpart funds to help meet internal expenditures, such as pay and allowances, rations, clothing, and construction and maintenance of military facilities. Upon conclusion of the military assistance agreement now being negotiated, the U. S. also will provide end-item equipment from stocks on hand and will advise the Cambodian Army on its use.

Stabilizing and Strengthening the Cambodian Economy: More than half of FY 1955 assistance is being used to finance commodity imports for sale in the local market. This concentration on saleable imports serves two purposes: (a) By relieving shortages of civilian commodities and siphoning off surplus local currency into the counterpart fund, it has the immediate effect of curbing inflation; and (b) the counterpart funds thus generated provide the supplemental resources needed for internal support of the military effort and complementary defense support projects.

The most important project thus far undertaken with FY 1955 funds is the planning of a highway from Phnom Penh, the capital of Cambodia, to a seaport which France is committed to finance, The engineering survey is now under way and construction of the highway is to begin in FY 1956. The new seaport will relieve Cambodia of military and economic dependence on foreign ports, and the connecting highway will increase the mobility of its defense forces and substantially reduce inland transportation costs.

Another significant project undertaken in FY 1955 is the completion of an existing rail line linking Phnom Penh with Bangkok. With U. S. assistance, Cambodia has repaired the western section of the roadbed and is constructing an international station at the Thai border.

Mindful of the longer term needs of the country, the Cambodian Government is utilizing a small amount of FY 1955 U. S. aid funds to finance a contract with the Unitarian Service Committee for assistance in rural elementary education - a demonstration project involving teacher training, curriculum development, and textbook preparation. Hundreds of Cambodian villages have erected school buildings on their own initiative, but more teachers are required and the curriculum needs to be more closely geared to practical problems of Cambodian life.

General Narrative Statement (Continued)

The FY 1956 Program

Substantially increased assistance is proposed for Cambodia in FY 1956. As in FY 1955, most of the funds are needed to provide supplies and equipment and local currency financing for the military effort. In FY 1956 for the first time, there will be an identifiable technical cooperation component and increased funds will be provided for projects which will enhance the mobility of defense forces and lay the foundation for more effective utilization of the country's resources.

Efforts in FY 1956 will be directed toward the following goals:

Support of Defense and Internal Security Forces:: The net cost to the United States for support of the Cambodian military establishment will increase somewhat in FY 1956 because of an anticipated decline in government revenues as a result of this year's drought. More than two-thirds of U. S. aid funds will be used to help defray expenses in local currency for pay and allowances, training costs, construction, medical service, and similar items. The balance will be used to provide imports for the direct use of the armed forces.

Improving Transportation Facilities: In FY 1956, as in FY 1955, the port-highway project is accorded highest priority among Cambodia's defense support undertakings. Much of the heavy equipment to be procured for construction of this highway will be used subsequently in the country's public works program. Local technicians will be trained to operate and maintain the machinery.

To increase their military and commercial usefulness, it is planned to drain, lengthen, and resurface the four principal airports in Cambodia and to install modern safety equipment. This will enable heavy four-engine planes to land even during the rainy season. France has promised assistance in building a new air terminal at Phnom Penh.

Improving Rural Conditions: With agriculture the mainstay of the economy, substantial expansion is planned for projects in irrigation and water conservation, agricultural extension, animal husbandry, seed improvement, rice milling and marketing cooperatives, and low interest rural credit. Greater attention will be given to encouraging the diversification of crops to improve nutrition. In cooperation with the World Health Organization, technical assistance and supplies will be provided for disease control, nurses training, health education, and the establishment of dispensaries and health centers in smaller communities. A major drive will be conducted in environmental sanitation to provide training and simple facilities for the sanitary disposal of waste and to develop a sanitary water supply through a well-digging project.

Substantially increased funds will be provided in FY 1956 to speed up all phases of the Cambodian education program. These will encompass teacher training, curriculum development, and textbook preparation at the elementary level, technical and vocational training, and assistance to an existing project which is training villages, through practical demonstration, in self-help methods of improving many of the phases of their daily life. These agricultural, health and educational activities (combined in many cases in community development projects) will demonstrate to the individual Cambodian that by supplementing his own efforts with technical help from the free world, substantial improvement in his living conditions can be achieved.

Increasing the Effectiveness of Government Operations: Technical equipment and training will continue to be furnished to the Cambodian Government to assist in widespread dissemination of anti-Communist information by mass media. A greatly expanded program is scheduled to increase technical skills and to help the government overcome its acute shortage of trained administrators and technicians in such fields as banking, foreign trade, budgeting, statistics, public works engineering, personnel administration, and administrative management. This will be accomplished both by supplying U. S. specialists to Cambodia and by training Cambodian officials in the United States. As the wheels of government turn more smoothly, the strength and stability of this friendly government will be more firmly established.

INDIVIDUAL COUNTRY DATA

General Narrative Statement

Current Situation

Laos is on the frontier of the free world in Southeast Asia. It borders Red China on the north and Communist-controlled North Vietnam on the northeast. If Laos should succumb to Communist control by invasion or subversion, Free Vietnam and Cambodia would be outflanked, and the Communists would be poised across the Mekong River from Thailand.

The two northern provinces of Laos are illegally occupied by a Communist-controlled dissident movement which is being trained and supplied by the Viet Minh Communists in North Vietnam. Although the Lao Government has appealed for assistance to the International Control Commission, set up under the Geneva Agreement, it has been unsuccessful in efforts to restore its lawful authority over these two provinces and to prevent the reenforcement of the Communist rebels from North Vietnam. Moreover, Viet Minh units ostensibly withdrawn from occupied areas have left behind trained agitators to spread disaffection and to promote the interests of pro-Communist and neutralist candidates in the Parliamentary elections scheduled for August 1955.

Thus, the issue between the free world and the Communists is presently being keenly contested in Laos. It is strategically important, therefore, that the Lao Government be assisted in restoring and maintaining its lawful authority.

General Developments

Political and Military: In accordance with the country's new status of full independence, the United States in January 1955 began to provide financial assistance for the Laotian Army directly instead of indirectly through the French as in the past. Other U.S.-assisted programs were substantially increased and a small U. S. Operations Mission was established in Vientiane to administer the aid.

The attainment of independence created a baffling array of problems for the small number of trained technicians and administrators available to the Lao Government. In addition to carrying on routine activities, the government within a very short time has had to establish a central bank and exchange control agency, also a monetary system and customs controls, and concurrently develop commerical arrangements with friendly foreign governments and private concerns.

The new government's responsibilities have been further complicated by the need to restore control over large areas recently evacuated by the Viet Minh and the Laos Communists. This necessitates reorganization, training and supplying of the armed forces which was formerly a part of the French Union Army.

Despite the government's commendable efforts in these directions, the shortage of trained personnel and the lack of experience in dealing with the present complex problems have made progress difficult.

Economic: Laos is dependent for its survival upon the maintenance of a large army which is far beyond the country's capacity to support under existing conditions.

Almost wholly agricultural, Laos is largely a barter economy. Despite an abundance of land, some food for its small urban population usually must be imported - during the current year a drought made it necessary to bring in additional emergency imports. Food shortages result partially from primitive cultivation methods and partially from inadequate farm-to-market roads. Thus, a surplus may exist in one province while a neighboring province suffers.

General Narrative Statement (Continued)

The poor health and low literacy of the population are formidable barriers to economic progress. Educational opportunities at present are beyond the reach of the great majority; as a result, about 85 percent of the population is illiterate. Whole villages are disabled by dysentary, and malaria; yaws and trachoma also are prevalent.

Government revenues are insufficient to cover essential civilian activities, let alone military and development expenditures, and some inflation is already evident. There is little leeway for increasing government receipts through tax reforms because of the non-monetary nature of the economy and the isolation of large segments of the population.

The low level of exports generally suffices to meet the country's modest import needs. A serious international payments problem, however, would be created by military and development expenditures approximating the country's present needs without U. S. assistance.

Problems: The presence of subversive forces within its own borders and the threatening military and political situation in the area require the maintenance of relatively large military and police forces which Laos, without outside aid, could only finance through an inflationary expansion of its currency.

Since the country has just assumed the responsibilities of an independent government and had relied in the past on institutions controlled by the French, even the most fundamental fiscal services are not yet functioning satisfactorily. Likewise, essential services in such fields as health, agriculture, and transportation have not yet been provided, thus increasing vulnerability to Communist subversion and retarding economic progress.

Inadequate transportation and communications impede the transport of agricultural produce within the country and seriously handicap government efforts to establish security.

Program Objectives

Against the background of the post-independence situation in Laos, the broad objectives of the Mutual Security Program are to:

a. Assist the government in efforts to strengthen internal security forces.

b. Help improve government administration and assist in the extension of public services upon which popular support and economic advancement depend.

c. Aid in efforts to bring about a better utilization of the country's resources, thereby expanding production and increasing its capabilities to maintain an adequate defense effort.

d. Encourage activities leading to closer relationships with friendly, neighboring countries.

Progress to Date

Prior to FY 1955: Indirect support of the Lao armed forces was provided by the United States in calendar year 1954 through reimbursements to France for expenditures on behalf of the Associated States. The Lao forces also received a share of the military end-item equipment furnished by the United States to the French Union forces in Indochina from 1950 to 1955. In addition, Laos benefited from the defense support and technical assistance provided by the U. S. in fiscal years 1951-54 as an integral part of an economic aid program for the three Indochina States.

In view of the remoteness of the country, its low population density, and the higher priority necessarily accorded military support activities in Vietnam, Laos' share of the non-military assistance was relatively small. It was sufficient, however, to start and continue such essential activities as highway improvement and maintenance, airport

General Narrative Statement (Continued)

construction, seed selection, livestock and poultry breeding, lumbering, nurses training, malaria eradication, and primary education. Most of these projects were continued into FY 1955. After the Geneva conference in July 1954, however, the program was re-appraised and enlarged to meet the new situation.

The FY 1955 Program: U. S. assistance tentatively earmarked for Laos in FY 1955 is substantially larger than the amount directly provided or channelled through France in FY 1954. About 90 percent of the FY 1955 total is for support of the Lao armed forces, about three-fourths of it to be provided in local currency for such items as troop pay and allowances, rations, medical services, military construction, and other internal expenses.

These local currency requirements are being met through the sale of imported commodities and through direct purchase with dollars. The counterpart-generating imports act as a brake on inflation and serve the incidental purpose of providing a modest improvement in the levels of civilian consumption.

1. National Defense and Internal Security: With the Lao budget in deficit on civilian account and the government's capacity to contribute to support of its forces therefore nil, the U. S. is currently bearing the total cost of the Lao military establishment. Present aid levels, however, are considered tentative until a Military Assistance Agreement is concluded and firm estimates of maintenance costs at mutually agreed force levels are developed. The Geneva Agreements prohibit the establishment in Laos of a U. S. Military Assistance and Advisory Group. However, American civilians will help determine estimates of needs and supervise the expenditure of U. S. aid.

2. Improve Utilization of Resources: Because of the Lao Government's preoccupation with fiscal and administrative problems, planning for activities to help build economic strength has proceeded slowly. As presently evolved, approximately one-third of the limited funds available for defense support and technical cooperation projects will be channelled into improvement of transportation. Projects either planned or in operation include construction and improvement of highways and development of inland waterways. Ferry ramps on both banks of the Mekong River near the Lao administrative capital, Vientiane, will soon be completed and regular ferry service established for a vessel provided with U. S. funds. This ferry will enable Laos to import commodities through Thailand at substantially reduced costs to the consumer.

Other important projects are in crop and livestock improvement, forestry, environmental sanitation, and resettlement of refugees displaced by the Viet Minh. By specific request of the Lao Government, U. S. technicians are being provided to assist in developing central banking procedures and in the purchase, warehousing, and distribution of commodities. Activities which help to increase the government's capabilities in these fields will contribute to economic stability and an efficient use of foreign exchange provided through U. S. aid.

The FY 1956 Program

Assistance proposed for Laos in FY 1956 is somewhat larger than in FY 1955. The most significant feature is an internal shift toward increased utilization of U. S. aid funds for activities conducive to social improvement and expansion of productive resources. Though planning is still in the preliminary stages, this is a means of building economic strength and increasing Lao capabilities to contribute toward support of its costly military establishment.

Support of Defense and Internal Security Forces: Support of the armed forces remains the highest priority item in the U. S. aid program for Laos. While the cost estimate for FY 1956 as for FY 1955 has yet to be firmed up on the basis of more complete study than has been possible to date, it appears fairly clear that, whatever the final estimate, the entire cost of the Lao military effort will have to be met for some time entirely out of foreign assistance funds.

A positive step toward strengthening the internal security situation will be taken in FY 1956 by initiating a program for the training of Lao police officers in Thailand. This is part of a larger program to be developed on the basis of recommendations of a U. S. police survey team now in Laos.

General Narrative Statement (Continued)

Improved Utilization of Resources: The FY 1956 fund allocation for transportation improvement is about eight times that for FY 1955. Most of the funds will be used to construct new highways linking key cities, which are now readily accessible only by air, and to improve farm-to-market roads. Two additional ferries across the Mekong are planned in order to improve communications and facilitate trade between Laos and Thailand.

Strengthening Government Administration: To strengthen the government's ability to perform essential public services, a substantial expansion is planned in the training of technicians and administrators and in the number of technical advisors to be made available to Government Ministries and agencies and to the provincial governments. U. S. experts attached to Lao agencies will help tide the government over the next few years until currently planned training programs begin to yield a corps of competent specialists and administrators.

Improving Rural Conditions: To assist the Laos in attacking problems affecting rural living conditions, a coordinated program in agriculture, health, education, and community development will be launched in FY 1956. The elementary and vocational education program will be expanded to include the establishment of a normal school for teacher training, curriculum development and textbook preparation. An effort will be made to develop a curriculum which relates in a practical way to the problems of Laotian life.

Assistance also will be given the government in enlarging its agricultural extension service. Emphasis will be on improving rice production so that Laos will be less subject to famines. Attention also will be given to improvement of livestock, once an important foreign exchange earner for Laos, but unproductive in recent years. Further steps will be taken to eradicate the diseases which plague Lao villages and to improve environmental sanitation.

Through a contract with International Voluntary Services, Inc., one or two demonstration projects in village life improvement will be undertaken. This group will focus on practical solutions to the problems of village life in the fields of health, agriculture, self-help housing, family welfare, and education. These projects will demonstrate to the Lao people what can be accomplished in improving living standards through self-help, plus a minimum of outside assistance in training and equipment.

ASIA

INDIVIDUAL COUNTRY DATA

General Narrative Statement

Current Situation

Vietnam is of vital importance to the interests which the United States shares with the free Asian nations, for military, economic and psychological reasons. The continued independence of Vietnam will contribute to the Free World's ability to prevent Communist subjugation of other countries of Southeast Asia. Loss of Vietnam would provide Communist agents and followers in the other countries with psychological advantages, would stimulate their subversive activities and retard the efforts of countries throughout the region to strengthen themselves against such activities.

Control of the whole of Vietnam would give the Communists access to a potential annual supply of about 1,000,000 tons of surplus rice, 50,000 tons of rubber and 2,500,000 tons of steam coal. Communist control of the port of Saigon would impede the foreign trade of Laos and Cambodia, and would greatly enhance the Communist commercial and naval potentials.

General Developments

Political and Military: An eight-year war ended with the conclusion of an agreement between France and the Vietminh at Geneva, July 20, 1954 in accordance with which Vietnam was partitioned at the 17th parallel, with the Communists left in control of the northern half. A provision was made for reunification through free general elections to be held in 1956.

The stability, even the survival of the nationalistic, non-Communist Government of Vietnam, has been continuously and increasingly threatened by opposition groups. Efforts to pacify the armed minority group have resulted only in an uneasy truce which renders the position of the present Diem Government precarious.

In order to maintain internal security a substantial military force will have to be maintained. By agreement with the Government of Vietnam and the French, responsibility for the reorganization and training of the Vietnamese Army was undertaken in February of this year by a U.S. Military Assistance Advisory Group (MAAG).

Economic: Free Vietnam's normal budget receipts and foreign exchange earnings remain far below the level of expenditures required to meet the heavy costs involved in maintaining a large army, and to provide minimal assistance to the refugees from Communist-controlled North Vietnam, much less to improve the productive capacity and living conditions of a war-weary people. Even with U.S. assistance of the magnitude to be provided out of FY 1955 funds, the Vietnamese budget for calendar year 1955 will show a small, though manageable, deficit. The value of total exports in 1955 is currently estimated at less than 20 percent of the value of necessary imports; the bulk of the country's imports is therefore dependent on foreign aid.

In recognition of the country's newly won independence, the United States in January 1955 began providing assistance directly, rather than indirectly through France, as in the past. Vietnam's dollar resources will thus be increased while its franc holdings will be reduced. This shift will inevitably bring about a change in the pattern of trade which, by increasing competition for the Vietnamese market, should eventually result in lower import prices benefiting Vietnam.

Although the rise in prices during recent months is not serious, the threat of inflation is present. The volume of procurement contracts for imports has recently declined, due in

General Narrative Statement (Continued)

part to political uncertainties but largely to the unavoidable lag in establishing new governmental fiscal agencies at home and abroad, and new trade relationships and procedures between importers and non-French suppliers. With the facilities and financial resources now available, however, an improvement in the situation is expected.

Social: A social problem of enormous proportions has resulted from the mass exodus of refugees from the Communist-controlled North to Free Vietnam. This "Operation Exodus" represents one of the largest voluntary mass movements in modern times. As of March 21 of this year, a total of 700,000 refugees - nearly 500,000 of them civilians - had moved south. Transportation was provided largely by the French Navy, the French Air Force and the U.S. Navy; U.S. aid funds totaling $45 million were made available to assist in their transportation, relief and resettlement. It has been a successful undertaking. However, it is estimated that as of the close of May 1955, about 200,000 persons remain to be resettled and assisted in finding gainful employment.

In addition, there are nearly a million persons, displaced from their homes South of the 17th parallel during the hostilities in the area, and now desiring resettlement. Substantial numbers of demobilized soldiers and their families are also swelling public assistance requirements. Resettlement of these various large groups ties directly into the Government's over-all agrarian reform program which, in its initial stages, is directed toward bringing idle land back into production.

Problems: Among the many problems facing Free Vietnam, the following are the most important:

1. Internal security is seriously threatened by the opposition to central government authority from powerfully armed politico-religious groups, and by intensive Communist activity within the country. There also is a potential threat of military aggression from the North. It is consequently necessary to develop without delay a national army capable of enforcing the government's authority, and of providing initial resistance to any external aggression.

2. An important potential source of unrest lies in the two million or more refugees, displaced persons, and demobilized soldiers, who must be resettled and assisted in obtaining gainful employment.

3. Vietnam's civil administration needs strengthening, to improve and extend government services and increase operating efficiency. The responsibilities of independence make this need particularly acute.

4. Normal government revenues and the country's foreign exchange earnings are sufficient to meet only a small part of the total costs of supporting its large army, the hundreds of thousands of refugees, and an economic rehabilitation program. For some time at least, Vietnam will require outside assistance to narrow the gap between resources and requirements.

Program Objectives

The specific objectives of the Mutual Security Program in Vietnam are to:

a. Provide support to efforts to reorganize and train a national army adequate to maintain internal security and provide initial resistance to external aggression.

b. Help maintain economic stability and assist in rehabilitation and development efforts, including integration into the economy of the two million or more refugees, displaced persons, and demobilized soldiers who might otherwise be vulnerable to Communist subversion.

c. Assist in strengthening and improving the structure and effectiveness of the government, so that it may become more responsive to the needs of the people.

d. Help expand and improve public information services in order to increase popular understanding of, and support for, the government.

General Narrative Statement (Continued)

Progress to Date

FY 1951 Through FY 1954: Vietnam's armed forces received the largest portion of the military equipment furnished by the United States to the French Union forces in Indochina from 1950 to 1955. In addition, support was provided indirectly to the Vietnamese forces in calendar year 1954 through reimbursements to France for expenditures incurred on behalf of the then Associated States. Vietnam also shared in the defense support and technical assistance which was provided by the U.S. in fiscal years 1951 - 1954 as an integrated economic aid program for the three Indochina States. (The preceding general section on Cambodia, Laos, and Vietnam describes the manner in which the various types of assistance were administered and funded.)

Vietnam received a much larger share of assistance under the economic aid program than Laos and Cambodia, obtaining approximately $68 million during this period, as contrasted with about $27 million for the other two countries combined. High priority was given to projects such as rebuilding and maintaining transportation facilities, including roads, inland waterways, airstrips and seaports. A further substantial portion of the funds was devoted to improving agricultural production through irrigation and land reclamation projects, seed improvement, livestock and fisheries improvement, and assistance to cooperatives and farm credit organizations. Activities in the health and sanitation field succeeded in reducing the incidence of malaria, yaws and trachoma, and in training local personnel to continue this work. Under a Mass Education Program over one million people were taught to read and write.

Two-thirds of the cumulative total for Vietnam has been used for the procurement of saleable commodity imports essential to the economy, but imported primarily to generate local currency to meet the internal costs of U.S.-assisted activities. Continuing budget deficits prevented Vietnam from making a financial contribution to this program.

The FY 1955 Program: Revised and reoriented after the Geneva Conference in order to meet the needs of the new situation, the current FY 1955 program provides in the aggregate about the same amount of assistance in FY 1955 as in FY 1954, including the aid then channeled through France.

The following are illustrative of the more important purposes for which FY 1955 aid funds are being used and of some significant accomplishments achieved to date.

1. Support to the Military Effort: The U.S. contribution to support of the Vietnamese armed forces is estimated to be substantially lower in 1955 than the year before due to cessation of hostilities. These funds are being used preponderantly to help defray expenses in local currency for pay and allowances, training costs, construction, medical service and similar items.

The local currency is being provided in greater part through the sale of U.S.-financed commodity imports, but to some extent through direct dollar grants against deposit by the Vietnamese Government of the local currency countervalues. These dollar grants provide Vietnam with foreign exchange to finance additional imports needed to counteract the inflationary pressures created by the heavy internal expenditures for the maintenance of its army. Out of its own budgetary resources Vietnam can meet only about one-fourth of the total cost of its military establishment.

2. Refugee Evacuation, Relief and Resettlement: To assist in dealing with the enormous refugee problem, the U.S. provided $45 million - about two-thirds to be used to defray local currency costs. By the end of March 1955, some 500,000 civilian refugees had already been received in reception centers in Free Vietnam and of this number, about 300,000 had been moved to resettlement villages or areas. Over 30,000 houses had been built, and several times this number are estimated to be under construction. The labor is being provided by the refugees themselves.

General Narrative Statement (Continued)

Tents and temporary shelter, and housing materials and tools have been provided with U.S. funds, as well as allowances sufficient to take care of immediate needs. Seed and simple agricultural implements also have been furnished, and the refugees are attempting to supply some of their own food requirements. The difficult problem of assisting the refugees to find gainful employment still lies ahead.

3. Improvement of Economic and Social Conditions: In the field of agriculture, U.S. technicians are assisting the government to develop land reform measures to help combat unrest by improving the social and economic status of the preponderant farmer class. Emergency land utilization and rent control ordinances were enacted during January and February 1955, under which some 65,000 families have been placed on approximately 375,000 acres of previously idle land now being brought under cultivation. Special attention has been given to improvement of irrigation, especially in the newly liberated areas. U.S. assistance will provide emergency agricultural credit to finance the settlement of tenants under recent agrarian reform legislation.

The substantial transportation and communications program of past years is being continued. Emphasis in this program has shifted, however, from facilities of primary importance to the military effort in the north to roads and other facilities in the south, which will be of particular assistance to farmers and to the Government in its efforts to control and provide services to areas formerly under Communist domination.

U.S. technicians have assisted in the government's public health activities which have successfully prevented serious epidemics during the active war years and the immediate postwar period. The over-all incidence of malaria is estimated to have been reduced by 10 percent since 1952. Considerable progress of the village level has been achieved through U.S. assistance to first-aid dispensaries. In the field of health education, 120 educators have been trained, 166 health committees have been organized, and 50 laboratory technicians have had short-course training.

4. Improvement of Government Administration: The U.S. provided the services of a specialist in central banking problems to advise the Vietnamese Government on the establishment of the new National Bank. Other U.S. experts are providing advice on central bank operations, foreign exchange and related fiscal problems, taxation, budget formulation, and foreign trade policy.

An expert in public administration was made available to help organize the new governmental structure of Vietnam, including plans for a representative National Assembly. A team of 30 specialists in various phases of public administration, under a U.S.-financed contract with Michigan State College, will shortly (a) undertake an intensive in-service training program for civil servants, (b) establish and staff a National Institute for Administration to improve the caliber of public service, and (c) provide specialized police training and advisory services in public administration to government officials.

The FY 1956 Program

As currently estimated, requirements for U.S. assistance to Vietnam in FY 1956 are expected to decline from the level of FY 1955. This reduction reflects entirely an anticipated decline in aggregate costs for maintaining its military establishment and particularly, reduced local currency costs.

Any significant increase in Vietnam's capacity to support a substantial military establishment will depend upon the progress it makes in the building of economic strength. The non-military portion of assistance recommended for FY 1956 clearly recognizes this fact and consequently includes an increased amount for assistance to activities which will provide support to the defense effort and concurrently help build such strength.

As in FY 1955 priority will be given to the refugee resettlement and rehabilitation program. Even though refugees from North Vietnam may need less assistance in FY 1956 than the year before, aggregate funds required for this program will be about the same in order to assist over a million and a half South Vietnamese displaced from their homes during the war years, as well as demobilized military personnel.

General Narrative Statement (Continued)

In addition, activities of proven value begun in earlier years will be expanded in a variety of fields, and new activities will be undertaken as details are more fully developed. Funds will provide for expansion of activities in the field of agriculture, principally to assist in the establishment of demonstrational production, storage, and primary processing cooperatives, and to provide substantially increased short-term production loans to farmers. Increased funds are needed to expand activities in irrigation and drainage rehabilitation, especially in newly liberated areas.

Activity in the transportation field will be significantly increased, principally to rehabilitate main highways and provide access to areas evacuated by the Vietminh. Major improvement is planned for the main highway from Saigon to Phnom Penh, as well as for roads from Saigon to outlying areas. Improvement of the ports of Saigon and Tourane will be continued and dredging activities to bring inland waterways into serviceable condition will be expanded.

Public administration assistance to improve the police force, civil service, key ministries of the government, and tax and budget administration will be continued, largely under contractual arrangements. Increased attention will be given to programs such as adult education, community development, social welfare and housing, and health and sanitation, which provide tangible evidence of the government's interest in the people's welfare and thus help win popular support.

INDIVIDUAL COUNTRY DATA

Summary of Program by Function

(In thousands of dollars)

Function	Program FY 1954	Program FY 1955	Proposed FY 1956
Defense Support	-600a/		
Technical Cooperation	75	1,260	
Other Programs		4,300	
Total Programs	-525	5,560	

a/ Represents net deobligation of prior year defense support programs for activities undistributed by country.

General Narrative Statement

Programs under this category include regional technical cooperation activities in the Far East area for FY 1954 and FY 1955. Also included are certain special programs carried out in FY 1955 in this area. These include Mutual Security funds used to provide for (a) an expanded exchange of persons program in this area; (b) an expanded United States information program in the area, and for other special programs of a classified nature.

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ASIA

PRESIDENT'S FUND FOR ASIAN ECONOMIC DEVELOPMENT

(In millions of dollars)

Function	Program FY 1954	Program FY 1955	Program Proposed FY 1956
President's Fund for Asian Economic Development	-	-	200.0

General Narrative Statement

MEASURES TO ACHIEVE MAXIMUM COOPERATIVE EFFORTS IN THE ASIAN PROGRAM

In respect to our cooperative efforts in the economic and related technical assistance fields, the United States cannot undertake, even in combination with other Western countries willing and able to participate, to supply all the foreign exchange resources desired by Asian countries to carry out their development programs. Levels of capital investment required to achieve a self-sustaining rate of expansion in the free Asian countries have been variously estimated depending on the rate of growth assumed to be necessary. It is clear that no such resources are likely to be forthcoming, or such expansion achieved, without substantially intensified internal efforts in Asian countries themselves. Without such efforts, as well as the proposed contributions from this and other governmental programs, the viability of Asian economies cannot be sufficiently improved to justify the investment of capital by established public, or, even less likely, private lending institutions and investors at the rate required to produce a self-sustaining expansion. While the latter, given a more favorable investment climate in terms of both military and political-legal conditions can make a substantial contribution, the main sources of development resources must be the countries themselves. The capacities of the countries to generate the resources required will be increased by the stimulation of trade and investment flows within the region.

The mutual objectives most important to this program are to:

1. Support the Asian desire for continuing association with the West in general, and the U. S. in particular, as promising economic progress which the Communists contend can only be achieved by their methods.

2. Encourage greater regional cooperation on mutual economic development problems and thus increase the effectiveness of our aid and the resources of Asian countries available for economic development and to increase and make more effective economic assistance provided by other non-Asian countries.

ACTIONS REQUIRED

To accomplish these objectives in the free Asian area a number of positive actions are necessary on the part of the Asian countries, and by the rest of the free world in consonance with Asian views.

1. Dormant or ill-directed private funds must be directed towards production, rather than allowed to go into short

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General Narrative Statement (Continued)

run speculation or unnecessary consumption. Technical assistance to help in establishing the necessary institutional structure, and incentives built into the foreign assistance programs, would accelerate this process.

2. An effective consultative and advisory economic organization of free Asian nations should be established on a regional basis with participation by the United States and other countries which are and will continue to provide practical assistance to Asian countries in accomplishing their individual country programs.

3. Public lending institutions, particularly the International Bank for Reconstruction and Development, the Export-Import Bank and, when operative, the International Finance Corporation may be able to increase their already important participation in Asian economic development. About 10 percent of the total loans authorized by these institutions have been extended to the free Asian area.

4. Where Western European countries have indicated a desire to contribute to the Asian program, the United States should express the hope that they will do so.

5. The part that private investors and organizations can play is being examined continuously, and new methods of accomplishing cooperative endeavors between public and private programs should be sought.

6. A concrete and significant inducement, in the form of a portion of the Mutual Security Program of FY 1956, should be made available to help in the carrying out of the measures and objectives listed above.

THE PROPOSED FUND

There is included in the FY 1956 Mutual Security Program a fund of $200 million to be used to advance the above objectives and actions. The identity of this fund as distinct from the illustrative country programs will be maintained throughout its utilization. Broad categories of projects for which assistance under this fund may be applied are as follows:

1. Projects that will contribute in a clearly discernible manner to the promotion of greater economic development in the region as a whole, or among a natural grouping of countries of the region. Assistance may be afforded to projects in the public and private sectors that will result in general economic balance in countries of the region, or that will lead to capital investment within the region from external private sources, or to use of loans made available through established lending agencies.

2. Basic development projects that are required to provide individual countries with necessary transportation, communications, power, and other public capital. This is appropriate when funds for such projects are not otherwise available and when the assistance provides an extraordinary stimulus to countries to mobilize their own resources for such undertakings. Incentives will be provided in connection with our participation in these projects to encourage countries to take initiative and adopt concrete measures to secure private foreign investment, mobilize investment capital resources through internal private or public channels, and to accomplish important reforms in public administration.

3. Should Asian countries work out a practical and acceptable mechanism of regional consultation for the development of means for the expansion of healthy intra-regional cooperation, trade, investment and development, the U. S. would make an appropriate contribution from the fund toward the administrative cost of such a regional organization.

RULES TO BE APPLIED

1. All allocations from the fund would be on a bilateral basis with the U. S. and the cooperating country making the decisions on projects to be assisted.

General Narrative Statement (Continued)

2. To the maximum extent feasible, and generally when development assistance is involved, aid from the fund would be on the basis of repayment to the United States, whether in dollars or local currencies.

3. The fund would be used as much as possible in association, or in close cooperation with private investment undertakings.

DISTINCTION BETWEEN THE FUND AND COUNTRY PROGRAMS

The principal points of distinction between the uses of the proposed Fund and individual country programs recommended elsewhere in this presentation, are as follows:

1. Purposes to be Achieved

As implied above, the main objective of the Fund is to stimulate regional cooperation by assisting in financing economic development projects of importance to the programs of two or more countries. The Fund will be obligated as meritorious projects are developed, thus avoiding some of the disadvantages that may flow from allocating a predetermined amount of aid on a country by country basis. The Fund will be used in a manner complementary to, but not a replacement for regular country programs which are designed to deal with country by country security and economic problems.

2. Administration

The Fund, as distinct from the country programs, will be administered on a flexible basis in respect to (a) time of obligation and expenditure of funds, and (b) the consultation that may be involved in the program. Although the amount of the Fund is based on our best estimates of an appropriate initial allocation for the program, it is proposed that these funds be made available for use over a period of years. The extent and timing of their obligation will depend on whether sufficient projects are proposed which are thoroughly supported by carefully worked out economic and engineering surveys and in the long run interests of Asian regional development, and on whether the interests of the United States require such obligation. In order to assure that the interests of all Asian countries that may have a concern in a particular project are taken into account, and to provide strength and substance to the work of the proposed regional organization outlined below, the U. S. may wish to consult from time to time on the program with such an organization.

3. Supplement to Defense Programs

With the exception of limited funds for technical cooperation, all other programs proposed for the Far East and Pakistan, in fiscal year 1956, are for the immediate support of defense forces, or are designed to add to the productivity of these economies so that they can eventually support their defense establishments with less U. S. assistance. This Fund will also help build up the economic strength needed for expanded defense programs should the need arise, but this is not its primary purpose. Rather, by stimulating greater economic and political unity in the area and by providing the incentive for the planning and development of projects of long-term value to the region, as well as the individual countries, it is intended to supplement programs concerned only with military objectives. The Fund will also be concrete evidence that the United States is concerned about the serious economic difficulties that are confronting free Asian countries as they undertake their economic development programs, difficulties which in many of these countries are compounded by their defense programs. The investment of $200 million on terms more liberal than these countries could borrow elsewhere, if such credit sources were available to them, will repay the United States amply in political, psychological and economic terms.

MAJOR LONG-RANGE EFFECTS AND RELATIONSHIPS TO BE FOSTERED

1. Regional and Non-Asian Relationships

With exceptions of the activities of the United Nations Economic Commission for Asia and the Far East (ECAFE),

General Narrative Statement (Continued)

and the annual meetings of the Consultative Committee of the Colombo Plan, there is no regional forum in which free Asian countries can meet to consider broad common economic problems, or to discuss such problems with friendly non-Asian countries. The role of the Economic Commission for Asia and the Far East is essentially that of a study group, and the participation of the USSR colors its consideration of regional problems. An association based on the present Colombo Plan framework as outlined below, which would be chiefly Asian in membership and purpose but with participation by representatives of the United States, the non-Asian commonwealth powers, and perhaps other countries or organizations able and willing to make a material contribution to Asian development, would accomplish a two-fold purpose. It would:

a. Promote better knowledge of and appreciation for Asian resources and capabilities among the countries of the area, thus resulting in the more effective use of such assets in the interest of regional development.

b. Contribute importantly to allaying Asian suspicions held over from former colonial relationships by bringing non-Asian countries in as contributors and thus increase free world solidarity.

2. Relations between Japan and Other Free Asian Countries

Through her relatively advanced industrial status, and by virtue of the special aptitudes of Japanese technicians and products for the development of South and Southeast Asia countries, Japan potentially is in a position to make an important contribution to their economic advancement. However, bilateral relations between Japan and other free Asian countries are limited by attitudes which are a natural heritage of the war. Japanese participation as primarily a contributor in a broad regional context would help to dissipate these attitudes which are injurious to free world solidarity.

3. Viet Nam, Laos, Cambodia, Thailand Area

This area is particularly vulnerable to covert and overt Communist expansion in Southeast Asia. The maintenance of its independence and stability requires the maximum unity of effort among free Viet Nam, Cambodia, Laos and Thailand that is consistent with their national sovereignties. There are a number of projects or programs in this immediate area for which unity of approach is necessary among the countries themselves and with the United States, France and other friendly countries. The exploitation and possible development of the great Mekong River Valley, the sixth largest river in the world, is perhaps the most dramatic example of the interdependence of the four comparatively small countries in this area. A contribution might also be made to such a project by an effective regional organization encompassing the free Asian area generally.

4. Pakistan-India-Nepal

The internal progress and in part the external security of India, Pakistan and Nepal depends upon the working out of certain problems which are common to two, or all of these countries. Irrigation, industrial development, communications and transportation are special areas of common interest. Harnessing the Kosi River, which flows from Nepal to India, to control floods and develop power and irrigation is a specific example of the need for joint efforts.

The planning in a regional forum of certain of the technical and economic problems associated with the carrying out of this program need in no way detract or weaken U. S. bilateral relations, or the right of the U. S. to determine independently the end-use of any funds we may provide.

ORGANIZATIONAL FRAMEWORK ENVISAGED

The Consultative Committee of the Colombo Plan for Economic Development in South and Southeast Asia, to which the

General Narrative Statement (Continued)

United States belongs as a full member, appears to provide an existing framework upon which a satisfactory regional organization can be constructed. The Colombo Plan as conceived by the Commonwealth Prime Ministers in 1950 was an attempt to bring the underdeveloped countries in South and Southeast Asia together with advanced countries in an effort to increase output in the region at a rate that would outstrip population growth. Geographically, the Plan now includes all countries of South and Southeast Asia except Afghanistan. It also includes the United States, New Zealand, Australia, Canada, Great Britain and Japan. Aid under the Plan is arranged between supplier and recipient on a bilateral basis. The only multilateral aspect is a small Bureau of Technical Cooperation and Information Unit in Colombo, which acts mainly as a clearing house for information and to a minor extent in an evaluation capacity. An annual ministerial meeting of the Consultative Committee is held to discuss and report on progress in economic development. The Committee has no permanent offices, staff or secretariat. The Bureau of Technical Cooperation has a small permanent office in Colombo, the cost of which is financed from its own administrative funds contributed by its members. The U. S. does not participate in this activity.

U. S. bilateral assistance to members of the Colombo Plan, such as India and Pakistan, differs in no substantiative sense from contributions of other non-Asian countries, such as Canada and Australia. When the Plan was started in 1950 it was understood, however, that their contributions would continue at a more or less constant level over a term of years from 1950 to 1956. No such implied commitment has been made in the case of United States assistance, nor is such commitment now contemplated. However, our financial aid to Colombo Plan countries is reported on and publicized in the annual report of the Consultative Committee in the same way as that provided by the other donor countries. The principal recipient countries also make some contributions to each other in the technical assistance field.

Recent exchanges of views with both Asian and non-Asian members of the Colombo Plan have indicated a sense of need for certain additions to the present almost negligible administrative and technical staff of the organization. The secretariat and technical staff might be particularly useful in performing an objective evaluation of projects of concern to more than one country of the region. As in the case of the OEEC, the organization would have no decision-making responsibility with respect to aid funds or bilateral programs.

PROPOSED LEGISLATION

United States aid funds would be used more effectively in coordination with both internal and external resources otherwise available to Asian countries, if there could be an indication on the part of the United States Congress that a program to increase the economic strength of the region will require sustained efforts and will require considerable time.

In view of the length of time required to develop and engineer projects up to the point where countries can most advantageously invest capital in them, it would be highly desirable not to require that the obligation of this special Fund be completed during the fiscal year 1956. This would enhance its effectiveness in attaining the objectives of the program.

As indicated above, it is expected that a major portion of this Fund will be made available on a long-term loan basis on terms substantially similar to those applying to the rest of the Mutual Security Program loan program. Inasmuch as it may be necessary to use a portion of the Fund for projects where loans would be inappropriate and for United States participation in the above-mentioned expanded Colombo Plan organization, it would not be desirable that all or any fixed portion be required to be used exclusively on a repayment basis. Such portion of the Fund as the President deems necessary could then be made available on a grant basis, with the understanding that such grants would be limited as much as possible. The Fund, of course, would not be used even on a loan basis for purposes for which other funds, including loans from established public lending institutions, might be available. The basic premise of this program is that United States objectives in the area require that we make certain limited funds available for development on a repayment basis, but with longer and more flexible conditions for repayment than is possible in the case of regular lending institutions.

General Narrative Statement (Continued)

ILLUSTRATIVE PROJECTS

In presenting the following illustrative projects which might receive financial assistance from this Fund, no country by country breakdown of fund allocations is being proposed, since the Fund will be used to support meritorious projects as they are developed by countries in the area. Similarly, the projects are not subdivided between technical assistance and capital development categories of aid. In most of the projects technical assistance would be required preliminary to and as a basis for the investment of capital either from the Fund or from other sources. It also is emphasized that illustrative projects rather than an illustrative program are presented. Several of these projects have already been subject to considerable study but, as a group, they are intended to illustrate the types of activities for which the Fund might be used rather than as projects to which the U. S. Government is in any way committed.

1. Regional or Sub-regional Development Projects

a. The Mekong River Development

Thailand, Laos and Cambodia all have a vital interest in the irrigation, transportation and power potential of this large river basin in one of the most crucial areas of Southeast Asia. Such potential uses would require careful exploration and engineering studies of all aspects of the problem. A portion of the costs of this project, including initial surveys and evaluation, might be met from this Fund. Inland navigation, power for Laos, Cambodia and Thailand, irrigation, and development of the abundant timber resources of the area, could all be derived from this development.

b. Fisheries - Exploration and Development

The fish resources of this region are very extensive, but, except for Japanese fisheries and limited coastal fisheries in most of the other countries, their exact locations are not known with certainty and the techniques involved are primitive and in many cases destructive of basic fish resources. Some intra-regional technical assistance is already being provided by Japan but organization on a regional basis and the necessary minimum financial support is not available. The successful implementation of this project could add greatly to the protein supply in the area. Some capital could also be profitably invested in refrigeration and other facilities on a country by country basis and loans from the Fund combined with private and governmental resources could be soundly utilized.

c. Projects Related to Natural Gas Development

The further development of uses of Pakistan's natural gas deposits at Sui, in which some British private capital and IBRD funds have already been invested, would permit the establishment of important industries such as fertilizer production, which is in short supply in the region, particularly in India and Afghanistan. A fertilizer plant is under consideration in Hyderabad using Sui gas; its products might be available to Northern India. Similarly, another plant could be built in West Bengal (India) with part of the production going to East Bengal (Pakistan) where no gypsum or other raw materials are available for fertilizer. This would economize on transportation costs and further encourage cooperation between the two countries. Part of the financing of such projects may be obtained from private resources or from established lending institutions. However, the uncertainty of dollar savings from fertilizer production and sale in the subcontinent may make some loan financing from the regional fund desirable to encourage the undertaking of the joint natural gas and fertilizer projects.

d. Minerals Exploration, Transportation and Development

In most of the countries of free Asia, mineral resources are known to exist but the full extent, quality and grade of such resources are only superficially realized. In the Philippines, Afghanistan, and to a limited extent elsewhere, work is going forward under country programs to survey and evaluate some of these resources. The Economic Commission for Asia

General Narrative Statement (Continued)

and the Far East has also done some work on a regional basis on general geological surveys. With the help of technicians such as the Japanese who are knowledgeable on the requirements of their countries for mineral products, a considerable amount can be done of a regional technical assistance nature. There has been an indication that a good deal of local capital in the South and Southeast Asian countries, and Japanese capital, may be available for investment in this industry. Some investment has already occurred, for example, in the Philippine iron and copper resources. There is, however, an important deficiency of roads, short line railroads and harbor facilities required to expand the output and reduce the cost of minerals production, both for domestic use and export. These facilities cannot be financed, in most instances, by private interests due to the risk involved and because they are needed for other uses as well, and their costs should not all rest on the mining industry. Governments should usually be able to undertake the cost if long-term, low interest loans are made available. Examples are the rail, loading, and production facilities involved in the development of the iron ore resources of India. This project has been under study for about two years by Japanese and Indian authorities. The ore is of good quality and its export only requires the construction of rail and port facilities. The development of larger Indian-Japanese trade is important to the economic unity and strength of the area as a whole. Some private investment, possibly to provide for initial processing of the ore in India, might be associated with this undertaking.

e. Transport and Communications Development

In several major portions of the region, improved transportation and communications, especially across land frontiers, would contribute very substantially to the mutual economic development of two or more countries. This is particularly true in the Indian subcontinent where between India and Nepal, Pakistan and Afghanistan, and between East and West Pakistan, transport and communications are unsatisfactory. The political relationships and cohesion of the area are thereby retarded. Prejudices and rivalries stemming from the past, together with the strained financial resources of the countries involved, prevent a satisfactory solution to these problems. Allocations of funds under this program could, if combined with local resources, and perhaps technical assistance, act as a lever to accomplish some of these undertakings.

For example, inland water transportation between Calcutta and points in East Pakistan could be substantially improved by the adoption of modern tugs, barges and other inland water craft. A United Nations expert from Holland has already made a survey of this project. It involves the purchase and demonstration of equipment estimated at about $2 million. The United Nations Technical Assistance Administration might be able to furnish the technicians required if the equipment were available. In view of the importance of inland river transportation to many countries of South and Southeast Asia, this project would be of substantial demonstrative value throughout the area. In order to assure proper servicing of the water craft, a training center for diesel engine mechanics would be established which would service the equipment, as well as train mechanics for servicing vessels in the future.

2. Production Projects

Increases in the productivity of free Asian countries requires a combination of capital investment, technical knowledge, and initiative and management, none of which are now present in adequate quantity. Some of the suggestions made below for regional training projects would contribute substantially to meeting the last two of these three requirements. Private foreign ventures in the area, in combination with local interests, would contribute to all three. Increasing attention is being paid to ways of bringing about such investment in U. S. programs. Long-term loans from this Fund cannot meet any large portion of the capital investment that would be required in industrial categories to cope with problems of unemployment and low productivity in the area. However, it is intended that such funds, in cooperation with internal and external private investment, and other resources, be used to encourage small and medium sized industrial

General Narrative Statement (Continued)

projects. This may be done under one or a combination of the following techniques:

a. To provide, through a participating country or its financial institutions, a portion of the foreign exchange cost of a new enterprise where a concern in an Asian country has entered into an arrangement for a joint venture with an American company, principally to utilize the latter's technical and managerial capacities in the initial years of construction and operations. Financing from the Fund would be on a loan basis and usually through a local financial institution. The American concern might also invest capital in the project, perhaps in sufficient amount to retain control. Such an arrangement might be made in a situation where otherwise, either the host government might not encourage foreign investment to take place because of the future foreign exchange costs of profit and capital remittances involved, or where an economical unit would require an investment by the American company beyond its desire to risk its capital in the venture. The United States would look to the participating country for repayment.

b. To provide the minimum amount of foreign exchange required to permit the establishment of small local industries where, owing to limitation of the local market or other economic hazards, the risk involved is substantial, but where the industry would contribute in large measure to employment opportunities or to the fuller utilization of indigenous materials. Industries which might qualify for assistance are those in which local investors are willing to risk capital, but not foreign investors, and where the foreign exchange position of the country does not permit an allocation of dollars to purchase equipment. In the Philippines, a device has been utilized under which the commercial banks, which had not previously been willing to invest capital in long-term small industry loans, were willing to do so when the necessary foreign exchange and certain loans and guarantees from the counterpart fund were made available to them. Simple farm machinery, furniture, forest products, housing materials from indigenous raw products, improved rice and fish processing plants are examples of industries adaptable to Asian countries. The U. S. would look to the governments concerned for repayment.

3. Regional Training Centers

As is well known, Japanese agricultural techniques, as evidenced by crop yields, the use of fertilizer, and diversification and quantity of agriculture products, are well in advance of most other countries in the Far East and South Asia. Consequently, the establishment in Japan of an Agricultural Training Center, which might train several hundred participants from other Asian countries each year, has been proposed by the Japanese Government. Participants from India, Indonesia and other countries, are already visiting Japan in substantial numbers. No insurmountable political, or other problems, seem to be associated with this project, and it is strongly recommended by those conversant with Far East agriculture problems.

Together with the shortage of capital and engineering and other technical capacities, the lack of business initiative and skill is conceded to be a major impediment to industrial and other economic advances in the private sector of Asian economies. Reputable institutions for business education are not available in most of these countries. The establishment of a regional management training center would greatly reduce the cost and the time involved in acquiring training of sufficient thoroughness to meet practical requirements in the region. The association with such business training center of a U. S. educational institution of appropriate stature is proposed. In the same general category would be some additional assistance on a regional basis to the Agricultural College of the University of the Philippines, to which we have been making a contribution for some time, and which requires only a modest amount of additional support to make it a valuable organization for regional training and scientific agriculture.

Japan has built up her home and small scale industry to the point where it constitutes a significant segment of her total industrial structure. In most other countries of the region beginnings have been made, but usually the development of efficient production and distribution facilities has not yet occurred. The utilization of Japanese techniques together with the pooling of the most efficient special skills and experiences of other countries in a regional training center seems to offer considerable promise of developing small scale labor-intensive

General Narrative Statement (Continued)

industry. The need for this to cope with unemployment, to produce simple consumer goods required to meet local demands and reduce foreign exchange expenditures, as well as produce for export, is everywhere apparent.

Governments and experts familiar with the needs for available training centers in the area have suggested a large number of other fields in which the specific aptitudes of one country could be utilized for the betterment of a substantial grouping of other countries. Nearly all of these undertakings could be tied in one way or another to U. S. educational, or other research and training organizations, with the help of reasonably modest allocations from this Fund. One example would be a regional testing laboratory for agricultural implements and machinery best adapted to rice and other crops of the area. A large variety of such tools are presently utilized in the different countries with very little standardization or interchange of technical information. Improvements and standardization of these tools would not only increase the efficiency of agriculture, but might give rise to small or medium scale local industries to produce them in some of the countries for both domestic and export markets. Japan, of course, might derive substantial benefit from this in expanding her markets in Southeast Asia, but other countries such as the Philippines, India and Pakistan might also develop specialized production based on regional requirements.

The organization of these and other regional training facilities, possibly under the aegis of the Colombo Plan organization, offers many opportunities, not only of raising the incomes and coping with other economic problems of the countries of the region, but also of developing associations and relationships of great value from a political and security point of view.

LATIN AMERICA

EXCERPT FROM PRESIDENT'S MESSAGE

"....In Latin America, I recommend intensification of our technical cooperation program. In this area more than a decade ago, technical cooperation was first undertaken in a systematic manner. The programs have proved their high value in many of our sister republics. No international programs have ever had such widespread welcome and support. Indispensable to the economic development of many free nations, they also reflect the deep humanitarian spirit of the American people.

Technical cooperation programs have contributed effectively to the efforts of the other American Republics to strengthen and expand their national economies. These efforts have likewise been aided by our very large inter-American trade, substantial private investment, more extensive lending by the Export-Import Bank, and credits by the International Bank for Reconstruction and Development. As a result, Latin America has achieved a remarkable rate of economic development. In addition to the technical cooperation programs for Latin America, I recommend a continuation of our modest contribution to the Organization of American States and further economic support to meet the critical situations in Guatemala and Bolivia...."

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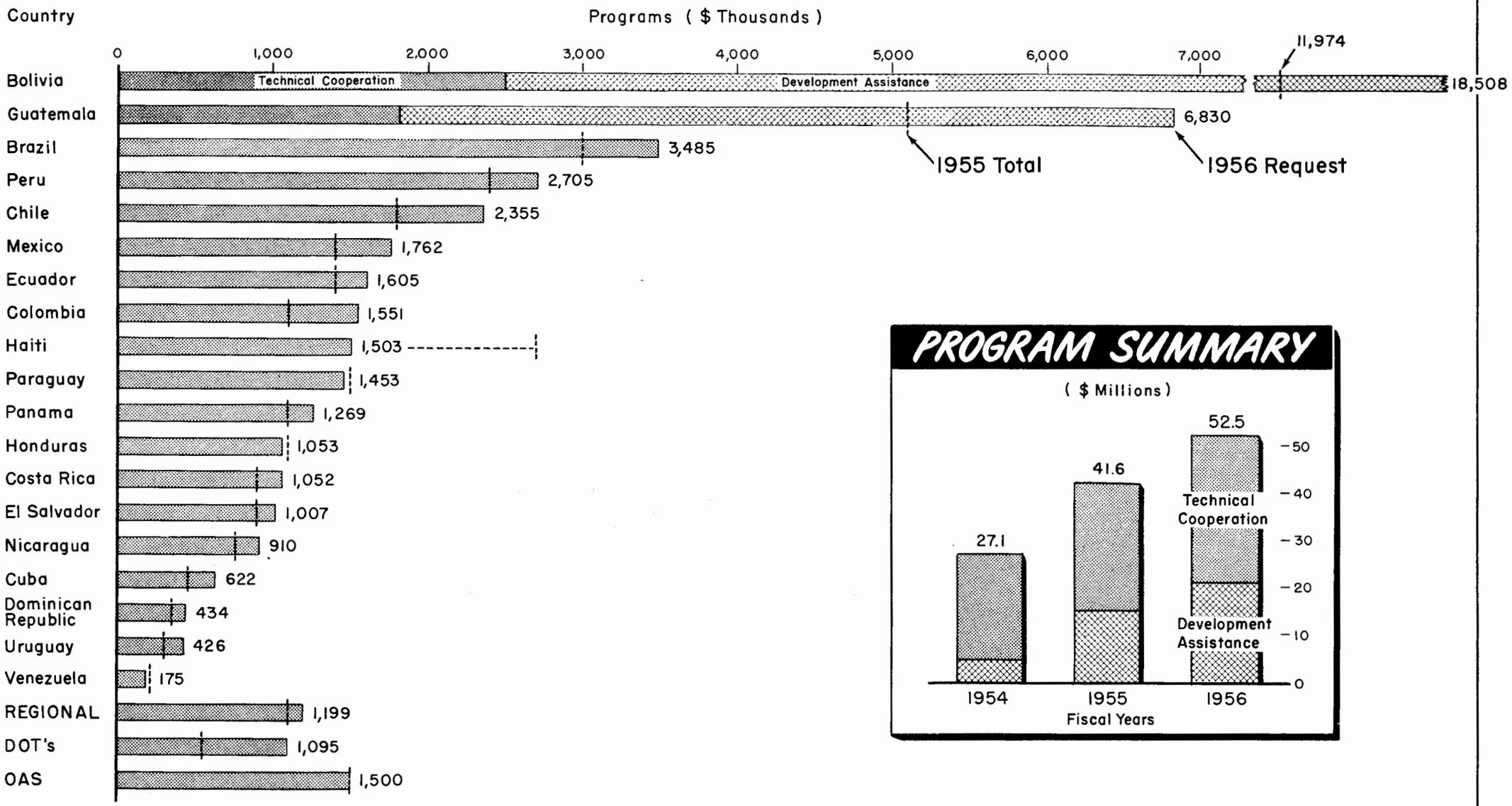
LATIN AMERICA

PROGRAM FOR FY 1955 AND FY 1956



LATIN AMERICA

REGIONAL SCHEDULE

Comparative Summary of Programs by Functions

(In thousands of dollars)

Function	Program FY 1950/54	FY 1955	Proposed FY 1956
Military Assistance	a/	a/	a/
	FY 1954		
Development Assistance	4,419.9	14,982.0b/	21,000.0
Technical Cooperation	22,722.3	26,568.9	31,500.0
Total Latin America	27,142.2	41,550.9b/	52,500.0
MSP Sales Surplus Agricultural Commodities			
1. Sales in This Area		2,148.0	10,000.0
2. Sales Proceeds Programmed in This Area (Dollar Equivalent)			
Development Assistance		2,148.0	10,000.0

a/ Data included in separate submission on Military Assistance.
b/ Includes $2,282.0 programmed in this area from savings from prior year program for Support of Forces in Cambodia, Laos and Viet Nam.

LATIN AMERICA

DISTRIBUTION OF FY 1956 PROGRAM, EXCLUDING MILITARY ASSISTANCE

By Function and Country

(In thousands of dollars)

Country	Development Assistance	Technical Cooperation	Total
Bolivia	16,000.0	2,507.9	18,507.9
Brazil		3,485.5	3,485.5
Chile		2,354.9	2,354.9
Colombia		1,550.7	1,550.7
Costa Rica		1,052.1	1,052.1
Cuba		621.7	621.7
Dominican Republic		433.7	433.7
Ecuador		1,605.4	1,605.4
El Salvador		1,006.8	1,006.8
Guatemala	5,000.0	1,830.0	6,830.0
Haiti	*	1,503.7	1,503.7*
Honduras		1,053.4	1,053.4
Mexico		1,762.0	1,762.0
Nicaragua		910.1	910.1
Panama		1,268.8	1,268.8
Paraguay		1,453.2	1,453.2
Peru		2,704.7	2,704.7
Uruguay		425.9	425.9
Venezuela		175.1	175.1
Overseas Territories		1,095.0	1,095.0
Regional Projects		1,199.4	1,199.4
Subtotal	21,000.0	30,000.0	51,000.0
Organization of American States (OAS)		1,500.0	1,500.0
Total Programs Other Than Military Assistance	21,000.0	31,500.0	52,500.0

* Separate funds for emergency assistance to Haiti in FY 1956 are not requested. If such assistance is determined necessary, it would be funded from any appropriate available source authorized in the Mutual Security legislation.

LATIN AMERICA

Regional Narrative Statement

The proposed Mutual Security Program in Latin America for FY 1956 includes the following elements:

Technical Cooperation: $30.0 million to continue technical cooperation with 19 of the Latin American Republics (excluding Argentina) and with the Overseas Territories of European Powers. This program will continue to be jointly planned, financed and operated by the United States and the host government requesting technical cooperation. A large part of these operations will continue to be carried out through organizations created within the ministries of the host governments, and generally referred to as "Servicios". There will also be continued reliance on contracts with universities and other private institutions in the United States for technical work.

Development Assistance: $21.0 million for development assistance which is presently planned to include $16.0 million for Bolivia and $5.0 million for Guatemala to continue economic aid programs in those countries.

Military Assistance: A continuation of the military assistance program in which 11 Latin American countries -- Brazil, Chile, Colombia, Cuba, Dominican Republic, Ecuador, Haiti, Honduras, Nicaragua, Peru and Uruguay -- are already participating.

O.A.S. Technical Assistance: $1.5 million for the U.S. contribution to the technical assistance activities of the Organization of American States.

Current Situation

Militarily, strategically and economically, a Latin America friendly to the United States can be a source of great strength. If unfriendly, it could very adversely affect our national welfare. In the event of an emergency, Latin America could help materially in guarding vital inter-American lines of communication and shipping.

Latin America is an area of major economic potential. However, it faces many obstacles in developing that potential. The difficult terrain in many countries seriously impedes development and unfavorable climatic conditions prevail in many areas. Productivity of workers is generally low and must be increased if development is to progress. Living standards and health conditions are generally inadequate by United States standards. In many Latin American countries, illiteracy rates exceed 50 percent and school systems do not provide a basic education for enough people to support a broad advance in technical training and economic development. Transportation and power facilities are insufficient to meet future economic growth needs in almost all Latin American countries. Although production is increasing in Latin America, there has not been an overall increase in the volume of goods exported from that region since 1948.

Latin American economies are basically agricultural although their agricultural methods are often primitive and obsolete by United States standards. Even with production increases in recent years, agricultural output in Latin America has been inadequate to meet the needs of an ever-increasing population. It is necessary for Latin American countries to purchase foodstuffs from abroad, as well as manufactured goods. The availability of foreign exchange for such imports, however, is often dependent upon the export earnings of a single product (copper, tin, coffee, sugar). Any wide fluctuation in the world market for that product has immediate local repercussions and a direct bearing on imports of agricultural and industrial products.

Many of the countries in Latin America are faced with varying degrees of inflation. Sound monetary and fiscal policies are needed to further both internal and external financial stability. A more friendly attitude toward private capital is also needed in many countries if private investment is to be attracted.

Despite obstacles, the countries of Latin America have the natural and human resources with which to build stronger and

Regional Narrative Statement (Continued)

more prosperous economies. It is estimated that the Latin American countries are now providing over 90 percent of the funds going into their development. The rest is being provided by foreign sources, partly as private investment and partly as public loans. The United States recognizes Latin America's need for increased amounts of outside capital resources. The Latin American countries are concerned that unless the availability of outside capital increases, they will be unable to maintain the rate of economic growth which they have experienced in the past decade.

To the extent that the Latin American countries become stronger economically, they will be in a better position politically and militarily to assume a larger part of the responsibility for mutual defense of the Western Hemisphere. Little modern military equipment is produced in Latin America at present. In general, their armed forces are without adequate training and equipment to assume a major responsibility for mutual defense tasks. With U.S. assistance, however, Latin American countries have the capability of assuming a limited hemisphere defense role.

U.S. Policy and Program Objectives

The United States desires to maintain cooperation among the governments of the American Republics, to assist in strengthening their understanding and appreciation of each other's problems and to insure the cooperation of the Latin American peoples and their governments with the United States and with the Free World in meeting the threat of international Communism to which they as we are exposed. We are also ready to assist the governments in Latin America in every appropriate way, consistent with our policy of non-intervention, to meet the threat of Communist subversion from within.

The United States desires to help encourage the economic development of Latin America. Strengthened Latin American economies will provide a sound basis on which to develop closer cooperation in all fields among the nations of the Western Hemisphere.

The United States wants to develop a clearer understanding in Latin America of the constructive role of private capital in the development process and its contribution toward improving the material well-being of the peoples of that region. We wish to encourage the nations of Latin America to establish a more favorable environment for both domestic and foreign private investment. We also wish to develop and expand the market for U.S. exports in Latin America and to encourage the continued production in Latin America of commodities to supply United States needs, including strategic materials.

It is expected that the flow of United States private capital to Latin America will be supplemented in appropriate cases by public loans. The gross capital outflow of United States direct private investment to Latin America during the period 1946-1953 was at an average annual rate of about $400 million. During this same period, new capital provided by the Export-Import Bank and the International Bank for Reconstruction and Development averaged about $175 million per annum, of which the Export-Import Bank supplied an annual average of $120 million, primarily in export credits and development loans.

Implementation of the accelerated program to complete the Inter-American Highway in Central America within a three-year period, which has been proposed by President Eisenhower, would be a considerable stimulus to the development of that area and would also support the objectives of the Mutual Security Program. The cost of completing the highway from the United States to the Canal Zone is estimated at about $112.5 million of which the proposed United States share would be about $75.0 million.

Through technical cooperation programs, the United States is assisting Latin American countries in their own development efforts by providing technical assistance that is jointly planned, financed and operated by the United States and the host government. While this program is discussed in more detail subsequently in this paper and in the individual country statements, it should be noted that United States expenditures for technical cooperation are small in comparison with the private investments and public loans. It is estimated that total United States obligations for bilateral technical cooperation programs in Latin America during FY 1955 will amount to about $25.1 million.

Regional Narrative Statement (Continued)

In addition to United States bilateral programs, technical assistance is available to countries of Latin America through the Organization of American States, the specialized agencies of the United Nations and a variety of public and private sources. Technical assistance provided by the Organization of American States is limited primarily to regional training center projects. At present seven such projects are active and training is provided in economic and financial statistics, housing, evaluation of natural resources, child welfare, rural teacher training, agricultural methods and animal husbandry. Specialized agencies of the United Nations provide technicians in agriculture and natural resources, health and sanitation, education, transportation, communications and power, industry and mining, public administration and general community development. Technical assistance also flows to Latin America through the efforts of private foundations, investors and other business enterprises plus the work of voluntary agencies and the specialized activities of banking institutions. Constant attention is given to the coordination of these activities with our bilateral programs, particularly at the country level, to insure that they do not overlap or duplicate one another.

In the field of military cooperation, the strengthening of Latin America's forces to the degree necessary to enable them to assume a major part of the responsibility for the mutual defense of the Western Hemisphere is not a realistic goal at this time. With limited equipment and training assistance from the United States, however, there are specific tasks which the Latin American countries could discharge in the event of an emergency threatening the security of the hemisphere. The military assistance program is, therefore, designed to enable these countries to carry out the specific military tasks which they have agreed to perform in the mutual defense of the Western Hemisphere and to strengthen their collective effort against possible Communist or other aggression.

Technical Cooperation

The bilateral technical cooperation programs, operated through the Institute of Inter-American Affairs of the Foreign Operations Administration, are designed primarily to help improve the competence of the people and institutions of Latin America in planning and working toward the effective economic development of their countries. Through these programs, the United States works in partnership with the individual Latin American governments and their peoples in developing improved national systems of, and training technicians in, such fields as health, education, agriculture, transportation, industry, labor, housing and public administration.

In recent years increased attention has been given to technical cooperation fields other than the basic programs of health, education and agriculture. Illustrative of the major fields of activity more recently included in the program are: public administration, labor, transportation, industry, mining and housing. In FY 1955, about 27 percent of the estimated $25.1 million total U.S. obligations for the bilateral technical cooperation program is being directed toward these newer fields of activity.

During the period 1945-1953, the per capita gross product of Latin America in terms of constant (1950) prices has increased at the rate of 5.4 percent per year. While the contribution of the technical cooperation program to this progress has been small by comparison with the level of total economic activity in the area, its impact has been important. It has helped to increase the flow of mutually beneficial trade between Latin America and the United States. It has helped create an increased demand for United States goods such as agricultural and industrial machinery, fertilizers, pharmaceuticals, and other products that are required as a result of improved health, education and living conditions in Latin America.

The results of training which Latin Americans have received under the program are indicated by the many participants who have returned from the United States to assume positions of leadership in their countries. In one country, for example, participants who studied in the United States now hold positions as Director General of Agriculture; Chief of Public Health Education; Chief of International Affairs, Department of Health; and the directorship of a large trade school in the capital city. Returned participants have also filled many senior positions in Servicios.

Regional Narrative Statement (Continued)

Other examples of program accomplishments include the following:

1. Agriculture: The Model Dairy project, which was initiated and operated by the Agriculture Servicio in Paraguay, illustrates the way in which the program helps to meet typical needs. In 1943, there was not even one cow of a recognized milk breed in Paraguay. The capital city, Asuncion, was without a source of sanitary whole milk. Milk passed through many hands, between producer and consumer, and was often watered and adulterated in other ways. Under the Model Dairy project, the Paraguayan Government made 400 acres of valuable land available and imported 232 Holstein cows and 38 bulls. This project served as a center for training and dairy management extension work.

As this demonstration project, which has now been transferred for operation to the Paraguayan Vocational School of Agriculture, proved the importance and practicability of producing sanitary whole milk, private individuals and groups imported and bred quality milk cattle. Today, in the Asuncion milkshed alone, there are more than 4,200 recognized milk-breed cows. Moreover, when dairymen saw for themselves the increased milk production resulting from feeding balanced rations, the demand for balanced rations increased, and there are now 11 mixed feed plants in operation, constituting an entirely new industry for Paraguay.

2. Health and Sanitation: The contribution which health and sanitation programs are making to economic development is typified in Peru's Department of Loreto which for the most part was an unhealthy and unproductive jungle area along the Amazon River. Programs of malaria and leprosy control coupled with environmental sanitation and other activities made it possible for people to live in this area. Programs of land clearing, livestock improvement and agricultural extension were supplemented by transportation improvement and agricultural and limited industrial investment in the area.

Today, the Department of Loreto is a thriving section of Peru. The population of Iquitos, a river port, increased from 9,000 12 years ago to 50,000 today. Similarly, the Port of Chimbote, the best natural harbor in Peru with a hinterland of great economic potential, became a fast growing industrial center where the population increased within 10 years from 4,000 to more than 25,000. This development is being repeated in smaller cities and towns along the Amazon River. While the technical cooperation program was only one of the factors responsible for this development, it has played an important part in establishing the pre-conditions without which the development could not have taken place.

3. Education: Technical cooperation in this field has helped Brazil meet the problems arising from industrial development. United States technicians are working with 23 major vocational schools, where they, in conjunction with Brazilians, develop new curricula, re-plan shops and equipment, train staffs, and organize workshops and summer sessions for teachers and supervisors from all Federal vocational schools. In addition, they are making surveys of industrial occupations and job requirements, developing new instructional materials, improving shop organization and management and continuing the highly successful training-within-industry courses.

Since the inception of this program, over 1,800 teachers and supervisors have been trained in Brazil and 132 trained in the United States; 103 textbooks and manuals have been produced, with over 600,000 copies distributed; new teaching methods have been introduced in 23 Federal and 15 state schools; and over 100,000 workers have been trained throughout Brazil, including more than 28,000 in the Sao Paulo area.

4. Public Administration: The work of United States technicians with host country counterparts in Panama has resulted in considerable progress in public administration. A management study of the Colon Free Zone has been completed with recommended regulatory procedures placed in operation by

Regional Narrative Statement (Continued)

Executive Decree. Courses in public administration at the University of Panama have been revised and strengthened. A number of senior Panamanian administrative personnel, who participated in a seminar organized under the program, have subsequently undertaken administrative improvement projects within their departments. Several of these projects have already been successfully completed. Work throughout the Panamanian Government, by a United States specialist in archives and records management, has resulted in many improvements which have been widely recognized in Panamanian Government circles.

5. Labor: From July 1, 1952 to June 30, 1955, about 680 Latin American labor leaders,. prospective labor leaders and technicians will either have been brought to the United States for training or be in process for such training here. While in the United States for training, they have an opportunity to see our democracy and our system of free enterprise in action and they have observed the role of free trade unions therein.

Contributions to Technical Cooperation Programs

The contributions of Latin American countries to the technical cooperation programs have risen substantially both in amount and in relation to the United States contributions since 1942 when the Institute of Inter-American Affairs program was inaugurated. Contributions to these programs are classified as "in cash" or "in goods and services". Contributions in cash are the amounts deposited by the United States and the host country in joint accounts to finance the project operations of Servicios. Contributions in goods and services are described below.

United States contributions in goods and services include direct expenditures for (a) salaries and other expenses of technical missions assigned to individual countries; (b) technical services on a multi-country basis financed from the "Regional" account; (c) Latin American participants (trainees); and (d) demonstration equipment and supplies for programs other than those operated by Servicios with joint acccunts.

Host country contributions in goods and services include their direct expenditures for property and services constituting part of the joint undertaking. For example, expenditures for land, buildings, and livestock are included in this category as are the salaries and other expenses of local teachers, agriculture extension agents, nurses and doctors assigned to work with U.S. technicians in carrying out the cooperative program.

Total United States and host country obligations for operation of the program are shown in the following table. The amounts shown for FY 1954 are based on reports from U.S. Operations Missions, while the amounts for fiscal years 1955 and 1956 are estimates.

Contributions to Technical Cooperation Programs in the Latin American Region

(In millions of U. S. dollars)

U.S. Fiscal Year	From the U.S.			From Host Countries		
	In Cash	In Goods & Services	Total	In Cash	In Goods & Services	Total
1954	7.8	14.2	22.0	32.8	11.9	44.7 1/
1955	6.7	18.4	25.1	39.4	21.7	61.1
1956	7.3	22.7	30.0	43.0	30.0	73.0

1/ Local currencies converted to dollars on the basis of their par values as listed by International Monetary Fund (International Financial Statistics, Vol.VIII, No. 4, April 1955); except that Peruvian and Uruguayan currencies, for which no par value is listed, were converted, respectively, at the free rate and at the official basic selling rate.

Regional Narrative Statement (Continued)

Development Assistance Programs (Bolivia, Guatemala, Haiti and Honduras)

Bolivia: During FY 1955, the United States is continuing the assistance program to Bolivia which was begun on an emergency basis in the fall of 1953 when a severe drop in the price of tin threatened to cause a severe economic crisis in that country.

The purpose of this program is to assist Bolivia in meeting its minimum essential food requirements and to enable Bolivia to make some initial progress in agricultural diversification so that its over-dependence on tin earnings may be lessened.

Although progress has been made, the economic situation in Bolivia remains critical and several years will be required before agricultural development operations, the most important single element in the economic diversification program, will succeed in substantially increasing food production.

The political situation in Bolivia is relatively stable at present and the Government is favorably disposed toward the United States.

The development assistance component of the program for Bolivia in FY 1955 amounts to about $9.8 million of which roughly $6.0 million is programmed for developmental supplies and equipment; $2.6 million is programmed for food and fibers; and $1.2 million is being used to finance transportation costs of agricultural surplus shipments from the United States extended under Title II, P.L. 480, valued at $9.9 million. Counterpart funds generated through the development assistance program are being used in conjunction with other resources to assist in Bolivian economic diversification and development, particularly in agriculture and transportation.

Development assistance in the amount of $16.0 million is proposed for Bolivia in FY 1956. It is planned to use this amount primarily for foodstuffs and for the purchase of limited quantities of agricultural and industrial equipment and supplies needed in the diversification program.

Guatemala: Of the $21.0 million requested for development assistance in FY 1956, $5.0 million is planned for the development assistance program in Guatemala which began during the latter part of 1954.

The program in Guatemala is intended to assist in meeting an economic emergency being faced by the anti-Communist government headed by Colonel Carlos Castillo Armas, which took power in July 1954 as a result of a successful revolution against the pro-communist Arbenz regime. The Arbenz regime left behind it a stagnant economy, growing unemployment and a barren treasury, making it necessary for the new administration to look to the United States for assistance during the transition period until normality is restored and its long-term development plans begin to have their effect in mobilizing the country's considerable economic resources. The fall of coffee prices (Guatemala's principal export) has intensified the administration's economic difficulties.

To help reduce the critical pressure of unemployment, the United States, during the latter part of 1954, provided Guatemala with an emergency grant of $3.7 million for immediate public works. Most of this sum is being spent on the Pacific Coastal Highway, a key link in the country's communications network, which will make one of the country's richest agricultural sections more accessible, though $500,000 of the grant was allocated to the Roosevelt Hospital in Guatemala City, to pay for equipment which will help place the obstetric and pediatric units of the hospital in operation.

Present information indicates that at the end of the current fiscal year the Castillo Government will be unable to assume the full cost of emergency works projects already begun with United States aid. To help Guatemala through its crucial period of transition, the provision of $5.0 million for development assistance for Guatemala is proposed for FY 1956.

Haiti: Limited emergency assistance is being given to Haiti during FY 1955 as a result of a hurricane disaster in

Regional Narrative Statement (Continued)

October 1954. To prevent starvation and enable the Government of Haiti to maintain reasonably tranquil conditions during the period immediately following the disaster, $2.0 million worth of surplus agricultural commodities were made available under Title II of P.L. 480 to the Government of Haiti. Development Assistance funds in the amount of $390,000 were allocated to finance the transportation costs of the agricultural products. Development assistance funds totaling $350,000 were also made available in November 1954 for the procurement of seeds and light agricultural tools, to provide for some emergency replanting of destroyed food crops. In February 1955, additional Development Assistance funds in the amount of $750,000 were programmed to permit immediate initiation of work on essential rehabilitation projects. It is possible that further assistance will be necessary in FY 1956.

Honduras: Following disastrous floods in Honduras, $230,000 worth of agricultural surplus commodities were made available, the $32,000 transportation cost of which was financed from Development Assistance funds. No emergency aid is contemplated for FY 1956.

Military Assistance Programs

The Latin American countries receiving grant military aid have agreed to perform specific military tasks in the defense of the hemisphere. Equipment is being provided to military units which are committed to hemisphere defense in order that they may perform these tasks. Countries participating in the grant aid program include: Brazil, Chile, Colombia, Cuba, Dominican Republic, Ecuador, Haiti, Honduras, Nicaragua, Peru and Uruguay.

The Army MDAP programs in the American Republics are relatively new. As equipment is being received in those units committed to hemispheric defense assigned personnel are exhibit a desire to become proficient in its operation and demonstrate an eagerness to create outstanding units. With sufficient time for training all MDAP supported units will become effective forces.

The Navy MDAP programs are progressing satisfactorily. When present training programs are completed, all equipment can be expected to be operated and maintained satisfactorily.

The receipt of aircraft and related equipment has permitted the activation of Latin American squadrons committed to hemispheric defense. Spare parts have arrived and many previously unserviceable propeller aircraft have been placed in operating condition. In most cases the American Republics' Air Forces have the ability to operate, maintain and utilize all equipment provided to date.

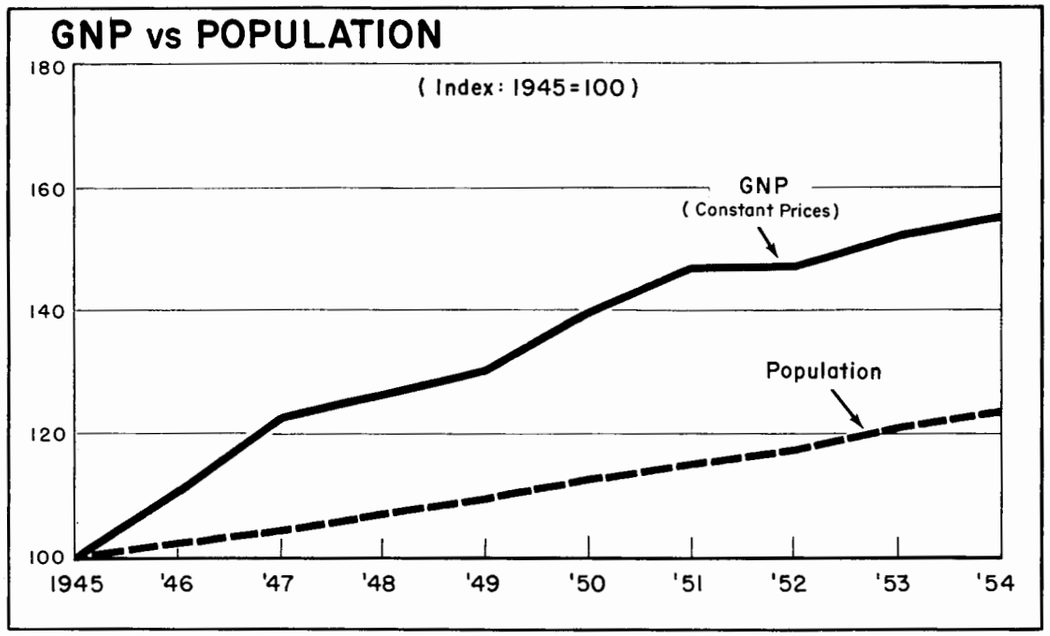
By the end of 1954, 595 formal courses of instruction in United States service schools, both in the United States and overseas, had been completed by military students from American Republics.

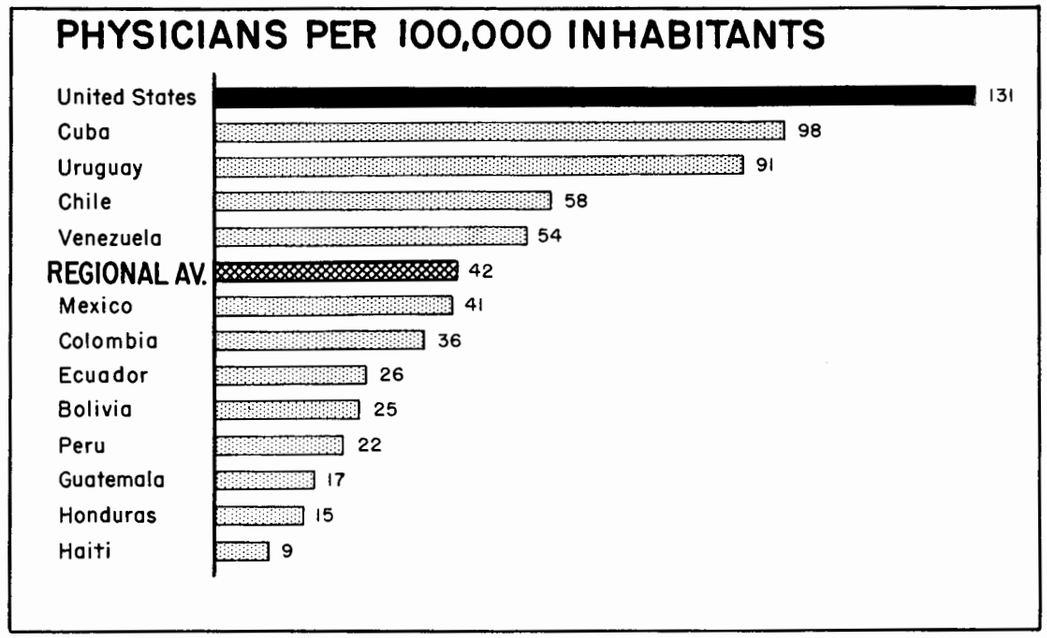
The military assistance program also assists in standardizing military equipment in the American Republics. Such a standardization program will simplify supply problems in the event a serious military threat against the hemisphere should develop.

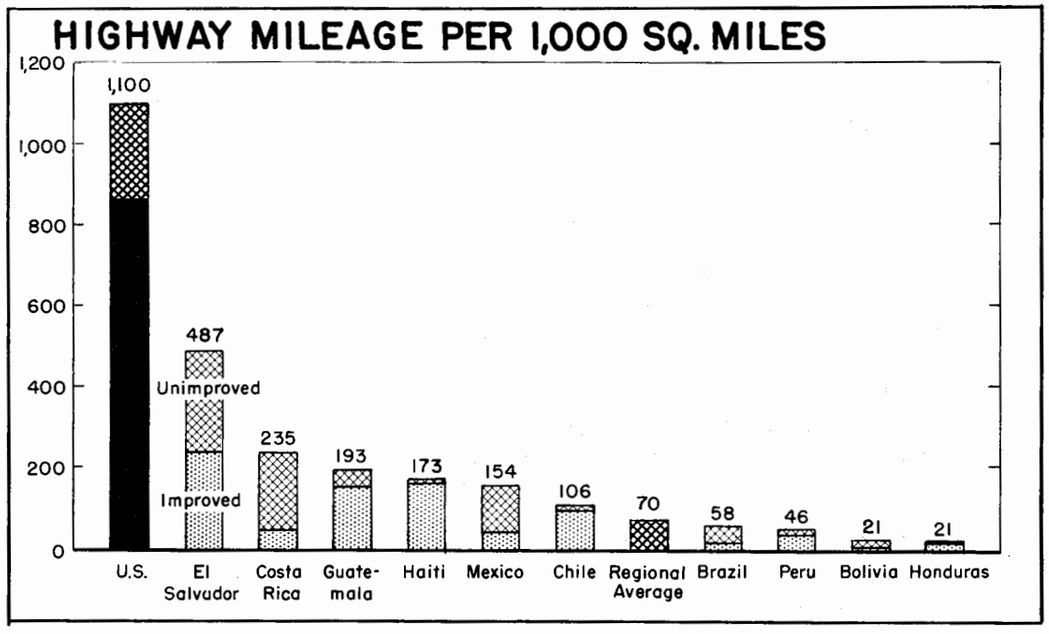
The military aid which we are furnishing is supplementary to each country's own defense effort. Latin American military budgets provide the largest portion of the cost of hemisphere defense in their own countries. The cost of military goods purchased in the United States under the reimbursable military assistance program and the expenses of pay, rations and uniforms are financed by the participating countries themselves.

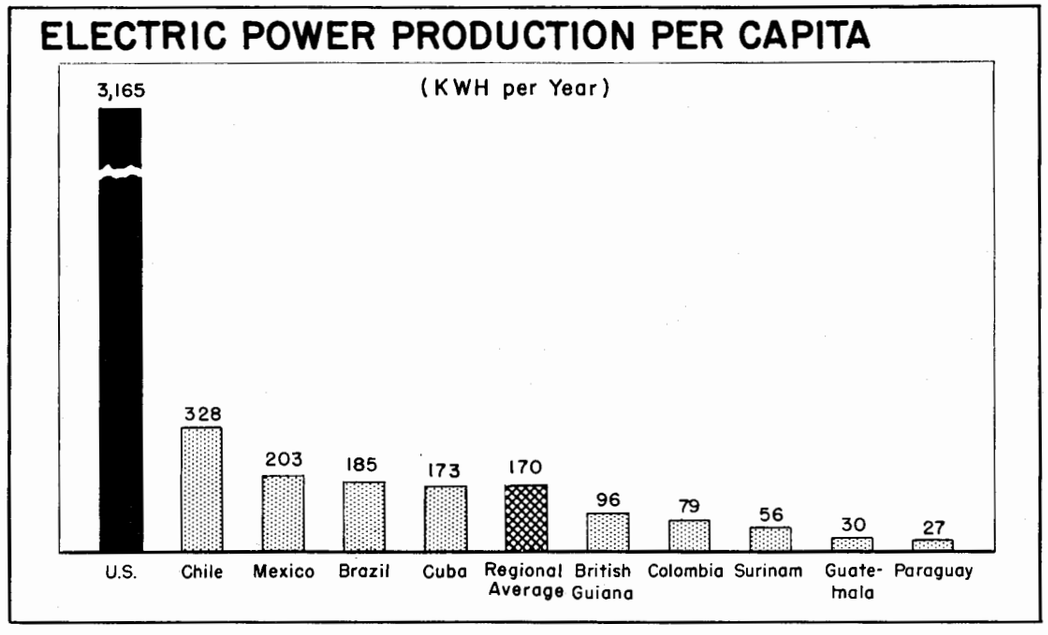
The appropriations provided in previous years will, when fully expended, substantially complete the equipping phase of the program as originally planned. Most of the future funds will be used for maintaining equipment and for providing further training in its use.

LATIN AMERICA - REGIONAL SUMMARY



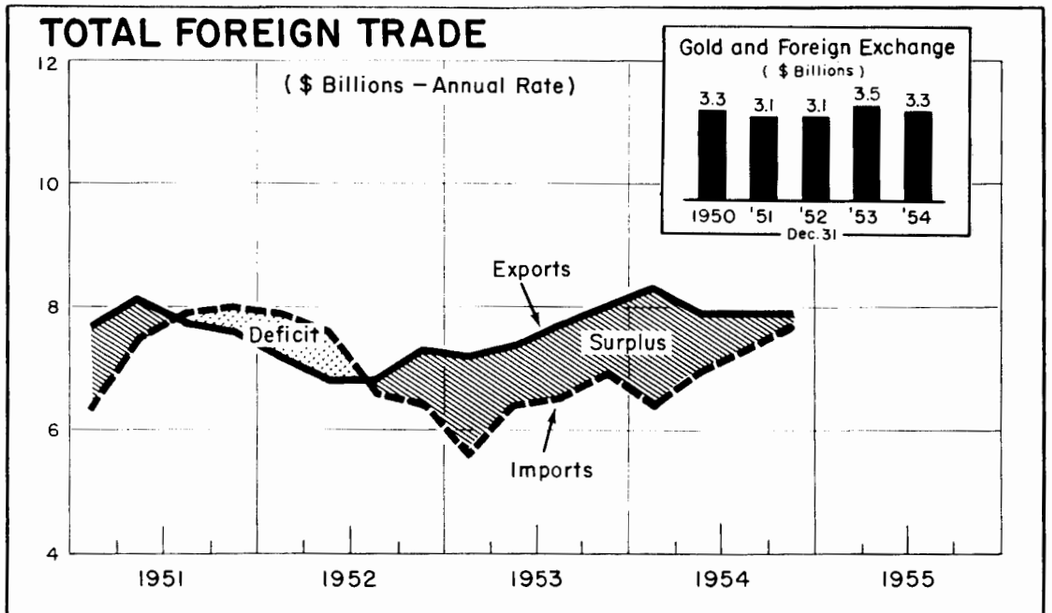




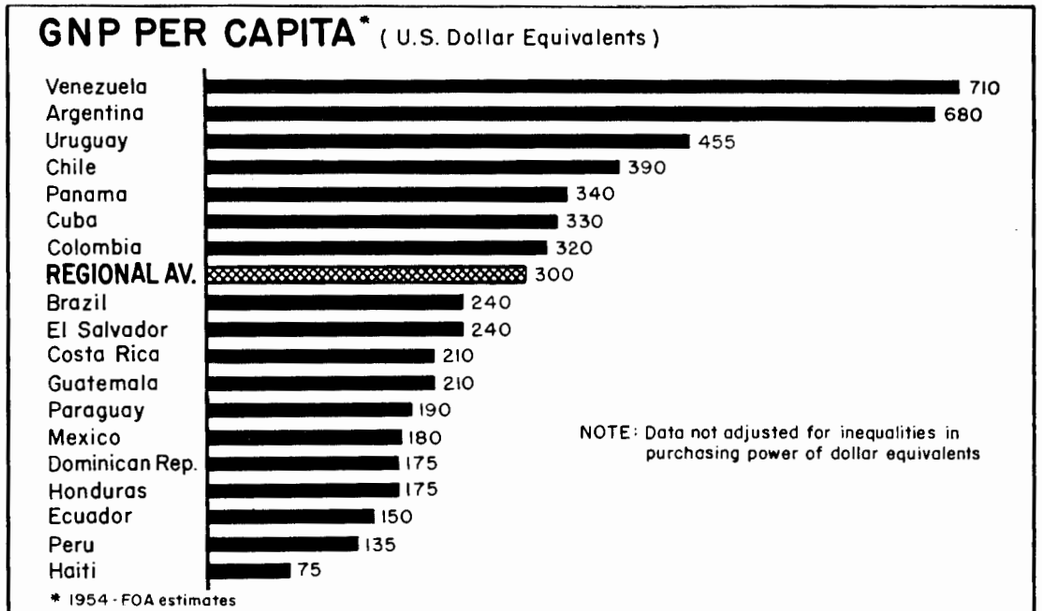


LATIN AMERICA - REGIONAL SUMMARY

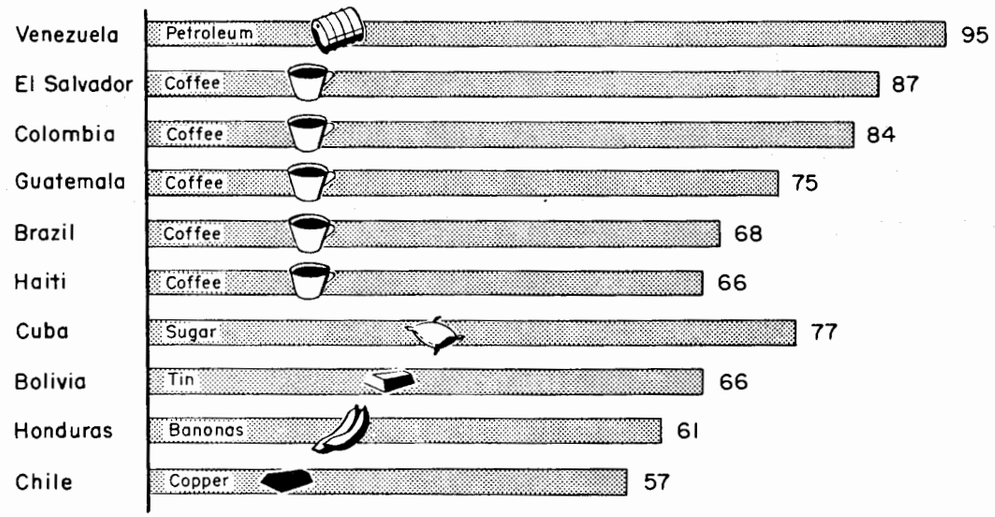
TOTAL FOREIGN TRADE



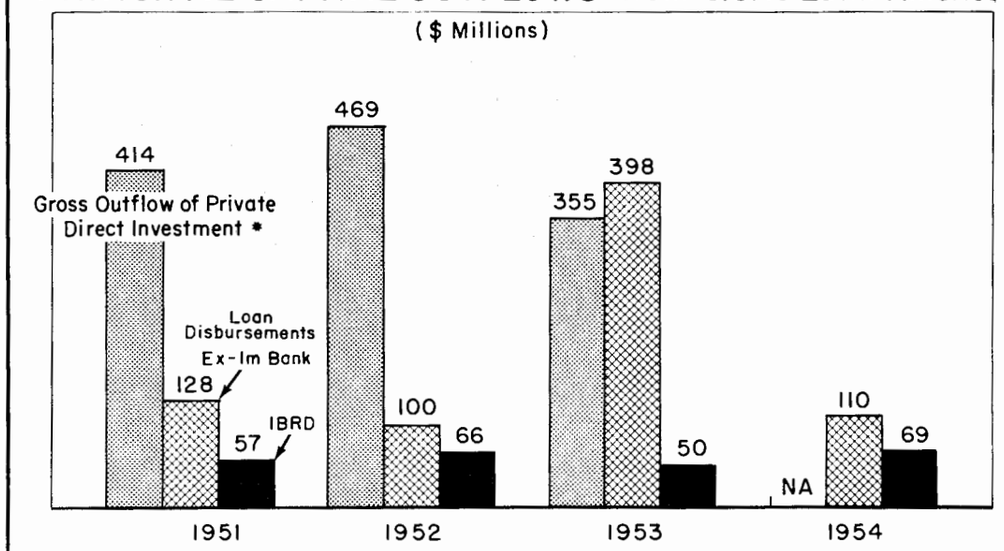
GNP PER CAPITA* (U.S. Dollar Equivalents)



DEPENDENCE ON SINGLE EXPORTS (Exports as Percent of Total Exports)



PRINCIPAL CAPITAL OUTFLOWS from U.S. to Latin America



* Excludes reinvested earnings

LATIN AMERICA

TOTAL PROGRAMS (EXCLUDING MILITARY ASSISTANCE)

Summary by Country

(In thousands of dollars)

Country	Program FY 1954	Program FY 1955	Program FY 1956
Bolivia	7,479.6	11,973.9	18,507.9
Brazil	2,265.6	3,012.3	3,485.5
Chile	1,409.8	1,803.7	2,354.9
Colombia	1,186.2	1,064.9	1,550.7
Costa Rica	737.5	861.9	1,052.1
Cuba	157.6	448.8	621.7
Dominican Republic	166.8	350.0	433.7
Ecuador	1,311.4	1,398.4	1,605.4
El Salvador	513.8	942.3	1,006.8
Guatemala	187.4	5,100.0	6,830.0
Haiti	997.2	2,658.9	1,503.7
Honduras	1,076.6	1,133.0	1,053.4
Mexico	1,344.0	1,416.6	1,762.0
Nicaragua	505.6	764.1	910.1
Panama	1,111.2	1,060.0	1,268.8
Paraguay	1,198.6	1,508.2	1,453.2
Peru	2,408.4	2,413.4	2,704.7
Uruguay	144.3	303.6	425.9
Venezuela	111.3	204.9	175.1
Overseas Territories	1,022.7	555.4	1,095.0
Regional Projects	1,113.2	1,076.6	1,199.4
Sub-total	26.448.8	40,050.9 [a]	51,000.0
Organization of American States (OAS)	693.3	1,500.0	1,500.0
Total Programs other than Military Assistance	27,142.1	41,550.9	52,500.0

a/ Includes $2,282.0 thousand programmed in this area from savings in prior year program for Support of Forces in Cambodia, Laos, and Vietnam.

LATIN AMERICA

REGIONAL SUMMARY FOR ALL PROGRAMS (EXCLUDING MILITARY ASSISTANCE, AND TECHNICAL COOPERATION PROGRAM OF ORGANIZATION OF AMERICAN STATES)

Summary by Major Activity Field

(In thousands of dollars)

Programs by Fiscal Year	Total U. S. Cost	Agriculture and Natural Resources	Industry and Mining	Transportation	Labor	Health and Sanitation	Education	Public Admin.	Community Development Social Welfare and Housing	Import of Saleable Commodities	Other Costs
Development Assistance											
1954	4,419.9	1,050.0	136.0	122.0		15.0				3,096.9	
1955	14,982.0 a/	5,118.6	303.0	4,224.4		804.0				3,760.0	772.0
1956	21,000.0	4,500.0	310.0	5,390.0		800.0				10,000.0	
Technical Cooperation											
1954	22,028.9	10,095.3	1,111.1	537.9	528.1	4,715.3	2,453.9	1,008.3	468.1	xxx	1,110.9
1955	25,068.9	9,264.6	2,052.8	1,044.0	639.7	5,205.9	3,793.8	1,691.9	578.5	xxx	797.7
1956	30,000.0	10,711.5	2,440.1	1,492.6	1,009.7	5,734.3	4,197.5	1,912.6	944.5	xxx	1,557.2
Total All Programs											
1954	26,448.8	11,145.3	1,247.1	659.9	528.1	4,730.3	2,453.9	1,008.3	468.1	3,096.9	1,110.9
1955	40,050.9 a/	14,383.2	2,355.8	5,268.4	639.7	6,009.9	3,793.8	1,691.9	578.5	3,760.0	1,569.7
1956	51,000.0	15,211.5	2,750.1	6,882.6	1,009.7	6,534.3	4,197.5	1,912.6	944.5	10,000.0	1,557.2

a/ Includes $2,282.0 programmed from savings from Prior Year Program for Support of Forces in Cambodia, Laos and Vietnam.

LATIN AMERICA

REGIONAL SUMMARY FOR ALL PROGRAMS (EXCLUDING MILITARY ASSISTANCE, AND TECHNICAL COOPERATION PROGRAM OF ORGANIZATION OF AMERICAN STATES)

Summary by Major Cost Components

(In thousands of dollars)

Programs by Fiscal Year	Total U. S. Cost	Supplies, Equipment & Grants to Servicios	U. S. Government Technicians		Contract Services		Participants		Other Costs
			No. Employed June 30	Cost	No. Employed June 30	Cost	No. of Persons	Cost	
Development Assistance									
1954	4,419.9	4,419.9							
1955	14,982.0 a/	14,882.0			3	75.0			25.0
1956	21,000.0	21,000.0							
Technical Cooperation									
1954	22,028.9	7,840.5	523	6,087.0	34	4,147.8	833	2,562.6	1,391.0
1955	25,068.9	6,654.0	635	9,136.7	114	2,600.1	1,258	3,957.3	2,720.8
1956	30,000.0	7,294.4	793	11,578.8	185	3,228.3	1,078	4,840.7	3,057.8
Total All Programs									
1954	26,448.8	12,260.4	523	6,087.0	34	4,147.8	833	2,562.6	1,391.0
1955	40,050.9 a/	21,536.0	635	9,136.7	117	2,675.1	1,258	3,957.3	2,745.8
1956	51,000.0	28,294.4	793	11,578.8	185	3,228.3	1,078	4,840.7	3,057.8

a/ Includes $2,282.0 thousand programmed from savings from Prior Year Program for Support of forces in Cambodia, Laos and Vietnam.

BOLIVIA

BASIC DATA

Population (1954) ..... millions	3.2	
Annual growth ..... percent	1.2	
Area ..... 1,000 square miles	424	
Agriculture land ..... percent	0.3	
Agricultural land per capita ..... acres	0.2	

	Bolivia	L.A.	U.S.
Caloric intake	1,612	2,407	3,120
Literacy rate ..... percent	20	55	97
Infant mortality... per 1,000 births	127	87	28
Road miles....per 1,000 square miles	21	70	1,100
Elec. power per capita KWH per year	67	170	3,165

TRADE AND PAYMENTS

	1938	1951	1952	1953	1954[a]
	(millions of US $)				
Exports, f.o.b.	34	151	142	125	100
Imports, c.i.f.	29	104	107	78	n.a.
Trade balance	5	47	35	47	n.a.
Principal exports					
Tin: Quantity ..... 1,000 MT	26	34	33	35	29
Value ..... $ millions	17	93	85	83	64
Wolfram: Quantity ..... 1,000 MT	2	2	2	2	3
Value ..... $ millions	2	11	14	14	15
Trade with U.S. (U.S. Customs data)					
Exports to U.S.	1	51	56	62	47
Imports from U.S.	5	40	30	19	31
Balance	-4	11	26	43	16
Balance of payments					
Balance on goods & services		1	-5		
Net capital		1	3		
Private		-2	2		
Official and banking		3	1		
Government grants		-	1		
Long-term capital		4	-1		
Short-term capital		-1	1		
Change in gold and exchange reserves		+11	-10		
Gold and foreign exchange reserves (end of yr.)	5	43	33	31	18

PRODUCTION

	Unit	1938	1951	1952	1953	1954[a]
Major industries:						
Tin (exports)	1,000 MT	26	34	33	35	29
Petroleum	1,000 MT	18	68	68	78	193
Electricity	Million KWH	67	182	201	209	345
Cement	1,000 MT	19	39	37	34	

FINANCES

Central government budget (calendar years)	1951	1952	1953	1954[E]	1955
	(millions of US $)				
Revenue	17.8	16.7	39.1	79.1	
Expenditure	19.5	22.1	47.4	80.5	
Surplus or deficit (-)	-1.7	-5.4	-8.3	-1.4	
As % of total revenue	-10%	-32%	-21%	-2%	
Prices					
Tin prices - New York ..... U.S.$ per 100 lb.	1.27	1.20	0.95	92.1	90.2 Feb.
Cost of living: - La Paz..... (index 1948=100)	189	248	624	1,240	

EXTERNAL RESOURCES

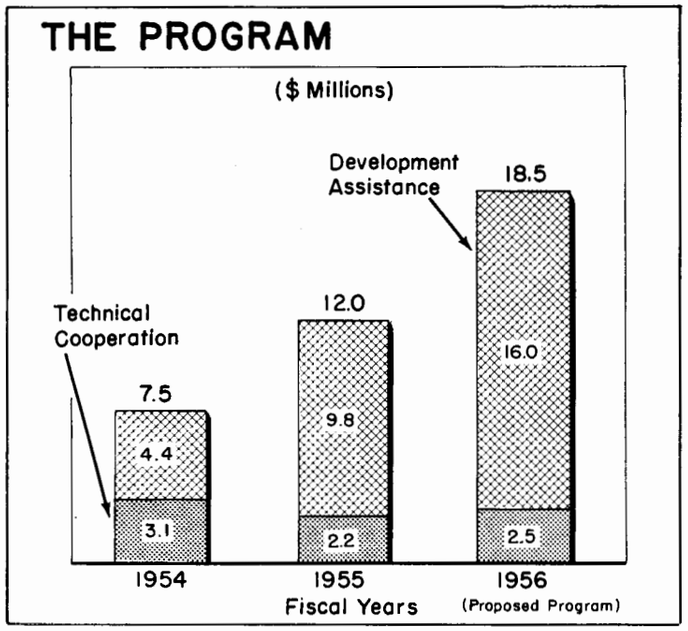
	1950	1951	1952	1953	1954	Program 1955	Program 1956
	(millions of US $)						
FOA obligations (fiscal years)	0.2	0.2	1.5	1.3	7.5	12.0	18.5
	(calendar years)						
Ex-Im Bank disbursements	3	8	3	2	2[b]		
IBRD disbursements	-	-	-	-	-		-
Book value of U.S. direct private investment	11	11	11	15	-		-

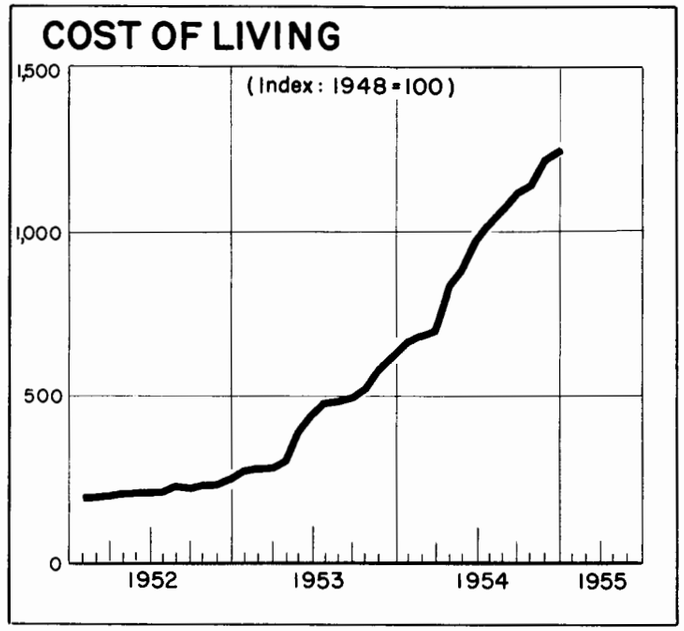
n.a. - Not available E - Estimate

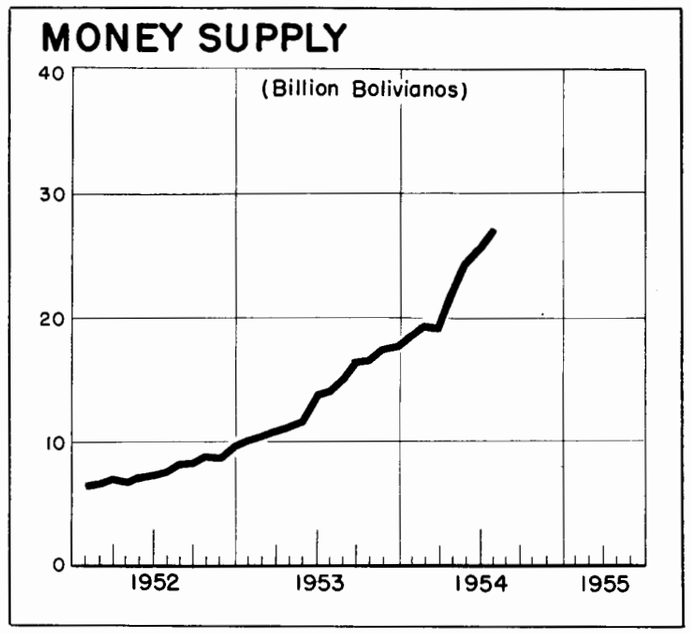
a 1954 data partly preliminary or estimated.

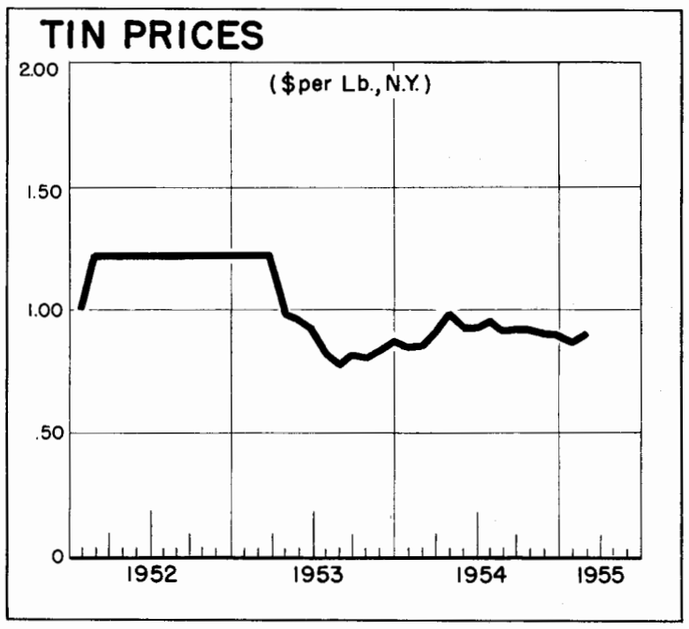
b Undisbursed Ex-Im Bank balance, December 31, 1954 - $396 thousand.

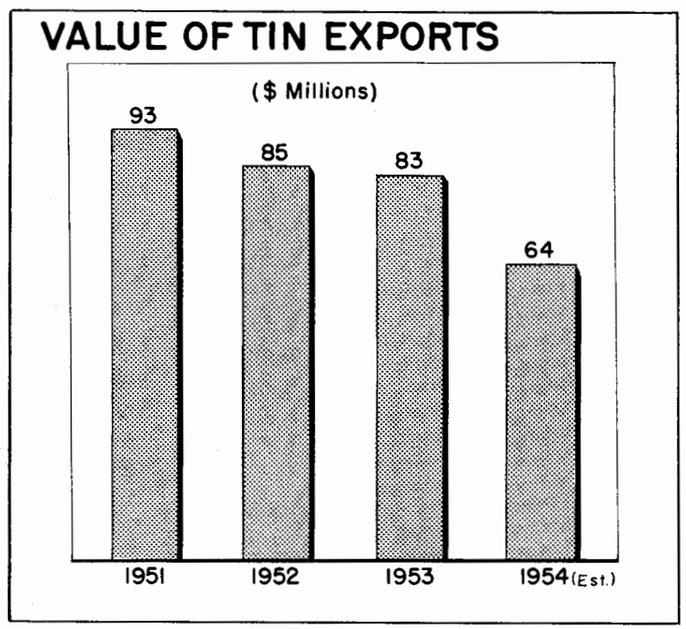
BOLIVIA

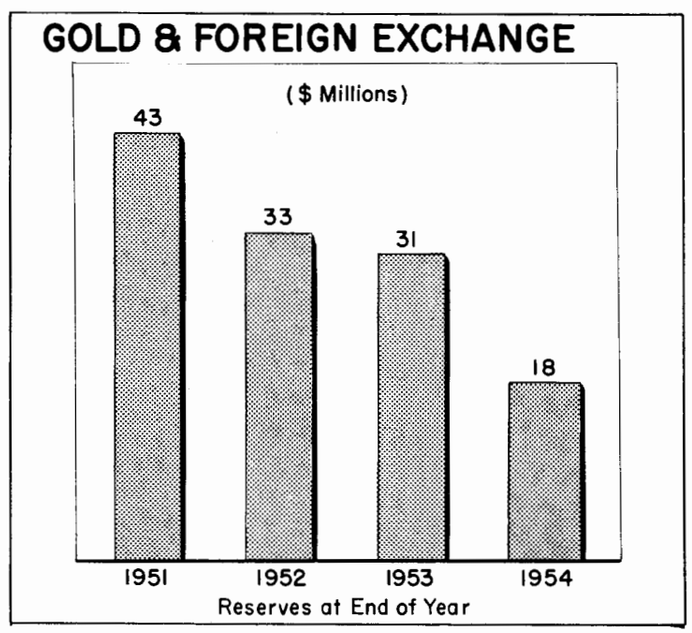

THE PROGRAM
($ Millions)
Development Assistance
Technical Cooperation
18.5
12.0
7.5
16.0
9.8
4.4
3.1
2.2
2.5
1954
1955
1956
Fiscal Years
(Proposed Program)


COST OF LIVING
(Index: 1948=100)
1,500
1,000
500
0
1952
1953
1954
1955


MONEY SUPPLY
(Billion Bolivianos)
40
30
20
10
0
1952
1953
1954
1955


TIN PRICES
($per Lb., N.Y.)
2.00
1.50
1.00
.50
0
1952
1953
1954
1955


VALUE OF TIN EXPORTS
($ Millions)
93
85
83
64
1951
1952
1953
1954(Est.)


GOLD & FOREIGN EXCHANGE
($ Millions)
43
33
31
18
1951
1952
1953
1954
Reserves at End of Year

LATIN AMERICA

Country: BOLIVIA

INDIVIDUAL COUNTRY DATA

Summary of Program by Function

(In thousands of dollars)

Function	Program FY 1954	Program FY 1955	Program Proposed FY 1956
Development Assistance	4,419.9	9,760.0	16,000.0
Technical Cooperation	3,059.7	2,213.9	2,507.9
Total Country Program	7,479.6	11,973.9	18,507.9
MSP Sales Surplus Agricultural Commodities			
1. Sales to this Country		2,148.0	10,000.0
2. Sales Proceeds Programmed in this Country		2,148.0	10,000.0

General Narrative Statement

Current Situation

Bolivia's foreign exchange earnings depend almost entirely on mineral exports, of which tin constitutes 66 percent. A substantial portion of its foreign exchange earnings are used to import basic foodstuffs since Bolivian domestic production amounts to less than 50 percent of its minimum requirements.

In addition to Bolivia's vulnerability to fluctuations in the world's metal markets, the country's development is impeded by its mal-distribution of population. Most Bolivians live in the highlands which contain little fertile land. Only a few live in the lowlands east of the Andes which is a potentially important agricultural area. Inadequate transportation is also a major problem.

The current situation in Bolivia is a result of the decline in the world tin prices which fell from about $1.20 a pound in the first quarter of 1953 to about $.80 per pound in the second quarter of that year. The resulting severe drop in foreign exchange earnings has continued to the present time. Since Bolivia must import at least 50 percent of her minimum food requirements, as well as certain other economic essentials, including items required to maintain tin production, her foreign exchange expenditures could not be reduced to the same extent as her receipts without serious economic and political repercussions.

The over-all situation in Bolivia by mid-1953, was deteriorating at a rate which threatened to cause a severe economic crisis unless outside assistance was provided. In November 1953, the U.S. initiated a program of economic assistance to Bolivia which was designed: (a) to relieve the immediate threat of famine and maintain political stability; and (b) to assist Bolivia in remedying the basic cause of her crisis through economic diversification and the opening of new lands to cultivation.

Although progress has been made, the economic situation

General Narrative Statement (Continued)

in Bolivia remains critical and several years will be required before agricultural development operations, the most important single element in the development program, will succeed in substantially increasing food production.

The political situation in Bolivia is relatively stable at present. The Government is favorably disposed toward the U.S. Recent developments in oil production and the receptive Bolivian attitude toward foreign private investment are very encouraging.

Program Objectives

The maintenance of political stability in Bolivia is important to the U.S. It is in the U.S. interest to assist Bolivia in its efforts to restore its economic equilibrium and proceed with its development program.

The immediate objectives of the U.S. assistance program in Bolivia are to prevent hunger and to maintain stability. The long range objectives of our program are to assist Bolivia in its efforts: (a) to create a more diversified economy, based on development of her potential resources so as to reduce the dependence on a few export items to meet her essential import needs; and (b) to achieve a measure of economic viability within Bolivia's own resources.

More specifically, the objectives of individual elements of our programs are to assist Bolivia in its efforts: to increase agricultural production on land now under cultivation and in bringing new lands into production; to overcome health problems which currently lower human productivity and inhibit the occupation of new land areas; to raise the level of literacy and to strengthen vocational education; and in improving transportation, public administration, and the private investment climate.

Progress to Date

The degree of stability which has been maintained by the Bolivian Government and its people is a most significant element of progress to date. The attitude of the country toward its problems and its determination to resolve them are very positive factors. Another over-all factor in progress to date is the close coordination among different segments of the U.S. assistance program in Bolivia and the degree of coordination being achieved between Bolivian efforts and all outside resources being brought to bear on the problem.

Immediate objectives of averting hunger and maintaining stability are being successfully met through the use of agricultural surplus commodities and the supplying of additional foods and fibers financed by development assistance funds. Work is also progressing on our long term objectives. The technical cooperation program has been strengthened. The development assistance program is supplying essential dollar commodities. Counterpart funds are being effectively used for development purposes.

Technical Cooperation

Agriculture and Natural Resources: Agriculture claims a major share of the technical cooperation program since increased food production is a prime essential of Bolivia's development. The program is designed to assist Bolivia in increasing production on lands now under cultivation and in putting additional lands into cultivation with particular emphasis placed on training Bolivians to carry on the work independently.

Research, experiment and extension service operations are moving forward. Four experiment stations are now in operation and are concentrating on the problems limiting agricultural output. An extension service is functioning in eight departments with 29 provincial offices. U.S. technicians are advising on the operation of this service through which improved crop and livestock practices are being introduced. Technicians provided through the technical cooperation program are guiding and assisting machinery pool operations for land clearing and other activities designed to develop the Santa Cruz area. Bolivia has established a supervised agricultural credit program. North American technicians assisted in its organization and are lending assistance in its operation while training Bolivians in the field of supervised credit.

General Narrative Statement (Continued)

Health and Sanitation: The health program, which is slanted toward increasing worker productivity and overcoming disease problems encountered in opening new areas of the country, is continuing to produce results. Bolivian public health facilities and services have been improved and increased attention has been given to environmental sanitation, sanitary water supplies and industrial hygiene. Thirteen health centers and four mobile health units are now in operation. An industrial health laboratory was completed in 1954. The health servicio provided medical service to 642,713 people in 1954.

Transportation: Both technical cooperation and development assistance efforts are being brought to bear on transportation, the inadequacy of which is a major obstacle in Bolivia's economic development. Surface transportation is being improved through technical cooperation assistance in the development of feeder and farm-to-market roads and in road maintenance. Efforts of one civilian advisor are also being directed toward the improvement of air freight movements from remote areas to centers of population; and advances have been made in the operation and domestic maintenance of aircraft. A public highway servicio, designed to further progress in the transportation field, was formed this spring.

Education: Progress has also been made in the education field. Emphasis is being placed on increasing literacy, teacher training and vocational education to develop agricultural and mechanical skills. Two rural central schools and 50 dependent schools opened under the program were transferred to Bolivian responsibility in 1954. In the Montero section of the Santa Cruz area, an agricultural vocational school is being established which will combine education, agriculture and health training activities to assist in development of the agriculturally important Santa Cruz area. Particular emphasis will be given to working with the youth of that area.

Other Activities: Assistance in public administration is being strengthened through a contractual arrangement with a U.S. university to help in developing training facilities for public servants. Assistance in the private investment field has resulted in a new petroleum code which is being drafted with assistance by a U.S. specialist in the field. In this context, exploration of oil resources in Bolivia shows great promise. In 1954, Bolivia for the first time became a net exporter of petroleum. About $2 million in foreign exchange was earned from this source. In the field of industry and mining, Bolivia is receiving assistance under UN auspices.

Development Assistance

Development assistance funds are being used to purchase agricultural machinery, agricultural supplies and materials, transportation and road building and maintenance equipment, medical and sanitary equipment and supplies, and other items required by Bolivia to develop her resources. Counterpart funds generated by the sale of surplus agriculture commodities and the sale of items purchased by development assistance funds are being used to supply the local currency needed in carrying out Bolivia's development plan.

An estimated 12,000 acres of new land has been brought into production in the Santa Cruz area with the machinery purchased with development assistance funds. Fertilizer and pesticides purchased in 1954 calendar year have resulted in marked increases in production.

The most important single advance in Bolivian transportation has been the opening of the Cochabamba-Santa Cruz highway which links the city of La Paz and other population centers in the highlands with the areas of major agricultural potential in the eastern lowlands. This highway, opened in September 1954, was financed in large part by the Export-Import Bank.

A substantial beginning was made in FY 1955 toward the development of a road network in the Santa Cruz area. Metal culverts and road machinery supplied with development assistance funds contributed much to this activity. Air transportation from the Beni area to La Paz is being improved and the Beni area is becoming a meat supply source for the densely populated altiplano. Airplane parts purchased in FY 1954 have assisted this development.

General Narrative Statement (Continued)

The FY 1956 Program

The proposed U.S. assistance program for FY 1956 follows the original plan set up late in 1953 and is fully integrated with Bolivia's own over-all development plans.

Technical Cooperation

The technical cooperation program follows the FY 1955 pattern with greater emphasis being placed on development of new agricultural areas, highway maintenance and feeder road construction, and public administration.

Technicians working in the field of agriculture will intensify their efforts to help the Bolivian agencies working to develop the agriculture potential of the Santa Cruz and Beni areas. It is expected that the food production will increase at a more significant rate in 1956 as a result of the accelerated technical cooperation. Work in health and sanitation will concentrate on environmental sanitation and public health measures necessary to insure conditions compatible with the development of the new areas. Work in the field of public administration under the contract with an American university will result in improvement in the level of competency of government employees. This will be a base on which better administrative practices can be developed by the Bolivian Government with assistance and guidance by U.S. technicians. The remainder of program will follow the present pattern.

Development Assistance

The proposed development assistance program provides for $9 million for foodstuffs, $1 million for ocean freight and $6 million for dollar procurement of non-agricultural commodities.

Similar to FY 1955, the proposed FY 1956 assistance for dollar procurement of non-agricultural commodities will concentrate on agricultural and transportation equipment. A small program to assist the Bolivian Government in European and Okinawan immigration and in the migration of Indians from the Altiplano to the Santa Cruz area is planned as a part of the over-all agricultural development program.

LATIN AMERICA

Country: BOLIVIA

INDIVIDUAL COUNTRY DATA

Summary by Major Activity Field

(In thousands of dollars)

Programs by Fiscal Year	Total U. S. Cost	Agriculture and Natural Resources	Industry and Mining	Transportation	Labor	Health and Sanitation	Education	Public Administration	Community Development Social Welfare and Housing	Import of Saleable Commodities	All Other
Development Assistance											
1954	4,419.9	1,050.0	136.0	122.0		15.0				3,096.9	
1955	9,760.0	4,568.6	303.0	824.4		304.0				3,760.0	
1956	16,000.0	4,500.0	310.0	890.0		300.0				10,000.0	
Technical Cooperation											
1954	3,059.7	2,452.6		30.5	19.1	261.3	278.0	3.4	8.2		6.6
1955	2,213.9	804.5	83.9	172.6	87.8	343.5	412.6	292.3	8.8		7.9
1956	2,507.9	1,024.0	11.0	252.9	80.7	450.5	442.7	192.0	16.2		37.9
Total All Programs											
1954	7,479.6	3,502.6	136.0	152.5	19.1	276.3	278.0	3.4	8.2	3,096.9	6.6
1955	11,973.9	5,373.1	386.9	997.0	87.8	647.5	412.6	292.3	8.8	3,760.0	7.9
1956	18,507.9	5,524.0	321.0	1,142.9	80.7	750.5	442.7	192.0	16.2	10,000.0	37.9

LATIN AMERICA

INDIVIDUAL COUNTRY DATA

Country: BOLIVIA

Summary by Major Cost Components

(In thousands of dollars)

Programs by Fiscal Year	Total U. S. Cost	Supplies, Equipment & Grants to Servicios	U.S. Government Technicians Number Employed June 30	U.S. Government Technicians Cost	Contract Services Number Employed June 30	Contract Services Cost	Participants No. of Persons	Participants Cost	Other Costs
Development Assistance									
1954	4,419.9	4,419.9							
1955	9,760.0	9,760.0							
1956	16,000.0	16,000.0							
Technical Cooperation									
1954	3,059.7	2,246.0	40	479.1		132.2	37	149.4	53.0
1955	2,213.9	566.0	55	763.0	8	419.0	96	382.6	83.3
1956	2,507.9	715.0	64	1,021.8	12	281.0	87	349.5	140.6
Total All Programs									
1954	7,479.6	6,665.9	40	479.1		132.2	37	149.4	53.0
1955	11,973.9	10,326.0	55	763.0	8	419.0	96	382.6	83.3
1956	18,507.9	16,715.0	64	1,021.8	12	281.0	87	349.5	140.6

INDIVIDUAL COUNTRY DATA (EXCLUDING MILITARY ASSISTANCE AND TECHNICAL COOPERATION)

Summary of Commodity Imports and Services

(In thousands of dollars)

Illustrative Composition of Country Program	Actual FY 1954	FY 1955 Development Assistance			FY 1956 Development Assistance		
		For Project Utilization	For Consumption and Generating Local Currency	Total	For Project Utilization	For Consumption and Generating Local Currency	Total
Commodities							
Food and Agricultural Imports							
Bread Grains			900.0	900.0		7,000.0	7,000.0
Fats and Oils	696.9		1,638.4	1,638.4		2,000.0	2,000.0
Cotton	1,000.0		-	-		-	-
Ocean Transportation	1,400.0		1,221.6	1,221.6		1,000.0	1,000.0
Total Food and Agricultural Imports	3,096.9		3,760.0	3,760.0		10,000.0	10,000.0
Less Sales Proceeds Programmed for Other Countries							
Net U.S. Financed Food and Agric. Imports	3,096.9		3,760.0	3,760.0		10,000.0	10,000.0
Industrial Imports							
Machinery and Vehicles	1,323.0	6,000.0		6,000.0	6,000.0		6,000.0
Total Industrial Imports	1,323.0	6,000.0		6,000.0	6,000.0		6,000.0
Less Sales Proceeds for Coal Programmed for Other Countries							
Net U.S. Financed Industrial Imports	1,323.0	6,000.0		6,000.0	6,000.0		6,000.0
Total Commodity Program	4,419.9	6,000.0	3,760.0	9,760.0	6,000.0	10,000.0	16,000.0
Transfer of Cash							
Services							
TOTAL COUNTRY PROGRAM	4,419.9	6,000.0	3,760.0	9,760.0	6,000.0	10,000.0	16,000.0

BRAZIL

BASIC DATA

			Brazil	L.A.	U.S.
Population (1954)..... millions	57.1				
Annual growth..... percent	2.4				
Area..... 1,000 sq.mi.	3,280	Caloric intake..... ...	2,300	2,407	3,120
Agricultural land..... percent	6	Literacy rate..... percent	50	55	97
Potentially productive land..... percent	3.4	Life expectancy..... years	46	45	68
		Road miles per 1000 sq.mi.	58	70	1,100
Agricultural land per capita..... acres	2	Elec. power per capita..... KWH per yr.	185	170	3,165

USE OF RESOURCES - 1954

		$
Gross national product (millions of U.S. dollars).....	13,775	
Consumption.....	10,305	75
Gross investment (public and private)	1,955	14
Government non-defense expenditure.....	1,482	11
Government defense expenditure.....	309	2
Net foreign balance.....	-276	-2
Per capita GNP (dollars).....	240	

(FOA estimates; converted at 37 cruzeiros per US $)

TRADE AND PAYMENTS

	1938	1951	1952	1953	1954[a]
		(millions of US $)			
Exports, f.o.b.	289	1,757	1,409	1,539	1,562
Imports, c.i.f.	295	2,011	2,010	1,319	1,634
Trade balance	-6	-254	-601	220	-72
Principal exports					
Coffee: Quantity..... 1,000 MT	1,027	981	949	934	655
Value..... $ millions	133	1,051	1,038	1,090	940
Cotton, raw: Quantity..... 1,000 MT	269	143	28	140	309
Value..... $ millions	54	207	35	107	230
Trade with U.S. (U.S. Customs data)					
Exports to U.S.	98	911	808	769	682
Imports from U.S.	62	700	565	297	453
Balance.....	36	211	243	472	129
Balance of payments					
Balance on goods & services.....		-468	-708	70	-276
Net capital.....		211	737	-16	251
Private.....		72	649	-379	47
Official and banking.....		139	88	363	298
Government grants.....		1	2	3	*
Long-term capital.....		-18	2	302	167
Short-term capital.....		156	84	58	131
Change in gold and exch. reserves.....		-135	-20	+76	-69
Gold and foreign exchange reserves (end of yr.)	62	588	568	644	575[b]

PRODUCTION

	Unit	1938	1951	1952	1953	1954[a]
Industrial production.....	1948=100	50	129	137	146	150
Agricultural production[e].....	1935-39=100	100	123	129	n.a.	
Major crops[e]:						
Coffee	1,000 MT	1,520	1,086	1,150	1,140	1,080
Corn	1,000 MT	5,465	5,907	5,908	6,096	6,985
Cotton	1,000 MT	424	425	340	375	425
Major industries:						
Electricity.....	million KWH	n.a.	8,758	9,498	10,308	
Iron ore (65% metal content).....	1,000 MT	368	1,320	1,561	1,547	1,678

FINANCES

Central government budget (calendar years)	1951	1952	1953	1954[E]	1955
	(millions of US $)				
Revenue	741	831	1,002	1,135	
Expenditure.....	665	769	1,079	1,135	
Defense.....	206	250	304	309	
Other expenditure.....	459	519	775	826	
Capital outlay[f].....	(110)	(112)	n.a.	n.a.	
Surplus or deficit (-)	76	62	-77	-	
As % of total revenue.....	10%	7%	-8%	-	
Defense expend. as % of budget.....	31%	33%	28%	27%	
Prices (index 1948=100)					
Wholesale: Sao Paulo & Porto Alegre	154	171	191	209	
Cost of living: Sao Paulo	113	133	162	190	

EXTERNAL RESOURCES

	1950	1951	1952	1953	1954	Programs 1955	1956
	(millions of US $)						
FOA obligations (fiscal years).....	0.6	0.4	2.6	3.2	2.3	3.0	3.5
	(calendar years)						
Ex-Im Bank disbursements.....	6.0	9.0	10.0	336.0	46.0[c]		
IBRD disbursements.....	21.8	28.7	20.4	7.5	32.0[d]		
U.S. private investment (net)							
New direct investment.....	20	92	125	-50			
Reinvested subsidiary earnings.....	36	67	85	38			
Book value of U.S. direct private investment.....	644	803	1,013	1,003			

* Less than $500,000. n.a. - Not available. P - Preliminary. E - Estimate

a 1954 data partly preliminary or estimated.
b Gross basis; gold and foreign exchange almost entirely committed for U.S. bank loans and IBRD contractual interests.
c Undisbursed Ex-Im Bank balance, December 31, 1954 - $125.6 million.
d Undisbursed IBRD balance, December 31, 1954 - $58.7 million.
e Crop years beginning year stated.
f Included in all other categories.

Revised May 18, 1955

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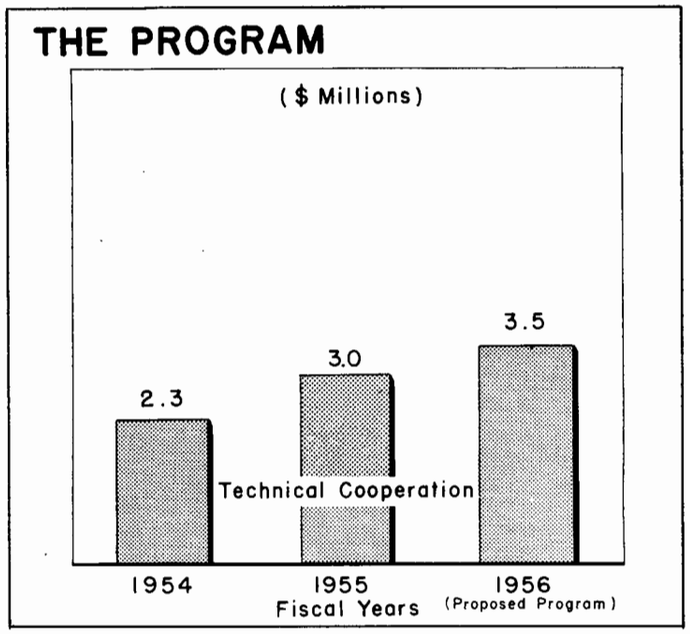
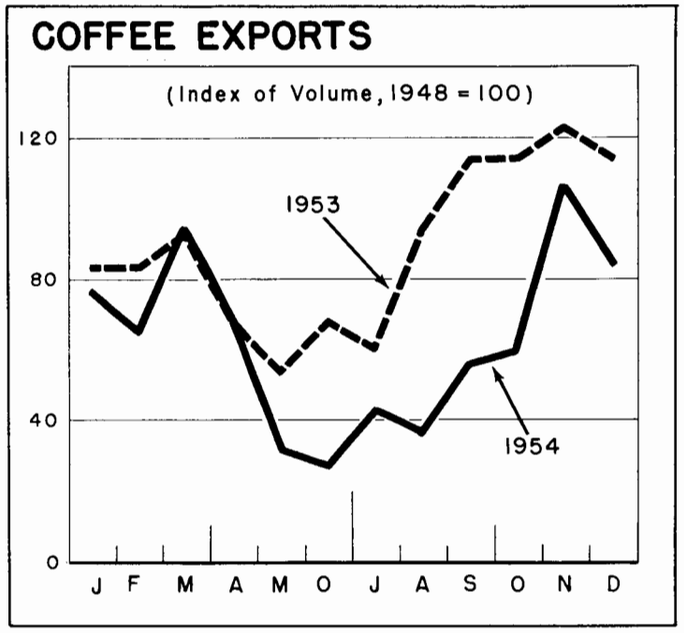
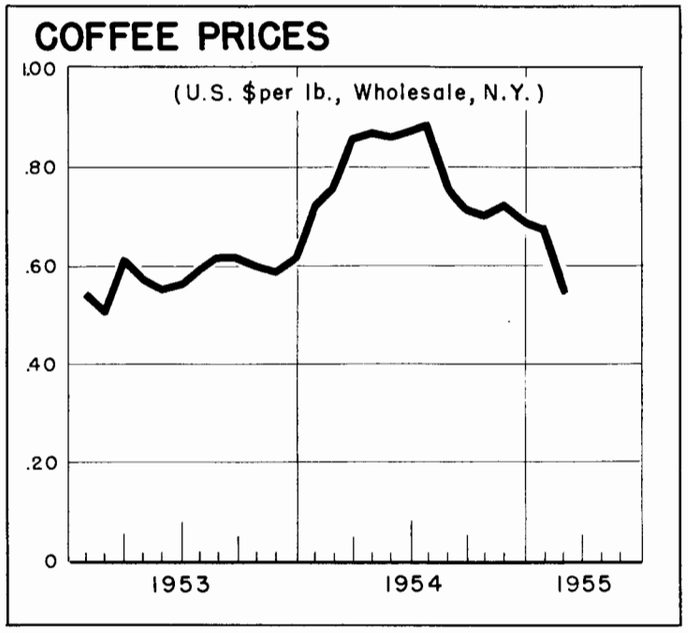
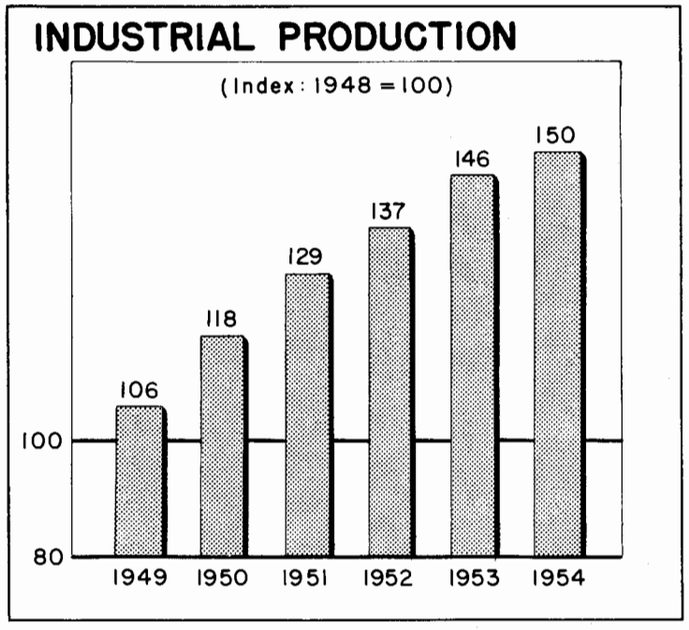
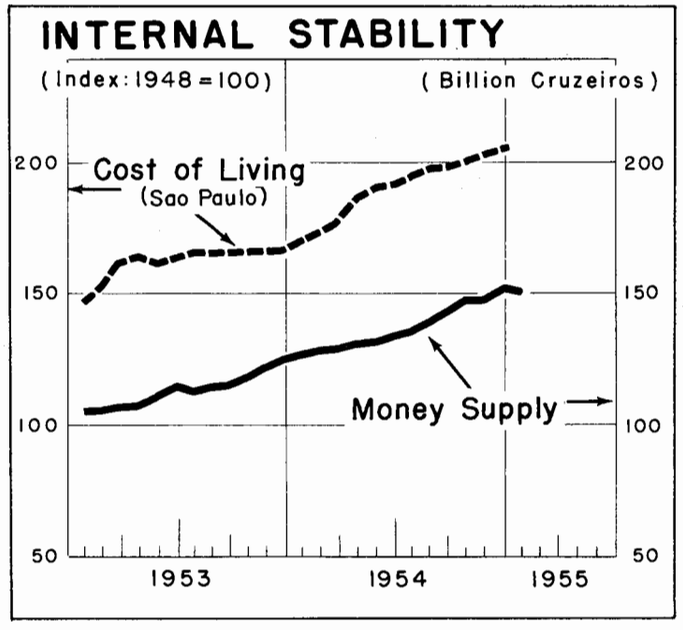
BRAZIL

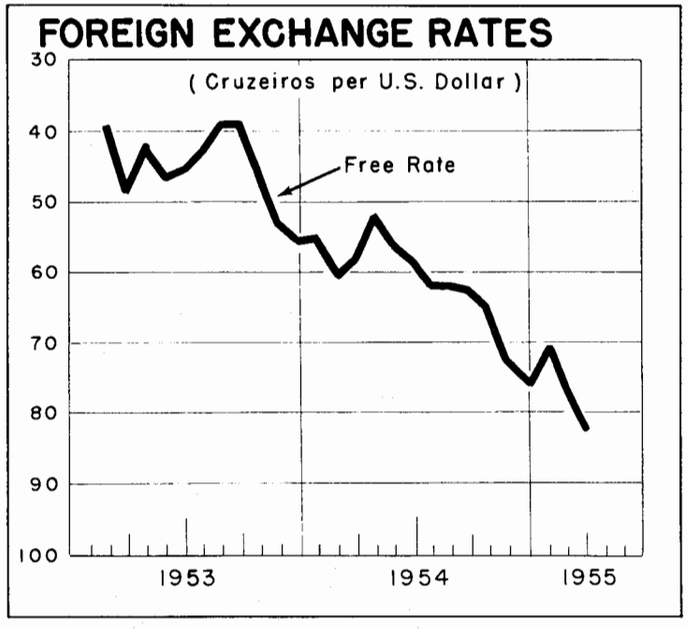

THE PROGRAM
($ Millions)
2.3
3.0
3.5
Technical Cooperation
1954
1955
1956
Fiscal Years
(Proposed Program)


COFFEE EXPORTS
(Index of Volume, 1948 = 100)
120
80
40
0
1953
1954
J F M A M O J A S O N D


COFFEE PRICES
(U.S. $per lb., Wholesale, N.Y.)
1.00
.80
.60
.40
.20
0
1953
1954
1955


INDUSTRIAL PRODUCTION
(Index: 1948 = 100)
106
118
129
137
146
150
100
80
1949
1950
1951
1952
1953
1954


INTERNAL STABILITY
(Index: 1948 = 100)
(Billion Cruzeiros)
Cost of Living
(Sao Paulo)
Money Supply
200
150
100
50
1953
1954
1955


FOREIGN EXCHANGE RATES
(Cruzeiros per U.S. Dollar)
Free Rate
30
40
50
60
70
80
90
100
1953
1954
1955

LATIN AMERICA

INDIVIDUAL COUNTRY DATA

Country: BRAZIL

Summary of Program by Function

(In thousands of dollars)

Function	Program FY 1950/54	Program FY 1955	Program Proposed FY 1956
Military Assistance	a/	a/	a/
	FY 1954		
Technical Cooperation	2,265.6	3,012.3	3,485.5
Total Country Program Other Than Military Assistance	2,265.6	3,012.3	3,485.5

a/ Data included in separate submission on Military Assistance.

General Narrative Statement

Current Situation

Brazil's economic problems have become increasingly serious in recent months. The decline in coffee exports has resulted in a shortage of foreign exchange and essential imports have been curtailed. Inflationary pressures have increased and the rise in the cost of living is causing growing discontent among low income groups which is being exploited by Communist elements.

Over-dependence on coffee for the major portion of its foreign exchange earnings places Brazil in a vulnerable position subject to fluctuations in the world market. This vulnerability was especially evident during 1954. Coffee exports, which normally represent about 70 percent of export earnings declined to about 60 percent of the total in 1954, despite a rise in coffee prices to 73 cents per pound as compared to 53 cents in 1953. Coffee exports in 1954 were $150 million below 1953. While coffee losses were to some extent offset by a rise in the world market price of cacao, Brazil has been forced to apply rigid import restrictions.

Brazil's industrial expansion slowed down during the latter part of 1954 owing to reduced imports of raw materials. In addition, new investment dropped owing to restrictions on imports of capital goods. Total capital investment in 1954 amounted to 14 percent of gross national product — the lowest percentage since the end of World War II. Agriculture production

General Narrative Statement (Continued)

however, increased in 1954 by almost 9 percent over the previous year.

Inflationary pressures increased. A 23 percent increase in the money and a 17 percent increase in the general price index since 1953 occurred during 1954. To relieve inflationary pressures, the Cafe Filho Government adopted more stringent fiscal and monetary policies during the last quarter of 1954. Revised foreign exchange regulations have been implemented to boost export incentives.

Brazilians feel at present that they are unable to mobilize the capital necessary to an accelerated development of transportation, communication and power facilities. There is a shortage of qualified technicians and basic vocational skills. Management techniques require improvement. Health and education facilities are not sufficient for the full realization of Brazil's economic potential.

Program Objectives

The United States desires to assist Brazil, where feasible and when requested, in her efforts to achieve further economic development. U. S. policy supports technical cooperation objectives, which include: (1) strengthening the agricultural, industrial and rural elementary educational institutions, (2) encouraging crop diversification and improving agricultural production and marketing, (3) developing modern and efficient state public health services, (4) improving and strengthening the Federal, State and Municipal agency administrative methods, and (5) surveying Brazil's mineral resources.

The purpose of the Military Assistance Program is to enable the country to accomplish the military roles and missions assumed in the mutual defense of the Western Hemisphere and to strengthen their collective effort against possible Communist or other aggression.

Progress to Date

Technical Cooperation

Agriculture and Natural Resources: The Agriculture Servicio began operations in FY 1954. Activity thus far has been the initiation and development of projects in agricultural education; biological research on plant diseases; home economic and teacher training courses; cacao and rubber production; and a reorganization of existing extension services. Additional activities include a demonstration farm and national training center for soil conservation and irrigation workers; farm machinery operators and mechanics; improved dairy products production methods; and supervised farm credit and extension services in cooperation with ACAR (Rural Credit Association) and ANCAR (Rural Credit Association of the Northeast).

A new attitude toward agriculture is beginning to show its effects in the wider use of fertilization, more interest in and requests for assistance in irrigation, and mechanization. There is a steady trend towards contour plowing and other methods of soil conservation.

Mining and Industry: United States Geological Survey and Bureau of Mines technicians have been working with DNPM (Brazilian geological and mining institution) since 1948 and have already brought nearly nine billion dollars worth of ore to the attention of Brazilian and North American mining companies.

Transportation: A complete survey and recommendations for improvement of the transportation systems of Brazil were made by the Joint Brazil-United States Economic Development Commission. The final report of the Commission, The Development of Brazil, was published December 1954; the accompanying volume, Brazilian Technical Studies, was published in early March 1955. Applications for transportation and power loans of about $200 million are now pending with International Bank for Reconstruction and Development.

General Narrative Statement (Continued)

U. S. Civil Aeronautics technicians during FY 1955 made a study of, and proposed a program for installation and use of air navigational aids in Brazil.

Health and Sanitation: Since 1942, 241 activities initiated by the program have been turned over to Brazil for further implementation. These transfers include projects in the control and treatment of communicable and other diseases; operation and maintenance of health center, clinics and river launch dispensaries; instruction in child care and nutrition; training of visiting nurses and many others. Advances in the national standards of health have been substantial. Statistics indicate that the average life span has increased by 10 years in the Amazon area since our activities began there. Brazil's contributions to this program have increased from a 1 to 1 ratio to a 30 to 1 ratio.

Education: Industrial education activities began in 1946. U. S. technicians are now working with 23 major national vocational schools, developing new curricula, replanning equipment, training staffs, organizing workshops and summer sessions for teachers and supervisors from all Federal vocational schools. They are also making industrial surveys, developing new instructional materials, improving shop organization and management, and continuing training-within-industry courses. Over 1,800 teachers and supervisors have been trained in Brazil and 132 trained in the U. S.; 103 textbooks and manuals have been prepared and over 600,000 distributed; new teaching methods have been introduced into 23 Federal and 15 State schools; and over 130,000 industrial workers and foremen have been trained throughout Brazil, including over 28,000 in the Sao Paulo area.

Apprenticeship training began in 1952. It has resulted in a reorganization of the apprentice training system in the cotton textile industry. Instructional materials in Portugese have been developed.

Public Administration: Technical cooperation in Public Administration began in 1952. Four of the nineteen projects for administrative improvement have been completed.

Technical cooperation in Business Administration began in June 1953 under a contract with Michigan State College providing four professors to establish the first University level School of Business Administration in Sao Paulo. These professors are organizing class lectures, developing modern instructional material, training teachers, and organizing courses for undergraduates and business executives. Many requests from business interest to develop courses in industrial training also have been received. These requests reflect a greater appreciation of the need for increasing productivity.

Community Development, Social Welfare and Housing: Shelter improvement projects were started in FY 1955. Technical cooperation in social welfare began in October 1954. Projects in this activity are in initial stages of development.

Military Assistance

The Brazilian Army's cooperation and the desire to create outstanding units indicate that as the program progresses it will be possible to list significant improvements. At present there has been insufficient time to utilize the end items provided under field condition. The servicing and the care of equipment in storage indicates that maintenance will be good. It is considered that the Brazilian Army can and will effectively utilize all equipment that may be provided under the presently authorized and recommended programs.

The Navy program is progressing satisfactorily. It is considered that, with the training programs now in effect and given a sufficient period to acquire experience, all equipment can be expected to be operated and maintained satisfactorily.

General Narrative Statement (Continued)

The receipt of aircraft and related equipment has permitted the activation of propeller driven hemisphere defense squadrons. Spare parts for aircraft are now arriving in sufficient quantity to place many unserviceable aircraft in a serviceable condition. The Brazilian Air Force has the ability, and is being trained to operate, maintain and utilize all equipment provided to date. There is no doubt that the capabilities of the Air Forces are increasing and that it is slowly becoming more effective through its own efforts and the Military Assistance Program.

The previous year programs have provided, within the availability of funds, selected items of equipment for Brazilian Army units, modernization equipment for Brazilian Naval vessels (some of which were furnished under Lend-Lease), propellor type aircraft to the Brazilian Air Force, and training assistance to all three Services.

The FY 1956 Program

The Program for FY 1956 is a continuation of present activities with a redirection of emphasis based on progress already made.

Agricultural and Natural Resources: Several of the new sub-projects planned for FY 1956 are:

(1) Assistance to the State of Parana for immediate preparation and implementation of a master plan for Area Development which will include technical assistance in agriculture, and supporting projects in health and sanitation, vocational and rural education, public and business administration, social welfare, home economics and shelter;

(2) Extension, seed production and farm machinery services for the Rural Association in Londrina, State of Parana;

(3) Introduction of modern milk production and processing methods in Recife, State of Pernambuco;

(4) Introduction of modern farm mechanization methods in the lower San Francisco River Valley;

The cooperative agricultural Servicio will continue to work very closely with the various state and local governmental and agricultural organizations concerned with the increase of agricultural production and improvement of rural life in Brazil.

Industry and Mining: It is proposed to augment the present minerals staff by two diamond experts to appraise, determine and survey the potential diamond resources of Brazil. A statistician is planned to review, compile and edit the voluminous files on minerals in the American Embassy for the purpose of making this material available to U. S. Government agencies and private firms interested in minerals development.

Transportation and Power: Should positive action be taken on the transportation and power loan applications now pending with the International Bank for Reconstruction and Development, it is anticipated that at least three advisors would be required for technical assistance in implementing public road, railway and power projects.

Labor: A labor training advisor is proposed to assist the Embassy Labor Attache in the selection and processing of labor leaders and labor trainees to be sent to the United States for orientation and training.

Health and Sanitation: New sub-projects are planned to strengthen the structure of the State Public Health Departments for the eventual take-over of the health and sanitation projects located in the respective states.

Education: It is anticipated that a rural education project will be initiated during FY 1956 based upon the findings of a proposed survey of rural education facilities to be conducted under a university contract. In secondary education, it is planned to implement a sub-project in the fields of industrial arts and audio-visual aids. These activities have not been a part of the curricula of the majority of public schools in Brazil.

General Narrative Statement (Continued)

Public and Business Administration: Contracts with U. S. universities are planned to give assistance in public and business administration training to the universities of Sao Paulo and Bahia. Specialized training in the United States will be provided in municipal planning, budgeting and other administrative fields.

It is also planned to provide one short-term consultant in statistics and the measurement of national income to advise the Brazilian Institute of Economics.

Community Development, Housing and Social Welfare: A low-cost rural housing project is planned in cooperation with Fundacao Casa Popular (National Housing Association similar to FHA in the U. S.). One objective of this project is to improve shelter in the areas. This project also envisages an improvement in the economic status of the communities where low-cost self-aid housing development is planned, as well as to provide a demonstration in the use of indigenous building materials.

The Brazilian Government has also requested technical advice in the planning and organization of its social service school.

LATIN AMERICA

Country: BRAZIL

INDIVIDUAL COUNTRY DATA

Summary by Major Cost Components

(In thousands of dollars)

Programs by Fiscal Year	Total U. S. Cost	Supplies Equipment & Grants to Servicios	U. S. Government Technicians		Contract Services		Participants		Other Costs
			No. Employed June 30	Cost	No. Employed June 30	Cost	No. of Persons	Cost	
Technical Cooperation									
1954	2,265.6	865.0	70	680.9	11	120.0	157	449.3	150.4
1955	3,012.3	750.0	90	1,248.9	9	90.0	200	640.0	283.4
1956	3,485.5	850.0	112	1,455.7	21	150.0	220	676.1	353.7

Summary by Major Activity

(In thousands of dollars)

Programs by Fiscal Year	Total U. S. Cost	Agriculture and Natural Resources	Industry and Mining	Transportation	Labor	Health and Sanitation	Education	Public Administration	Community Develop. Soc. Welf. & Housing	All Other
Technical Cooperation										
1954	2,265.6	519.1	183.8	23.6	5.1	605.9	403.2	408.2	45.2	71.5
1955	3,012.3	994.3	249.7	81.0	68.2	757.0	392.4	304.8	74.8	90.1
1956	3,485.5	1,055.0	302.7	110.0	62.0	719.2	691.5	253.2	195.7	96.2

CHILE

BASIC DATA

			Chile	L.A.	U.S.
Population (1954).....millions	6.2	Caloric intake	2,400	2,407	3,120
Annual growth..... percent	2.4	Literacy rate.....percent	72	55	97
Area.....1,000 sq. mi.	286	Life expectancy.....years	39	45	68
Agricultural land....percent	26	Road miles per 1,000 sq.mi.	106	70	1,100
Agricultural land per capita.....acres	8	Elec. power per capita ..... KWH per yr.	328	170	3,165
Potentially productive land.....percent	22				

USE OF RESOURCES - 1954

		%
Gross national product (million U.S. dollars).....	2,440	
Consumption	1,895	78
Gross investment (public and private)	270	11
Government non-defense expenditure	305	12
Government defense expenditure	72	3
Net foreign balance	-102	-4
Per capita GNP (dollars)	390	-

(FOA estimates; converted at 200 pesos per U.S. $)

TRADE AND PAYMENTS

	1938	1951	1952	1953	1954[a]
	(millions of US $)				
Exports, f.o.b.	131	371	454	409	402
Imports, c.i.f.	103	329	371	335	343
Trade balance	28	42	83	74	59
Principal exports					
Copper ores and bars: Quantity.....1,000 MT	356	332	345	329	320
Value.....$ millions	68	171	249	234	240
Sodium nitrate: Quantity.... 1,000 MT	1,573	1,598	1,321	1,236	1,675
Value.....$ millions	29	68	64	55	
Trade with U.S. (U.S. Customs data).....					
Exports to U.S.	28	203	286	242	197
Imports from U.S.	25	166	130	98	74
Balance.....	3	37	156	144	123
Balance of payments					
Balance on goods and services.....		-45	7	-73	
Net capital		45	27	73	
Private		40	34	62	
Official and banking		5	-7	11	
Government grants		-	-	-	
Long-term capital		7	-2	4	
Short-term capital.....		-2	-5	7	
Change in gold and exch. reserves		-	+18	+1	
Gold and foreign exchange reserves (end of yr.)	49	78	96	97	90

PRODUCTION

	Unit	1938	1951	1952	1953	1954[a]
Manufacturing production	1948=100	61	119	133	142	146
Agricultural production	1948=100	90	90	86	108	
Major crops:						
Wheat[d].....	1,000 MT	859	990	1,100	955	1,042
Meat	1,000 MT	75	81	78	81	70
Major industries:						
Electricity.....	mill. KWH	502	1,682	1,872	1,992	2,168
Coal.....	1,000 MT	2,044	2,211	2,460	2,340	2,258
Iron ore (metal content)	1,000 MT	950	1,961	1,393	1,742	2,198
Copper, smelter production	1,000 MT	338	360	383	337	332

FINANCES

	1951	1952	1953	1954	1955[E]
	(millions of US $)				
Central government budget (calendar years)					
Revenue	130.0	180.9	218.6	372.0	395.9
Expenditure.....	132.1	203.2	270.6	409.3	475.0
Defense.....	22.5	29.9	35.9	71.8	65.4
Public works.....	n.a.	n.a.	36.4	41.5	49.8
Other	109.6	173.3	198.3	296.0	359.8
Surplus or deficit	-2.1	-22.3	-52.0	-37.3	-79.1
As % of total revenue	-2%	-12%	-24%	-10%	-20%
Defense expend. as % of budget	17%	15%	13%	18%	14%
Prices (Index 1948=100)					
Wholesale: Santiago	175	217	267	419	542 Feb
Cost of living: Santiago	167	204	256	441	567 Feb

EXTERNAL RESOURCES

	1950	1951	1952	1953	1954	Program 1955	Program 1956
	(millions of US $)						
FOA obligations (fiscal years).....	0.2	0.2	1.1	1.3	1.4	1.8	2.4
	(calendar years)						
Ex-Im Bank disbursements	37.0	3.0	6.0	5.0	3.0[b]		
IBRD disbursements.....	1.9	1.6	5.1	2.6	2.6[c]		
U.S. private investment (net)							
New direct investment	22	40	37	35			
Reinvested subsidiary earnings	*	3	3	8			
Book value of U.S. direct private investment	540	583	623	666			

* Less than $500,000. n.a.-Not available. P-Preliminary. E-Estimate.

a 1954 data partly preliminary or estimated.

b Undisbursed Ex-Im Bank balance, December 31, 1954 - $1.3 million.

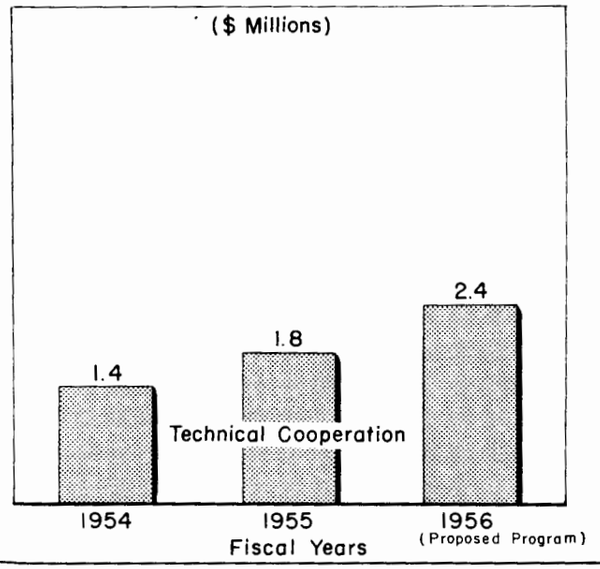
c Undisbursed IBRD balance, December 31, 1954 - $19.5 million.

d Crop years beginning in years stated.

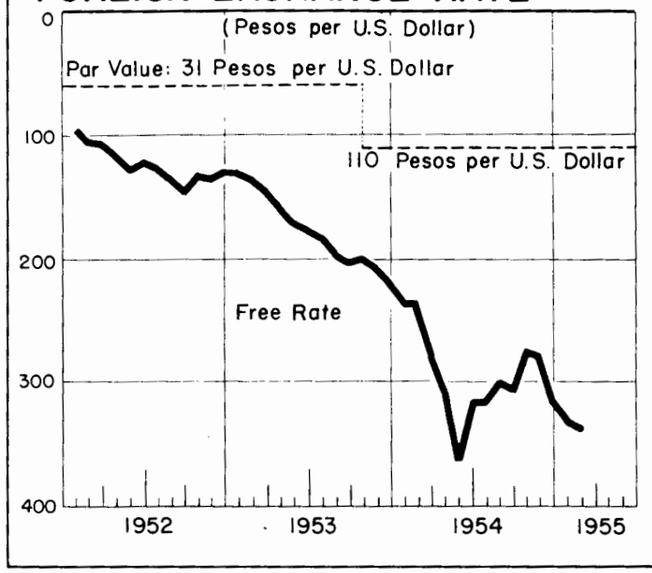
Revised May 18, 1955

CHILE

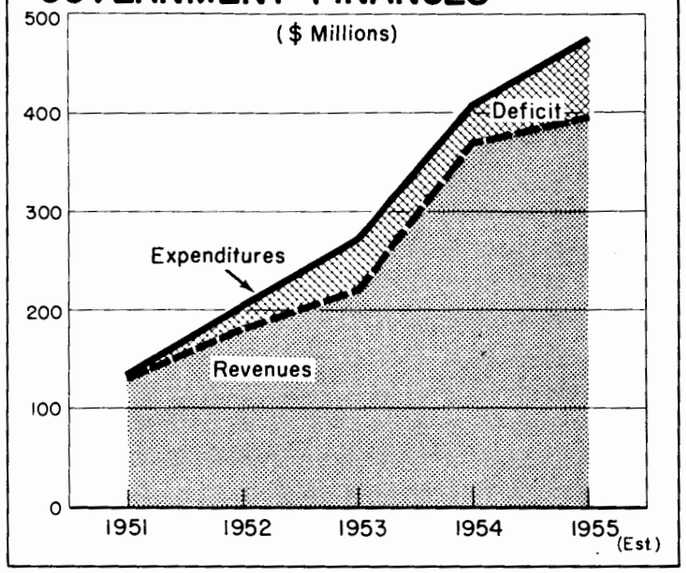
THE PROGRAM



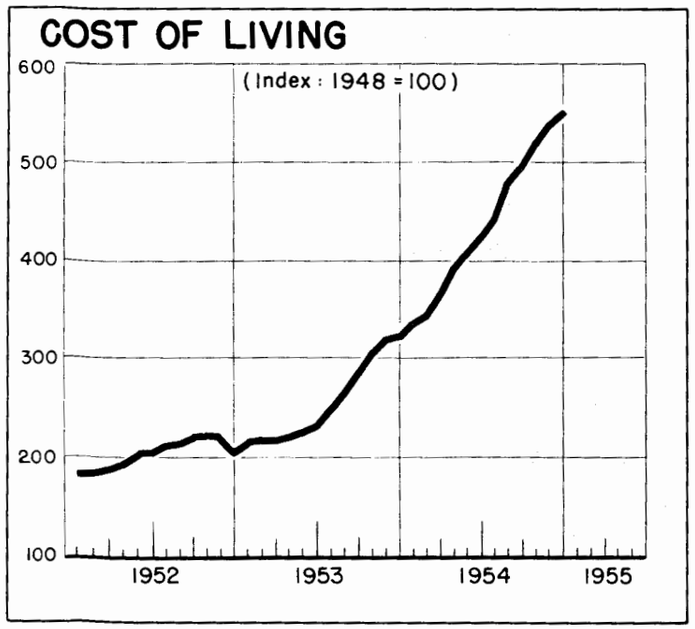
FOREIGN EXCHANGE RATE



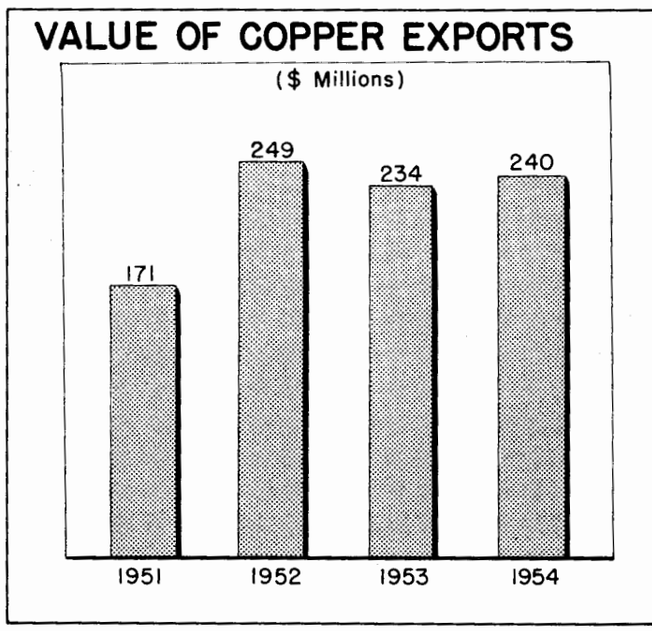
GOVERNMENT FINANCES



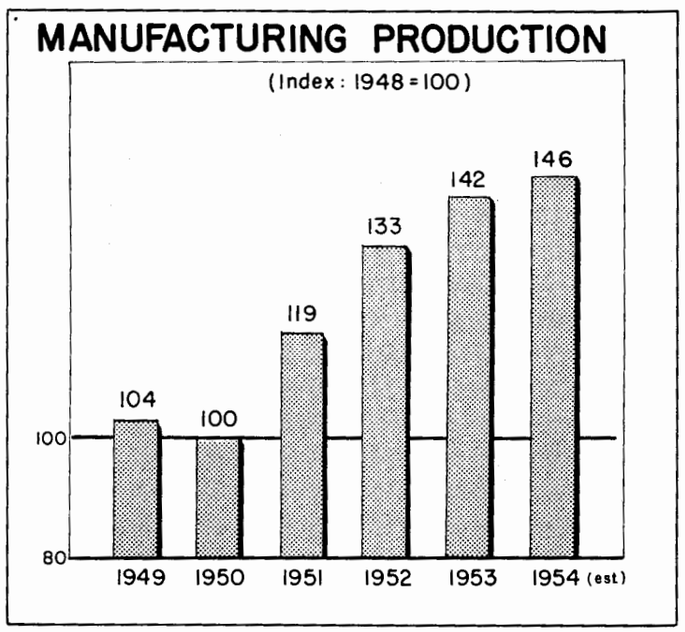
COST OF LIVING



VALUE OF COPPER EXPORTS



MANUFACTURING PRODUCTION



CHILE

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b Undisbursed Ex-Im Bank balance, December 31, 1954 - $1.3 million.
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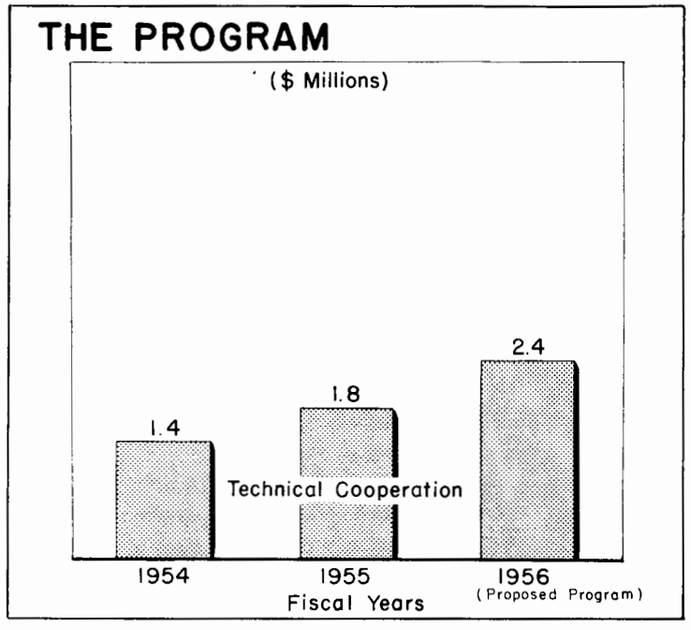
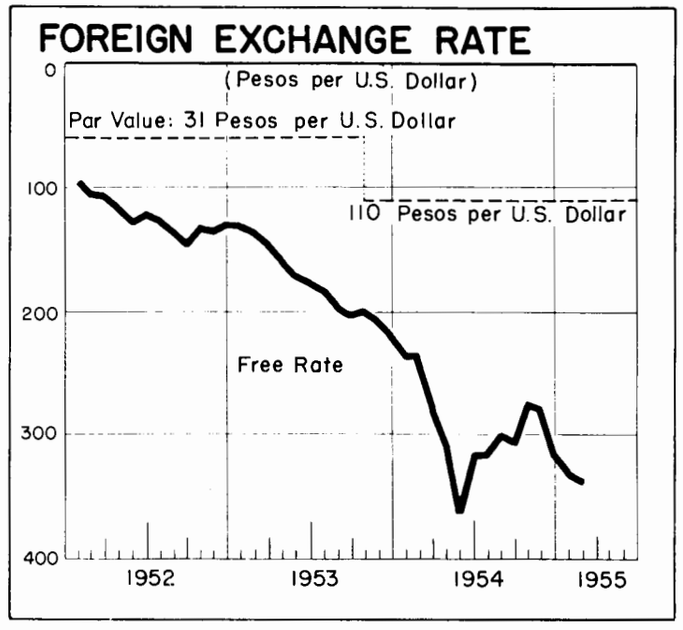
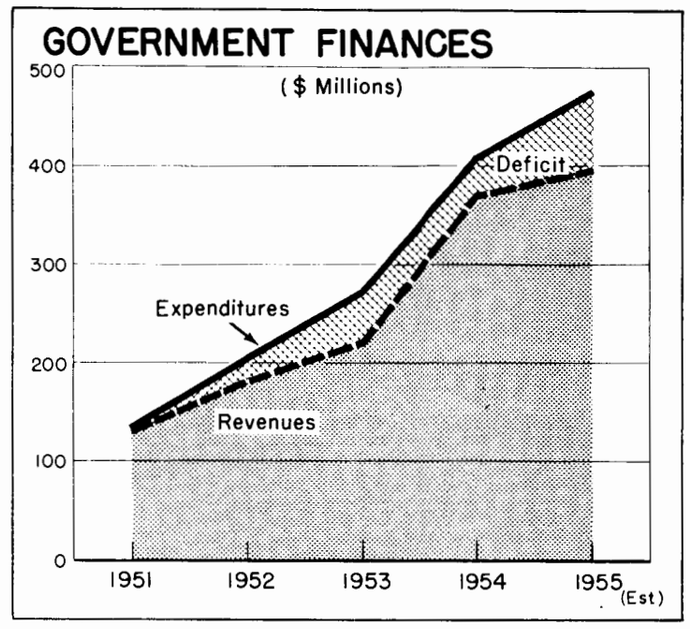
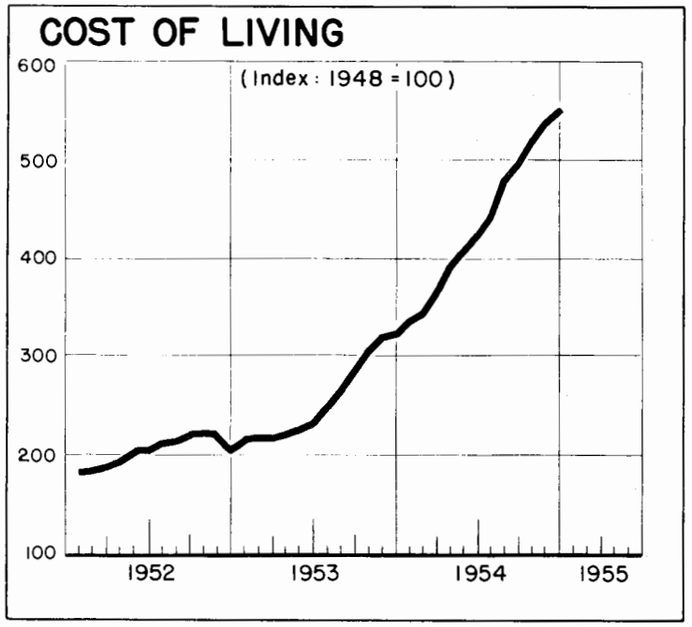
d Crop years beginning in years stated.

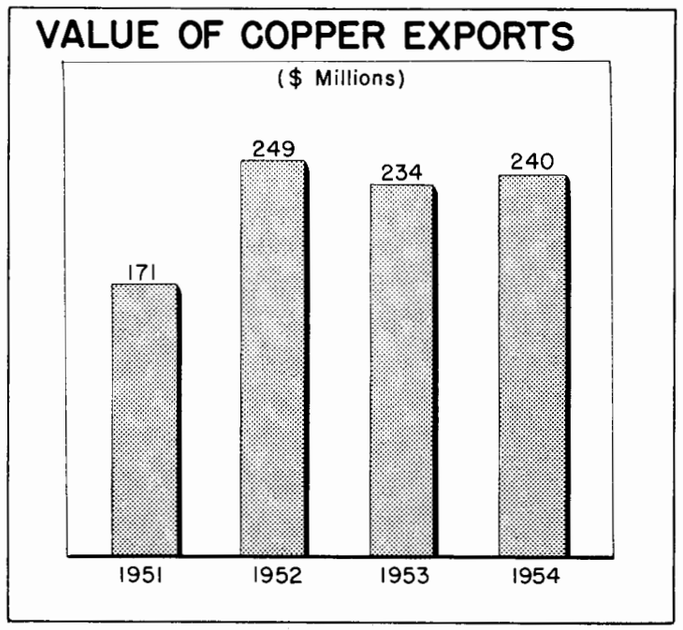
CHILE

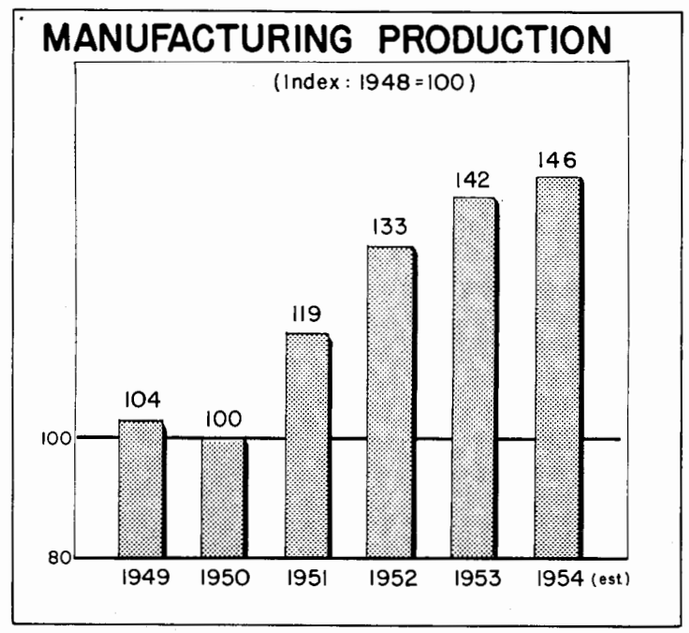

THE PROGRAM
($ Millions)
1.4
1.8
2.4
Technical Cooperation
1954
1955
1956
(Proposed Program)
Fiscal Years


FOREIGN EXCHANGE RATE
(Pesos per U.S. Dollar)
Par Value: 31 Pesos per U.S. Dollar
110 Pesos per U.S. Dollar
Free Rate
0
100
200
300
400
1952
1953
1954
1955


GOVERNMENT FINANCES
($ Millions)
Deficit
Expenditures
Revenues
500
400
300
200
100
0
1951
1952
1953
1954
1955 (Est)


COST OF LIVING
(Index: 1948 = 100)
600
500
400
300
200
100
1952
1953
1954
1955


VALUE OF COPPER EXPORTS
($ Millions)
171
249
234
240
1951
1952
1953
1954


MANUFACTURING PRODUCTION
(Index: 1948 = 100)
104
100
119
133
142
146
100
80
1949
1950
1951
1952
1953
1954 (est)

LATIN AMERICA

Country: CHILE

INDIVIDUAL COUNTRY DATA

Summary of Program by Function

(In thousands of dollars)

Function	Program FY 1950/54 a/	Program FY 1955 a/	Proposed FY 1956 a/
Military Assistance			
	FY 1954		
Technical Cooperation	1,409.8	1,803.7	2,354.9
Total Country Program Other Than Military Assistance	1,409.8	1,803.7	2,354.9

a/ Data included in separate submission on Military Assistance.

General Narrative Statement

Current Situation

Chile is a democratic country with a long record of friendly cooperation with the U.S.

Inflation is Chile's major economic problem. Although chronic, inflation has been accelerating rapidly during the past few years and in 1954 the cost of living increased 70 percent over 1953. Despite favorable copper prices Chile is confronted with a substantial balance of payments problem.

The basic trouble with the Chilean economy, according to the Chileans, is its lack of balance and its over-dependence on copper. For 15 years agricultural production has lagged behind population increase and industrial development. An increasing number of the dollars earned by copper are needed to import food.

Another major problem confronting Chile, is the need for better over-all economic planning and public administration. Frequent cabinet changes have aggravated this problem.

Program Objectives

The political and economic stability of Chile are important to the United States. It is in the U.S. interest to assist Chile, where feasible and when requested, in her efforts to achieve further economic development.

From 1943 to 1951 the technical cooperation program in Chile was limited to the field of health and sanitation. The U.S. participated in Chile's efforts to improve living standards in fast-growing cities by helping to build health centers, and construct water and sewage systems. The construction phase of the health program in large cities was terminated in 1951 to permit more attention to environmental sanitation and health education in rural areas. At this same time the technical cooperation program was broadened to include activities in other fields, especially agriculture and industry.

In 1953 old and new activities were concentrated in the Chillan Area Development Plan which covers three provinces south of Santiago. Food production and related problems are being

General Narrative Statement (Continued)

tackled in this project which operates in an area about twice the size of Maryland. Roughly one-half of the U.S. assistance under the technical cooperation program is concentrated in the Area Development Plan.

Chile has invited other technical assistance agencies to participate in the Plan since 1953 and agreements for this purpose have been signed by Chile with FAO, OAS, UNICEF and the Rockefeller Foundation. Close coordination of all groups participating in the Area Development Plan has eliminated any possibility of duplication and has enhanced the effectiveness of operations.

The remaining half of U.S. assistance under the technical cooperation program is designed to assist Chile in her national efforts to carry out improvements in such fields as agriculture, health and sanitation, transportation, industry, geology, public administration and low-cost housing. Since 1954, increasing attention has been given to assistance in over-all economic planning and public administration as there has been increasing Chilean interest in improvements in these fields.

The purpose of the military assistance program is to enable the country to accomplish the military roles and missions assumed in the mutual defense of the Western Hemisphere and to strengthen their collective efforts against possible Communist or other aggression.

Progress to Date

Technical Cooperation

Agriculture and Natural Resources: The insect and pest control project initiated under the technical cooperation program with participation by the Rockefeller Foundation is illustrative of progress to date. Chilean progress on this project has reached the point where Chile is now providing technical assistance in insect and pest control to other Latin American countries.

Another example of progress may be seen in the forage seed production program which has succeeded in returning depleted lands to cultivation. In addition to improving land utilization, the new pastures created under this program have increased livestock production for Chilean consumption and have increased farm income.

Artificial insemination work with dairy-cooperatives has been established in two centers. The cooperatives will assume financial and administrative responsibility for the centers within five years after their establishment.

Agricultural activities undertaken in the Area Development Plan since its inception in 1953 include soil conservation (irrigation and forestry), extension, livestock improvement, forage seed and pasture improvement, weed and pest control, machinery use and maintenance, research and economics, and agricultural education. The latter activity involves a contract between the Servicio and the University of California which in conjunction with the University of Concepcion will train technicians to be leaders in the field of Chilean agriculture.

Health and Sanitation: 50 of the 65 projects which have been undertaken in the health and sanitation field have been turned over to Chilean agencies for operation. Activities initiated under the technical cooperation program and now operated fully by Chile include demonstration projects in sanitary water supply; sewage disposal and treatment; health centers along with the preventative medicine programs carried on therein; and projects related to controlling tuberculosis and other communicative diseases and to vital statistics. Over 800 professional and other health officers have been trained under the joint program.

Progress may also be seen in the community development project initiated in 1951 in the area of Peumo. In this area, which includes a population of 150,000, sanitary facilities were very primitive. Only 5 percent of the population had safe water. Improvements were planned and carried out through a community organization which gained the cooperation of individuals and

General Narrative Statement (Continued)

groups in working with the servicio's technical personnel. The response of this community has kept the program operating at full capacity. The effectiveness of this technique has been such that the original project has been extended by local request to the solution of other problems. It is planned that future extension of this program will be taken over by existing Chilean agencies, which will permit technicians to repeat the demonstration in other areas.

A project agreement for the cooperative development of public health in the Area Development Plan was signed in 1954. This program will complement other phases of the Plan and will include health education, environmental sanitation, well-drilling and the establishment of rural health centers.

Industry and Mining: Teams of U.S. and Chilean industrial engineers have been able to modernize practices in Chilean factories under this program. The benefits resulting from adoption of such practices are being shared by labor in many cases. In industrial management, assistance is being provided to a newly formed management association in Chile. U.S. specialists are provided who conduct seminars in such subjects as industrial management, human relations, personnel practices and related matters. These seminars are in addition to the program of industrial training which has been active since 1953 and which focuses on industrial management training at the supervisor level. Over 10,000 student hours of instruction have been given to the 1,000 supervisors, representing 64 different organizations, who have attended the lectures. This program is now carried out largely by Chilean industrial training personnel.

Apprenticeship training did not exist in Chile prior to its initiation under the technical cooperation program. Apprenticeship activities have been well received and progress in this program is indicated by the amount of Chilean activity in this field which it has fostered.

Considerable Chilean receptivity has also been shown in the industrial safety program. Evidence of progress includes the agreement of several organizations to pursue a coordinated safety program under a National Safety Council; establishment of a system of collecting and distributing accident statistics; teaching 15 Chileans how to teach safety engineering; demonstration of industrial safety engineering practices; and the establishment of safety engineering in the curriculum of universities. Chile was the first country in South America to have a National Safety Congress. At this Congress, special courses were conducted and displays and demonstrations of various kinds were shown.

In geology, assistance has been requested to establish a geological survey in Chile patterned after the U.S. Geological Survey. The possibility of discovering new strategic mineral deposits is recognized and a senior U.S. geologist has recently taken up his duties in Chile. He will be followed by a minerals geologist and an underground water specialist.

Public Administration: Three years work in the field of public administration has led to an increased interest on the part of Chileans in improving the efficiency of governmental operations. Chile is currently requesting assistance in the establishment of an economic planning board to centralize planning and budgeting activities of the Chilean Government.

Transportation: Apart from surface transportation activities carried out in conjunction with the Area Development Plan, a consultant has been sent to Chile to assist in drawing over-all plans for the rational development of aviation within that country. Technical assistance is also being provided to supplement Chilean efforts to improve the efficiency and safety of flight operations.

Housing: An agreement is being negotiated through which technical assistance will be provided in the low-cost housing field. Under this agreement, technical assistance would be provided to assist Chile in initiating an aided self-help housing program under which 1,000 families would be assisted in building their own homes.

Training: A total of 338 grants have been provided for training in various fields since 1943. Of this number, 166 were in the field of health, 51 in agriculture, 33 in industry, 24 in labor and the balance scattered throughout the fields of public administration, housing, education, industrial safety, civil aviation, geology, vital statistics and social welfare.

General Narrative Statement (Continued)

Military Assistance

Considerable progress has been made in developing the Chilean Army component being prepared for hemisphere defense and supported under the Military Assistance Program. There can be no doubt as to the Chilean Army's willingness or ability to utilize the end items which have arrived to date. Maintenance instruction has been inaugurated by the Chief of the Army Section, MAAG, Chile and tremendous progress has been achieved. Further progress is expected as a result of the arrival of a training team in March 1954. The Chilean Army has hand-picked specialists for this unit and they have shown great aptitude.

The equipment received by the Chilean Navy has been effectively used and there is every reason to believe that this effective utilization will continue in the future.

The improvement in air units of the Chilean Air Force is considered to be due to the cooperative effort of the U.S. Air Force mission and the MAAG. The Improvement of the supply procedures of the Air Force has been given impetus by the receipt of additional material. Equipment programmed for the Chilean Air Force can and will be effectively utilized. The Air Force will continue to improve in proportion to the receipt of military aid and advice of U.S. Air Force personnel.

The previous year programs provided, within the availability of funds, selected items of initial unit equipment for the Army, modernization equipment and maintenance support for the Navy, propeller type aircraft for the Air Force, and training assistance to all three Services.

The FY 1956 Program

A concentration of program resources in the Area Development Plan activity will continue in FY 1956. Work under the Plan itself will be more fully integrated with Chile's eight year country wide objective of increasing agricultural production by 37 percent - a goal established in the joint study by the International Bank for Reconstruction and Development and U.N. Food and Agriculture Organization.

A central training center will be established at Chillan to further activity under the Area Development Plan. The Agricultural Servicio, University of Concepcion, Rockefeller Foundation, U.N. agencies, three Chilean Ministries and the Chilean Development Corporation will participate. A farm-to-market road advisor is programmed to assist in the road development and marketing aspects of the Area Development Plan.

Apart from work associated with the Area Development Plan, many of the activities in the different fields now operating will be continued in FY 1956. Shifts in the direction and emphasis of specific program elements will be made owing to progress already achieved.

There will be increased emphasis in the labor field in FY 1956. U.S. training grants for 50 labor leaders will be provided and seminars in labor-management relationships will be initiated as part of the apprenticeship training program.

In industry and mining, steps will be taken to assist Chile in the development of a comprehensive geological survey. It is anticipated that mineral exploration activities will lead to an expansion and diversification of the mineral industry.

Chile has recently requested a university to university contract in the field of general resources management. Chile desires to establish an Institute or permanent group of persons who will concern themselves with an objective analysis of the conditions that have brought about the present economic situation and who will propose suitable measures to surmount the problems involved. This constructive Chilean approach to its problems is encouraging. It is planned to implement the requested university contract in the FY 1956 Program.

During FY 1956, in accordance with discussions with representatives of the Chilean Government, it is planned that the activities which have been in progress under the Health and Sanitation Servicio will be turned over entirely to the Chilean Government for continuation and further development. Assistance from U.S. technicians in the health and sanitation field will be limited to high-level advisory service and project type assistance in conjunction with the Area Development Plan.

LATIN AMERICA

Country: CHILE

INDIVIDUAL COUNTRY DATA

Summary by Major Cost Components

(In thousands of dollars)

Programs by Fiscal Year	Total U. S. Cost	Supplies Equipment & Grants to Servicios	U. S. Government Technicians No. Employed June 30	U. S. Government Technicians Cost	Contract Services No. Employed June 30	Contract Services Cost	Participants No. of Persons	Participants Cost	Other Costs
Technical Cooperation									
1954	1,409.8	620.0	31	349.0	4	67.4	94	324.2	49.2
1955	1,803.7	710.0	32	513.5	6	125.0	96	352.3	102.9
1956	2,354.9	970.0	42	597.7	7	127.0	142	556.2	104.0

Summary by Major Activity

(In thousands of dollars)

Programs by Fiscal Year	Total U. S. Cost	Agriculture and Natural Resources	Industry and Mining	Transportation	Labor	Health and Sanitation	Education	Public Administration	Community Development Social Welfare and Housing	All Other
Technical Cooperation										
1954	1,409.8	643.3	230.2	3.0	121.1	308.9		35.0	64.1	4.2
1955	1,803.7	801.9	349.7	64.2	22.0	317.6		52.1	170.8	25.4
1956	2,354.9	1,005.0	346.4	155.0	150.0	336.2		132.6	200.8	28.9

COLOMBIA

BASIC DATA

				Colombia	L.A.	U.S.
Population (1954)	millions	12.4	Per capita GNP[a]	dollars	320	300	2,200
Annual growth	percent	2.2	Caloric intake		2,400	2,407	3,120
			Literacy rate	percent	56	55	97
Area	1,000 square miles	440	Life expectancy	years	46	45	68
Agricultural land	percent	36	Road miles	per 1,000 square miles	243	70	1,100
Agricultural land per capita	acres	9	Elec. power per capita	KWH per year	79	170	3,165

TRADE AND PAYMENTS

	1938	1951	1952	1953	1954[b]
	(millions of US $)				
Exports, f.o.b.	81	460	473	596	656
Imports, c.i.f.	89	416	415	547	647
Trade balance	-8	44	58	49	9
Principal exports					
Petroleum: Quantity (1,000 MT)	2,599	4,540	4,440	4,608	
Value ($ millions)	21	73	71	78	
Coffee: Quantity (1,000 MT)	238	288	302	398	345
Value ($ millions)	50	356	378	501	520
Trade with U.S. (U.S. Customs data)					
Exports to U.S.	49	362	384	466	506
Imports from U.S.	41	224	231	285	341
Balance	8	138	153	181	165
Balance of payments					
Balance on goods & services		-30	4	-13	
Net capital		33	41	32	
Private		25	-1	14	
Official and banking		8	42	18	
Government grants		-	-	-	
Long-term capital		9	47	12	
Short-term capital		-1	-5	6	
Change in gold & exch. reserves		+27	+31	+37	
Gold and foreign exchange reserves (end of yr.)	28	128	159	196	279

EXTERNAL RESOURCES

	1950	1951	1952	1953	1954	Program 1955	Program 1956
	(millions of US $)						
FOA obligations (fiscal years)	0.2	0.2	0.7	1.0	1.2	1.1	1.5
	(calendar years)						
Ex-Im Bank disbursements	8.0	7.0	12.0	5.0	6.0[c]		
IBRD disbursements	4.8	5.6	12.3	9.1	8.1[d]		
U.S. private investment (net)							
New direct investment	-7	11	20	1			
Reinvested subsidiary earnings	6	3	7	1			
Book value of U.S. direct private investment	193	207	234	235			

PRODUCTION

	Unit	1938	1951	1952	1953	1954[b]
Major crops:[e]						
Coffee	1,000 MT	267	344	384	408	426
Corn	" "	496	845	770	770	
Sugar	" "	46	161	198	218	231
Major industries:						
Petroleum	" "	2,972	5,414	5,350	5,450	5,531
Electricity	mill. KWH	213	743	840	960	1,089

FINANCES

Central government budget - (calendar years)	1951	1952	1953	1954[E]	1955[E]
			(millions of US $)		
Revenue	266.1	277.5	267.9	324.6	374.2
Expenditure	275.1	294.9	306.0	450.1	
Defense	43.9	42.0	50.0	97.5	
Capital outlay / Public Works	63.0	47.1	85.6	100.3	
Other	168.2	205.8	170.4	252.3	
Surplus or deficit (-)	-9.0	-17.4	-38.1	-125.5	
As % of total revenue	-3%	-6%	-14%	-39%	
Defense expend. as % of budget	16%	14%	16%	22%	
Prices (index, 1948 = 100)					
Wholesale prices: Coffee	224	241	257	272	272 Jan.
Cost of living: Bogota	140	137	147	160	158 Feb.

n.a. - Not available P - Preliminary E - Estimate

a - FOA estimate; converted at 2.51 pesos per U.S. $.

b - 1954 data partly preliminary or estimated.

c - Undisbursed Ex-Im Bank balance, Dec. 31, 1954 - $1.9 million.

d - Undisbursed IBRD balance, Dec. 31, 1954 - $34.4 million.

e - Crop years beginning year stated.

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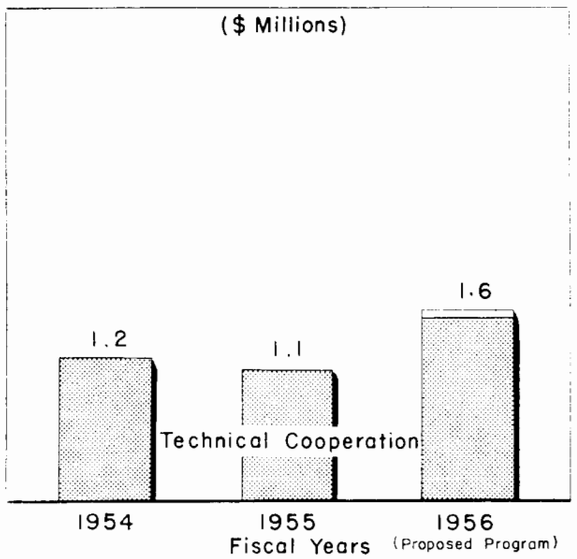
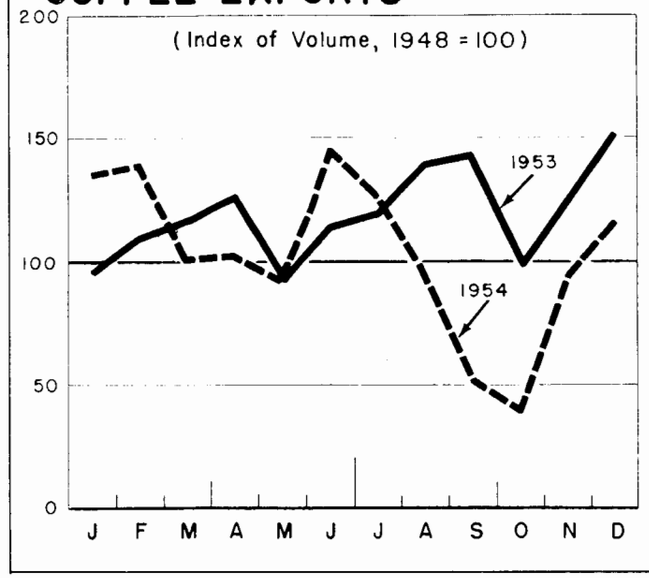
COLOMBIA

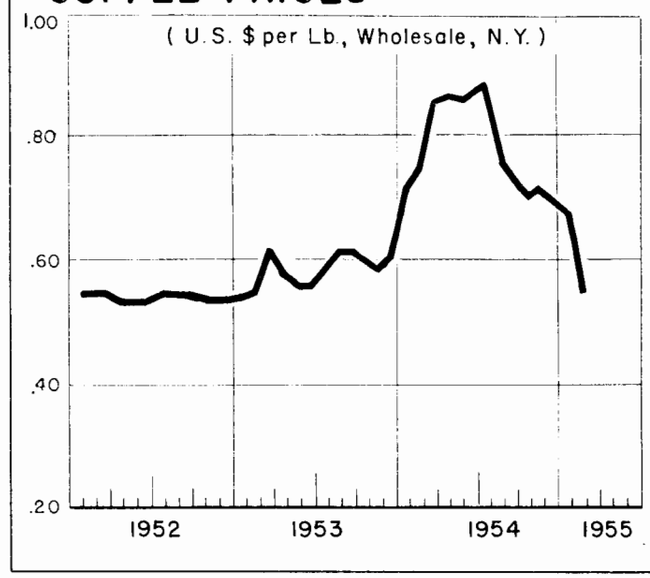
THE PROGRAM



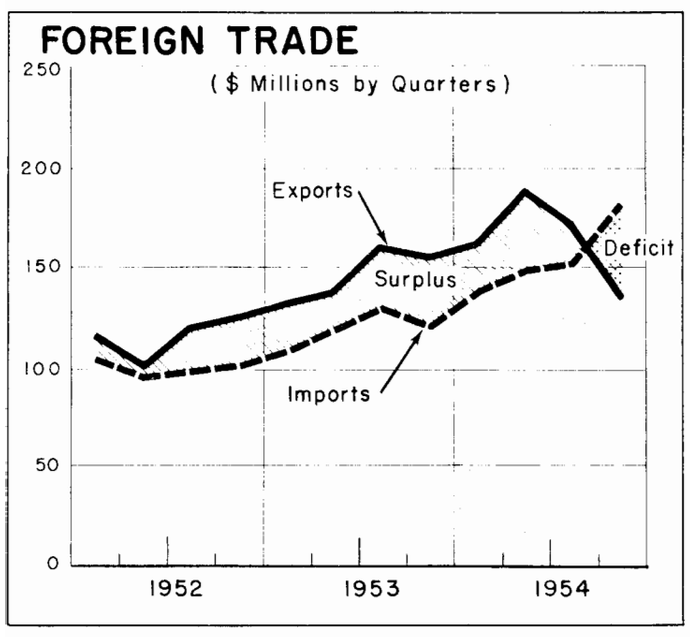
COFFEE EXPORTS



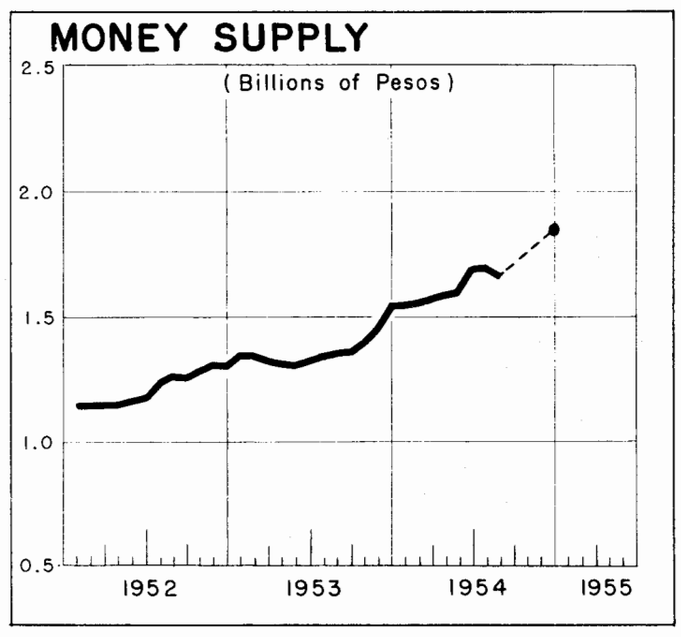
COFFEE PRICES



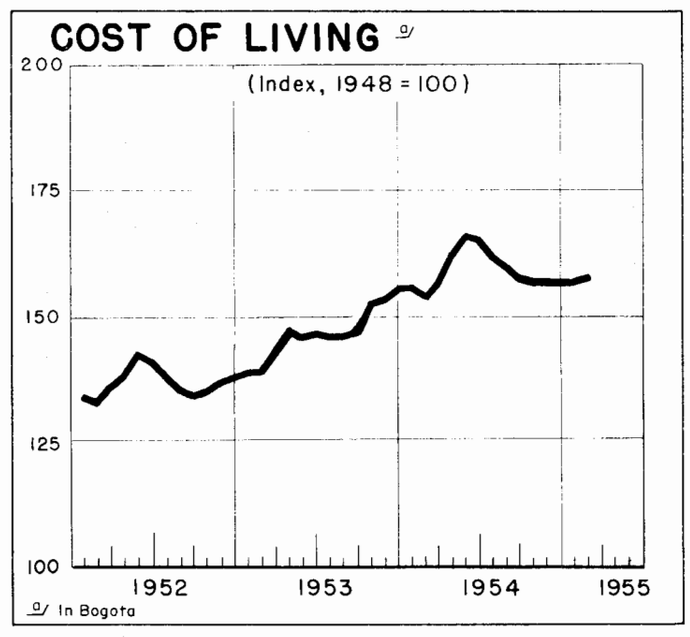
FOREIGN TRADE



MONEY SUPPLY



COST OF LIVING a/



a/ In Bogota

LATIN AMERICA

Country: COLOMBIA

INDIVIDUAL COUNTRY DATA

Summary of Program by Function

(In thousands of dollars)

Function	Program FY 1950/54	Program FY 1955	Proposed FY 1956
Military Assistance	a/	a/	a/
	FY 1954		
Technical Cooperation	1,186.2	1,064.9	1,550.7
Total Country Program Other Than Military Assistance	1,186.2	1,064.9	1,550.7

a/ Data included in separate submission on Military Assistance.

General Narrative Statement

Current Situation

Stability in Colombia has been maintained since its five years of intermittent civil war from 1948 - 1953. The present Colombian Government is giving serious attention to the development of the natural and human resources of that country.

The orderly economic development of Colombia will be dependent upon progress in the basic fields of agriculture, education, public health, transportation and power.

Approximately two-thirds of Colombia's labor force is engaged in farming, much of which is of a subsistence nature. Only as the level of agricultural efficiency is raised and the proportion of the population necessary for agricultural production is reduced, can Colombia develop the more diversified economy it needs. Strong pressure for industrial development has developed in Colombia. Unless industrial development is coupled with an increase in food production, a serious imbalance may result.

The low level of health and sanitation conditions throughout the country is an impediment to Colombia's development. The widespread prevalence of debilitating diseases reduces the level of productivity and the living standards of large numbers of the people.

The lack of rapid and economical transportation facilities and of electric power are additional obstacles to development.

Program Objectives

The United States policy toward Colombia aims at the maintenance of sound and friendly relations with the Colombian Government and its people. The United States is also desirous to assist where feasible in Colombia's economic development when such assistance is requested.

General Narrative Statement (Continued)

Technical cooperation program objectives in Colombia are:

(1) To diversify and increase the agricultural production and to raise the level of agricultural efficiency.

(2) To improve health conditions throughout the country by reducing the incidence of debilitating disease and through the basic improvement in health, hygiene and sanitary engineering.

(3) To assist in raising the levels of primary, secondary and vocational education.

(4) To assist in the development of mineral resources.

(5) To assist in the development of efficient transportation facilities.

(6) To encourage the development of secondary industry and the increase of foreign and domestic private investment.

The purpose of the military assistance program is to enable the country to accomplish the military roles and missions assumed in the mutual defense of the Western Hemisphere and to strengthen their collective effort against possible Communist or other aggressions.

Progress to Date

Technical Cooperation

Except for health and sanitation activities, the technical cooperation program in Colombia has been in operation only a relatively short time. Without exception they are closely associated with the Colombian Government's efforts toward economic development. Activities in agriculture, power and transportation are also tied in with the activities and loans of the International Bank for Reconstruction and Development.

Agriculture and Natural Resources: This program is directed towards assisting Colombian agricultural agencies in planning and implementing programs to promote efficient and diversified agricultural development of the country. The program was established by agreement in June 1953. The agricultural program, working primarily through a Servicio, is concentrating most of its efforts on (1) operating a pilot extension service to be used as a national model, (2) carrying out a program aimed at training rural people in the operation and maintenance of farm machinery, (3) developing machinery pools, (4) developing cacao as an alternate export crop, (5) introducing efficient irrigation practices and diversified crop production in two large irrigation projects, and (6) improving agricultural education at two Colombian colleges through a contract with Michigan State College.

Industry and Mining: This program is designed to assist the Industrial Development Institute of Colombia and other government agencies in the development of the coal resources of the Cauca Valley for domestic use and in the discovery of other mineral resources. The program also aims at assisting the Colombian Government in the development of its electric, water and power resources.

Activities in the field of minerals were established under an agreement signed in October 1953. One technician has been working with the Colombian Industrial Development Institute. One technician is also provided in the field of power development.

Transportation: This program is designed to assist the Colombian Government in overcoming some of its transportation difficulties. Advice is given on the establishment of efficient and safe air transportation; on the revision of river and maritime navigation codes and traffic regulations. Training of highway construction and maintenance engineers is also provided.

Labor: Training activities in this field are intended to lay the foundation for a labor program in order to counteract communish, raise the standard of living and assist the embryonic Colombian labor movement to developing along lines which will be

General Narrative Statement (Continued)

The FY 1956 Program

The program for FY 1956 in Colombia will be primarily a continuation of present activities with the addition of an education program and a substantial expansion of the agricultural program which has been in operation less than two years and is developing at a rapid rate. Expansion is also anticipated in training, housing, and civil aviation.

The International Bank is presently making a survey of the agricultural problems and potential of Colombia and has in addition recently completed a study of the development program of the Cauca Valley. Both of these studies and the activities which grow out of them will be integrated with the technical cooperation programs.

One of the new fields of activity included in the proposed FY 1956 program is education. There is at present, no education program in Colombia. The Governor and the Secretary of Education of the Department of El Valle have requested assistance in the overall planning of primary, secondary and vocational schools in the Department in both rural and urban areas. It is planned to implement this request in the FY 1956 program.

The proposed education program for FY 1956 also includes provision for a college contract to provide the National University of Colombia with assistance in chemistry and chemical engineering. It is also anticipated that toward the end of FY 1955 or early in FY 1956 a contract will be signed with a U. S. medical college to provide assistance in medical education to Colombian medical colleges.

The great importance of the participant program of training Colombians in the United States is recognized and a substantial increase in training is planned for the FY 1956 program.

LATIN AMERICA

Country: COLOMBIA

INDIVIDUAL COUNTRY DATA

Summary by Major Cost Components

(In thousands of dollars)

Programs by Fiscal Year	Total U. S. Cost	Supplies, Equipment & Grants to Servicios	U. S. Government Technicians		Contract Services		Participants		Other Costs
			No. Employed June 30	Cost	No. Employed June 30	Cost	No. of Persons	Cost	
Technical Cooperation									
1954	1,186.2	250.0	24	219.8	7	595.6	42	64.2	56.6
1955	1,064.9	350.0	27	457.4	7	25.0	47	143.3	89.2
1956	1,550.7	366.0	38	585.8	12	225.0	76	240.0	133.9

Summary by Major Activity

(In thousands of dollars)

Programs by Fiscal Year	Total U.S. Cost	Agriculture and Natural Resources	Industry and Mining	Transportation	Labor	Health and Sanitation	Education	Public Administration	Community Development Social Welfare and Housing	All Other
Technical Cooperation										
1954	1,186.2	738.7	28.7	4.2	21.1	228.1		23.1	141.6	.7
1955	1,064.9	541.9	32.5	64.9	19.5	370.4		10.0	18.0	7.7
1956	1,550.7	676.5	91.2	100.4	40.0	409.0	94.5	20.0	80.0	39.1

COSTA RICA

BASIC DATA

			Costa Rica	L.A.	U.S.
Population (1954)	millions	0.9			
Annual growth	percent	3.9			
Area	1,000 square miles	20			
Agricultural land	percent	19			
Agricultural land per capita	acres	3			
Per capita GNP[a]	dollars		210	300	2,200
Literacy rate	percent		60	55	97
Life expectancy	years		41	45	68
Road miles per 1,000 sq.mi.			235	70	1,100

TRADE AND PAYMENTS

	1938	1951	1952	1953	1954[b]
	(millions of US $)				
Exports, f.o.b.	9	63	73	80	81
Imports, c.i.f.	13	56	68	74	81
Trade balance	-4	7	5	6	-
Principal exports					
Bananas: Quantity ... 1,000 MT	96	493	531	356	n.a.
Value ... $ millions	3	34	38	32	34
Coffee: Quantity ... 1,000 MT	21	18	20	28	n.a.
Value ... $ millions	1	22	24	34	32
Trade with U.S. (U.S. Customs data)					
Exports to U.S.	4	28	31	35	33
Imports from U.S.	5	32	34	38	40
Balance	-1	-4	-3	-3	-13
Balance of payments					
Balance on goods & services		-1	-6	-9	
Net capital		-2	2	5	
Private		-3	-1	3	
Official & banking		1	3	2	
Government grants		1	3	2	
Long-term capital		*	*	*	
Short-term capital		*	*	*	
Change in gold & exch. reserves		+4	+7	+3	
Gold and foreign exchange reserves (end of yr.)	3	11	18	21	20

PRODUCTION

	Unit	1938	1951	1952	1953	1954[b]
Major crops:[d]						
Coffee	1,000 MT	23	21	33	23	33
Rice	1,000 MT	17	34	41	29	29
Sugar, centrifugal, raw	1,000 MT	8	30	31	32	
Bananas		(See exports)				

FINANCES

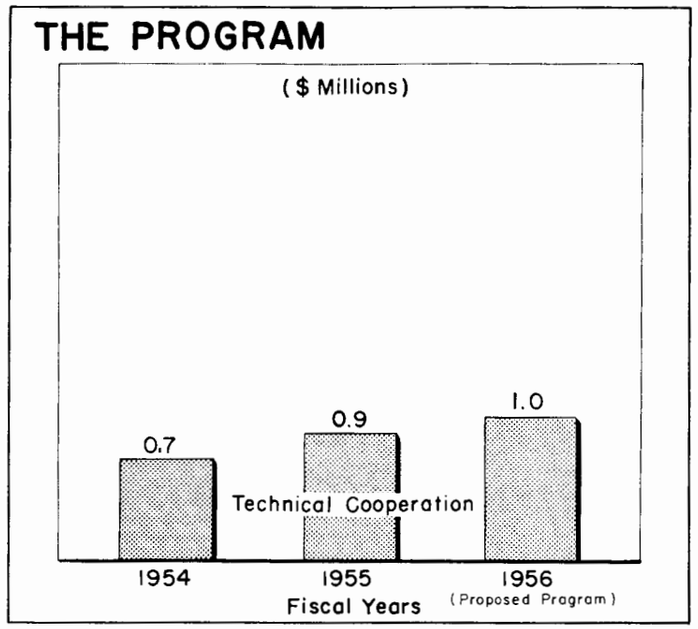
	1951	1952	1953	1954[E]	1955
	(millions of US $)				
Central government budget (calendar years)					
Revenue	28.5	33.7	36.4	35.6	
Expenditure	25.0	29.4	35.0	35.6	
Defense	1.7	1.7	1.8	1.9	
Other	23.3	27.7	33.2	33.7	
Surplus or deficit (-)	3.5	4.3	3.4	-	
As % of total revenue	12%	13%	9%		
Defense expend. as % of budget	7%	6%	5%	5%	
Prices (index 1948=100)					
Wholesale	115	104	99	104	107(Jan)
Cost of living: San Jose	127	122	122	126	132(Jan)

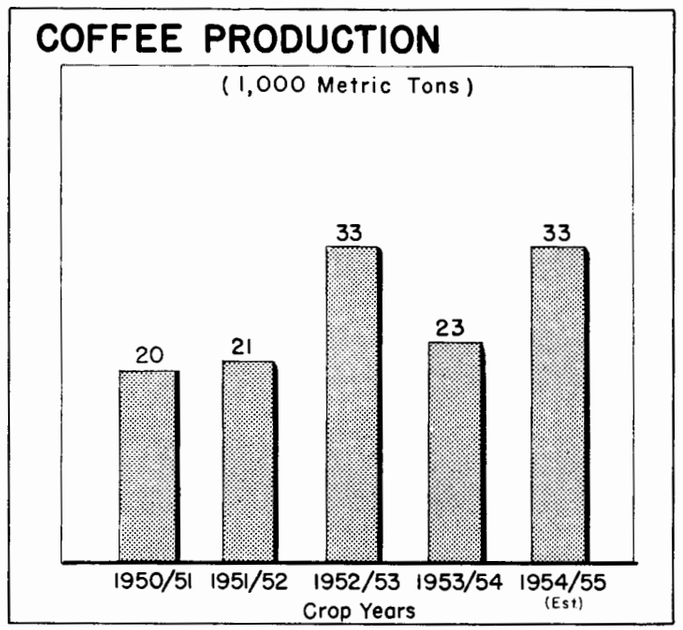
EXTERNAL RESOURCES

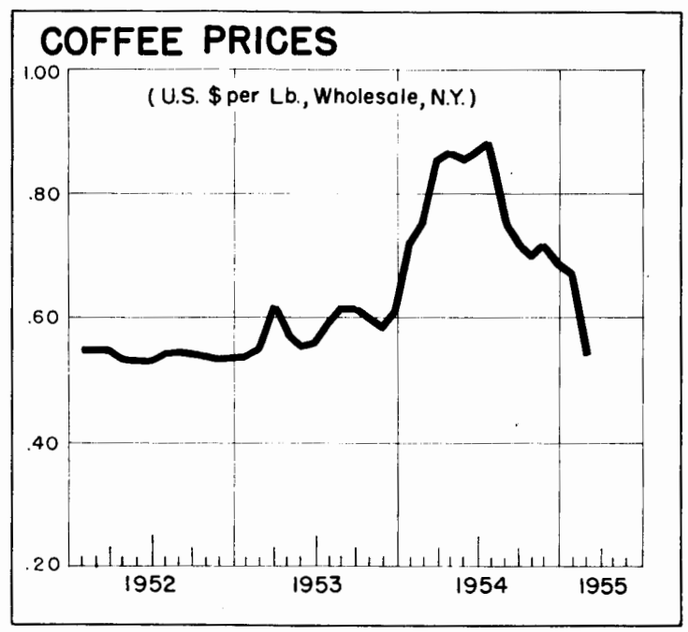
	1950	1951	1952	1953	1954	Program 1955	Program 1956
	(millions of US $)						
FOA obligations (fiscal years)	-	0.1	1.3	0.8	0.7	0.9	1.0
	(calendar years)						
Ex-Im Bank disbursements	-	-	-	-	c		
IBRD disbursements	-	-	-	-	-		
U.S. private investment (net)							
New direct investment	2	*	*	*			
Reinvested subsidiary earnings	-	-	*	*			
Book value of U.S. direct private investment	60	61	61	61			

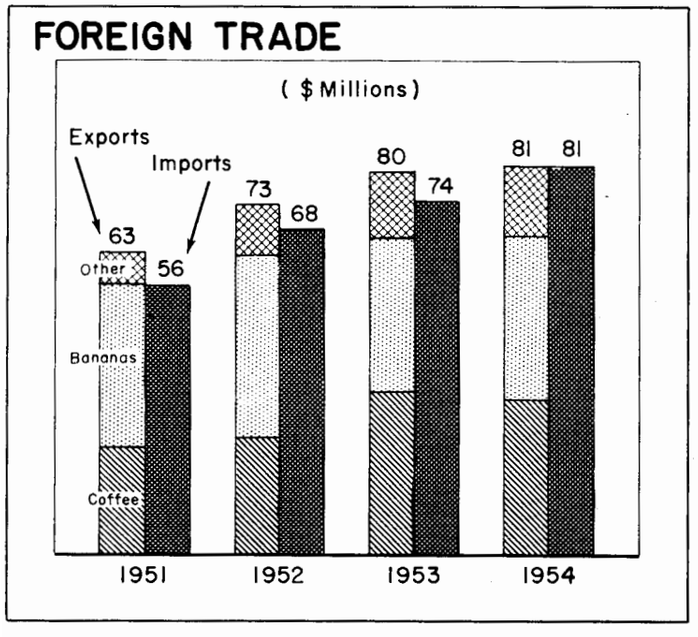
* Less than $500,000. n.a.-Not available. P-Preliminary. E-Estimate.
a FOA estimates; converted at 5.615 colonnes per U.S. $.
b 1954 data partly preliminary or estimated.
c Undisbursed Ex-Im Bank balance, Dec. 31, 1954 - $0.9 million.
d Crop years beginning year stated.

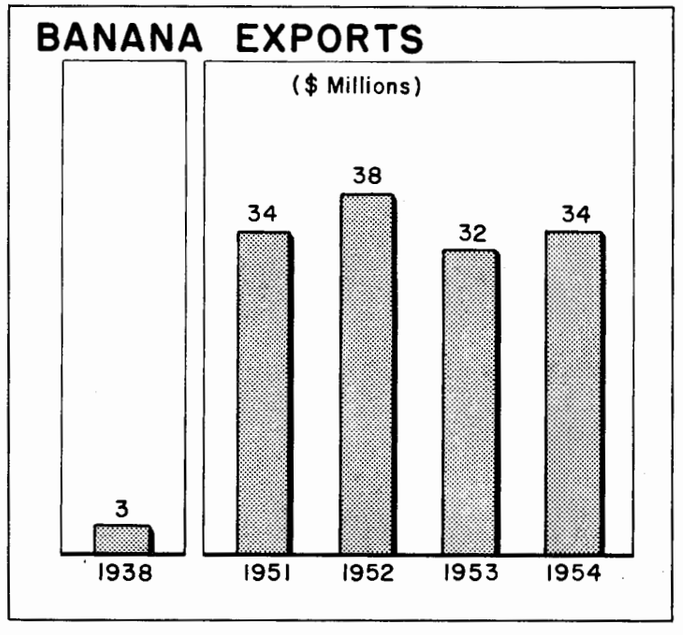
COSTA RICA

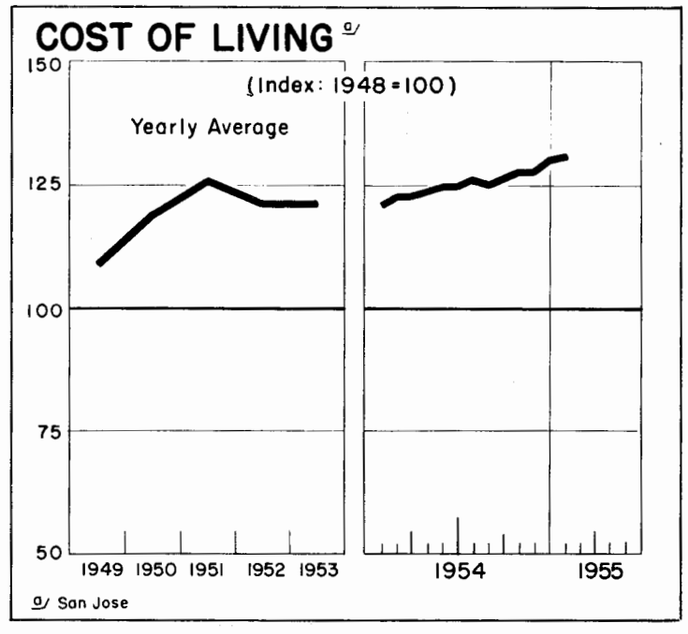

THE PROGRAM
($ Millions)
0.7
0.9
1.0
Technical Cooperation
1954
1955
1956
(Proposed Program)
Fiscal Years


COFFEE PRODUCTION
(1,000 Metric Tons)
20
21
33
23
33
1950/51
1951/52
1952/53
1953/54
1954/55
(Est)
Crop Years


COFFEE PRICES
(U.S. $ per Lb., Wholesale, N.Y.)
1.00
.80
.60
.40
.20
1952
1953
1954
1955


FOREIGN TRADE
($ Millions)
Exports
Imports
63
56
73
68
80
74
81
81
Other
Bananas
Coffee
1951
1952
1953
1954


BANANA EXPORTS
($ Millions)
3
34
38
32
34
1938
1951
1952
1953
1954


COST OF LIVING a/
(Index: 1948=100)
Yearly Average
150
125
100
75
50
1949
1950
1951
1952
1953
1954
1955
a/ San Jose

LATIN AMERICA

INDIVIDUAL COUNTRY DATA

Country: COSTA RICA

Summary of Program by Function

(In thousands of dollars)

Function	Program FY 1954	Program FY 1955	Proposed FY 1956
Technical Cooperation	737.5	861.9	1,052.1
Total Country Program	737.5	861.9	1,052.1

General Narrative Statement

Current Situation

Inflationary tendencies are appearing in Costa Rica. This factor has reduced the level of new investment and appears to be the result of the introduction last year of a series of Socio-Economic reforms.

The effect on Costa Rican foreign exchange earnings of the recent drop in coffee prices has emphasized the need for diversification of that country's exports. Land and timber are Costa Rica's only natural resources. A general diversification of agriculture, an increase in the land under cultivation and the exploitation of forest resources are essential to the further development of Costa Rica.

A major factor limiting development is the low productivity level of the general population. Health conditions are poor, and there is a lack of trained technicians at all levels. Another limiting factor is the lack of transportation and power facilities.

Costa Rica is now organizing an official economic planning body which will be charged with formulating an integrated development program.

The political situation remains tense but quiet since cessation of the recent armed revolt.

Program Objectives

It is United States policy to maintain the cordial and cooperative relationships with friendly, democratic Costa Rica, and to contribute through the technical cooperation program to Costa Rica's stability and economic advancement.

A general program objective is to help the government of Costa Rica, in cooperation with the International Bank for Reconstruction and Developments and others, in the formulation of a national plan for economic development. Other objectives of the Technical Cooperation program are to assist the Costa Rican government in providing for its people the type of agricultural, industrial, transportation, communication, health, educational, public administration and other services necessary to an expanding economy. Improvement in such services tends to stimulate private investment of Costa Rican and foreign capital.

Progress to Date

Major accomplishments to date include the development of a country-wide agricultural extension service, improvement of sanitary practices through safe water supplies and waste disposal, better transportation facilities and creation of a greater awareness of the possibilities for more effective government service.

General Narrative Statement (Continued)

Agriculture and Natural Resources: A basic country-wide extension service with trained "county agents" has been developed. This service is in the process of being transferred from joint control so as to become the sole responsibility of the Ministry of Agriculture. U. S. technicians are currently provided for the following purposes: agricultural extension; use and maintenance of farm machinery; rural engineering services for land conservation, use and management; irrigation; forestry conservation and management; orchard improvement; livestock care development; feeding and pasture improvement; and the use of insecticides and fertilizers. A vigorous 4-H club has been established. Special studies of the Tempisque Valley are being carried forward, looking toward the development of this potentially valuable but under-developed area. Studies have also been initiated on industrial possibilities in that area.

Transportation: Assistance has been given in site selection, design, and construction supervision of a new international airport for San Jose, the capital city of Costa Rica. This airport is nearing completion. A survey of the Administration and operation of the government-owned Pacific railroad was made in 1955.

Health and Sanitation: Since the reestablishment of this program in 1950, major emphasis has been given to environmental sanitation. Construction of sanitary water supplies, sewage disposal systems, markets and slaughter houses have been accomplished on a demonstration and training basis. Emergency medical assistance in a polio epidemic was furnished. A hospital architect has been assisting in the development of a long-term plan for rebuilding the San Jose General Hospital on a unit-by-unit basis. Short term consultation in hospital dietetics has been supplied.

Education: A contract with a U. S. educational institution is being initiated in 1955 to provide assistance in reorganizing the University of Costa Rica.

Public Administration: The following projects have been completed: creation of a civil service bureau; improvement of the census and statistics bureau; an initial proposal for reforms in the tax system and administration; and a reorganization of the warehousing and procurement departments of the Ministry of Public Works. Further taxation and tax administration studies are being conducted. Assistance is being initiated for improvement of federal and municipal administration.

Other Activities: An extremely important component of the program is the bringing of Costa Ricans to the United States for formal studies in technical fields. Provision is made in the 1955 program for bringing more than forty.

The FY 1956 Program

The proposed technical cooperation program for FY 1956 provides for continuation of activities along the lines described above with the following modifications: Costa Rica's executive branch has initiated legislation for the creation of a permanent Economic Planning Board, and has requested technical cooperation in the economic studies and planning that the Board will undertake. The program being proposed would respond to that request.

Agriculture and Natural Resources: There will be a change from operation of the extension service in that the Ministry of Agriculture will assume sole responsibility for operations with limited advisory service by U. S. technicians. Also, there will be a shift in emphasis to research work needed to provide better materials for the extension service. Research is needed on crop diversification, particularly with regard to those crops which have export possibilities, such as cacao. Improvement of experiment stations is needed in order to provide data and guidance on production costs, improved varieties, fertilizer, disease and insect control, and nutritional factors in livestock production. Help in specific fields of agricultural research will be given by the University of Florida under its contract with the Servicio.

General Narrative Statement (Continued)

Transportation: With the completion of the airport construction a shift in emphasis in the aviation program is necessary to operation problems, including safety practices, navigation aids, traffic control and maintenance. In railroad transportation a survey indicated a special need for assistance in railroad accounting and for the services of an electric traction engineer. Assistance in overall national highway development planning and operation will be provided by U. S. technicians who will work with the Ministry of Public Works. Also, the program calls for the services of short-term consultants in materials sources, farm-to-market roads, and road construction.

Other Activities: The Industry Program will be directed to investigation of potential new industries which look promising. In the field of labor a technician in labor standards is to be provided. The newly created National Housing Institute will be given help in organization and planning as well as in developing a specific program of aided self-help housing.

Training: A scholarship program for 71 participants in the programmed fields of activity is planned for FY 1956.

LATIN AMERICA

Country: COSTA RICA

INDIVIDUAL COUNTRY DATA

Summary by Major Cost Components

(In thousands of dollars)

Programs by Fiscal Year	Total U. S. Cost	Supplies, Equipment & Grants to Servicios	U. S. Government Technicians		Contract Services		Participants		Other Costs
			Number Employed June 30	Cost	Number Employed June 30	Cost	No. of Persons	Cost	
Technical Cooperation									
1954	737.5	250.1	31	194.4		160.6	36	77.2	55.2
1955	861.9	240.3	24	333.4	2	70.0	43	124.5	93.7
1956	1,052.1	225.0	38	502.2	7		71	212.4	112.5

Summary by Major Activity

(In thousands of dollars)

Programs by Fiscal Year	Total U. S. Cost	Agriculture and Natural Resources	Industry and Mining	Transportation	Labor	Health and Sanitation	Education	Public Administration	Community Development Social Welfare and Housing	All Other
Technical Cooperation										
1954	737.5	475.4		29.1	10.6	166.2		47.3		8.9
1955	861.9	367.1	24.8	36.6	19.4	216.9	91.8	87.5	15.7	2.1
1956	1,052.1	394.1	71.7	83.2	28.0	227.4	35.5	116.4	52.7	43.1

CUBA

BASIC DATA

Population (1954)	millions	5.9
Annual growth	percent	1.9
Area	1,000 square miles	44
Agricultural land	percent	51
Agricultural land per capita	acres	3

	Cuba	L.A.	U.S.
Per capita GNP[a] dollars	330	300	2,200
Caloric intake	2,730	2,407	3,120
Literacy rate percent	76	55	97
Road miles....per 1,000 square miles	50	70	1,100
Elec. power per capita .KWH per year	173	170	3,165

TRADE AND PAYMENTS

	1938	1951	1952	1953	1954[b]
		(millions of US $)			
Exports, f.o.b.	143	786	677	654	550
Imports, c.i.f.	119	691	667	529	n.a.
Trade balance	24	95	10	125	n.a.
Principal exports					
Sugar: Quantity 1,000 MT	2,326	5,426	5,002	5,516	4,300[c]
Value $ millions	82	632	538	502	466
Tobacco: Quantity 1,000 MT	13	17	18	16	n.a.
Value $ millions	10	33	34	42	40
Trade with U.S. (U.S. Customs data)					
Exports to U.S.	106	418	440	431	401
Imports from U.S.	76	540	516	427	428
Balance	30	-122	-76	4	-27
Balance of payments					
Balance on goods & services		61	-43	137	
Net capital		10	14	-8	
Private		16	16	-21	
Official & banking		-6	-2	13	
Government grants		-	-	-	
Long-term capital		-	-7	-15	
Short-term capital		-6	5	28	
Change in gold & exch. reserves		+30	-70	+21	
Gold and foreign exchange reserves (end of yr.)	27	571	501	522	490

EXTERNAL RESOURCES

	1950	1951	1952	1953	1954	Program 1955	Program 1956
			(millions of US $)				
FOA obligations (fiscal years)	-	-.	0.1	0.2	0.2	0.4	0.6
		(calendar years)					
Ex-Im Bank disbursements	-	2	4	6	2[d]		
IBRD disbursements	-	-	-	-	-		
U.S. private investment (net)							
New direct investment	7	13	5	-5			
Reinvested subsidiary earnings	16	15	9	3			
Book value of U.S. direct private investment	642	672	686	686			

PRODUCTION

	Unit	1938	1951	1952	1953	1954[b]
Major crops:[e]						
Sugar	1,000 MT	2,888	7,225	5,159	4,890	4,534
Corn	1,000 MT	152	180	152	168[P]	175
Rice	1,000 MT	20	117	126	171[P]	171
Tobacco, leaf	1,000 MT	n.a.	36	34	35	41
Major industries:						
Electricity	million KWH	275	836	918	1,014	929

FINANCES

	1951	1952	1953	1954[E]	1955[E]
	(millions of US $)				
Central government budget (years ending June 30)					
Revenue	322.0	370.0	353.8		
Expenditure	259.4	321.8	339.8	305.0	325.0
Defense	40.8	48.1	59.8	53.4	
Public works	34.0	45.1	39.6	19.8	
Other	184.6	228.6	230.4	231.8	
Surplus or deficit (-)	62.6	48.2	14.0		
As % of total revenue	19%	13%	4%		
Defense expend. as % of budget	16%	15%	18%	18%	
Prices					
Sugar prices: world market, U.S. $ per 100 lbs.	5.67	4.16	3.41	3.26	3.17(Jan)
Sugar prices: U.S. market, U.S. $ per 100 lbs.	5.07	5.35	5.24	5.24	5.01(Jan)
Cost of living: Food (Havana) - Index 1948=100	93	94	91		

n.a. - Not available. P - Preliminary. E - Estimate.

a FOA estimate; 1 peso per U.S. $.

b 1954 data partly preliminary or estimated.

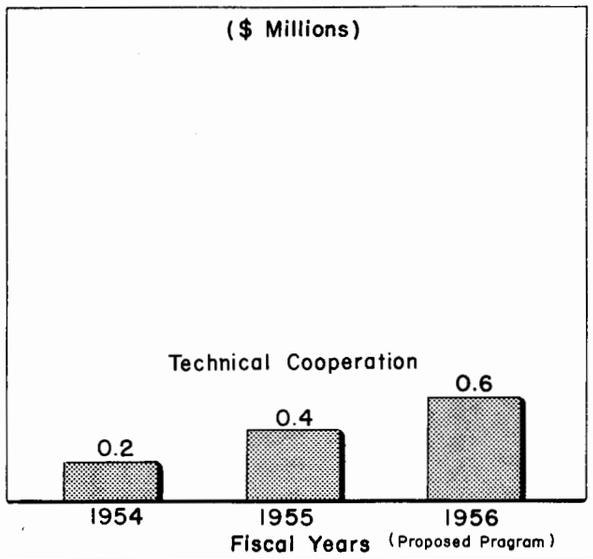
c Export quota for 1954-55 crop year.

d Undisbursed Ex-Im Bank balance, Dec. 31, 1954 - $10.0 million.

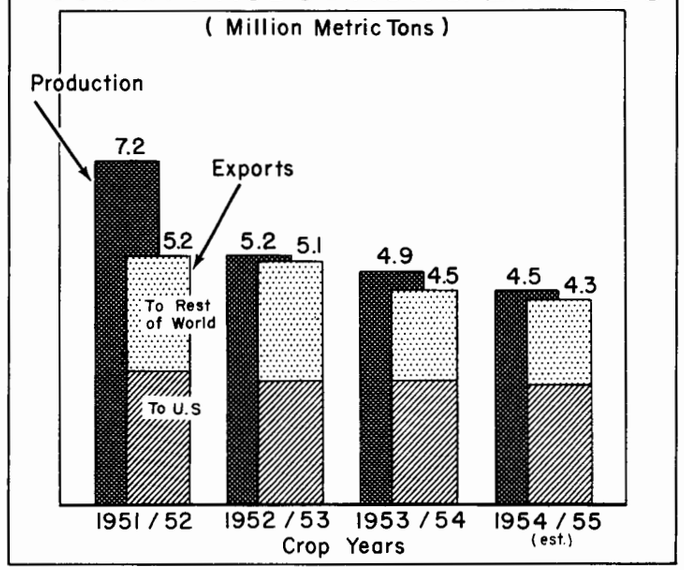
e Crop years beginning year stated.

CUBA

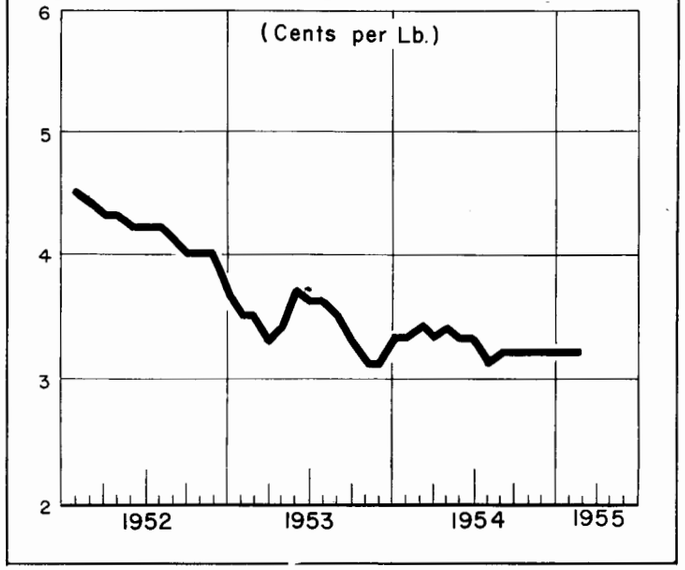
THE PROGRAM



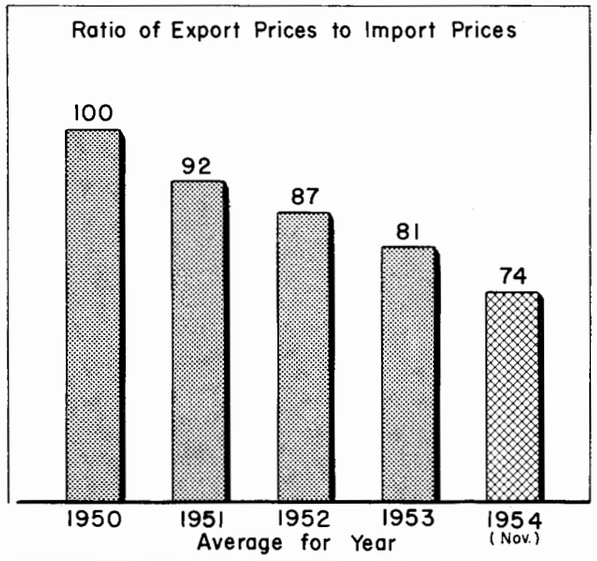
SUGAR PRODUCTION & EXPORTS



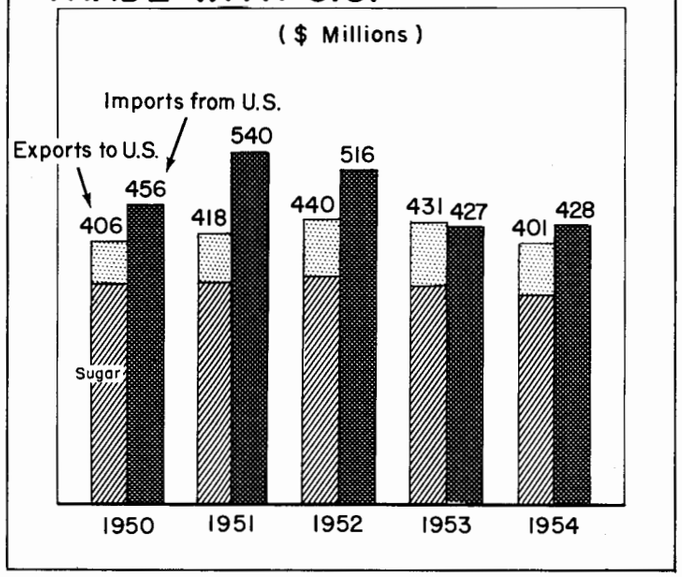
SUGAR PRICES



TERMS OF TRADE

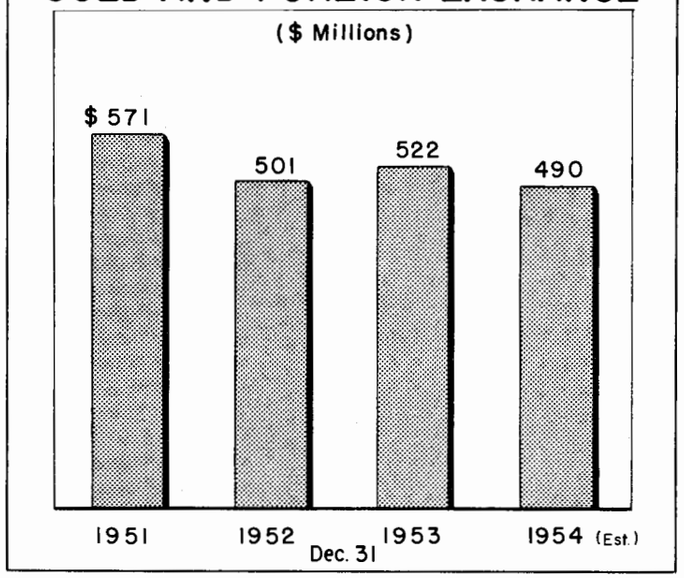


TRADE WITH U.S.*



* U.S. Customs data

GOLD AND FOREIGN EXCHANGE



LATIN AMERICA

Country: CUBA

INDIVIDUAL COUNTRY DATA

Summary of Program by Function

(In thousands of dollars)

Function	Program FY 1950/54	FY 1955	Proposed FY 1956
Military Assistance	a/	a/	a/
	FY 1954		
Technical Cooperation	157.6	448.8	621.7
Total Country Program Other Than Military Assistance	157.6	448.8	621.7

a/ Data included in separate submission on Military Assistance.

General Narrative Statement

Current Situation

Cuba is another Latin American country overly dependent upon a single crop for the major portion of its foreign exchange earnings. Sugar, which is subject to widely varying conditions on the world market, is also an industry which creates serious seasonal unemployment problems.

The Cuban economy will probably move downward during 1955 despite the government's ambitious development plan. Internal construction activity is waning. A prospective 10 percent cutback in sugar production is expected due to the depressed level of sugar exports to markets other than the United States. An unfavorable balance of payments situation may result this year and follow a decline of $32 million in Cuba's international reserves in 1954.

Cuba's chronic unemployment and under-employment problems remain severe. Some officials have estimated informally that of a potential labor force of less than three million, more than one million were unemployed as 1954 ended. Only 400,000 of these unemployed will receive temporary employment during the sugar harvesting season this year.

A better balanced economy is required. The Government, while still hoping for an expanded sugar market, is fully appreciative of this need and has established a Development Bank to spearhead diversification in agriculture, industry and minerals.

Program Objectives

U. S. policy supports a vigorous continuation of the Technical Cooperation Program in Cuba with a view toward:

(1) Assisting in the development of agricultural research and extension, to promote a more diversified agricultural economy.

(2) Stimulating and assisting in the improvement of industrial and management methods, particularly in the processing and distribution of agricultural commodities.

(3) Providing U. S. and third country training to qualified individuals in specific technical fields.

General Narrative Statement (Continued)

(4) Developing the organization and dissemination of statistical data required for business, government, and economic development in general.

(5) Demonstrating to Cuban labor leaders labor-management relations in the U. S. so that they may adapt these methods for use in Cuba.

The purpose of the Military Assistance Program for the American Republics is to enable them to accomplish the military roles and missions assumed in the mutual defense of the Western Hemisphere and to strengthen their collective effort against possible Communist or other aggression.

Progress to Date

During FY 1955 the Government of Cuba formally requested an expansion of the U. S. Technical Cooperation Program.

Agriculture: The agricultural program (previously limited to kenaf) is now entering work on cacao, coffee, bananas, horticultural crops, land use and soil salinity research. A pilot agricultural extension demonstration project is being developed. Through the assistance of a U. S. specialist on cooperatives, the Development Bank is now pressing for passage of a cooperatives law.

Industry and Mining: The mining technician is advising on Cuban pyrites development and assisting private mining corporations with their operating problems. Plans have been completed for the operation of the minerals laboratory now 80 percent completed and for the training of Cuban nationals to man this project. The two-man geological research team is assisting in the mapping of selected mineral deposits.

The project for the development of the food processing industry started with a survey and evaluation of a number of plants in conjunction with the Agriculture and Industrial Credit Bank of Cuba. A report from the U. S. contract technician is expected by the end of March 1955.

Public Administration: Activities include assistance to the Cuban Census Bureau in planning and organizing the Cuban Statistical Institute which is to be set up shortly, and in municipal organization and administrative problems. Training in public administration is included.

Labor: One of the most important projects during FY 1955 is the bringing of 35 labor leaders to the U. S. These participants will arrive in the U. S. in April 1955 for training in labor management relations and specialized labor fields.

Other Activities: During fiscal year 1955, a U. S. Food and Drug Advisor visited Cuba to help develop an effective pure food administration to establish and enforce minimum standards. The Advisor's report is now under study as a basis for further developments in this field.

Military Assistance (MDAP): There is no program of assistance to the Cuban Army. Not enough time has elapsed since the arrival of the first MDAP material for the Navy to evaluate its effectiveness. It is expected that satisfactory progress will be made in 1955 in increasing the effectiveness of the Navy.

Equipment furnished under MDAP to the Air Force has enabled it to progress rapidly. The CAF was reorganized in early 1952 along the lines of the U. S. Air Force wing base organization. MDAP equipment has enabled this force to partially equip its new units.

The previous year programs provided, within the availability of funds, modernization equipment and maintenance support for the Cuban Navy, propeller type aircraft for the Cuban Air Force, and training assistance to both.

The FY 1956 Program

The proposed program for FY 1956 is intended to continue development of the program being operated in FY 1955.

Agriculture: Although the need for agricultural diversification is well recognized, there has been very limited

General Narrative Statement (Continued)

activity to determine specific actions to be taken to achieve this end. Definite policies and programs are needed if Cuba is to escape the serious consequences of a contracting sugar market. During FY 1956, the work on experimentation and research with varied agricultural and horticultural crops will be intensified. Experimentation will be carried out in cooperation with farmers and experiment stations in all parts of the Island. Expansion of extension service is planned. Work will also move ahead in advising the Bank of Agricultural and Industrial Development of Cuba on expanding the functions of credit societies and laying the base for a cooperative movement.

Industry and Mining: This program will include geological surveys to discover and record the mineral reserves in the country, mining and mineral advisory services to improve the methods of extraction and refining of minerals, and management and industrial technology advice to improve production methods and the utilization of human resources in the industrial process.

Transportation: The Cuban Government has a large program underway for the construction of main and secondary roads. The secondary roads in particular are extremely important in terms of developing the agricultural farm economy and improving communications. The Mission will assist this program during FY 1956 by sending some participants to the U. S. to study various aspects of transportation.

Labor: A small increase during FY 1956 is contemplated in the number of participants coming to the U. S., for three to six months, to study labor relations and productivity.

Education: The Government of Cuba is presently considering requesting the Mission for assistance in the field of vocational education. Thus far only a small training program is included in the plan for 1956.

Public Administration: During FY 1956 the Census project will broaden its work to the problems of general statistical organization. In the field of Municipal Administration, technical assistance will be continued through the Inter-American Municipal Organization, which provides technical advice to municipal governments throughout Latin America.

Other Resources: Cuba has received a limited amount of technical aid through the United Nations. At the beginning of 1954 there was one expert in the field of statistics in Cuba under auspices of UNTAA. The Export-Import Bank has made a loan to Cuba for electrical machinery. The IBRD has made no loans in Cuba, but has completed an exhaustive study of the Cuban economy and is conferring with leading bankers and businessmen about possible fields for collaboration between Cuba and the Bank.

LATIN AMERICA

Country: CUBA

INDIVIDUAL COUNTRY DATA

Summary by Major Cost Components

(In thousands of dollars)

Programs by Fiscal Year	Total U. S. Cost	Supplies, Equipment & Grants to Servicios	U. S. Government Technicians		Contract Services		Participants		Other Costs
			Number Employed June 30	Cost	Number Employed June 30	Cost	No. of Persons	Cost	
Technical Cooperation									
1954	157.6		8	103.4			24	34.7	19.5
1955	448.8		14	210.7	1	9.0	67	185.9	43.2
1956	621.7		14	235.4	2	40.0	105	259.8	86.5

Summary by Major Activity

(In thousands of dollars)

Programs by Fiscal Year	Total U. S. Cost	Agriculture and Natural Resources	Industry and Mining	Transportation	Labor	Health and Sanitation	Education	Public Administration	Community Development Social Welfare and Housing	All Other
Technical Cooperation										
1954	157.6	96.0	32.9	5.5	7.2		6.0	5.4		4.6
1955	448.8	183.9	89.7	9.5	90.2			67.3	.2	8.0
1956	621.7	238.3	147.7	18.0	108.0		9.0	88.6		12.1

DOMINICAN REPUBLIC

BASIC DATA

				Dominican Republic	L.A.	U.S.
Population (1954)	millions	2.3	Per capita GNP[a]	dollars	175	300	2,200
Annual growth	percent	2.4	Literacy rate	percent	40	55	97
			Infant mortality	per 1,000 births	79	87	28
Area	1,000 square miles	19	Road miles	per 1,000 square miles	105	70	1,100
Agricultural land	percent	26	Elec. power per capita	KWH per year	73	170	3,165
Agricultural land per capita	acres	1.4					

TRADE AND PAYMENTS

	1938	1951	1952	1953	1954[b]
	(millions of US $)				
Exports, f.o.b.	15	119	115	104	120
Imports, c.i.f.	13	86	111	99	93
Trade balance	2	33	4	5	27
Principal exports					
Sugar: Quantity, 1,000 MT	404	482	537	548	488
Value, $ millions	9	60	51	42	35
Coffee: Quantity, 1,000 MT	8	14	26	20	22
Value, $ millions	1	15	26	22	31
Trade with U.S. (U.S. Customs data)					
Exports to U.S.	6	49	56	52	72
Imports from U.S.	6	48	54	48	52
Balance		1	2	4	20
Balance of payments					
Balance on goods & services		7	- 5	1	
Net capital		8	1	-16	
Private		7	1	-13	
Official & banking		1	*	- 3	
Government grants		-	-	*	
Long-term capital		*	-	-	
Short-term capital		1	*	- 3	
Change in gold & exch. reserves		+13	- 1	- 5	+16
Gold and foreign exchange reserves (end of year)	4	44	43	38	54

EXTERNAL RESOURCES

	1950	1951	1952	1953	1954	Program 1955	Program 1956
	(millions of US $)						
FOA obligations (fiscal years)	-	-	0.2	0.3	0.2	0.4	0.4
	(calendar years)						
EX-Im Bank disbursements	-	-	-	-	-	-	
IBRD disbursements	-	-	-	-	-	-	
U.S. private investment (net)							
Net direct investment	1	11	- 7	- 6			
Reinvested subsidiary earnings	3	6	7	5			
Book value of U.S. direct private investment	106	123	123	121			

PRODUCTION

	Unit	1938	1951	1952	1953	1954[b]
Major crops[c]:						
Sugar, cent., raw	1,000 MT	445	588	600	635	705
Rice, rough	1,000 MT	39	65	73	78	77
Cacao beans	1,000 MT	25	n.a.	38[P]	33	35
Coffee	1,000 MT	21	29	27	30	27

FINANCES

	1951	1952	1953	1954[E]	1955[E]
	(millions of US $)				
Central government budget (calendar years)					
Revenue			89.1	96.8	108.1
Expenditure			87.9	95.2	105.5
Defense			24.8	19.9	
Public works			4.7	5.8	
Other			58.4	69.5	
Surplus or deficit (-)			1.2	1.6	2.6
As % of total revenue			1%	2%	2%
Defense expend. as % of budget			28%	21%	
Prices (Index 1948=100)					
Wholesale prices: Trujillo	92	94	94	89	89 Jan.
Cost of living: Trujillo	105	106	104	102	101 Jan.

* Less than $500,000. n.a. - Not available P - Preliminary E - Estimate

a FOA estimate; 1 peso per U.S. $.

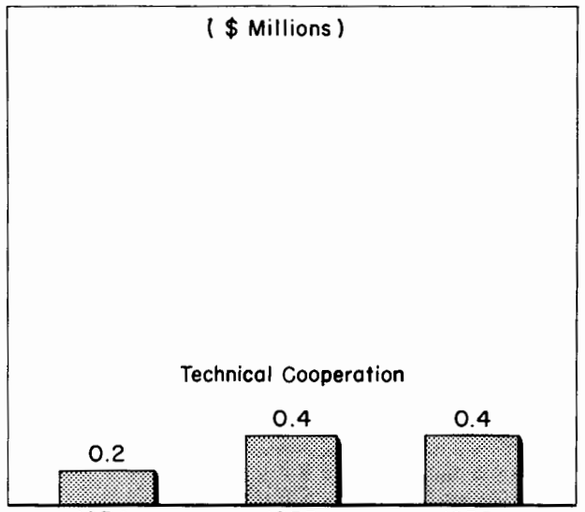
b 1954 data partly preliminary or estimated.

c Crop years beginning year stated.

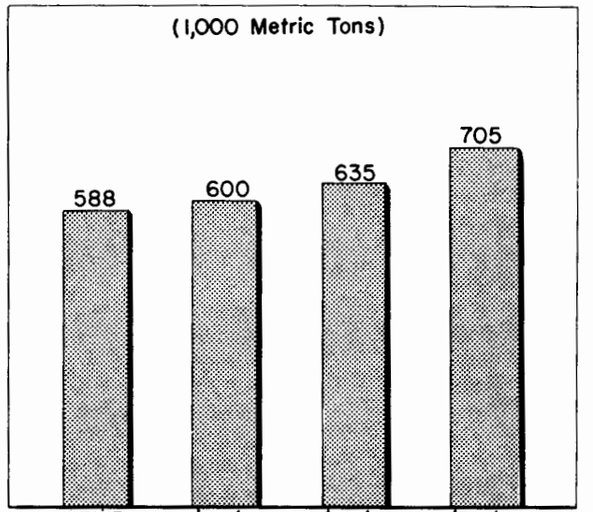
Revised May 18, 1955

DOMINICAN REPUBLIC

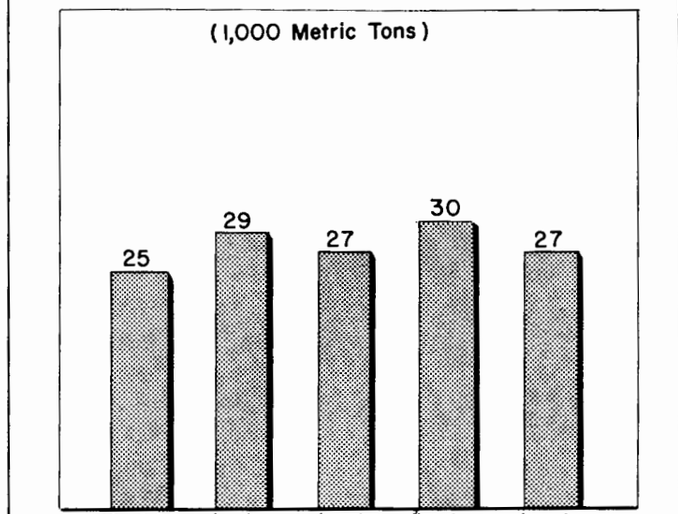
THE PROGRAM



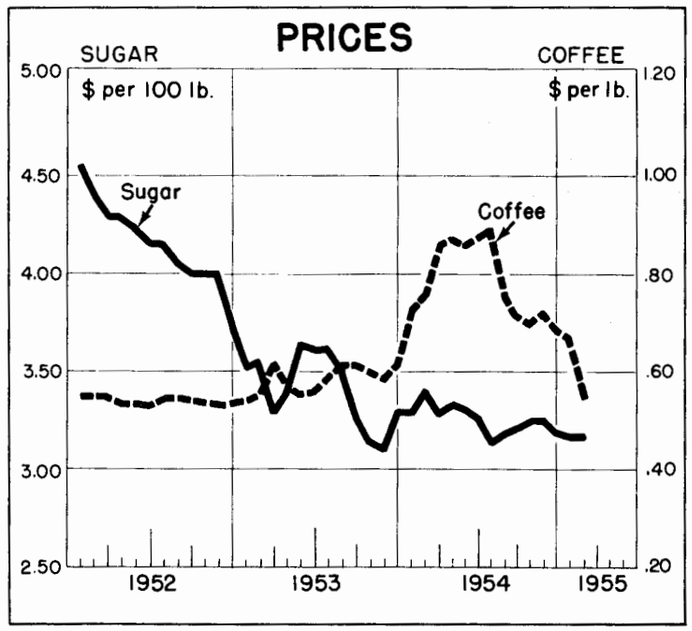
SUGAR PRODUCTION



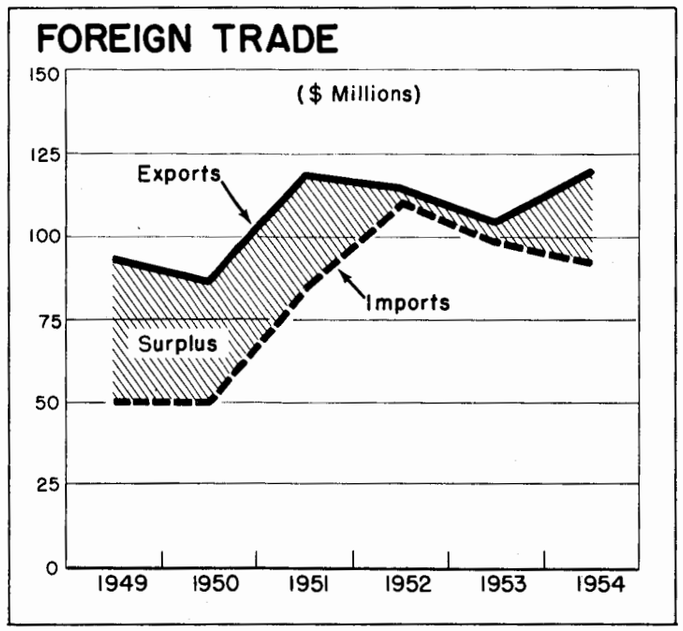
COFFEE PRODUCTION



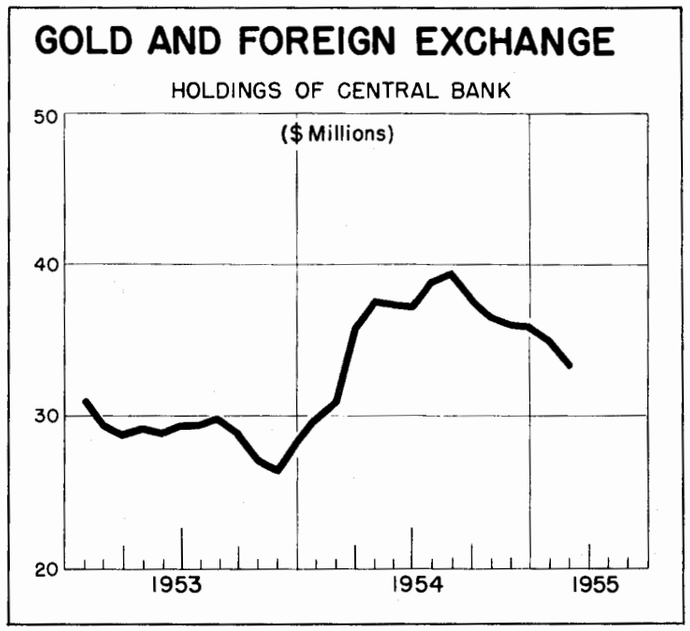
PRICES



FOREIGN TRADE



GOLD AND FOREIGN EXCHANGE



DOMINICAN REPUBLIC

BASIC DATA				Dominican Republic	L.A.	U.S.
Population (1954)	millions	2.3	Per capita GNP[a]	dollars	175	300	2,200
Annual growth	percent	2.4	Literacy rate	percent	40	55	97
			Infant mortality	per 1,000 births	79	87	28
Area	1,000 square miles	19	Road miles	per 1,000 square miles	105	70	1,100
Agricultural land	percent	26	Elec. power per capita	KWH per year	73	170	3,165
Agricultural land per capita	acres	1.4					

TRADE AND PAYMENTS	1938	1951	1952	1953	1954[b]
	(millions of US $)				
Exports, f.o.b.	15	119	115	104	120
Imports, c.i.f.	13	86	111	99	93
Trade balance	2	33	4	5	27
Principal exports					
Sugar: Quantity (1,000 MT)	404	482	537	548	488
Value ($ millions)	9	60	51	42	35
Coffee: Quantity (1,000 MT)	8	14	26	20	22
Value ($ millions)	1	15	26	22	31
Trade with U.S. (U.S. Customs data)					
Exports to U.S.	6	49	56	52	72
Imports from U.S.	6	48	54	48	52
Balance		1	2	4	20
Balance of payments					
Balance on goods & services		7	- 5	1	
Net capital		8	1	-16	
Private		7	1	-13	
Official & banking		1	*	- 3	
Government grants		-	-	*	
Long-term capital		*	-	-	
Short-term capital		1	*	- 3	
Change in gold & exch. reserves		+13	- 1	- 5	+16
Gold and foreign exchange reserves (end of year)	4	44	43	38	54

PRODUCTION	Unit	1938	1951	1952	1953	1954[b]
Major crops[c]:						
Sugar, cent., raw	1,000 MT	45	588	600	635	705
Rice, rough	1,000 MT	39	65	73	78	77
Cacao beans	1,000 MT	25	n.a.	38[P]	33	35
Coffee	1,000 MT	21	29	27	30	27

EXTERNAL RESOURCES	1950	1951	1952	1953	1954	Program 1955	Program 1956
	(millions of US $)						
FOA obligations (fiscal years)	-	-	0.2	0.3	0.2	0.4	0.4
	(calendar years)						
EX-Im Bank disbursements	-	-	-	-	-	-	
IBRD disbursements	-	-	-	-	-	-	
U.S. private investment (net)							
Net direct investment	1	11	- 7	- 6			
Reinvested subsidiary earnings	3	6	7	5			
Book value of U.S. direct private investment	106	123	123	121			

FINANCES	1951	1952	1953	1954[E]	1955[E]
	(millions of US $)				
Central government budget (calendar years)					
Revenue			89.1	96.8	108.1
Expenditure			87.9	95.2	105.5
Defense			24.8	19.9	
Public works			4.7	5.8	
Other			58.4	69.5	
Surplus or deficit (-)			1.2	1.6	2.6
As % of total revenue			1%	2%	2%
Defense expend. as % of budget			28%	21%	
Prices (Index 1948-100)					
Wholesale prices: Trujillo	92	94	94	89	89 Jan.
Cost of living: Trujillo	105	106	104	102	101 Jan.

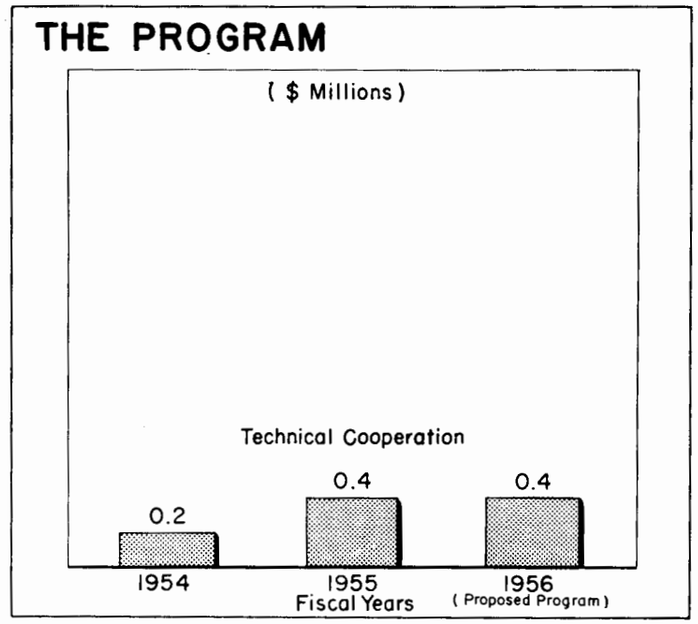
* Less than $500,000. n.a. - Not available P - Preliminary E - Estimate

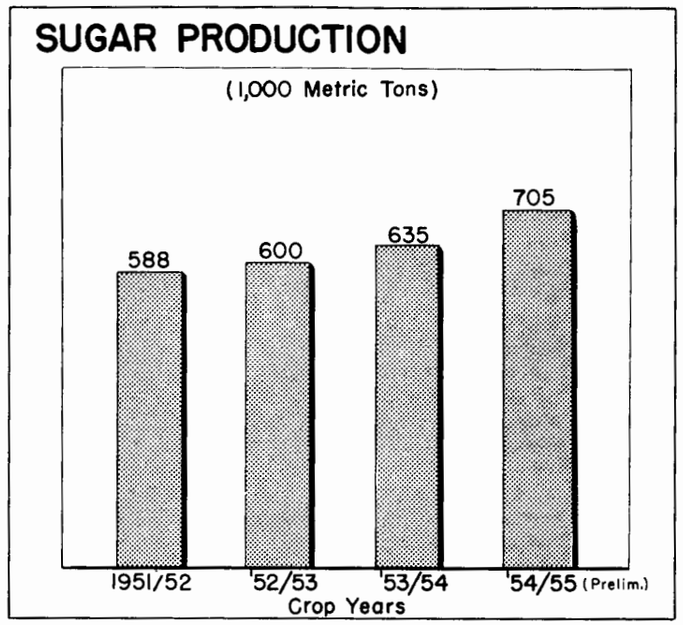
a FOA estimate; 1 peso per U.S. $.

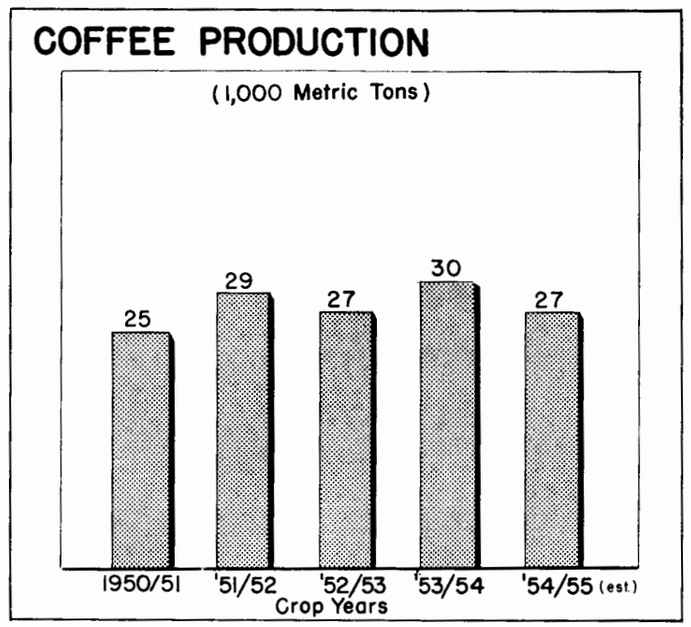
b 1954 data partly preliminary or estimated.

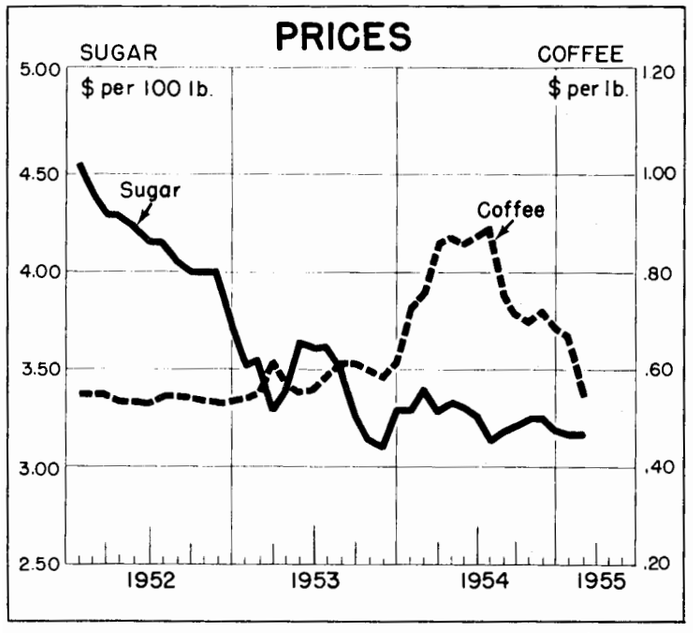
c Crop years beginning year stated.

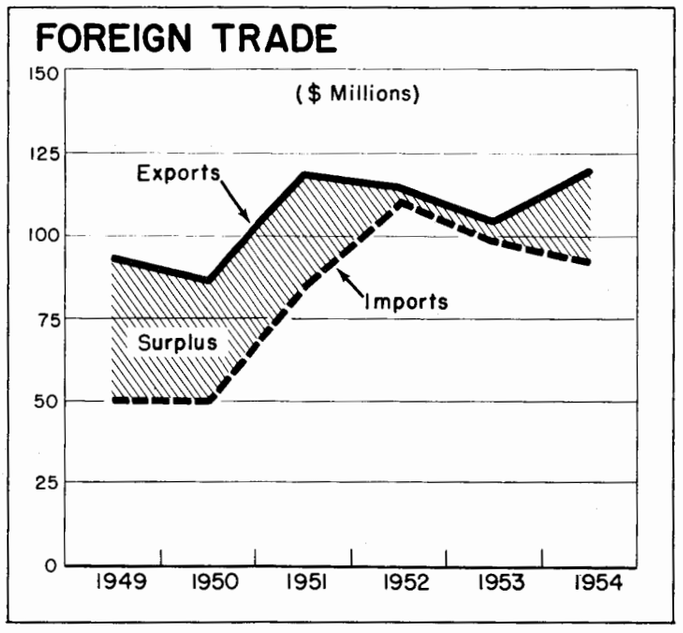
DOMINICAN REPUBLIC

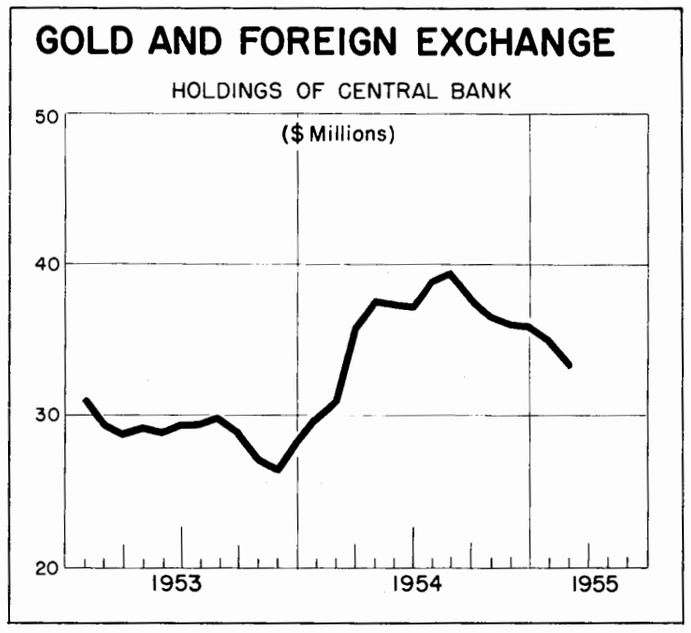












LATIN AMERICA

Country: DOMINICAN REPUBLIC

INDIVIDUAL COUNTRY DATA

Summary of Program by Function

(In thousands of dollars)

Function	Program FY 1950/54	FY 1955	Proposed FY 1956
Military Assistance	a/	a/	a/
	FY 1954		
Technical Cooperation	166.8	350.0	433.7
Total Country Program Other Than Military Assistance	166.8	350.0	433.7

a/ Data included in separate submission on Military Assistance.

General Narrative Statement

Current Situation

The Dominican Republic is primarily agricultural. Its foreign exchange earnings, as well as its internal labor situation, are overly dependent on fluctuations in world market conditions and prices for sugar.

While living standards in the Dominican Republic are generally low, the country has the potential for improvement, particularly if its agricultural production of crops for internal consumption can be increased and a better balance between the primary export crops -- sugar, coffee and cacao -- can be achieved. While agriculture will remain as the mainstay of the Dominican economy, both industry and mining offer potential sources for diversification and a better balanced economy for that country.

The general economic outlook through 1955 appears to be relatively optimistic despite substantial declines from 1954 peak prices of the Dominican Republic's major exports. Economic activity is being stimulated by expanded governmental expenditures on public works and in connection with the Dominican International Fair. It is possible that the gross national product can expand at a rate sufficient to at least partially compensate for declining foreign exchange earnings and permit progress in raising general living standards. One of the encouraging features of the situation in the Dominican Republic is the determination of that country to develop its available resources and it would appear to have the capital to do so.

There are, however, factors which seriously limit further economic development. There is a marked shortage of technicians and artisans and the Dominican Republic must develop the technical information and services required to support a balanced agricultural economy, as well as to provide for an expansion of industry and mining. Agricultural experimentation should be expanded and an effective extension service established. Agricultural technicians should be trained and the present expansion of vocational training facilities carried forward to provide the necessary artisans and technicians required. Rural elementary

General Narrative Statement (Continued)

and adult education need to be strengthened and improvements in the public health system of the country are needed. Effective development of water resources would considerably expand the agricultural potential of the country and provide power to support industrial progress.

Program Objectives

The objectives of the Technical Cooperation Program in the Dominican Republic are to assist:

(1) In the development of a more extensive and effective vocational education program in order to develop workers for needed industries; and improve curricula and teaching methods in the rural schools.

(2) In the diversification and expansion of agricultural production in order to provide a better standard of living for the constantly increasing population.

(3) In the strengthening of the public health system.

(4) In determining water power and irrigation potential.

The purpose of the Military Assistance Program for the Dominican Republic, as for the other American Republics, is to enable them to accomplish the military roles and missions assumed in the mutual defense of the Western Hemisphere and to strengthen their collective effort against possible Communist or other aggression.

Progress to Date

The Dominican Government recently indicated interest in an expanded technical cooperation program, including a broader agricultural program, a program in rural primary education, and additional activity in health. The agricultural program is now being converted into a servicio type operation geared to focus greater attention on the problems of the small farmer. The education program is being expanded to include projects in the field of rural primary education and teacher training. Expansion of the health program into activities in hospital administration, health programming, health education and nutrition is under discussion. The power and water resources consultant is completing a three month assignment. His findings will serve as the basis for selection of hydro-electric and irrigation projects.

Agriculture: Present activities include soils analysis, insect control, and field crops. This limited program has resulted in increased production and better use of crop lands, soil conservation and improvement, crop diversification, insect control, and better drainage practices. It is planned to reorganize and expand this group into a balanced agricultural party working on an integrated program directed to improvements which will better reach the general rural population. An agricultural servicio is being established to carry on this program.

Education: Good progress has been made in the establishment of a program of vocational education which includes courses to train skilled workers in the building, mechanical and electrical trades for use in local industry. The vocational work started in 1951 and in June, 1955, the first graduates of the National School of Arts and Crafts will complete their work. U. S. assistance to this school will be restricted to the help of one consultant by the end of FY 1955. General industrial arts work has started. The rural teacher education project will soon be underway. The Dominican Government has asked for added help in developing a program of rural education. Proposals for this program are now being developed and a small staff of U. S. educators will be assigned during the latter part of FY 1955.

Health and Sanitation: Assistance has been given towards the establishment of a school for the training of clinical and public health nurses. This project has supplemented U.S. assistance provided in other public health fields.

Transportation and Power: During FY 1954, a technician spent several weeks in the Dominican Republic investigating in a preliminary way the possibility of the development of power and irrigation projects. It was recommended that the Dominican

General Narrative Statement (Continued)

Government collect additional data and make further studies of four major river systems. The Dominican Government implemented these recommendations by engaging the services of a U. S. power and irrigation specialist to make a three months' detailed survey during FY 1955.

Military Assistance

A military assistance bilateral agreement was signed with the Dominican Republic on 12 June 1953. The first MAAG personnel arrived on 15 February 1954.

The program provided modernization equipment and ammunition for the Navy and maintenance support for the Air Force. No ships or aircraft were provided.

The FY 1956 Program

Agriculture: The U. S. Technical Cooperation Program proposed for FY 1956 will emphasize greater benefits to the small farmer and the low income population.

An agricultural demonstration and experiment station will be developed in order to furnish demonstrational material for extension service workers and to provide means for testing new crops, livestock, and farming methods. Additional substations will be established at strategic points in the country to serve specific agricultural needs of the region. Soil surveys will be made to determine more efficient land use. A well balanced livestock program will be conducted to increase meat production and to develop more efficient use of pastures. Insect control and soil studies will be continued to augment the work of the demonstration stations and extension service.

Education: The educational servicio will continue working toward the improvement of vocational education, general industrial and rural arts, and basic rural education.

Health and Sanitation: It is intended to assign a public health physician as a consultant to the Ministry of Health in order to study and assist in the development of an over-all integrated public health program.

Transportation and Power: A full-time power and irrigation technician will be assigned to follow up and assist in the implementation of the recommendations made by a consultant this year.

Other: The Dominican Republic has been the recipient of a limited amount of technical aid from the U.N. and its specialized agencies.

INDIVIDUAL COUNTRY DATA

Summary by Major Cost Components

(In thousands of dollars)

Programs by Fiscal Year	Total U. S. Cost	Supplies, Equipment & Grants to Servicios	U.S. Government Technicians		Contract Services		Participants		Other Costs
			Number Employed June 30	Cost	Number Employed June 30	Cost	No. of Persons	Cost	
Technical Cooperation									
1954	166.8	25.0	10	112.1			5	11.0	18.7
1955	350.0	90.0	10	143.0			15	59.9	57.1
1956	433.7	100.0	13	215.2			9	39.0	79.5

Summary by Major Activity

(In thousands of dollars)

Programs by Fiscal Year	Total U. S. Cost	Agriculture and Natural Resources	Industry and Mining	Transportation	Labor	Health and Sanitation	Education	Public Administration	Community Development Social Welfare and Housing	All Other
Technical Cooperation										
1954	166.8	50.9				14.4	87.0	10.0		4.5
1955	350.0	141.0	14.7	18.5		25.9	129.6	11.7		8.6
1956	433.7	209.8	20.6			20.0	179.6			3.7

ECUADOR

BASIC DATA

		Ecuador	L.A.	U.S.
Population (1954) ..... millions	3.5	Per capita GNP[a] .... dollars	150	300	2,220
Annual growth ..... percent	2.7	Literacy rate..... percent	56	55	97
Area .....1,000 square miles	105	Infant mortality ..... per 1,000 births	115	87	28
Agricultural land ..... percent	17	Road miles per 1,000 sq. mi.	57	70	1,100
Potentially productive land ..... percent	8.5	Elec. power per capita ..... KWH per yr.	37	170	3,165
Agricultural land per capita ..... acres	3				

TRADE AND PAYMENTS

	1938	1951	1952	1953	1954[b]
	(millions of US $)				
Exports, f.o.b.	9	71	102	88	117
Imports, c.i.f.	12	62	70	87	103
Trade balance	-3	9	32	1	14
Principal exports					
Bananas: Quantity..... 1,000 MT	n.a.	246	430	405	482
Value..... $ millions	1	25	44	37	43
Coffee: Quantity ..... 1,000 MT	14	16	20	19	22
Value ..... $ millions	1	16	20	19	27
Trade with U.S. (U.S. Customs data)					
Exports to U.S.	3	36	43	45	61
Imports from U.S.	3	35	37	41	47
Balance	-	1	6	4	14
Balance of payments					
Balance on goods & services		-5	12	-10	
Net capital		1	3	5	
Private		-3	-1	2	
Official & banking		4	4	3	
Government grants		-	1	1	
Long-term capital		2	2	-	
Short-term capital		2	1	2	
Change in gold & exch. reserves		-6	+13	-5	
Gold and foreign exchange reserves (end of yr.)	4	31	44	39	39

EXTERNAL RESOURCES

	1950	1951	1952	1953	1954	Program 1955	Program 1956
	(millions of US $)						
FOA obligations (fiscal years).....	0.3	0.3	1.4	1.0	1.3	1.4	1.6
	(calendar years)						
Ex-Im Bank disbursements	2.0	2.0	3.0	1.0	4.0[c]		
IBRD disbursements	-	-	-	-	0.2[d]		
U.S. private investment (net)							
Net direct investment	2	*	*				
Reinvested subsidiary earnings.....	*	*	*				
Book value of U.S. direct private investment	14	14	14	17			

PRODUCTION

	Unit	1938	1951	1952	1953	1954[b]
Major crops:[e]						
Rice	1,000 MT	74	116	159	136[P]	
Sugar, centrifugal, raw	1,000 MT	22	48	60	56[P]	
Coffee	1,000 MT	15	14	23	23[P]	25
Major industries:						
Petroleum, crude	1,000 MT	297	356	374	391	412

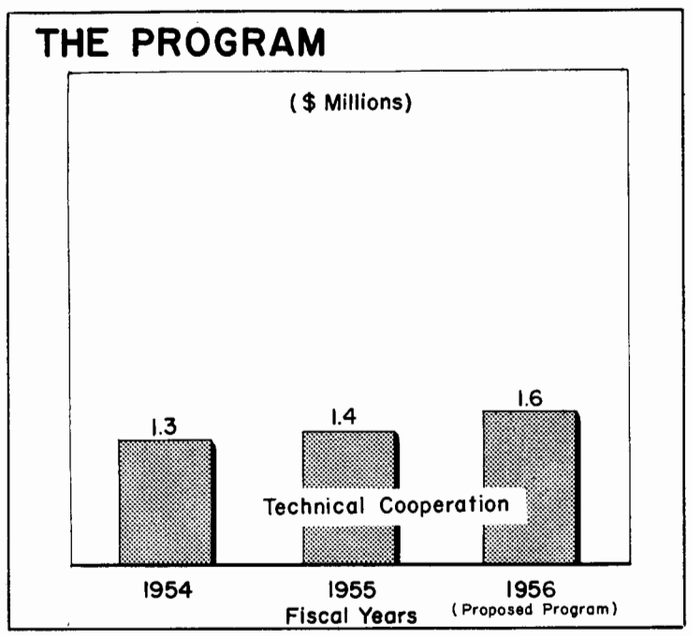
FINANCES

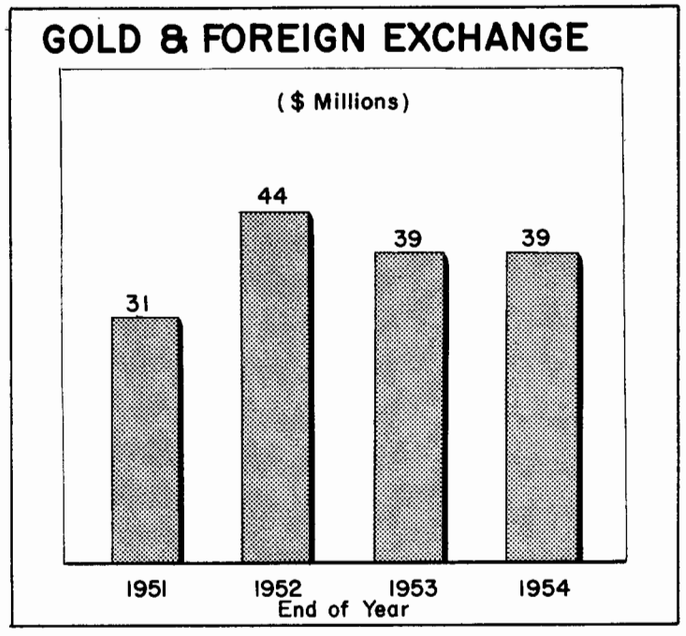
	1951	1952	1953[E]	1954[E]	1955
	(millions of US $)				
Central government budget (calendar years)					
Revenue	29	33	35	49	
Expenditure	29	35	38	51	
Surplus or deficit (-).....	*	-2	-3	-2	
As % of total revenue	-	-5%	-10%	-5%	
Prices (index 1948=100)					
Wholesale prices: Exported goods	170	176	183	223	
Cost of living	109	112	112	116	188(Jan)

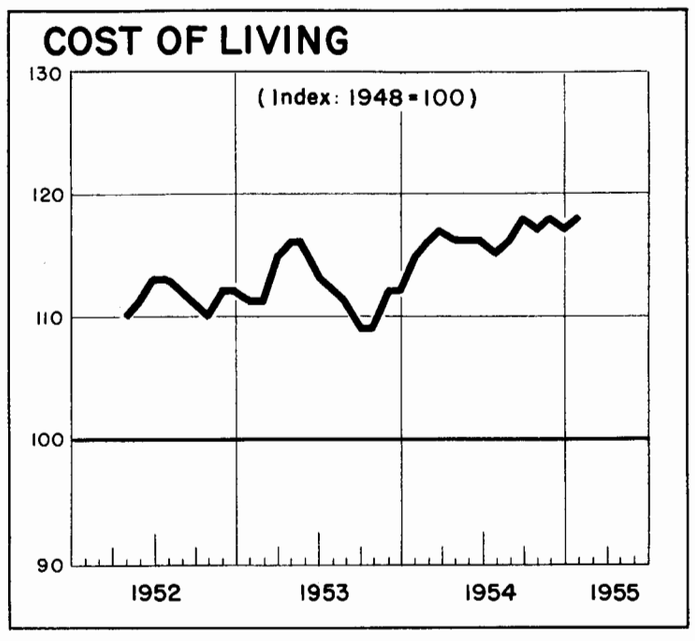
* Less than $500,000. n.a.-Not available. P-Preliminary. E-Estimate.
a FOA estimate; converted at 15 sucres per U.S. $.
b 1954 data preliminary or estimated.
c Undisbursed EX-IM Bank balance Dec. 31, 1954 - $8.5 million.
d Undisbursed IBRD balance, Dec. 31, 1954 - $8.3 million.
e Crop years beginning year stated.

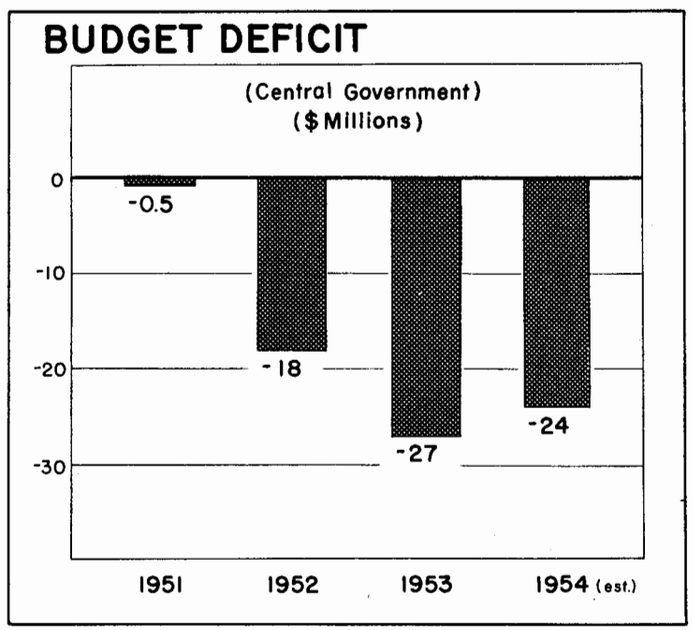
Revised May 18, 1955

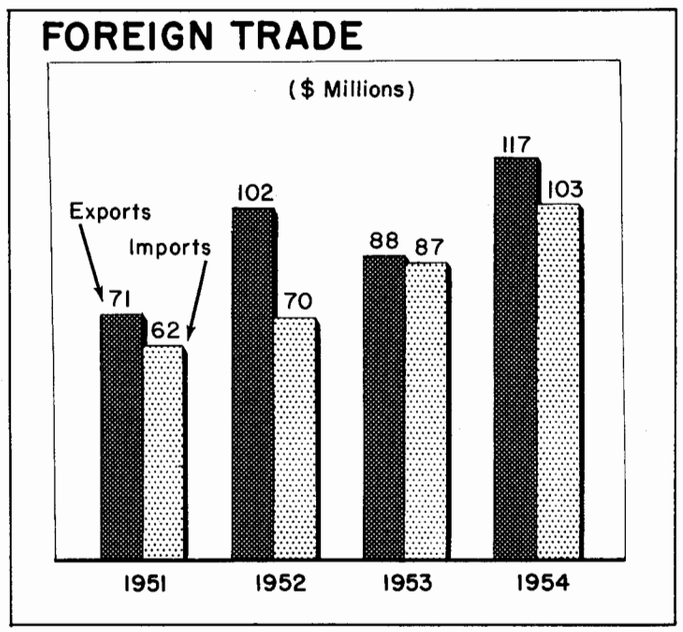
ECUADOR

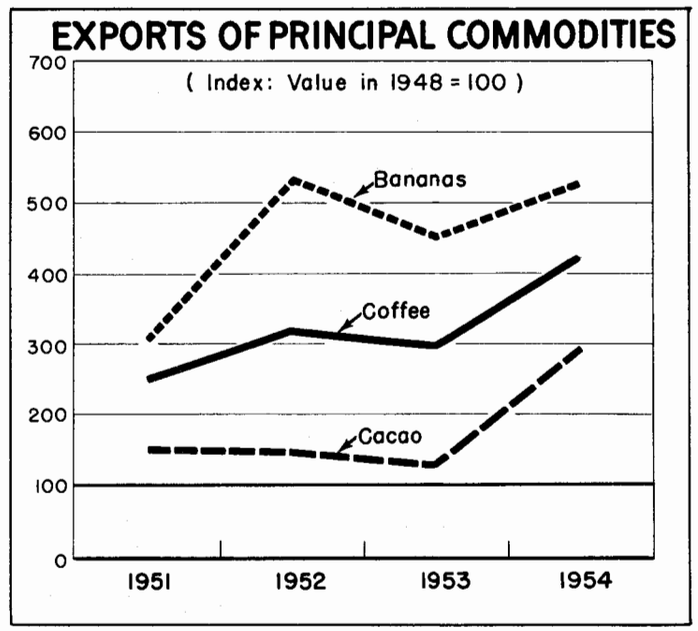

THE PROGRAM
($ Millions)
1.3
1.4
1.6
Technical Cooperation
1954
1955
1956
(Proposed Program)
Fiscal Years


GOLD & FOREIGN EXCHANGE
($ Millions)
31
44
39
39
1951
1952
1953
1954
End of Year


COST OF LIVING
(Index: 1948 = 100)
130
120
110
100
90
1952
1953
1954
1955


BUDGET DEFICIT
(Central Government)
($ Millions)
0
-10
-20
-30
-0.5
-18
-27
-24
1951
1952
1953
1954 (est.)


FOREIGN TRADE
($ Millions)
Exports
Imports
71
62
102
70
88
87
117
103
1951
1952
1953
1954


EXPORTS OF PRINCIPAL COMMODITIES
(Index: Value in 1948 = 100)
700
600
500
400
300
200
100
0
Bananas
Coffee
Cacao
1951
1952
1953
1954

LATIN AMERICA

Country: ECUADOR

INDIVIDUAL COUNTRY DATA

Summary of Program by Function

(In thousands of dollars)

Function	Program FY 1950/54	Program FY 1955	Program Proposed FY 1956
Military Assistance	a/	a/	a/
	FY 1954		
Technical Cooperation	1,311.4	1,398.4	1,605.4
Total Country Program Other Than Military Assistance	1,311.4	1,398.4	1,605.4

a/ Data included in separate submission on Military Assistance.

General Narrative Statement

Current Situation

Ecuador possesses economic and political stability. Since World War II, there has been a continual increase in exports, due to a great extent to the diversification of their agricultural production. Production of cacao has continued to increase. Ecuador continued to be one of the world's leading banana exporters ($43 million in 1954). Coffee exports in 1954 reached the $27 million mark. Total exports have increased from $9 million in 1938 to about $117 million in 1954.

Development of highways, railroad facilities and building in general is being carried forward on an increasing scale. Loans from the Export-Import Bank ($34 million since 1942) and the IBRD ($8.5 million in 1953) have assisted materially.

The panama hat industry in Ecuador is experiencing great difficulties. Export value dropped from $6 million in 1946 to $1.5 million in 1954, with resulting hardship upon a significant portion of the Ecuadoran population.

Ecuador depends primarily upon agriculture for its livelihood. The country has no known mineral deposits of great importance although petroleum is found to some extent and is being developed. Despite the progress being made in Ecuador today, it remains one of the most undeveloped countries in South America. The per capita gross national product amounts to about $150. Over 40 percent of the population is illiterate. Over one-half of the population is living under such primitive and isolated conditions that they contribute little to the national economy.

Principal factors limiting economic development in Ecuador may be listed as follows: Lack of natural resources other

General Narrative Statement (Continued)

than land; underdeveloped agricultural production as compared to its potential; maldistribution of population and lack of transportation facilities needed to open new lands for settlement; inadequate power facilities and low productivity of workers due largely to poor health and living conditions; and a lack of basic educational facilities.

Program Objectives

U. S. policy supports the continuation of technical cooperation with Ecuador. The over-all objective of the technical cooperation program in Ecuador is to assist that country to further develop and diversify its economy and thus raise the standard of living of its people. Primary emphasis is being given to:

(1) Assisting in the operation of a National Planning Board to help the country develop a long-range economic development plan which will help direct both foreign and domestic investment into productive channels and will serve to orient future requests for technical assistance.

(2) Improving the volume, variety and quality of agricultural production, especially export crops such as cacao, coffee, and bananas and for basic food crops for the local consumption such as small grains, potatoes and livestock.

(3) Improving health conditions through projects involving environmental sanitation; administration of hospitals and other medical facilities; training of nurses and laboratory workers; potable water systems and sewage disposal systems; preventive medical techniques including the establishment of health centers; health education; and public health administration. Particular emphasis in these fields is being placed on developing a more productive working force.

(4) Improving basic educational facilities, methods of teaching and teaching materials; adapting educational planning to the practical needs of the population.

(5) Improving and expanding transportation facilities to facilitate marketing and the opening up of new areas for agricultural production; improving communications, specifically the national postal system.

(6) Improving facilities and techniques in handicraft industries and increasing and improving small industries production and marketing.

The purpose of the Military Assistance Program for Ecuador is to enable the country to accomplish the military roles and missions assumed in the mutual defense of the Western Hemisphere and to strengthen the collective effort against possible Communist or other aggression.

Progress to Date

Technical Cooperation

Agriculture and Natural Resources: Research activities were conducted by the U. S. Department of Agriculture's Office of Foreign Agricultural Relations between 1943 and 1952. The program was broadened in 1952 and began operating through a Servicio organization, which in the last year established extension offices in nine of the 18 provinces in the country. The Ecuadoran Ministry of Agriculture has established seven extension offices in addition to those provided under the cooperative program. Research findings on the important crops of cacao, bananas and coffee are being disseminated to the farmers through the new extension system and are beginning to show results in terms of increased production. The program is receiving the support and cooperation of the Ecuadoran Government to a greater extent than ever before. In the last year the Ecuadoran national budget for agriculture was increased by 33 percent and the financial contribution to the Agricultural Servicio's operations has doubled. Approximately one-half of the entire Ecuadoran appropriation for agriculture goes into work which is carried on within the framework of our cooperative program.

General Narrative Statement (Continued)

Education: Operations in this field began in 1946 and a number of cooperative projects have been completed under this program. The cooperative rural education program is now concentrating on the large normal school at Uyumbicho, a rural community near Quito, and on elementary schools and communities in that vicinity. Ecuadoran educators trained there, and in the U.S., are working with teacher training institutions in other parts of the country.

Health and Sanitation: The health program started in 1942. Initially, this program gave assistance in planning, remodeling, repairing and equipping existing hospital and health facilities. Thirty-six of a total of 39 hospital projects have been turned over entirely to the host government. The remaining three projects are used as national demonstration centers.

Four health centers located in different parts of the country have been established and turned over to the National Department of Health. A National School of Nursing, which was formerly under the direct supervision of North American nurses, has been turned over to the Ecuadoran Government. One nurse is at present acting as adviser in Nursing Education.

Assistance has been given in designing and constructing environmental sanitation facilities, including sewer and water supply systems. Surveys or field work and planning of water systems were carried out in 44 cities and towns. Sewer systems were surveyed in 22 cities and towns.

Malaria and yaws control work has succeeded in practically eliminating the incidence of yaws within the country. Additional work in malaria control has resulted in outstanding success and assumption of responsibility on the part of the Ecuadoran Government for the continuance of these projects.

Transportation: Advisers of railroad despatching and accounting have completed assignments in Ecuador after giving assistance in their respective fields. At present a railroad master mechanic and a maintenance-of-way engineer are working with Ecuadoran railway officials. In civil aviation, technical assistance has been given in drawing up plans and specifications for airport and air-transportation improvement.

Industry: Improved looms and new methods of weaving and design have been introduced. U. S. technicians are investigating possibilities for new enterprises in the small industry field.

Public Administration: A preliminary survey of the country's postal organization has been made and a consultant is being sent to Ecuador to assist in reorganizing the postal service. A National Planning Board consisting of members of the Ecuadoran Cabinet and others has been established. A six-man team of specialists is being organized to work with this group. The United States has been asked to supply three of these advisers. The work of this group is expected to bring together the various organizations concerned with natural resource planning and produce a coordinated national development program.

Ecuador has recently requested a U.S. technician to advise that country on modifications of banking legislation and monetary policy matters. A technician is being processed in response to this request.

Military Assistance

The Ecuadoran Army component being prepared for hemisphere defense and supported under the Military Assistance Program (MDAP) has been slow in getting started due to the lack of trained personnel. It is believed that considerable progress will be made during the first half of 1956.

With the receipt of machine tools from MDAP sources the Navy is starting to outfit a Naval shipyard. This will enable Ecuador to effect repair and maintenance of its ships. The Navy has been able to utilize and maintain all MDAP equipment provided to date.

General Narrative Statement (Continued)

The best example of progress and performance is found in the Air Force. The Ecuadoran Air Force is now active. Pilots receive flight training in Ecuador, Panama and the U. S. The Ecuadoran Air Force is progressing rapidly in maintenance capability and employs a very workable supply system.

The previous year programs have provided, within the availability of funds, selected items of initial unit equipment for the Army, modernization equipment and maintenance support for the Navy, propeller type aircraft for the Air Force and training assistance to all three Services.

Training in the U.S.: Since 1952 a total of 120 Ecuadorans have studied in the United States under the training program, chiefly in the fields of education, health, transportation, agriculture and industry.

The FY 1956 Program

No change in the basic objectives of the Technical Cooperation Program in Ecuador is anticipated in FY 1956. In Agriculture, the shift in emphasis from research to extension will continue. Special attention will be given to livestock improvement and to the introduction of agricultural machinery through a demonstration machinery pool. In education, assistance in improving normal school training for rural teachers will continue. In the health, improvement of environmental health conditions will continue to receive attention. A shift in emphasis to preventive medical techniques is anticipated for the future.

Plans call for strengthening the manual arts and small industries program,and emphasizing the development of small industries, particularly those for processing agricultural products. The manual arts work is expected to assist substantially in retraining Ecuadorans who are suffering as a result of the decline of the panama hat industry.

In transportation, an adviser is planned to work with the National Planning Commission and technicians will be procured to work with the Ecuadorans in road maintenance and repair. Plans are being developed for community development projects, and one technician is programmed. It is expected that the three U. S. consultants (general economist, industry and power economist, and transportation and communications economist) who will work with the National Planning Commission group will contribute considerably to the future economic welfare of Ecuador.

LATIN AMERICA

Country: ECUADOR

INDIVIDUAL COUNTRY DATA

Summary by Major Cost Components

(In thousands of dollars)

Programs by Fiscal Year	Total U. S. Cost	Supplies, Equipment & Grants to Servicios	U. S. Government Technicians		Contract Services		Participants		Other Costs
			Number Employed June 30	Cost	Number Employed June 30	Cost	No. of Persons	Cost	
Technical Cooperation									
1954	1,311.4	356.6	32	387.0		377.0	33	102.8	88.0
1955	1,398.4	440.0	39	504.3	4	97.8	41	141.8	214.5
1956	1,605.4	490.0	44	577.4	8	76.0	58	232.0	230.0

Summary by Major Activity

(In thousands of dollars)

Programs by Fiscal Year	Total U. S. Cost	Agriculture and Natural Resources	Industry and Mining	Transportation	Labor	Health and Sanitation	Education	Public Administration	Community Development Social Welfare and Housing	All Other
Technical Cooperation										
1954	1,311.4	676.6	53.0	75.1	11.5	286.4	179.5	12.8	11.1	5.4
1955	1,398.4	465.0	120.3	87.5	4.0	453.0	212.4	50.8		5.4
1956	1,605.4	562.4	157.0	127.9	30.0	393.0	233.0	70.0	26.7	5.4

EL SALVADOR

BASIC DATA

				El Salvador	L.A.	U.S.
Population (1954)	millions	2.1	Per capita GNP[a]	dollars	240	300	2,200
Annual growth	percent	2.5	Literacy rate	percent	40	55	97
Area	1,000 square miles	8	Life expectancy	years	51	45	68
Agricultural land	percent	37	Road miles	per 1,000 sq. miles	487	70	1,100
Agricultural land per capita	acres	1.5					

TRADE AND PAYMENTS

	1938	1951	1952	1953	1954[b]
	(millions US $)				
Exports, f.o.b.	10	84	87	89	105
Imports, c.i.f.	9	67	69	71	87
Trade balance	1	17	18	18	18
Principal exports					
Coffee: Quantity (1,000 MT)	54	66	67	66	67
Value ($ millions)	10	76	78	77	85
Trade with U.S. (U.S. Customs data)					
Exports to U.S.	6	64	61	65	61
Imports from U.S.	4	42	37	37	41
Balance	2	22	24	28	20
Balance of payments					
Balance on goods and services		8	8	9	
Net capital		4	*	-1	
Private		1	-3	-5	
Official and banking		3	3	4	
Government grants		*	*	1	
Long-term capital		3	3	2	
Short-term capital		*	*	1	
Change in gold and exch. reserves		+1	+2	*	
Gold and foreign exchange reserves - end of year	9	44	46	46	49

EXTERNAL RESOURCES

	1950	1951	1952	1953	1954	Program 1955	Program 1956
	(millions of US $)						
FOA obligations (fiscal years)	0.1	0.1	0.5	0.7	0.5	0.9	1.0
	(calendar years)						
Ex-Im Bank disbursements	-	-	-	-	-		
IBRD disbursements	-	3.4	4.2	4.3	0.6[c]		
Book value of U.S. direct private investment	19	20	21	22			

PRODUCTION

	Unit	1938	1951	1952	1953	1954[b]
Major crops:[d]						
Coffee	1,000 MT	65	64	82	64	83
Rice	1,000 MT	16	27	27	34	34
Sugar, centrifugal, raw	1,000 MT	15	28	29	23	32

FINANCES

	1951	1952	1953	1954[E]	1955[E]
	(millions of US $)				
Central government budget - calendar years					
Revenue	47.0	51.1	56.2	66.1	65.1
Expenditure	48.6	52.5	56.6	62.3	
Defense	4.8	5.1	5.2	5.2	
Public works	7.2	8.0	8.0	12.3	
Other	36.6	39.4	43.4	44.8	
Surplus or deficit (-)	-1.6	-1.4	-0.4	3.8	
As % of total revenue	-3%	-3%	-1%	6%	
Defense expend. as % of budget	10%	10%	9%	8%	
Prices (index 1948=100)					
Wholesale	144	136	146	176	
Cost of living: San Salvador	142	140	149	153	

* Less than $500,000 n.a. - Not available P - Preliminary E - Estimate

a FOA estimate; converted at 2.5 colonnes per U.S. $

b 1954 data partly preliminary or estimated

c Undisbursed balance, December 31, 1954 - $11.1 million

d Crop years beginning year stated

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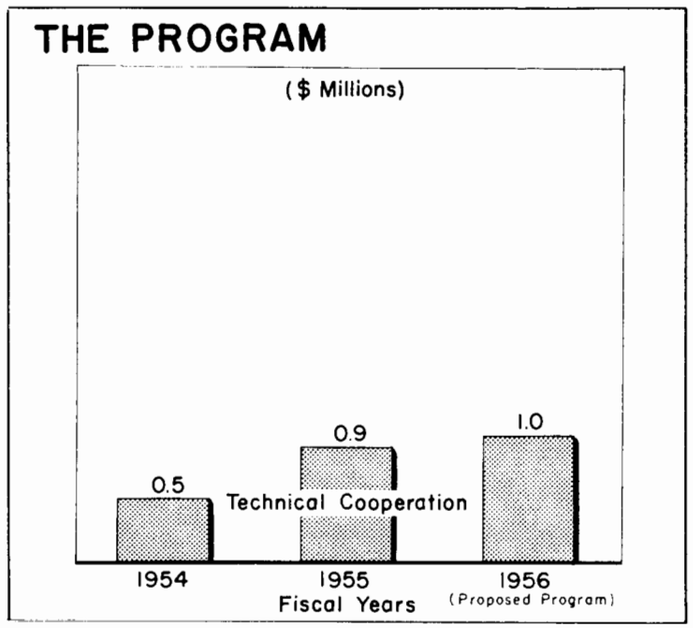
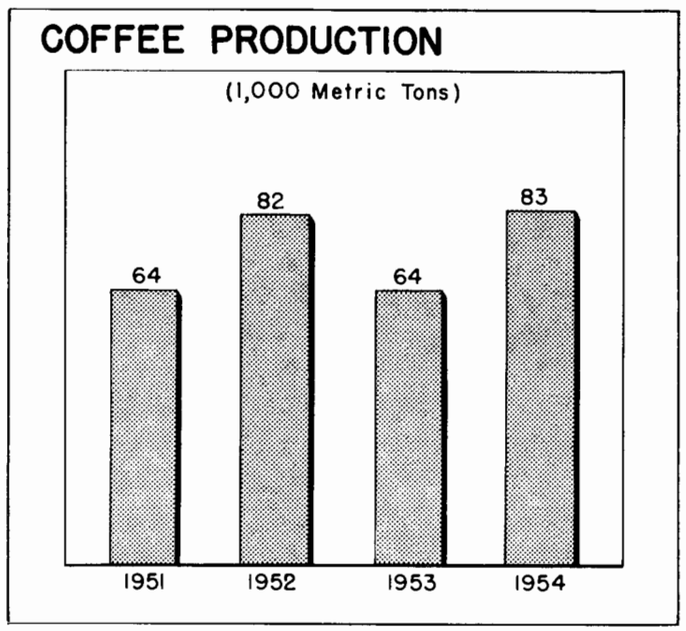
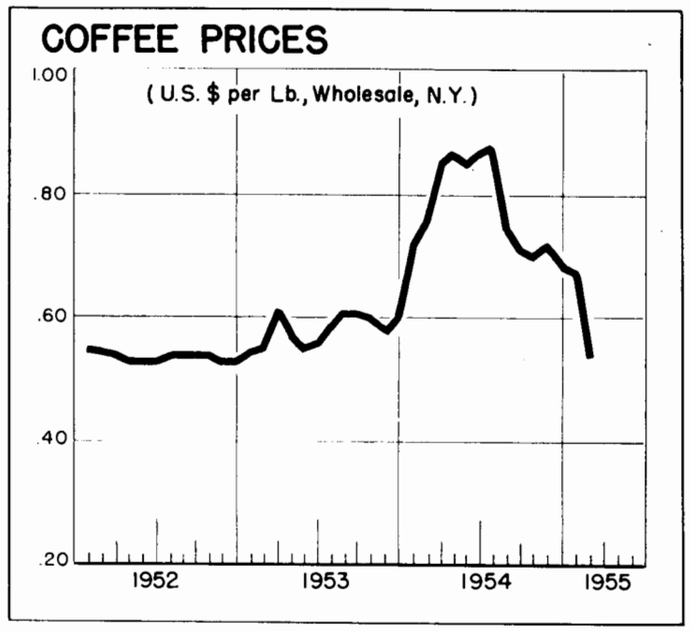
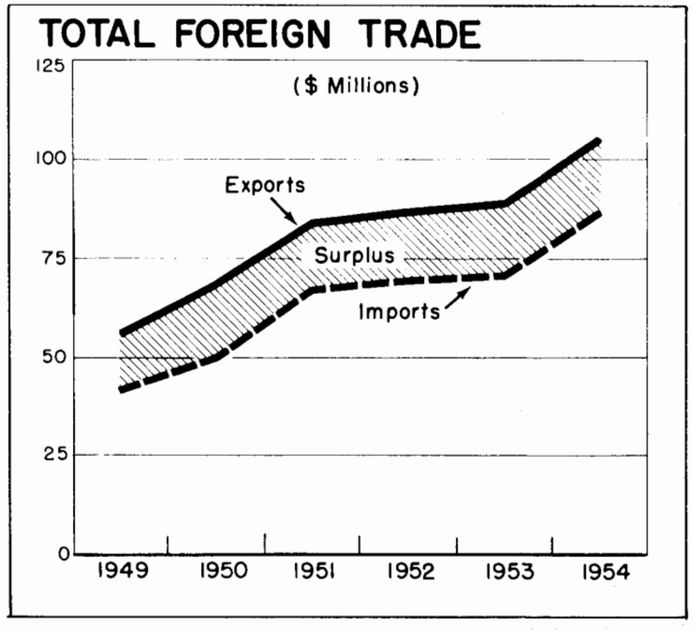
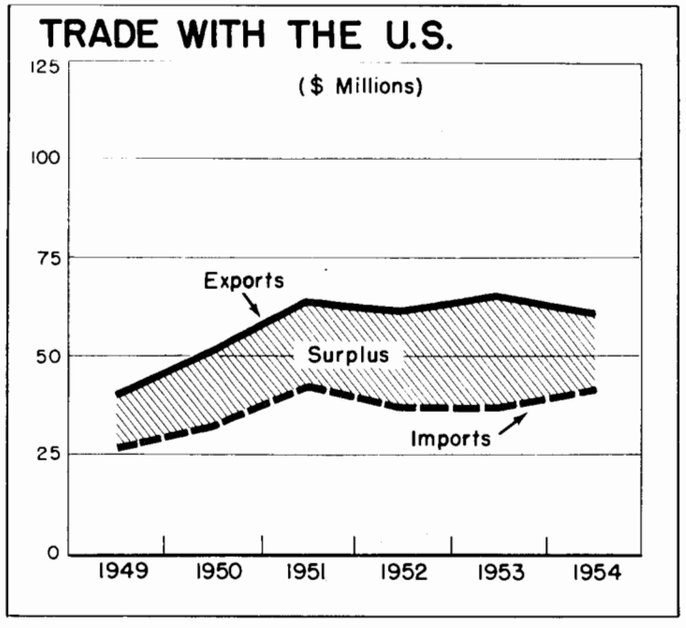
EL SALVADOR

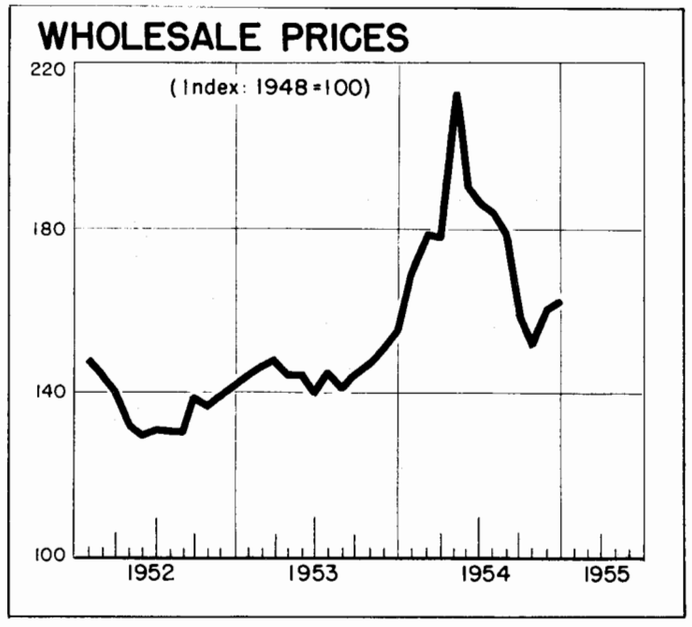

THE PROGRAM
($ Millions)
0.5
0.9
1.0
Technical Cooperation
1954
1955
1956
(Proposed Program)
Fiscal Years


COFFEE PRODUCTION
(1,000 Metric Tons)
64
82
64
83
1951
1952
1953
1954


COFFEE PRICES
(U.S. $ per Lb., Wholesale, N.Y.)
1.00
.80
.60
.40
.20
1952
1953
1954
1955


TOTAL FOREIGN TRADE
($ Millions)
125
100
75
50
25
0
Exports
Surplus
Imports
1949
1950
1951
1952
1953
1954


TRADE WITH THE U.S.
($ Millions)
125
100
75
50
25
0
Exports
Surplus
Imports
1949
1950
1951
1952
1953
1954


WHOLESALE PRICES
(Index: 1948=100)
220
180
140
100
1952
1953
1954
1955

LATIN AMERICA

Country: EL SALVADOR

INDIVIDUAL COUNTRY DATA

Summary of Program by Function

(In thousands of dollars)

Function	Program FY 1954	FY 1955	Proposed FY 1956
Technical Cooperation	513.8	942.3	1,006.8
Total Country Program	513.8	942.3	1,006.8

General Narrative Statement

Current Situation

El Salvador is a small country (8,000 square miles) and one of the most densely populated (over 2 million) in Latin America. Population is increasing at an annual rate of 2.5 percent. Population pressure is El Salvador's greatest problem.

The country's economy is primarily agricultural, but poor land use has exhausted and eroded much of the soil. Diversification of crops as well as modern methods of production and distribution are needed to provide an adequate supply of food and of raw materials for industrial processing and export. The productivity and living standards of the majority of the population are low. Health conditions are poor, and there is a shortage of trained health workers. There is a lack of educational facilities and a shortage of technically trained personnel in all fields.

Lack of modern industrial and business techniques limit the use of productive resources and discourage private investment. There is also a lack of many raw materials for industry which must be imported. Outmoded legal and public administration systems discourage private investment and restrict expansion of private economic activity to meet the country's needs for development.

Program Objectives

U. S. policy supports the furthering of cordial relationships with El Salvador by responding where feasible to its requests for technical cooperation to assist its development effort. Specific program objectives include improvement in health conditions, diversification of agricultural production and improvement of agricultural methods, strengthening of the educational system, improvement in labor conditions and standards, increased efficiency in local industries, and stimulation of private enterprise.

Progress to Date

Agriculture and Natural Resources: The cooperative effort in agriculture began in 1942. It includes research to increase production of basic food crops for local consumption and of coffee and henequen for export. A national extension service has been placed in operation. The organization of 4-H

General Narrative Statement (Continued)

clubs is continuing and a home economics program was started during the past year. A National School of Agriculture is being constructed and plans for a vocational agriculture program and development of the National Coffee Institute are underway.

Industry and Mining: There is a great need to improve operating methods of existing small industries, to develop new industries and to train administrative, technical and supervisory personnel in El Salvador. Meeting these needs will in turn aid local interests in finding private capital for development and aid also in providing investment opportunities for U.S. capital. The Industrial Productivity Center was established in January 1955 to meet these needs. Work has been started on six projects and 14 are pending.

Labor: The labor program began in 1953 and has principally been concerned with advice on labor standards. Twenty-seven Ministry officials have been sent to the U. S. for specialized training enabling them to assume direction of labor programs. In addition, eleven trade union leaders have been trained in the U. S. and Puerto Rico.

Health and Sanitation: A Servicio in health has been operated since 1942. Approximately 147 health projects have been completed in environmental sanitation, nurses training, hospital and health center construction and administration, and reorganization of the National Health Services.

Education: Technical advice and assistance has been rendered to the Ministry of Education in the construction and equipment of the Vocational Industrial School in El Salvador, and in training the teaching and administrative staff.

Public Administration: Advice and assistance has been given to the Government of El Salvador in the planning and development of its proposed plan for economic development. The various Ministries have also been aided in functional reorganization of their departments. A tax consultant has recently completed a survey for the Government.

Other Resources: The United Nations has participated in demonstration projects in agriculture, health and child welfare. A school of Social Science has been established in cooperation with the Government.

A loan of $11 million was made by the International Bank for Reconstruction and Development to El Salvador in October 1954, to assist in financing the completion of an all-weather coastal highway from the Guatemalan border to the Port of La Union. The Philadelphia National Bank is participating to the extent of $250,000.

The FY 1956 Program

Agriculture and Natural Resources: Technical cooperation in agriculture will continue with intensification of the livestock improvement and fisheries projects. Additional activities in connection with the Coffee Research Institute and the National School of Agriculture are also planned.

Industry and Mining: The Industrial Productivity Center will provide assistance on new projects in such fields as building material, textiles, metal working, shoes, marketing and distribution of perishable food products. The program also provides for surveys and recommendations regarding proposed new industries, such as fertilizer, kraft paper, good quality leather for shoes, jute and kenaf bags and electric batteries.

Labor: It is planned to develop governmental services competent to meet existing and potential needs of employers and workers.

Health and Sanitation: A continuation of the present health program is planned including assistance in environmental sanitation, hospital administration and dietetics, and training of sanitary inspectors, nurses and laboratory technicians.

Education: Training of the teaching and administrative staff of the Vocational Industrial School will

General Narrative Statement (Continued)

continue. Initiation of a program in vocational commercial education is planned. English language training of teachers will continue along with the development of curriculum and teaching materials. In addition, projects for vocational home and family life education, and for elementary agricultural education will continue.

Public Administration: Increased assistance is planned in the fields of management, personnel, budgeting and accounting, procurement, storage and distribution, administration of tax collection units, and reorganization of numerous governmental agencies. Cooperation will also be extended to studies leading to the adoption of measures to improve the investment climate and to stimulate constructive activity by private enterprise.

Other Activities: It is also anticipated that requests will be received from the Government of El Salvador for assistance in the field of low-cost housing and for assistance through university contracts in the fields of agriculture and education. U. S. training grants for local technicians have been planned in all major fields of activity.

INDIVIDUAL COUNTRY DATA

Summary by Major Cost Components

(In thousands of dollars)

Programs by Fiscal Year	Total U. S. Cost	Supplies Equipment & Grants to Servicios	U. S. Government Technicians		Contract Services		Participants		Other Costs
			No. Employed June 30	Cost	No. Employed June 30	Cost	No. of Persons	Cost	
Technical Cooperation									
1954	513.8	-10.0 (cr.)	30	323.2			57	148.9	51.7
1955	942.3	162.0	35	531.4			56	142.9	106.0
1956	1,006.8	162.0	41	594.8	4	26.5	33	87.7	135.8

Summary by Major Activity

(In thousands of dollars)

Programs by Fiscal Year	Total U. S. Cost	Agriculture and Natural Resources	Industry and Mining	Transportation	Labor	Health and Sanitation	Education	Public Administration	Community Develop. Soc.Welf. & Housing	All Other
Technical Cooperation										
1954	513.8	187.0	-69.2 (cr.)		82.8	173.9	48.3	49.4	34.8	6.8
1955	942.3	321.8	145.0		94.5	188.3	104.6	58.1	23.2	6.8
1956	1,006.8	361.4	163.5		85.2	198.9	106.9	68.2	15.9	6.8

GUATEMALA

BASIC DATA

			Guatemala	L.A.	U.S.
Population (1954)	millions	3.1	Per capita GNP[a]	dollars	210	300	2,200
Annual growth	percent	2.5	Literacy rate	percent	35	55	97
			Life expectancy	years	37	45	68
Area	1,000 square miles	42	Road miles	per 1,000 square miles	193	70	1,100
Agricultural land	percent	18	Elec. power per capita	KWH per year	30	170	3,165
Agricultural land per capita	acres	1.7					

TRADE AND PAYMENTS

	1938	1951	1952	1953	1954[b]
		(millions of US $)			
Exports, f.o.b.	18	76	87	89	96
Imports, c.i.f.	21	81	76	80	86
Trade balance	- 3	- 5	11	9	10
Principal exports					
Coffee : Quality ...1,000 MT	49	50	61	55	52
Value ... $ millions	12	58	72	67	76
Trade with U.S. (U.S. Customs data)					
Exports to U.S.	10	64	64	63	66
Imports from U.S.	7	47	40	44	47
Balance	3	17	14	19	19
Balance of payments					
Balance on goods and services		- 2	16	4	
Net capital		2	-15	- 4	
Private		2	-16	*	
Official and banking		*	1	- 4	
Government grants		*	*	*	
Long-term capital		*	-	2	
Short-term capital		*	1	- 6	
Change in gold & exch. reserves		+ 3	+ 3	- 4	
Gold and foreign exchange reserves (end of year)	11	42	45	41	40

EXTERNAL RESOURCES

	1950	1951	1952	1953	1954	Program 1955	Program 1956
			(millions of US $)				
FOA obligations (fiscal years)	0.1	0.1	0.2	0.2	0.2	5.1	6.8
			(calendar years)				
Ex-Im Bank disbursements	-	-	-	-	-	-	-
IBRD disbursements	-	-	-	-	-	-	-
U.S. private investment (net)							
New direct investment	1	- 1	1	n.a.			
Reinvested subsidiary earnings	1	1	1	n.a.			
Book value of U.S. direct private investment	106	106	108	107			

PRODUCTION

	Unit	1938	1951	1952	1953	1954[b]
Industrial production	1948=100	n.a.	105	110	108	110
Major crops:[c]						
Coffee	1,000 MT	60	78	69	68[P]	70
Corn	1,000 MT	399	n.a.	437	483	460
Major industries:						
Electricity	Million KWH	27	79	85	90	94

FINANCES

	1951	1952	1953	1954[E]	1955[E]
			(millions of US $)		
Central government budget (years ending June 30)					
Revenue	47.4	57.4	61.5	74.5	66.4
Expenditure	48.2	52.5	67.0	74.5	66.4
Defense	5.2	5.8	5.9[E]	6.6	6.6
Other	43.0	46.7	61.1[E]	67.9	59.8
Surplus or deficit (-)	-0.8	4.9	-5.5	-	-
As % of total revenue	-2%	9%	-9%	-	-
Defense expend. as % of budget	11%	11%	9%	9%	9%
Prices (index 1948=100)					
Wholesale (all goods): Guatemala City	113	112	112	118	112 Jan.
Cost of living: " "	125	119	121	124	

* Less than $500,000 n.a.- not available P - Preliminary E - Estimate

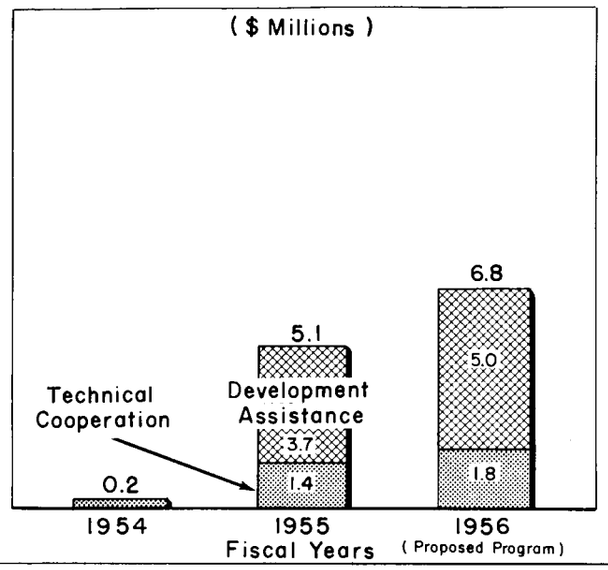
a FOA estimate; 1 quetzal per US $.

b 1954 data partly preliminary or estimated.

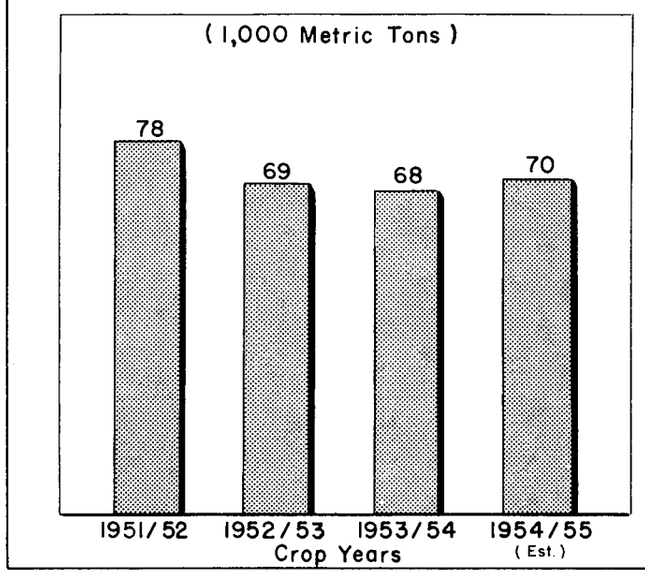
c Crop year beginning year stated.

GUATEMALA

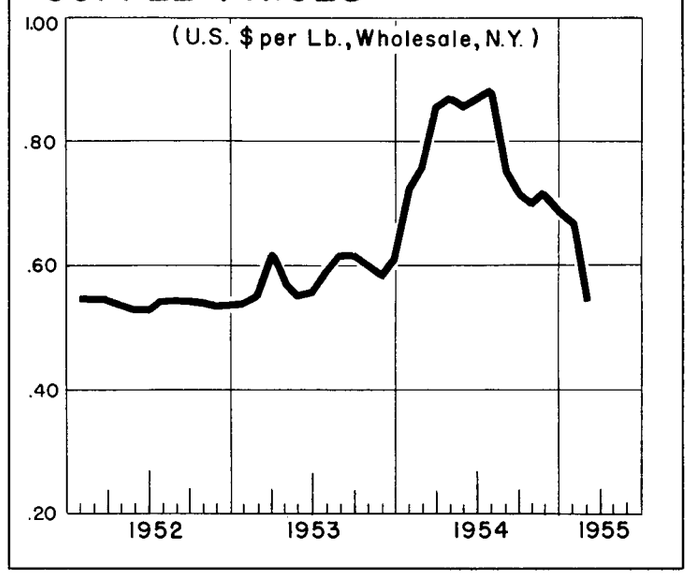
THE PROGRAM



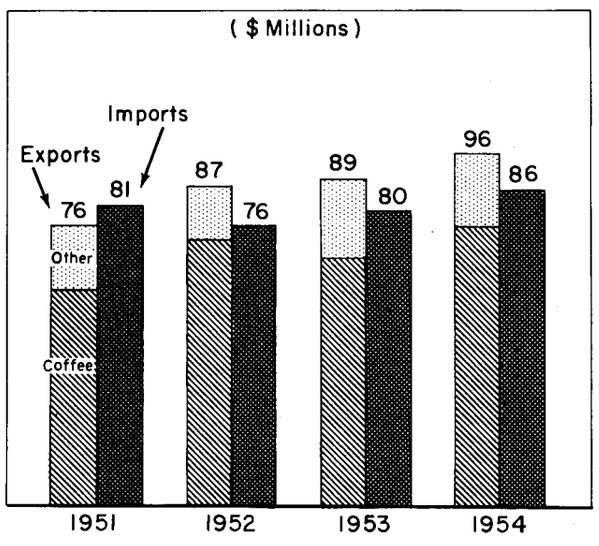
COFFEE PRODUCTION



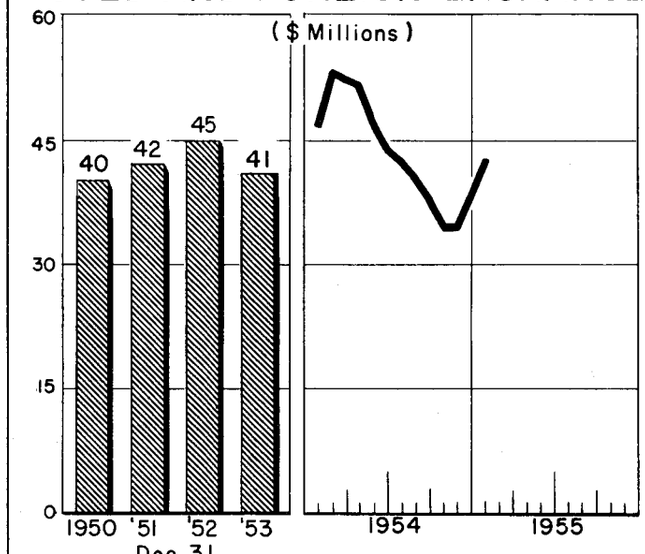
COFFEE PRICES



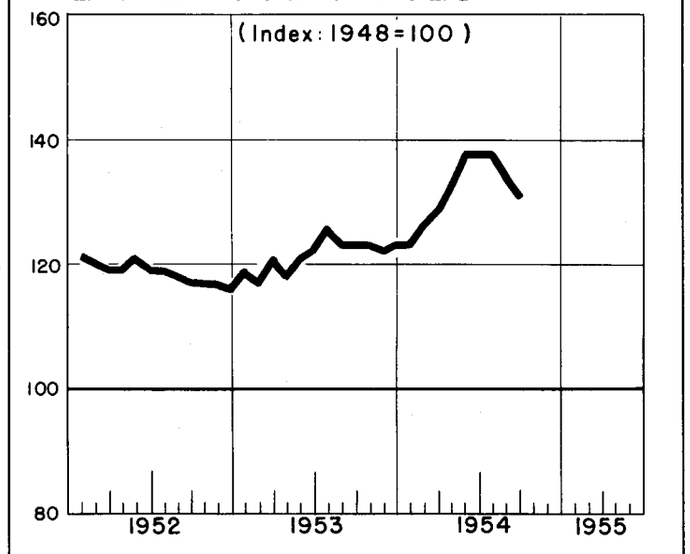
FOREIGN TRADE



GOLD AND FOREIGN EXCHANGE



RETAIL FOOD PRICES



LATIN AMERICA

Country: GUATEMALA

INDIVIDUAL COUNTRY DATA

Summary of Program by Function

(In thousands of dollars)

Function	Program FY 1954	Program FY 1955	Proposed FY 1956
Development Assistance	-	3,700.0	5,000.0
Technical Cooperation	187.4	1,400.0	1,830.0
Total Country Program	187.4	5,100.0	6,830.0

General Narrative Statement

Current Situation

The Guatemalan Government faces critical economic and political problems inherited from the previous Communist-dominated regime. Political tensions have abated somewhat since the revolution in June 1954. Public confidence in the new government appears to be increasing. However, unemployment is a serious problem and the current economic situation is precarious.

Guatemala depends on coffee for about 75 percent of its foreign exchange. The continued decline in coffee prices has substantially decreased foreign exchange availabilities. The government is paying its normal operating expenses. It does not, however, possess sufficient capital for the economic development program necessary to maintain stability and improve the situation. Possible loans to finance development projects are under discussion but no loan agreements have been signed to date.

Favorable factors in the current situation include the measures being taken to plan a development program, to strengthen public administration, and to encourage private enterprise. The prospects for a resurgence of private business initiative, stagnated under the Arbenz regime, are particularly encouraging.

Guatemala has considerable development potential. Its lands are fertile and new lands can be opened to cultivation. It has ore and possible oil resources, industrial potential and an industrious people.

Program Objectives

It is U.S. policy to assist the new government, headed by President Castillo Armas, to maintain political stability and to advance economically through strengthening its administration and financial position, and raising productivity and living standards through development of improved health, education and agricultural services. The technical cooperation and development assistance programs being conducted under this policy may also be expected to result in an increased understanding of the United States, its form of government and its people. These programs will assist Guatemala in its return as an active member of the free world community.

Progress to Date

Technical Cooperation

The creation of a sound development plan and the necessary government organization to successfully carry out such a

General Narrative Statement (Continued)

plan is one of the greatest problems facing the new government. These problems are more difficult because of the situation inherited from the previous Communist regime that depleted the treasury, disorganized democratic procedures, and harassed private capital. To assist Guatemala in this difficult task, the services of the management consultant firm of Klein and Saks have been engaged. Their technicians will advise and assist the government, through the National Planning Council, in strengthening its development program and the public finance and administration measures related to that program. The United States Embassy, United States Operations Mission, the resident representative of the International Bank for Reconstruction and Development, and Klein and Saks' Economic Advisor are cooperating closely with the Guatemalan National Planning Council and various Ministries of the government in planning and implementing the over-all development program. Progress in other technical fields has been as follows:

Agriculture and Natural Resources: The program in agriculture was devoted almost exclusively to limited research in basic food crops and rubber during the Communist regime in Guatemala. A Servicio has recently been established and an expanded program is underway which includes seed improvement, soil studies, crop protection and diversification, modern methods of production, animal husbandry and a broad agricultural extension service now being developed in the Servicio.

Two contracts have been placed with the International Development Service. One is to furnish over-all advice and assistance in agrarian matters. The other is to assist the government in installing a system of supervised agricultural credit for small farmers and in programs of land settlement, land development and regional planning.

Communications: At the request of the Government of Guatemala, a telecommunications survey has been made under a contract with George P. Adair Engineering Company. This survey entails an appraisal of the present condition of facilities, and a determination of the minimum needs for the near future and appropriate means of meeting those needs. The report will include advice to the government regarding plans and proposals for the improvement and enlargement of telephone and telegraph facilities.

Education: A group of 100 elementary, secondary and vocational education teachers were brought to the United States in October 1954 for six weeks training and orientation at five southwestern universities. The Ministry of Education has contracted for the re-establishment of the Education Servicio discontinued in 1950. A Chief of Party and two technicians have been sent to Guatemala to assist the Ministry in developing plans for the education program.

Health and Sanitation: The Health Servicio is working primarily on the installation of equipment provided for the Roosevelt Hospital under the development assistance program and in finishing construction details of the hospital buildings. Technicians have been sent to help train Guatemalans to administer and operate the hospital.

Development Assistance

$3.7 million was made available for a development assistance grant to Guatemala in December 1954. Of that amount, $3 million was scheduled to be used for highways and $500,000 was for completing the construction and equipment of two wings of the Roosevelt Hospital in Guatemala City.

Transportation: $3 million has been allocated to a project for completing construction of a portion of the Pacific Slope Highway. A paved highway now connects Guatemala City with Popoya, and the Pacific Slope project is a continuation of the highway extending from Popoya through Retalhuleu to Coatepeque. It will be a two-lane asphalt surface highway, approximately 21 feet in width and approximately 71 miles in length. In addition, the unfinished portions of the branch extending from Retalhuleu to the port of Champerico will be finished. This project is to be distinguished from the Inter-American Highway, financed under separate legislation, which is usable across Guatemala except for the Selegua gap near the Mexican border. This section involves 27 miles of very difficult construction which is only now being started. The Inter-American Highway and the Pacific Slope Highway, although more or less parallel, are a considerable distance apart and serve entirely different areas. Both are essential to the development of Guatemala and do not duplicate services.

General Narrative Statement (Continued)

In Guatemala, as in other Latin American countries, there is a great need for road construction. The Government of Guatemala in planning the Pacific Slope Highway, expected to accomplish three results to accelerate economic development within the country: (a) to build roads necessary to open up the Pacific Coast agricultural region which contains 60 to 80 percent of the agricultural potential of the country, (b) to alleviate unemployment, and (c) to help restore confidence in the country's economy.

Work on this project is proceeding in spite of delays due to engineering and construction difficulties in the initial stage. In February 1955, Guatemala signed a contract with an American firm to complete the construction work. Meanwhile it has become evident that additional design work is needed on approximately 12 of the 19 bridges required. The original designs were not considered adequage by the U.S. Bureau of Public Roads, which is acting in an advisory capacity. During the rainy season, beginning in May, the bridge designs will be completed, steel ordered and all preparations made for construction at the earliest possible moment. Construction is progressing on other sections of the road and the contractor believes that he can complete the project by the end of 1955.

An additional amount of $200,000 of development assistance funds will be allocated during the last quarter of FY 1955 for other costs of the highway program.

Health and Sanitation: $500,000 has been allocated to the Roosevelt Hospital project from FY 1955 funds to match an equal contribution from Guatemala. Prior to this year, Guatemala had invested more than $6 million in this project and the United States had contributed about $500,000 plus technician services for the design and supervision of construction of the hospital. The structures of the 1,000-bed hospital have been completed but finishing details such as floor tile, lighting fixtures and paintings are unfinished. A substantial amount of fixed equipment has been installed. Present year funds are being used to complete the 300-bed pediatrics and obstetrics units, which will open this year, and to complete the essential central services of the hospital including the kitchen, laundry, power and administrative services. A 300 student-capacity National Nursing School was completed and placed in operation under this project in 1949.

The FY 1956 Program

Technical Cooperation

The work in evolving a plan for economic development of Guatemala together with strengthening the government organization to implement this plan will continue in FY 1956. The management consultant firm of Klein and Saks will continue assistance in developing a sound financial plan for the government. Short-time consultants in such fields as budget, tax reform, and public finance will be supplied.

Agriculture and Natural Resources: An expanded program in agricultural research and extension is planned for FY 1956. Eleven technicians are in Guatemala and others are being recruited as the program develops. It is anticipated that a U.S. cash grant of $300,000 will be made to the Servicio to be matched by an equal amount of Guatemalan funds, plus contributions in kind. The contract with the International Development Services for assistance and advice in the fields of supervised credit for small farmers, land settlement and development, and regional planning will continue through FY 1956. A contract with a U.S. university is planned for the purpose of improving agricultural education in Guatemala. Plans have been made to bring 15 Guatemalan technicians to the U.S. for advanced training.

Industry and Mining: The American Embassy and the Guatemalan Government are cooperating with a U.S. technician in developing fields for private investment and provision has been made for additional short-term consultants as the need arises. It is also proposed to give advanced training in this field to 10 Guatemalan technicians.

Transportation: Guatemalan technicians will continue to be trained in connection with the development assistance program in this field.

General Narrative Statement (Continued)

Labor: A training program in the U.S. for about 18 Guatemalan labor leaders is planned.

Health and Sanitation: A cash grant of $100,000 to the Servicio is planned which will be matched by the Government of Guatemala. It is planned to re-establish a program in environmental sanitation, which was interrupted in 1951. This will be coordinated with the rural public health program of the Pan-American Sanitary Bureau. Additional technicians will be recruited to assist in the administration of the Roosevelt Hospital and train local technicians for the staff. About 13 Guatemalan technicians will be trained in the United States.

Education: The Servicio operation will be continued with a cash grant of $150,000. Matching funds will be provided by Guatemala. It is planned to bring about 10 Guatemalan educators to the U.S. for training. The program is scheduled to include rural education, vocational education and some form of community development projects.

Development Assistance

Development assistance to Guatemala in the amount of $5 million is proposed for FY 1956. It is planned to use this amount along with Guatemala's resources in carrying out the development program which is necessary to maintain stability and improve the current situation. Most of this aid will be used to assist Guatemala in financing public works projects including highways and roads. These projects are designed to result in increasing employment within the country. They will act as a stimulus to further development by opening new areas and improving the flow of domestic and foreign commerce. Part of the $5 million would be used to assist Guatemala in completing the remaining units of the Roosevelt Hospital. Completion of this hospital will have an important impact in Guatemala, and the hospital will serve as a basis for the development of a modern medical center in Central America.

LATIN AMERICA

Country: GUATEMALA

INDIVIDUAL COUNTRY DATA

Summary by Major Activity Field

(In thousands of dollars)

Programs by Fiscal Year	Total U. S. Cost	Agriculture and Natural Resources	Industry and Mining	Transportation	Labor	Health and Sanitation	Education	Public Administration	Community Development Social Welfare and Housing	All Other
Development Assistance										
1954										
1955	3,700.0			3,200.0		500.0				
1956	5,000.0			4,500.0		500.0				
Technical Cooperation										
1954	187.4	137.2				50.0				.2
1955	1,400.0	664.7	40.6	9.0		130.7	330.6	224.4		
1956	1,830.0	803.0	62.0	49.5	53.0	332.0	300.5	230.0		
Total All Programs										
1954	187.4	137.2				50.0				.2
1955	5,100.0	664.7	40.6	3,209.0		630.7	330.6	224.4		
1956	6,830.0	803.0	62.0	4,549.5	53.0	832.0	300.5	230.0		

LATIN AMERICA

Country: GUATEMALA

INDIVIDUAL COUNTRY DATA

Summary by Major Cost Components

(In thousands of dollars)

Program by Fiscal Year	Total U. S. Cost	Supplies Equipment & Grants to Servicios	U. S. Government Technicians No. Employed June 30	U. S. Government Technicians Cost	Contract Services No. Employed June 30	Contract Services Cost	Participants No. of Persons	Participants Cost	Other Costs
Development Assistance									
1954									
1955	3,700.0	3,700.0							
1956	5,000.0	5,000.0							
Technical Cooperation									
1954	187.4		10	105.4					82.0
1955	1,400.0	400.0	15	215.3	11	320.0	146	314.0	150.7
1956	1,830.0	550.0	34	503.5	22	380.0	71	226.0	170.5
Total All Programs									
1954	187.4		10	105.4					82.0
1955	5,100.0	4,100.0	15	215.3	11	320.0	146	314.0	150.7
1956	6,830.0	5,550.0	34	503.5	22	380.0	71	226.0	170.5

LATIN AMERICA

Country: GUATEMALA

INDIVIDUAL COUNTRY DATA (EXCLUDING MILITARY ASSISTANCE AND TECHNICAL COOPERATION)

Summary of Commodity Imports and Services

(In thousands of dollars)

Illustrative Composition of Country Program	Actual FY 1954	FY 1955 Development Assistance For Project Utilization	FY 1955 Development Assistance For Consumption and Generating Local Currency	FY 1955 Total	FY 1956 Development Assistance For Project Utilization	FY 1956 Development Assistance For Consumption and Generating Local Currency	FY 1956 Total
Commodities							
Transfer of Cash		3,700.0		3,700.0	5,000.0		5,000.0
Services							
Total Country Program		3,700.0		3,700.0	5,000.0		5,000.0

HAITI

BASIC DATA

			Haiti	L.A.	U.S.
Population (1954)	millions	3.4			
Annual growth	percent	0.8			
Area	1,000 sq.mi.	11			
Agricultural land	percent	16			
Agricultural land per capita	acres	0.4			
Per capita GNP[a]	dollars		75	300	2,200
Literacy rate	percent		15	55	97
Road miles per 1,000 sq. mi.			173	70	1,100
Elec. power per capita	KWH per yr.		5	170	3,165

TRADE AND PAYMENTS

	1938	1951	1952	1953	1954[b]
			(millions of US $)		
Exports, f.o.b.	7	51	52	38	55
Imports, c.i.f.	8	44	53	44	47
Trade balance	-1	7	-1	-6	8
Principal exports					
Coffee: Quantity, 1,000 MT	25	25	31	23	30
Value, $ millions	3	26	33	25	44
Sisal: Quantity, 1,000 MT	7	31	26	20	22
Value, $ millions	1	12	10	5	5
Trade with U.S. (U.S. Customs data)					
Exports to U.S.	3	33	30	17	25
Imports from U.S.	4	28	33	29	36
Balance	-1	5	-3	-12	-11
Balance of payments					
Balance on goods & services		*	-3	-14	7
Net capital		6	1	13	-3
Private		6	5	6	3
Official and banking		*	-4	7	-6
Government grants		-	*	1	1
Long-term capital		*	-4	6	
Short-term capital		*	*	*	
Change in gold & exchange reserves		+3	+2	-3	+4
Dollar assets in U.S. banks		10	12	9	13

EXTERNAL RESOURCES

	1950	1951	1952	1953	1954	Program 1955	Program 1956
			(millions of US $)				
FOA obligations (fiscal years)	0.1	0.1	0.7	0.6	1.0	2.7	1.5
			(calendar years)				
Ex-Im Bank disbursements	-	-	-	2	7[c]		
IBRD disbursements	-	-	-	-	-		
Book value of U.S. direct private investment	13	14	15	16			

PRODUCTION

	Unit	1938	1951	1952	1953	1954[b]
Major crops:[d]						
Coffee	1,000 MT	32	40	37	43[P]	26
Sugar, centrifugal, raw	1,000 MT	40	58	57	49	49
Sisal	1,000 MT	n.a.	28	23	23	22

FINANCES

Central government budget - years ending Sept. 30	1951	1952	1953	1954	1955[E]
			(millions of US $)		
Revenue	25.0	29.3	27.3	32.2	22.3
Expenditure	24.0	31.9	30.4	35.0	28.3
Defense	3.8	4.3	5.3	5.2	
Public works	5.6	10.1	7.4		
Other	14.6	17.5	17.7		
Surplus or deficit (-)	1.0	-2.6	-3.1	-2.8	-6.0
As % of total revenue	4%	-9%	-11%	-9%	-27%
Defense expend. as % of budget	16%	13%	17%	15%	
Prices (index 1948=100)					
Cost of living: Port-au-Prince	n.a.	109	101	103	

* Less than $500,000. n.a.-Not available. P-Preliminary. E-Estimate.
a FOA estimate; converted at 5 gourdes per U.S. $.
b 1954 data partly preliminary or estimated.
c Undisbursed Ex-Im Bank balance, Dec. 31, 1954 - $4.5 million.
d Crop years beginning in years stated.

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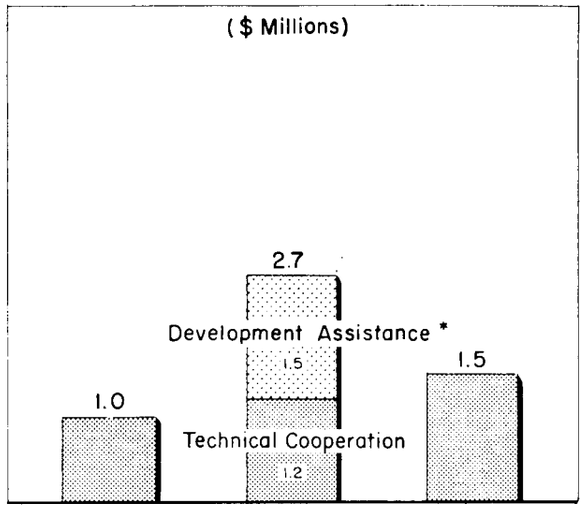
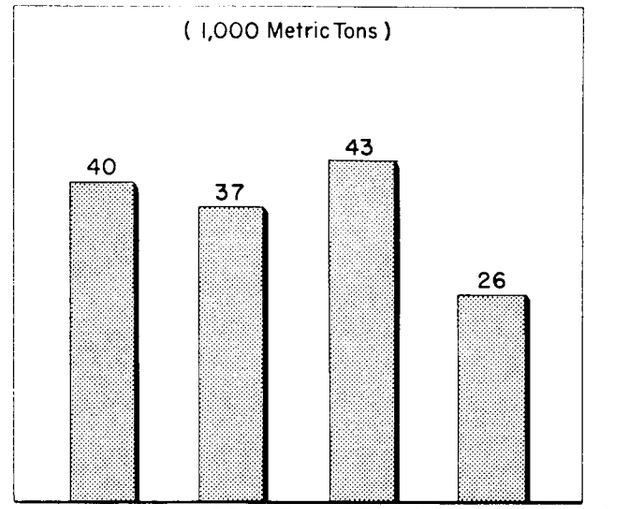
HAITI

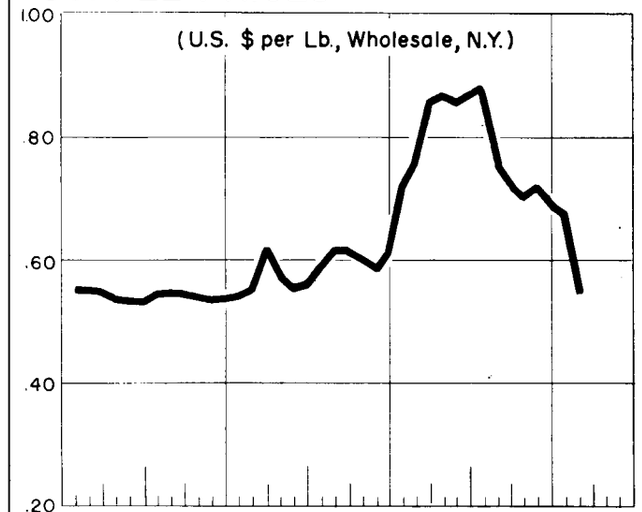
THE PROGRAM



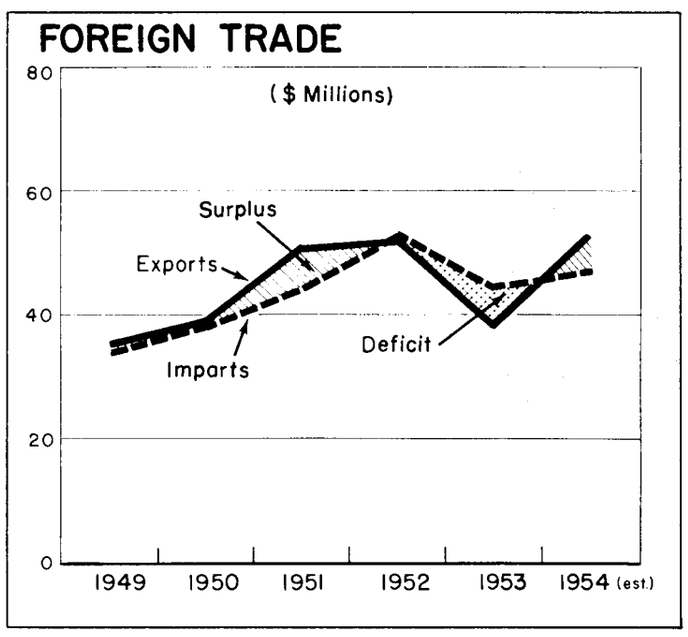
COFFEE PRODUCTION



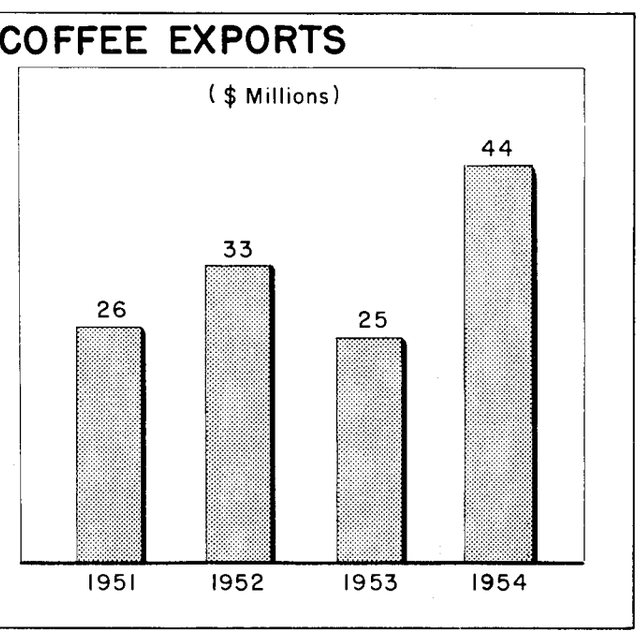
COFFEE PRICES



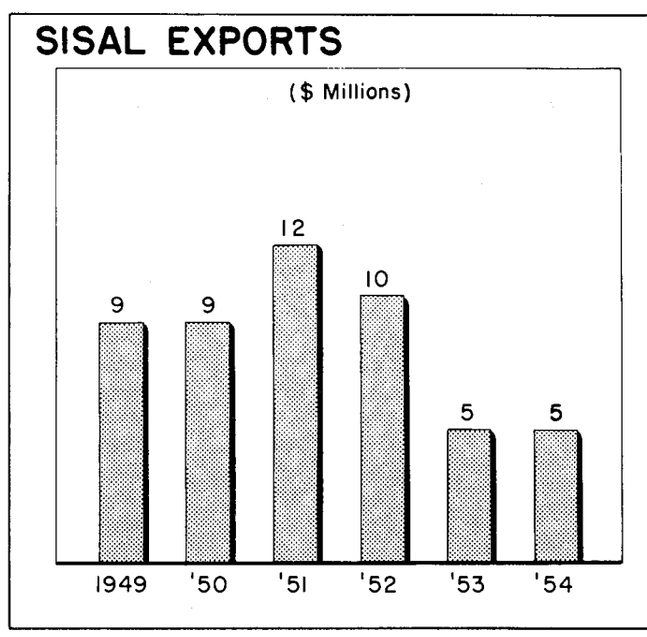
FOREIGN TRADE



COFFEE EXPORTS



SISAL EXPORTS



LATIN AMERICA

Country: HAITI

INDIVIDUAL COUNTRY DATA

Summary of Program by Function

(In thousands of dollars)

Function	Program FY 1954	Program FY 1955	Proposed FY 1956
Development Assistance	-	1,490.0	-
Technical Cooperation	997.2	1,168.9	1,503.7
Total Country Program	997.2	2,658.9	1,503.7

General Narrative Statement

Current Situation

Haiti is a predominantly agricultural country. It has a very low per capita income and is without extensive natural resources. Illiteracy rates are high and the present educational system is inadequate to support a major advance in development. Productivity of workers is generally low and must increase if development is to progress. Living standards and health conditions are generally inadequate.

Haiti has not yet recovered from the extremely severe damage caused by Hurricane Hazel in October 1954. Property and crop losses occurred in many parts of the country. People now living in the devastated areas, particularly those without adequate shelter or food, are threatened with malaria and dysentery. Immediately following the hurricane disaster, the United States made available to Haiti under Title II, PL 480, agricultural surpluses valued at $2.0 million and has subsequently furnished additional emergency assistance discussed below.

It is possible that limited grant assistance to Haiti may be necessary in FY 1956 because of the hurricane damage and its financial and foreign exchange situation. No funds are requested at this time, however. If such assistance is deemed necessary, it would be funded from any appropriate available source authorized in the Mutual Security legislation.

Program Objectives

It is the basic objective of the emergency assistance program to aid the rehabilitation and reconstruction of irrigation systems, farm-to-market roads, and coffee, cacao and other crops. This program also serves to encourage the Haitian Government to formulate development programs.

The long-range objectives of the technical cooperation program are to help carry out balanced area and community development projects through closely inter-related activities in the fields of agriculture, public health and sanitation, shelter, transportation and distribution, light industry, and training.

Progress to Date

Technical Cooperation

Planned implementation of the FY 1955 Technical

General Narrative Statement (Continued)

Cooperation program was substantially affected by the hurricane disaster. However, the Mission was successful in initiating and carrying out some of its plans for expanded technical cooperation in FY 1955.

Agriculture and Natural Resources: This program which was begun in 1944, has been directed toward increasing the output of Haitian farmers through technical guidance in improving farming practices and bringing additional land resources into production through irrigation.

Virtually all of the technical assistance in this field in the past has been rendered through the Service Cooperatif Inter-Americain de Production Agricole (SCIPA). Several projects have been completed and turned over to the Haitian Government. Beginning in FY 1954 and continuing in FY 1955, there has been a gradual re-orientation toward the area development approach, in which agriculture, health, and education programs are working together in rural demonstration areas. Strong emphasis has been placed on encouraging and assisting the people of the affected communities to discuss, analyze and solve their own individual and community problems and to organize for this purpose.

Several of Haiti's irrigation systems were destroyed or badly damaged by floods during FY 1955. At the request of the President of Haiti, SCIPA made temporary repairs to the Leogane system, and completed the studies and estimates necessary for its permanent restoration. A special Field Party was established during FY 1955 to assist in the Artibonite Project which involves the irrigation of 85,000 acres. The engineering construction cost of the project is estimated at $25 million of which the Export-Import Bank has loaned $14 million. United States technicians have assisted in coordinating engineering construction with existing agriculture in the project area, and with the agricultural development program. They have also assisted in land clearing and improving activities, have helped organize survey parties for topographic mapping and irrigation layout and have advised on the maintenance and repair of agricultural and heavy machinery and equipment.

In FY 1955, technical advice and assistance to the management of a pine forest owned by the Haitian Government was continued by a forestry technician.

Health and Sanitation: The health program, which began in 1942, concentrated on the control of yaws in the early years. Many village water supply systems and a few clinics and small hospitals were built later. The program has now been converted into one of general health and sanitation, especially in rural areas. Emphasis is placed on public health and preventive medicine. Operations are carried out through three principal rural health centers. A combined health and education project was organized in FY 1955. Its activities include school and community sanitation, health, education, and preventive medicine in a localized demonstration area. Four small-town municipal water works systems will be completed in 1955, and work on the Diquini Water Supply System, designed to increase water supply by several million gallons per day for Port-au-Prince has commenced. Three public health center buildings were completed.

Education: This program began in July 1954. It is carried out through SCHAER, the Service Cooperatif Haitiano-Americain d'Education Rurale. A rural normal school has been established. Training is being given in planning of school facilities, selection of equipment, and curriculum development. A demonstration rural community-centered school program is being activated as a joint Haitian, American and United Nations effort.

Other Activities: A low-cost housing technician and a community development technician divided their time between the Artibonite Valley project and the Agricultural and Health Servicios. The two years' work on customs matters has been completed and a final report made to the Finance Ministry.

Development Assistance

The FY 1955 development assistance program totaled $1,490,000. This included $390,000 for freight on surplus

General Narrative Statement (Continued)

agricultural commodities delivered under Title II, PL 480, in connection with the emergency. An additional $350,000 was programmed for vehicles, medicines, seeds, hand tools and other emergency items. The balance of $750,000 has been programmed for irrigation rehabilitation, market road development and rehabilitation of agricultural stations. Included in the $750,000 program are funds to finance the costs of two U.S. technicians in irrigation and one in road construction.

Agricultural Surplus: Following the hurricane, $2.0 million worth of surplus agricultural commodities was made available to the Government of Haiti under the famine relief provisions of the Agricultural Trade Development and Assistance Act of 1954 (Title II, PL 480). The shipments included about 8,000 tons of rice, flour, cornmeal, powdered milk and cooking oil which were delivered between October 16 and December 8, 1954. Distribution to the devastated areas in Haiti was accomplished promptly and effectively by the Haitian Army and Red Cross working in close cooperation with USOM technicians.

Other Resources: Haiti has requested additional assistance from the Export-Import Bank. The IBRD is considering a project to set up an adequate road maintenance agency. It has also expressed willingness to consider projects for improving highway and port facilities in the southwest peninsula of Haiti after adequate studies have been made and providing that progress of the maintenance project has been satisfactory and Haiti's financial position permits a loan.

The FY 1956 Program

Agriculture and Natural Resources: It is planned that SCIPA's activities will be concentrated in four or five demonstration areas. Further demonstrations in land-preparation for irrigation will be made. Continued emphasis will be placed, especially in the demonstration areas, in strengthening the efforts of rural communities to solve their own problems. Community development, in cooperation with the health and sanitation and rural education programs, will be given greater emphasis. Demonstration and training activities in the development, operation and maintenance of irrigation and drainage systems will continue. In-service and third country training of SCIPA and other Haitian personnel will be given greater emphasis.

In connection with the Artibonite Project immediate goals are: to furnish adequate technical and management assistance so as to speed up land clearing to approximately eight times the rate during FY 1955; to plan and execute a program of land preparation; to establish demonstration farms; to determine suitable agricultural improvement practices; to operate and maintain the irrigation works; to plan, design and construct a headquarters community; to maintain the project equipment in good operating condition; and to establish good administrative procedures.

Health and Sanitation: The plan for FY 1956 is to set up school health facilities in the demonstration area and to carry out a complete program involving epidemiologic study, home nursing visits, malaria control, rural sanitation, and health instruction particularly in the regions of irrigation and agricultural development. Construction work will continue on the Diguini Tunnel, which should be completed in December 1956.

Education: Goals for FY 1956 are to develop and expand programs already initiated; to establish demonstration rural community-centered schools in three additional areas of the country; to offer additional in-service training for school personnel; to provide technical assistance in manual arts; to continue leadership training among rural educators; and to demonstrate planning, designing, and constructing of adequate school facilities of a type that the Haitian Government can maintain and duplicate.

LATIN AMERICA

Country: HAITI

INDIVIDUAL COUNTRY DATA

Summary by Major Activity Field

(In thousands of dollars)

Programs by Fiscal Year	Total U. S. Cost	Agriculture and Natural Resources	Industry and Mining	Transportation	Labor	Health and Sanitation	Education	Public Administration	Community Development Social Welfare and Housing	All Other
Development Assistance										
1954										
1955	1,490.0	550.0		200.0						740.0
1956										
Technical Cooperation										
1954	997.2	384.6			3.6	478.0	85.3	23.4	6.7	15.6
1955	1,168.9	552.5			5.0	314.1	171.4	13.9	35.2	76.8
1956	1,503.7	697.1			25.1	372.7	265.7		43.8	99.3
Total All Programs										
1954	997.2	384.6			3.6	478.0	85.3	23.4	6.7	15.6
1955	2,658.9	1,102.5		200.0	5.0	314.1	171.4	13.9	35.2	816.8
1956	1,503.7	697.1			25.1	372.7	265.7		43.8	99.3

LATIN AMERICA

Country: HAITI

INDIVIDUAL COUNTRY DATA

Summary by Major Cost Components

(In thousands of dollars)

Programs by Fiscal Year	Total U. S. Cost	Supplies, Equipment & Grants to Servicios	U.S. Government Technicians Number Employed June 30	U.S. Government Technicians Cost	Contract Services Number Employed June 30	Contract Services Cost	Participants No. of Persons	Participants Cost	Other Costs
Development Assistance									
1954									
1955	1,490.0	1,390.0			3	75.0			25.0
1956									
Technical Cooperation									
1954	997.2	605.0	25	244.2			34	89.5	58.5
1955	1,168.9	397.7	36	455.9	1	29.6	14	46.0	239.7
1956	1,503.7	528.4	41	537.5	4	80.0	35	119.1	238.7
Total All Programs									
1954	997.2	605.0	25	244.2			34	89.5	58.5
1955	2,658.9	1,787.7	36	455.9	4	104.6	14	46.0	264.7
1956	1,503.7	528.4	41	537.5	4	80.0	35	119.1	238.7

INDIVIDUAL COUNTRY DATA (EXCLUDING MILITARY ASSISTANCE AND TECHNICAL COOPERATION)

Summary of Commodity Imports and Services

(In thousands of dollars)

Illustrative Composition of Country Program	Actual FY 1954	FY 1955 Development Assistance For Project Utilization	FY 1955 Development Assistance For Consumption and Generating Local Currency	FY 1955 Development Assistance Total	FY 1956 Development Assistance For Project Utilization	FY 1956 Development Assistance For Consumption and Generating Local Currency	FY 1956 Development Assistance Total
Commodities							
Food and Agricultural Imports							
Ocean Transportation			390.0	390.0			
Total Food and Agricultural Imports			390.0	390.0			
Less Sales Proceeds Programmed for Other Countries							
Net U.S. Financed Food and Agricultural Imports			390.0	390.0			
Industrial Imports							
Miscellaneous and Unclassified			350.0	350.0			
Total Industrial Imports			350.0	350.0			
Less Sales Proceeds for Coal Programmed for other Countries							
Net U.S. Financed Industrial Imports			350.0	350.0			
Total Commodity Program			740.0	740.0			
Transfer of Cash		650.0		650.0			
Services		100.0		100.0			
TOTAL COUNTRY PROGRAM		750.0	740.0	1,490.0			

HONDURAS

BASIC DATA

				Honduras	L.A.	U.S.
Population (1954	millions	1.6	Per capita GNP[a]	dollars	175	300	2,200
Annual growth	percent	3.4	Caloric intake		2,030	2,407	3,120
			Literacy rate	percent	40	55	97
Area	1,000 square miles	43	Infant mortality	per 1,000 births	82	87	28
Agricultural land	percent	18	Road miles	per 1,000 square miles	21	70	1,100
Agricultural land per capita	acres	5	Elec. power per capita	KWH per year	38	170	3,165

TRADE AND PAYMENTS

	1938	1951	1952	1953	1954[b]
		(millions of US $)			
Exports, f.o.b.	11	66	61	67	
Imports, c.i.f.	12	53	66	62	
Trade balance	-1	13	-5	5	
Principal exports	1939				
Bananas: Quantity (1,000 MT)	305	305	313	313[P]	n.a.
Value ($ millions)	6	45	41	41	20
Coffee: Quantity (1,000 MT)	2	8	7	11	10
Value ($ millions)	*	6	9	12	13
Trade with U.S. (U.S. Customs data)	1938				
Exports to U.S.	6	24	22	30	27
Imports from U.S.	6	34	42	36	33
Balance	-	-10	-20	-6	-6
Balance of payments					
Balance on goods and services		-1	-11	-1	
Net capital		13	13	3	
Private		13	13	3	
Official and banking		*	*	*	
Government grants		*	*	*	
Long-term capital		-2	-2	*	
Short-term capital		2	2	*	
Change in gold and exch. reserves		+9	+1	+1	+2
Gold and foreign exchange reserves - end of year	1	20	21	22	24

PRODUCTION

	Unit	1938	1951	1952	1953	1954[b]
Major crops[c]:						
Corn	1,000 MT	94	191	191	184	
Coffee	1,000 MT	n.a.	n.a.	12	15[P]	12

EXTERNAL RESOURCES

	1950	1951	1952	1953	1954	Program 1955	Program 1956
	(millions of US $)						
FOA obligations (fiscal years)	0.1	0.1	0.7	0.7	1.1	1.1	1.1
			(calendar years)				
Ex-Im Bank disbursements	-	-	-	-	-		
IBRD disbursements	-	-	-	-	-		
U.S. private investment (net)							
New direct investment	1	14	2	*			
Reinvested subsidiary earnings	-	-	1	1			
Book value of U.S. direct private investment	62	78	81	82			

FINANCES

	1951	1952	1953	1954	1955
	(millions of US $)				
Central government budget - years ending June 30					
Revenue	18.5	21.0	25.3	32.2	28.4
Expenditure	16.4	20.3	24.7	32.2	28.4
Defense	3.0	3.4	3.0	2.7	2.6
Other	13.4	16.9	21.7	29.5	25.8
Surplus or deficit (-)	2.1	0.7	0.6	-	=
As % of total revenue	11%	3%	2%		
Defense expend. as % of budget	18%	17%	12%	8%	9%
Prices (index 1948=100)					
Cost of living: Tegucigalpa	123	120	126	137	

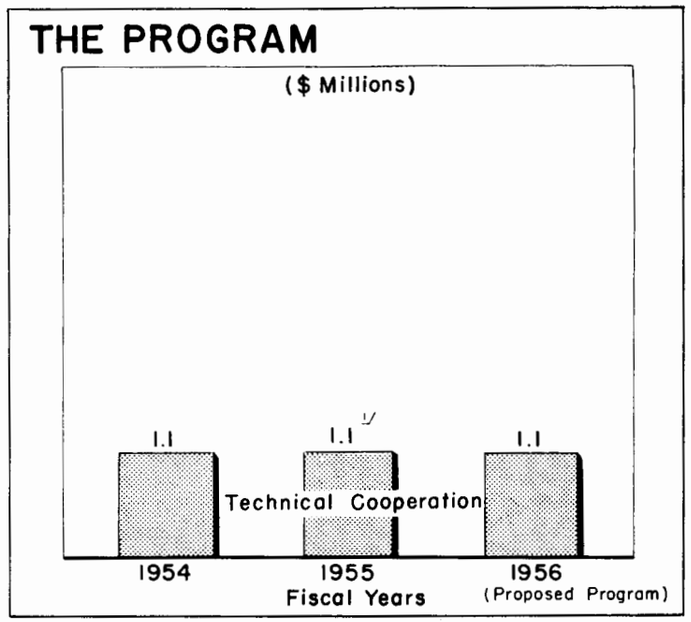
* Less than $500,000 n.a. - Not available P - Preliminary E - Estimate

a FOA estimate; converted at 2 lempiras per U.S. $.

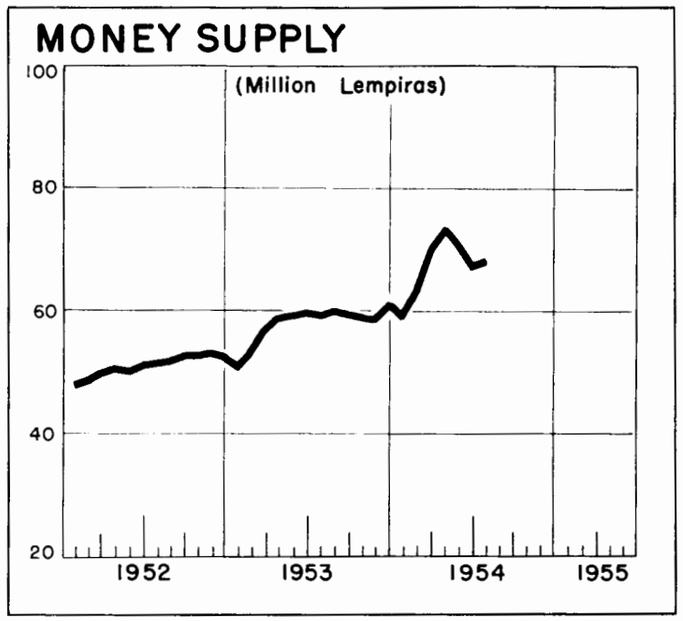
b 1954 data partly preliminary or estimated.

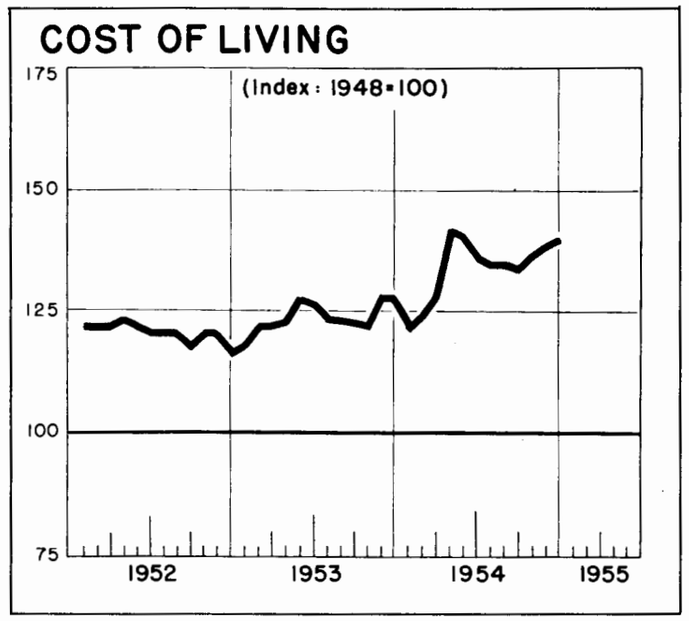
c Crop years beginning year stated.

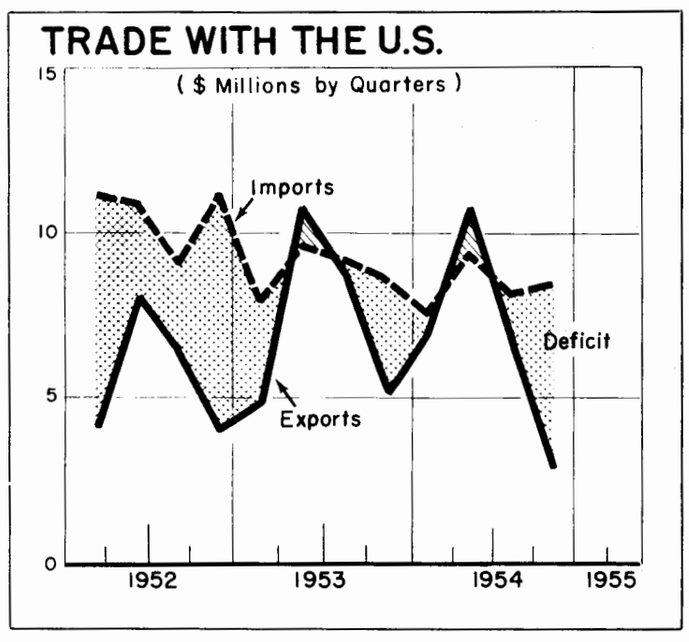
HONDURAS

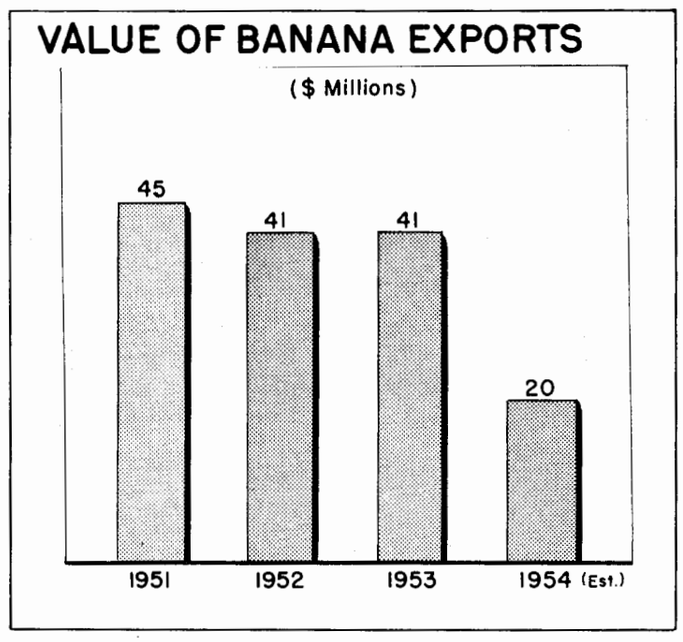


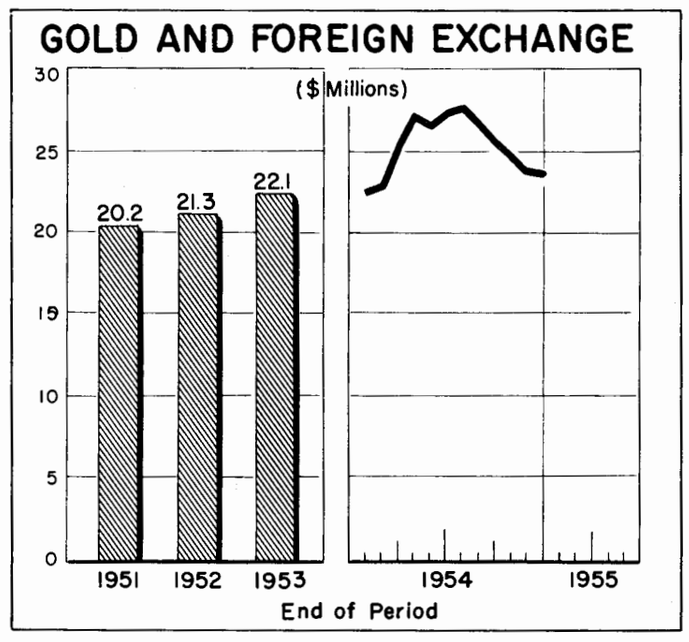
1/ Includes $ 32 Thousand for Development Assistance











LATIN AMERICA

INDIVIDUAL COUNTRY DATA

Country: HONDURAS

Summary of Program by Function

(In thousands of dollars)

Function	Program FY 1950/54	FY 1955	Proposed FY 1956
Military Assistance	a/	a/	a/
	FY 1954		
Development Assistance	-	32.0	-
Technical Cooperation	1,076.6	1,101.0	1,053.4
Total Country Program Other Than Military Assistance	1,076.6	1,133.0	1,053.4

a/ Data included in separate submission on Military Assistance.

General Narrative Statement

Current Situation

Honduras has recently suffered from prolonged strikes and the disastrous effects of last year's floods. The full effect of these events is now becoming apparent. Government revenues have decreased owing to tax losses on the reduced banana exports. Heavy expenditures have been necessary for the rehabilitation of crop lands and for the relief of flood victims.

The Government has recently announced preliminary plans for the expenditure of $135 to $164 million during the next five years to promote economic expansion, raise the standard of living and lay the foundation for expanding economic and social progress. A representative of the International Bank for Reconstruction and Development is in Honduras to discuss the possibility of participation in the financing.

Economic development in Honduras is limited by poor health conditions, inadequate education and training, primitive agricultural methods, lack of transportation facilities, inadequate and expensive electric power, and the need for improved public administration.

Program Objectives

U. S. policy supports continuance of the technical cooperation program to assist Honduras in its development efforts.

Program objectives include: raising productivity through the improvement of public health and education; increasing agricultural output by training in modern methods of production and distribution; expanding and improving of transportation;

General Narrative Statement (Continued)

developing power facilities; and improving public administration. Work toward these objectives is closely coordinated with the Honduran five-year Economic Development Plan.

The purpose of the Military Assistance program for the American Republics is to enable them to accomplish the military roles and missions assumed in the mutual defense of the Western Hemisphere and to strengthen their collective effort against possible Communist or other aggression.

Progress to Date

Agriculture and Natural Resources: Approximately 83 percent of the population depend upon agriculture for their livelihood. Although there was a small program as early as 1942, the current program was established in 1951. Since that time, the program has had a major role in the establishment of a National Ministry of Agriculture. Extension offices have been opened, 4-H Clubs organized, and an agricultural school established. Crops and livestock have been improved and an educational campaign has been carried on. Projects completed and transferred to the Government for operation include: Forestry Division, a National Livestock Center, a grasshopper control program, and an agricultural machinery pool.

Transportation: A preliminary airport survey was made for the Government and assistance has been given in formulating plans and procedures for general improvements in service and in simplifying airline regulations. This has aided both the Government and the airlines. Engineering advice has been provided on the construction of the South Coast Road, connecting Tegucigalpa with the Pan-American Highway, and in planning a nation-wide highway development.

Health and Sanitation: This program has operated continuously since 1942 and assists in the development of medical and public health services designed to increase the productivity of labor. The approach to these objectives continues to be made through demonstration and training projects to improve environmental sanitation and provide health services. Sanitary water systems have been completed and transferred to municipalities in 45 communities and sanitary sewer systems in 13. In addition, 12 sanitary water systems have been initiated and three projects for the development of major sanitation public works are under construction in San Pedro Sula. A national Department of Health has been founded and three medical clinics and nine health centers have been established. The Health Servicio has operated extensive insect control projects, built a municipal incinerator and assisted in the construction of a 300-bed National Tuberculosis Sanatorium.

Education: The current program started in 1951. Stimulated by the Education Servicio and with engineering assistance from the Agriculture and Health Servicios, the Honduran Government has built a rural normal school for boys, another for girls and a vocational agriculture school. The Servicio developed the curricula in all three schools and is providing technical training to the teachers. Rural teacher training is also carried on in summer schools and workshops.

Public Administration: Technical cooperation with the Honduran census bureau has resulted in the publication of an agricultural census and other statistical data needed for economic development planning. A tariff specialist is assisting the Government in modernizing its tariff structure.

Other Activities: To prevent famine resulting from the flood in the Sula Valley in October 1954, $230,000 worth of U. S. surplus agricultural commodities were supplied to Honduras under Title II, Public Law 480, the $32,000 transportation cost of which was financed from MSP funds.

Military Assistance: The Army has a small Military Assistance program. There is no Navy or Air Force program. Progress has been relatively slow because it is necessary to train personnel in the use of the equipment before they can effectively operate it. It is believed that considerable progress will be made during the last half of 1955.

General Narrative Statement (Continued)

The FY 1956 Program

Plans for FY 1956 are based on the continuation and further development of technical cooperation programs operated in 1955. The following comments deal with certain variations planned for FY 1956.

In the field of agriculture, a contract with the University of Florida is under consideration to provide assistance in research and training. A specialist in coal mining will be provided to assist in surveying the potentialities of Honduran deposits of coal to meet domestic fuel and power requirements of the National Development plan. In the field of transportation, additional civil aviation technicians are programmed, along with engineering assistance in connection with the country's highway development plan, including the establishment of a highway materials testing laboratory.

One of the first steps in the labor program will be the formulation of labor standards to counteract Communist influence. Additional technicians for work in the industrial trade schools and in home life education are planned to further assist the Education Ministry. In addition to assistance and advice to the Government in connection with its five year plan for economic development, assistance has been requested and is planned in reorganizing the administrative procedures of the customs service and in formulating a national system of governmental property control.

LATIN AMERICA

Country: HONDURAS

INDIVIDUAL COUNTRY DATA

Summary by Major Activity Field

(In thousands of dollars)

Programs by Fiscal Year	Total U. S. Cost	Agriculture and Natural Resources	Industry and Mining	Transportation	Labor	Health and Sanitation	Education	Public Administration	Community Development Social Welfare and Housing	All Other
Development Assistance										
1954										
1955	32.0									32.0
1956										
Technical Cooperation										
1954	1,076.6	468.8	-	56.4	-	271.8	257.3	17.5		4.8
1955	1,101.0	382.7	8.0	148.1	39.5	210.3	273.1	35.9		3.4
1956	1,053.4	382.7	10.0	76.4	25.0	236.1	266.8	53.0		3.4
Total All Programs										
1954	1,076.6	468.8		56.4		271.8	257.3	17.5		4.8
1955	1,133.0	382.7	8.0	148.1	39.5	210.3	273.1	35.9		35.4
1956	1,053.4	382.7	10.0	76.4	25.0	236.1	266.8	53.0		3.4

LATIN AMERICA

Country: HONDURAS

INDIVIDUAL COUNTRY DATA

Summary by Major Cost Components

(In thousands of dollars)

Programs by Fiscal Year	Total U. S. Cost	Supplies, Equipment & Grants to Servicios	U. S. Government Technicians: Number Employed June 30	U. S. Government Technicians: Cost	Contract Services: Number Employed June 30	Contract Services: Cost	Participants: No. of Persons	Participants: Cost	Other Costs
Development Assistance									
1954									
1955	32.0	32.0							
1956									
Technical Cooperation									
1954	1,076.6	653.1	23	245.6		25.0	23	83.2	69.7
1955	1,101.0	480.0	22	397.9	1		32	123.6	99.5
1956	1,053.4	350.0	29	415.2	6	75.0	29	110.0	103.2
Total All Programs									
1954	1,076.6	653.1	23	245.6		25.0	23	83.2	69.7
1955	1,133.0	512.0	22	397.9	1		32	123.6	99.5
1956	1,053.4	350.0	29	415.2	6	75.0	29	110.0	103.2

LATIN AMERICA

Country: HONDURAS

INDIVIDUAL COUNTRY DATA (EXCLUDING MILITARY ASSISTANCE AND TECHNICAL COOPERATION)

Summary of Commodity Imports and Services

(In thousands of dollars)

Illustrative Composition of Country Program	Actual FY 1954	FY 1955 Development Assistance			FY 1956 Development Assistance		
		For Project Utilization	For Consumption and Generating Local Currency	Total	For Project Utilization	For Consumption and Generating Local Currency	Total
Commodities							
Food and Agricultural Imports							
Ocean Transportation			32.0	32.0			
Total Food and Agricultural Imports			32.0	32.0			
Less Sales Proceeds Programmed for Other Countries							
Net U.S. Financed Food and Agric. Imports			32.0	32.0			
TOTAL COUNTRY PROGRAM			32.0	32.0			

MEXICO

BASIC DATA

			Mexico	L.A.	U.S.
Population (1954)..... millions	28.9				
Annual growth..... percent	2.8	Caloric intake.....	2,210	2,407	3,120
Area.....1,000 square miles	760	Literacy rate....percent	55	55	97
Agricultural land..... percent	57	Life expectancy....years	38	45	68
Agricultural land per capita..... acres	10	Road miles per 1,000 sq. mi.....	154	70	1,100
Potentially productive land .....percent	4.6	Elec. power per capita .....KWH per year	203	170	3,165

USE OF RESOURCES - 1954

Gross national product (million U.S. dollars).....	5,215	%
Consumption.....	4,145	80
Gross investment (public and private).....	570	11
Government non-defense expenditure.....	495	9
Government defense expenditure.....	35	1
Net foreign balance.....	-30	-1
Per capita GNP (dollars).....	180	-

(FOA estimates; converted at 12.5 pesos per US $)

TRADE AND PAYMENTS

	1938	1951	1952	1953	1954[a]
	(Millions of US $)				
Exports, f.o.b.....	147	573	581	536	552
Imports, c.i.f.....	114	822	808	811	712
Trade balance.....	33	-249	-227	-275	-160
Principal exports					
Cotton, raw: Quantity..... 1,000 MT	22	178	230	235	259
Value.....$ millions	4	129	137	129	
Coffee beans: Quantity..... 1,000 MT	35	52	52	74	69
Value.....$ millions	6	47	47	66	
Trade with U.S. (U.S. Customs data)					
Exports to U.S.....	49	326	410	355	328
Imports from U.S.....	62	712	667	645	628
Balance.....	-13	-386	-257	-290	-300
Balance of payments					
Balance on goods & services.....		-111	-49	-107	
Net capital.....		41	104	59	
Private.....		78	66	60	
Official and banking.....		-37	38	-1	
Government grants.....		6	2	2	
Long-term capital.....		*	21	*	
Short-term capital.....		-43	15	-3	
Change in gold & exch. reserves.....		-20	-	-35	
Gold and foreign exchange reserves (end of yr)	52	320	320	285	200

PRODUCTION

	Unit	1938	1951	1952	1953	1954[a]
Industrial production	1948=100	76	127	130	133	141(Jun)
Agricultural production	1948=100	n.a.	132	126		
Major crops:[d]						
Cotton	1,000 MT	64	277	272	263P	388
Corn	1,000 MT	1,715	3,429	3,202	3,200	3,599
Coffee	1,000 MT	58	71	88	83	90
Major industries:						
Electricity.....	million KWH	2,512	4,896	5,336	5,718	6,299
Petroleum, crude.....	1,000 MT	5,483	11,064	11,052	10,356	11,961

EXTERNAL RESOURCES

	1950	1951	1952	1953	1954	Program 1955	Program 1956
	(Millions of US $)						
FOA obligations (fiscal years).....	0.2	0.2	0.7	0.7	1.3	1.4	1.8
	(calendar years)						
Ex-Im Bank disbursements.....	16.0	3.0	40.0	23.0	37.0[b]		
IBRD disbursements.....	10.0	13.8	17.1	11.6	8.3[c]		
U. S. private investment (net)							
New direct investment.....	25	24	-10	3			
Reinvested subsidiary earnings...	15	33	29	17			
Book value of U.S. direct private investment.....	444	471	490	509			

FINANCES

	1951	1952	1953	1954E	1955E
	(Millions of US $)				
Central government budget (calendar years)					
Revenue	397.0	488.3	347.8	403.2	403.6
Expenditure.....	399.5	517.1	332.6E	386.2	454.5
Defense.....	31.8	34.8	38.0	35.9	33.3
Other.....	367.7	482.3	294.6	350.3	421.2
Surplus or deficit(-).....	-2.5	-28.8	15.2	17.0	-50.9
As % of total revenue.....	-1%	-6%	4%	4%	-13%
Defense expend. as % of budget....	8%	7%	11%	9%	7%
Prices (index 1948=100)					
Wholesale (Mexico City).....	148	154	151	165	179(Jan)
Cost of living (Mexico City).....	126	144	141	148	

* Less than $5,000. n.a.-Not available. P-Preliminary. E-Estimate.

a 1954 data partly preliminary or estimated.

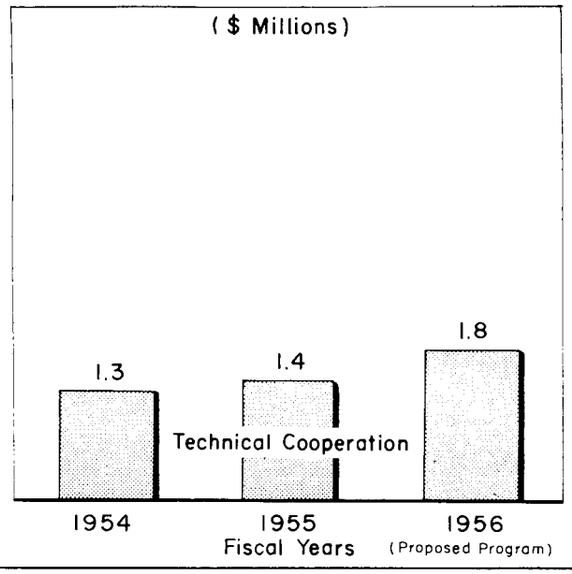
b Undisbursed Ex-Im Bank balance, Dec. 31, 1954: $41.5 million.

c Undisbursed IBRD balance, Dec. 31, 1954: $73.6 million.

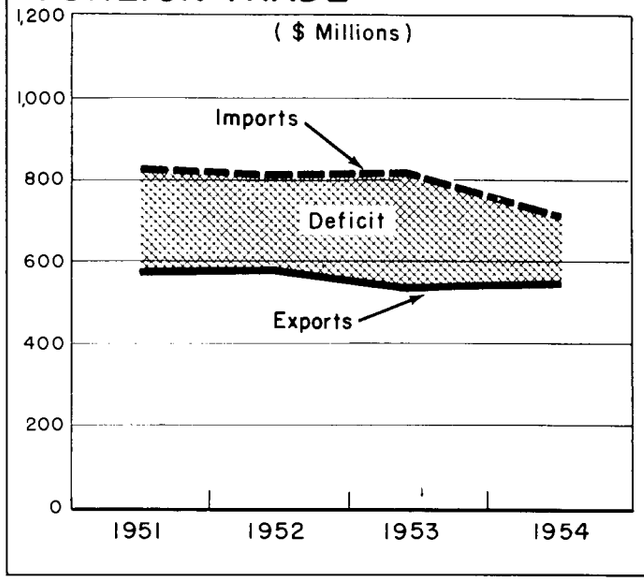
d Crop years beginning in years stated.

MEXICO

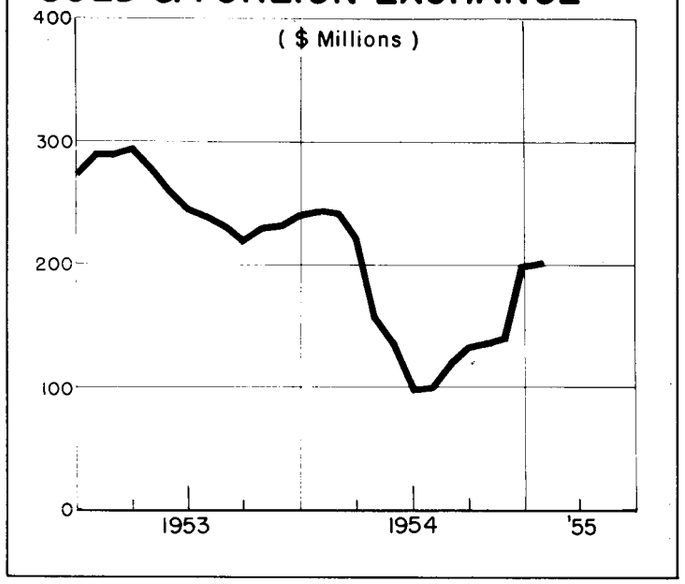
THE PROGRAM



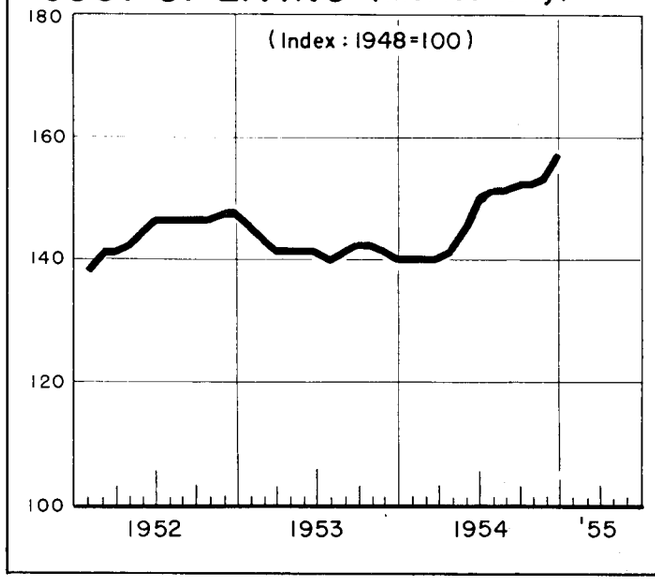
FOREIGN TRADE



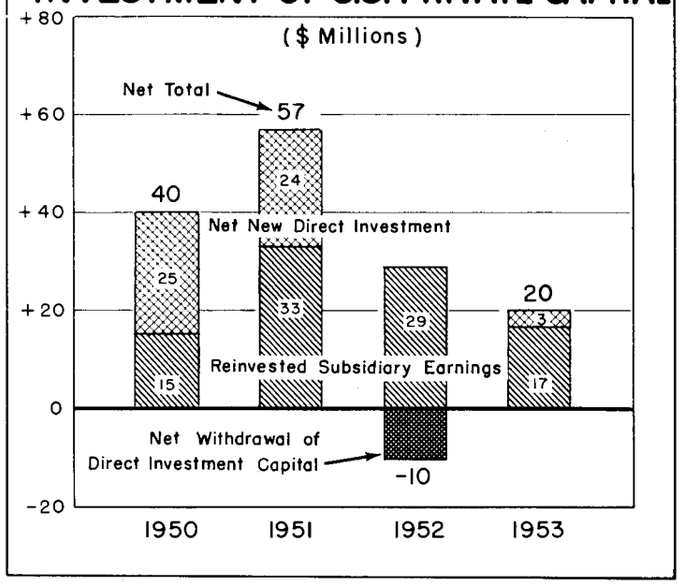
GOLD & FOREIGN EXCHANGE



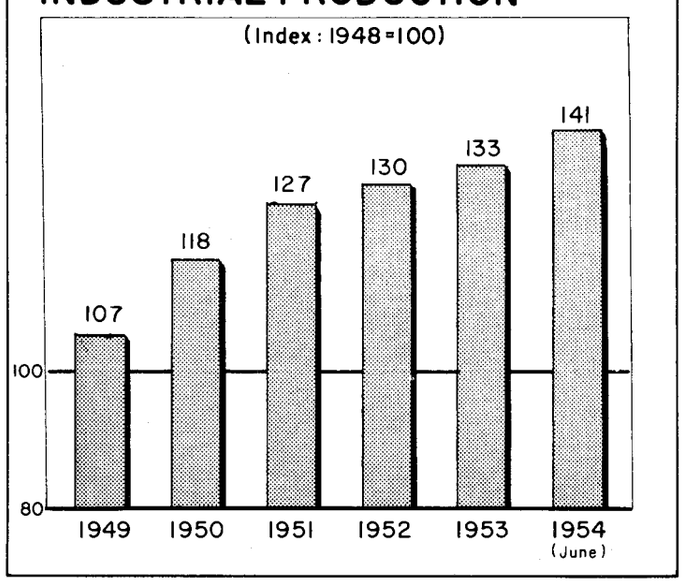
COST OF LIVING (Mexico City)



INVESTMENT OF U.S. PRIVATE CAPITAL



INDUSTRIAL PRODUCTION



LATIN AMERICA

Country: MEXICO

INDIVIDUAL COUNTRY DATA

Summary of Programs by Function

(In thousands of dollars)

Function	Program FY 1954	Program FY 1955	Proposed FY 1956
Technical Cooperation	1,344.0	1,416.6	1,762.0
Total Country Program	1,344.0	1,416.6	1,762.0

General Narrative Statement

Current Situation

Mexico has a rapidly expanding population and relatively underdeveloped resources. An increased rate of economic growth is required even to maintain present standards of living.

Mexico is, however, intent on improving its standards of living and plans to provide for a balanced development in agriculture, industry and mining with supporting development in transportation and power.

It has the natural and human resources to achieve this objective and adequate capital is probably available from private enterprise, the Government, the Bank of Mexico, private banks, the Export-Import Bank, and the International Bank for Reconstruction and Development.

The country must, of course, overcome many serious problems of an underdeveloped economy. Insufficient technicians exist on all levels from graduate engineers and management experts to mechanics, artisans, and machinery operators. Experimental and applied research are inadequate to provide the technical information required for development. Institutions and other means are needed to bring technical information to small and intermediate industrial and minor enterprises and to farmers. The elementary and secondary schools curricula do not develop an appreciation and utilization of modern techniques. Insufficient recognition exists of the need for increased productivity. Also, health and housing conditions of large parts of the rural population must be improved to permit effective work.

Mexico, faced with a persistent international trade imbalance and an outflow of capital, devalued its currency by 45 percent in April 1954. This action, other corrective measures, and good agricultural crops have resulted in a greatly improved financial situation. Over the long run, however, Mexico must produce more goods and agricultural products to insure the viability of its economy, to provide confidence in its currency, and to maintain and improve its living standard.

Mexico shares our entire southern land boundary of over 1,500 miles. Its leading exports include coffee and various mineral ores necessary to our economy. Imports of U. S. heavy

General Narrative Statement (Continued)

machinery, vehicles and certain foodstuffs run over $600 million per year and total over 80 percent of its foreign purchases. The country has provided a major source of U. S. overseas investment in this hemisphere.

The objectives of the Technical Cooperation program in Mexico are to assist in:

(1) Determining the availability of resources and the requirements for their development.

(2) Advising on planning a balanced development program for the country and for specific areas.

(3) Developing an appreciation of the need for increased productivity and a receptivity to improved techniques and methods.

(4) Planning the experimentation and applied research required and training the technicians to support the economic development of the country.

(5) Strengthening vocational and technical training to provide the technicians and artisans required for the country's development.

(6) Helping to bring technical information to farmers and to small and intermediate size industrial and mining enterprises.

(7) Strengthening the Rural Public Health system and devising means such as low cost self-help housing to provide conditions of health and shelter required for effective work.

Progress to Date

Prior to this fiscal year, the Technical Cooperation program in Mexico was confined almost entirely to public health, geology and mining. Pursuant to requests from the Government of Mexico, significant progress has been made during this fiscal year in assisting Mexico toward developing a balanced program in agriculture, industry, labor and education. The following comments describe the progress made.

Agriculture and Natural Resources: Under a contract with FOA, Texas A. & M. College is working with the State Agricultural School in Saltillo in developing a program of training, experimentation, and extension. This project is intended as a demonstration for all of northern Mexico of the requirements for development of a balanced agricultural economy. The University of Pennsylvania School of Veterinary Medicine is providing assistance to the Ministry of Agriculture in a cattle diseases program which should have a significant impact on the important cattle industry. The rubber experimental project in the Tabasco-Vera Cruz area was turned over as scheduled to the Mexican Government. During this fiscal year a project for improvement of the shrimp fishing and processing industry will also be concluded, leaving behind a significant contribution to the economy.

Industry and Mining: The Industrial Productivity Center has been established with the assistance of U.S. technicians, who will now help train the Mexicans working therein. Technical information will be made available to small and intermediate enterprises and to spark increased productivity. This Center is supported by the Mexican Federation of Chambers of Industry collaborating with the labor organizations, and by agencies of the Government. Numerous management and productivity teams comprising a variety of industrial specialists and representing management, labor and third party organizations, have already visited the U. S. for observation and training.

The Armour Research Foundation contract provides specialists to work with the Bank of Mexico's Institute for Technological Investigation to develop products from the laboratory to the bulk-manufactured stage. Assistance was given on the production aspects of tannin extraction from the cascalote pod, starch extraction from garbanzo beans, and the manufacture of coal briquettes and of henequen wax.

General Narrative Statement (Continued)

The U. S. Geological Service under an agreement with FOA continues to assist the Mexican Government in mapping the mineral resources of Mexico and in training Mexican Technicians. Among the studies completed were those relative to development of potash resources for agricultural use, the silver resources of the Pachuca-Real-del-Monte mining district and the sedimentary phosphate resources of north central Mexico for development as a chemical fertilizer source.

The mining project has been reduced to one Bureau of Mines technician assisting the Government in developing an extension service. This service is carried out primarily through a mobile laboratory used to assist small and intermediate mining enterprises unable to finance their own laboratory services.

Labor: Labor leaders and potential labor leaders selected from various trade union organizations have visited the U.S. for training and to observe labor management relationships and labor productivity in this country. Initial reports indicate that this training program is having a significant effect in increasing productivity. In addition to U. S. training, a labor productivity specialist and an industrial safety expert are scheduled for assignment.

Health and Sanitation: During this fiscal year, FOA Public Health technicians have been withdrawn from operating roles and the Health Servicio reorganized into a regular department in the Ministry of Public Health under the direction of a Mexican national. The U.S. technicians are now assisting the Health Ministry in improvement of training, planning evaluation, and in carrying out pilot and demonstration projects.

Education: Columbia Teachers College, under an FOA contract is assisting the Bank of Mexico, the Ministry of Public Education and the University of Mexico in carrying out a survey of the technical skills required for the development of the economy and an evaluation of the existing training facilities. This survey and evaluation are intended to provide a concrete program for the re-orientation of the education system to provide the technicians required for a developing economy. The University of Michigan, also under a contract, is assisting in the development of a large vocational training center for mechanics and operators of heavy agricultural and road building equipment. This school is designed to train over 1,000 mechanics and operators a year, and the training received will improve the utilization of equipment on road building and irrigation projects.

Public Administration: A Public Administration expert is advising on the improvement of management through the Productivity Center, and through contacts with industrial leaders has stimulated comparable interest in management improvement on the part of government officials.

General Community Development and Social Welfare: The Area Development projects for Jalisco and the Tabasco-Vera Cruz areas have not developed as rapidly as was anticipated at the time of the FY 1955 presentation. The cooperative project for the Jalisco area may be initiated on a small scale before the close of the fiscal year.

Training for rehabilitation personnel has been emphasized, and courses for therapists, counsellors, and workers with the blind are in operation. Rehabilitation training courses were centralized in the Mexican Normal School, giving increased status to trained workers with the handicapped. At the request of local authorities, planning committees were established in six regions to provide rehabilitation services outside the Federal District.

The FY 1956 Program

The proposed program provides primarily for continuation of the projects initiated in FY 1955 and those continued from prior years in the fields of public health, geology and mining. It is planned, however, to initiate cooperative projects to assist on two area development projects. The following paragraphs describe certain variations between 1956 plans and 1955 operations.

Agriculture and Natural Resources: The Texas A. & M. agriculture project in northern Mexico will be continued with greater

General Narrative Statement (Continued)

emphasis on balanced area development. It is anticipated that similar projects will be initiated in the Jalisco and Tabasco-Vera Cruz areas. These three agricultural projects are considered essential because of the widely different conditions in the three regions to provide an adequate demonstration of the requirements for agricultural development throughout Mexico as well as for the balanced development of these three important areas and the training of Mexican technicians. The Jalisco and Vera Cruz area projects are planned as part of balanced area development projects requiring the services of technicians provided for under agriculture, other fields of activity, and under two projected university contracts. Funds for these university contracts are included under "Community Development". It is planned to broaden the northern Mexico project on an area development basis.

Industry and Mining: The Industrial Productivity Center will be in full operation early in the fiscal year with complementing activities planned for Monterrey and Guadalajara. The Armour Research assistance to the Bank of Mexico in the development of an industrial research laboratory will be continued.

The geology program will place greater emphasis on in-service training and planning. It will include the following projects: (1) study of ore deposits of the State of Chihuahua; (2) general geological mapping of the Metztitlan quadrangle; (3) mapping of the Tamazunchale quadrangle; (4) general geological mapping of the Pachuca quadrangle area, and (5) work toward participation in the XXth Geological Congress to be held in Mexico in September 1956. Assistance in developing an extension service for small and intermediate minerals enterprises will be continued.

Labor: The labor program will provide for participants and for a labor productivity and an industrial safety specialist to work in close coordination with the Industrial Productivity Center.

Health and Sanitation: Assistance will be continued in on planning, training, evaluation and demonstration projects. It is also planned to assist the Government in carrying out a major malaria eradication project which will open new agricultural land and increase the efficiency of the population living in malarial areas. About 25,000 deaths annually are ascribable to malaria.

Education: The contracts with Teachers College and Michigan will be continued. In addition, it is proposed to provide two full-time education technicians and a number of short-term consultants as part of the projected area development projects to assist in strengthening vocational training.

Public Administration: Small projects are proposed to assist in the strengthening of the Mexican Census Bureau and the newly established Institute of Public Administration. In addition, it is anticipated that Public Administration experts will be required to assist in the implementation of the projected area development projects.

General Community Development, Social Welfare and Housing: Two contracts with U.S. universities are planned to assist in the proposed area development projects primarily in the fields of agriculture and home economics and secondarily in the housing, community development and economics fields. Experts provided for under other fields of activity will be assigned as needed. Vocational Rehabilitation technicians will assist in training the handicapped to re-enter the economic life of the community.

LATIN AMERICA

Country: MEXICO

INDIVIDUAL COUNTRY DATA

Summary by Major Cost Components

(In thousands of dollars)

Programs by Fiscal Year	Total U. S. Cost	Supplies, Equipment & Grants to Servicios	U. S. Government Technicians No. Employed June 30	U. S. Government Technicians Cost	Contract Services No. Employed June 30	Contract Services Cost	Participants No. of Persons	Participants Cost	Other Costs
Technical Cooperation									
1954	1,344.0	175.0	30	319.0		461.5	116	329.5	59.0
1955	1,416.6	175.0	28	310.1	18	334.0	142	368.5	229.0
1956	1,762.0	195.0	32	469.8	19	392.0	212	536.4	168.8

Summary by Major Activity

(In thousands of dollars)

Programs by Fiscal Year	Total U. S. Cost	Agriculture and Natural Resources	Industry and Mining	Transportation	Labor	Health and Sanitation	Education	Public Administration	Community Development Social Welfare and Housing	All Other
Technical Cooperation										
1954	1,344.0	518.8	281.7	64.5	96.2	275.7	26.9	53.9	18.7	7.6
1955	1,416.6	205.7	469.7	6.0	44.6	303.9	328.2	13.7	18.4	26.4
1956	1,762.0	247.0	489.6		137.8	298.8	197.7	134.9		256.2

NICARAGUA

BASIC DATA

			Nicaragua	L.A.	U.S.
Population (1954).....millions	1.2	Per capita GNP[a]...dollars	265	300	2,200
Annual growth..... percent	3.1	Literacy rate.....percent	40	55	97
Area.....1,000 sq. mi.	57	Infant mortality .....per 1,000 births	82	87	28
Agricultural land.....percent	6	Road miles per 1,000 sq. mi.	82	70	1,100
Agricultural land per capita.....acres	2	Elec. power per capita .....KWH per yr.	82	170	3,165
Potentially productive land.....percent	21.3				

TRADE AND PAYMENTS

	1938	1951	1952	1953	1954[b]
		(millions of US $)			
Exports, f.o.b.	4	37	42	46	56
Imports, c.i.f.	6	35	47	51	63
Trade balance	-2	2	-5	-5	-7
Principal exports					
Coffee beans: Quantity.....1,000 MT	14	16	19	19	14 (9 mo)
Value ..... $ millions	2	18	22	21	25 (")
Cotton: Quantity.....1,000 MT	1	4	9	13	22 (")
Value..... $ millions	*	6	7	8	17 (")
Trade with U.S. (U.S. Customs data)					
Exports to U.S.	2	21	23	25	26
Imports from U.S.	3	21	25	26	37
Balance	-1	-	-2	-1	-11
Balance of payments					
Balance on goods & services		6	-	-4	
Net capital		*	*	5	
Private		3	-2	5	
Official & banking		-3	2	*	
Government grants		*	*	1	
Long-term capital		-2	2	*	
Short-term capital		-1	*	-1	
Change in gold & exch. reserves		+6	+6	+1	-2
Gold and foreign exchange reserves (end of year)	1	10	16	17	15

EXTERNAL RESOURCES

	1950	1951	1952	1953	1954	Program 1955	Program 1956
			(millions of US $)				
FOA obligations (fiscal years)	-	0.1	0.6	0.6	0.5	0.8	0.9
			(calendar years)				
Ex-Im Bank disbursements	-	0.1	0.4	0.1	-		
IBRD disbursements	-	0.1	2.7	0.6	2.4[c]		
Book value of U.S. direct private investment	9	9	10	9			

PRODUCTION

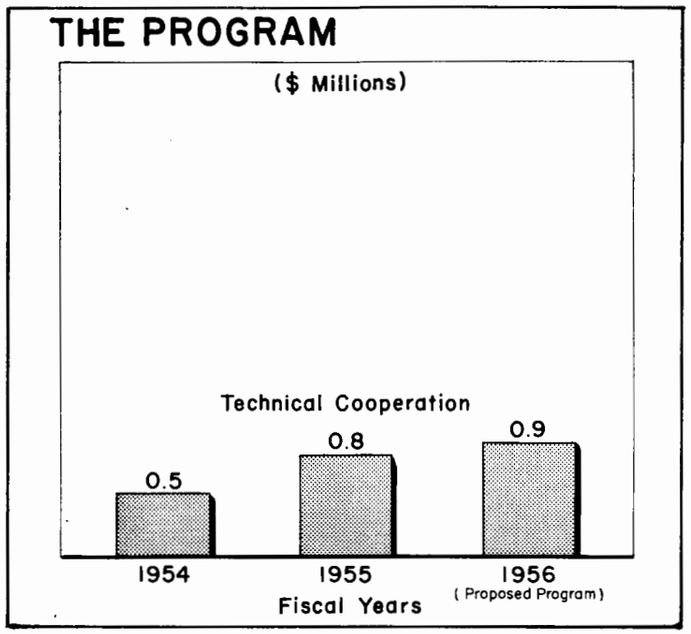
	Unit	1938	1951	1952	1953	1954[b]
Agricultural production	1948=100		127	149	159	
Major crops[d]:						
Coffee	1,000 MT	17	21	22	20[P]	23
Corn	1,000 MT	38	91	101	131	76
Cotton	1,000 MT	1	11	13	22	44
Major industries:						
Electricity	Million KWH		26	30	34	

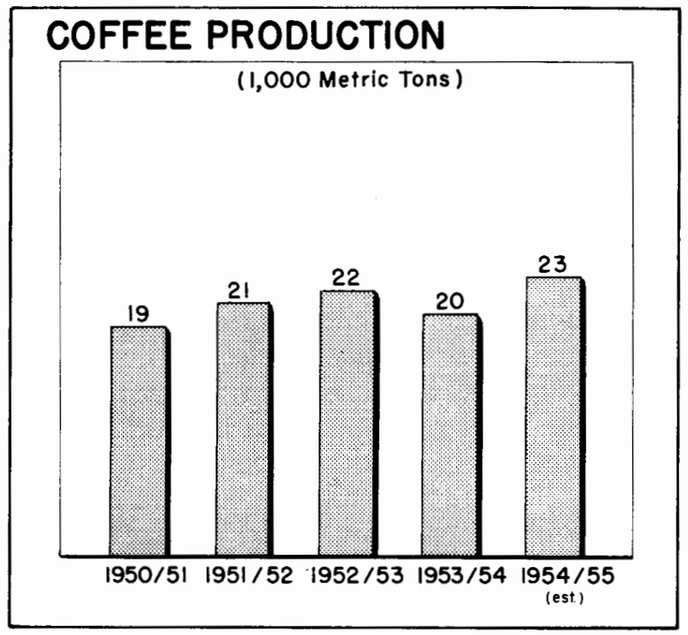
FINANCES

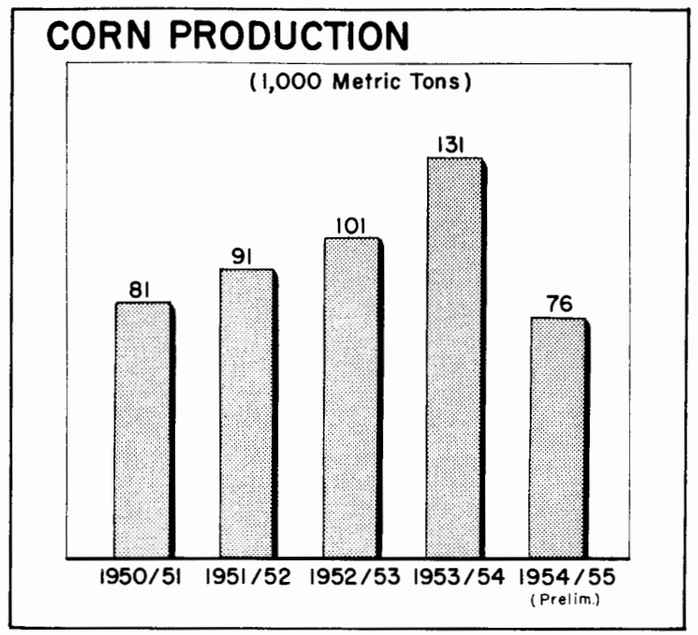
	1951	1952	1953	1954	1955[E]
		(millions of US $)			
Central government budget (years ending June 30)					
Revenue	14.0	18.1	24.2	28.5	32.8
Expenditure	12.1	17.2	21.9	25.4	31.9
Defense	1.7	2.1	2.4	2.3	4.0
Public works	2.0	3.3	3.5	4.5	6.3
Other	8.4	11.8	15.9	18.6	21.6
Surplus or deficit (-)	1.9	0.9	2.3	3.1	0.9
As % of total revenue	14%	5%	10%	11%	3%
Defense expend. as % of budget	14%	12%	11%	9%	13%
Prices (index 1948=100)					
Wholesale	147	146	161	173 Sept.	
Cost of living: Managua	137	138	155	170 Sept.	

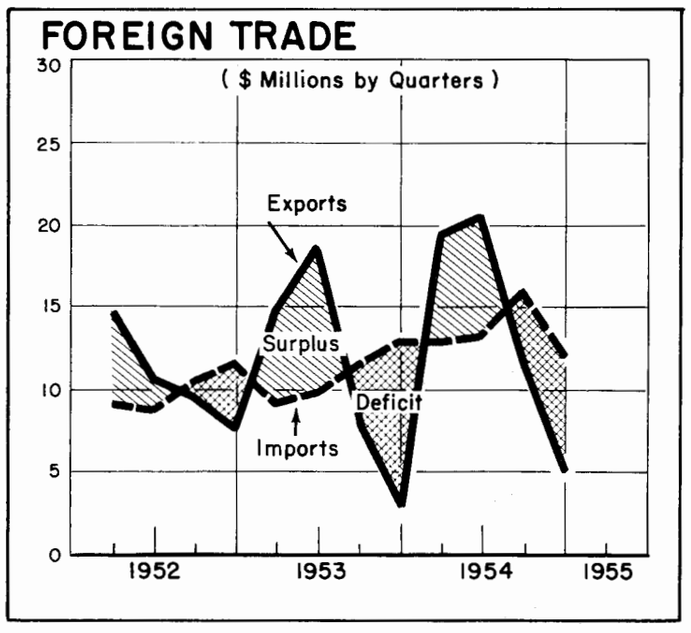
* Less than $500,000. P - Preliminary E - Estimate
a FOA estimate; converted at 7 cordobas per U.S. $
b 1954 data partly preliminary or estimated
c Undisbursed IBRD balance, Dec. 31, 1954 - $3.4 million
d Crop years beginning in years stated

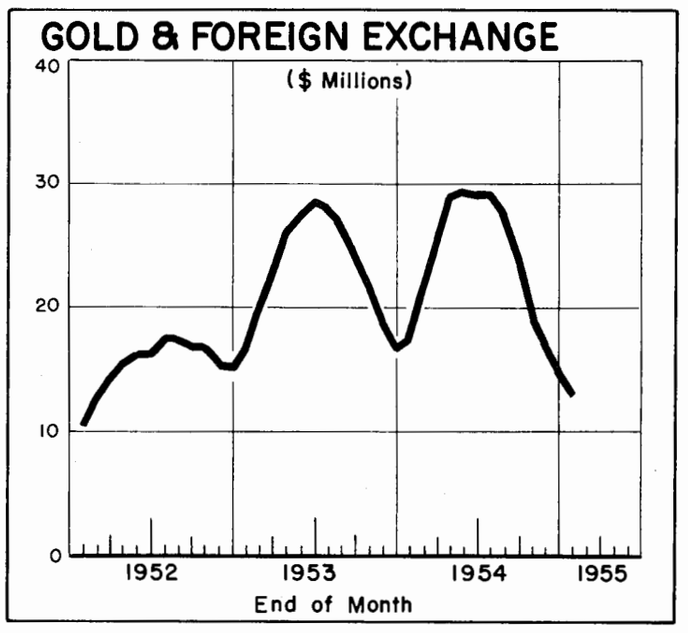
NICARAGUA

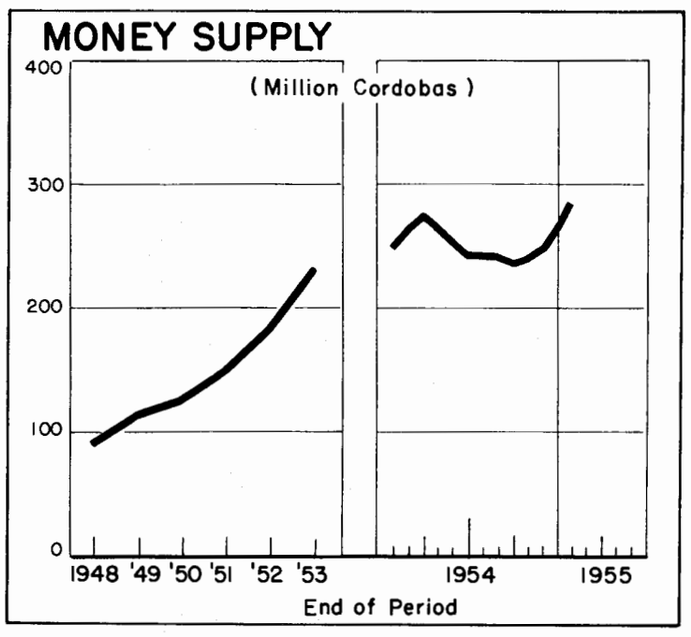

THE PROGRAM
($ Millions)
Technical Cooperation
0.5
0.8
0.9
1954
1955
1956
(Proposed Program)
Fiscal Years


COFFEE PRODUCTION
(1,000 Metric Tons)
19
21
22
20
23
1950/51
1951/52
1952/53
1953/54
1954/55
(est.)


CORN PRODUCTION
(1,000 Metric Tons)
81
91
101
131
76
1950/51
1951/52
1952/53
1953/54
1954/55
(Prelim.)


FOREIGN TRADE
($ Millions by Quarters)
30
25
20
15
10
5
0
Exports
Surplus
Deficit
Imports
1952
1953
1954
1955


GOLD & FOREIGN EXCHANGE
($ Millions)
40
30
20
10
0
1952
1953
1954
1955
End of Month


MONEY SUPPLY
(Million Cordobas)
400
300
200
100
0
1948 '49 '50 '51 '52 '53
1954
1955
End of Period

LATIN AMERICA

INDIVIDUAL COUNTRY DATA

Country: NICARAGUA

Summary of Programs by Function

(In thousands of dollars)

Function	Program FY 1950/54	Program FY 1955	Proposed FY 1956
Military Assistance	a/	a/	a/
	FY 1954		
Technical Cooperation	505.6	764.1	910.1
Total Country Program Other Than Military Assistance	505.6	764.1	910.1

a/ Data included in separate submission on Military Assistance.

General Narrative Statement

Current Situation

Nicaragua has undergone rapid economic development during the past few years. Generally favorable conditions contributed to this development. The Government has taken a positive interest in developing the country's potential and in utilizing such outside assistance as the development plan prepared by the International Bank for Reconstruction and Development and U. S. and U. N. technical cooperation programs.

Although progress is being made, Nicaragua faces severe obstacles to its further economic development. The number of trained technicians is inadequate for the needs of an advancing economy. Health and sanitary conditions are poor and levels of literacy and nutrition are low. Agricultural productivity requires strengthening and crop diversification is needed. An increase in electric power generation and distribution facilities is essential to Nicaragua's further development. Improvements in port facilities and in transportation, particularly feeder and farm-to-market roads, are needed.

Program Objectives

Technical Cooperation Program

United States policy toward Nicaragua is directed to the maintenance of sound and friendly relations with the Government and its people. The United States is prepared to assist Nicaragua when feasible in its economic development by providing technical cooperation when requested.

More specifically, the objectives of the technical cooperation program are to assist Nicaragua in establishing a more stable and productive agricultural economy; improving general health and sanitary conditions to increase worker productivity and enhance general social welfare; improving the rural, elementary and vocational education systems to enable more effective utilization of human resources; and improving transportation to facilitate internal and foreign commerce. Other program objectives involve assistance in evaluating and utilizing Nicaragua's power potential and assistance in urban development planning.

General Narrative Statement (Continued)

Military Assistance Program

The purpose of the Military Assistance program for the American Republics is to enable them to accomplish the military roles and missions assumed in the mutual defense of the Western Hemisphere and to strengthen their collective effort against possible Communist or other aggression.

Progress to Date

Technical Cooperation Program

The U. S. technical cooperation program in Nicaragua is tied closely to efforts of the Nicaraguan Government to implement the program of economic development proposed by the International Bank in 1952. Significant progress has been made in assisting Nicaragua in raising its levels of agricultural productivity, sanitary conditions and vocational and rural education.

Agriculture and Natural Resources: Until 1951, the agriculture program concentrated on research. The results of this research are apparent in the development of high-producing varieties of seed and the improved output resulting from work on fertilizer use and pest control measures. Since 1951 agricultural activities have been expanded and at present the agriculture servicio, established in 1953, conducts such basic programs as on-the-job training of Nicaraguan technicians and the training of agriculture students through assistance to the National School of Agriculture. In addition, the Ministry of Agriculture is being assisted in establishing a modern agricultural extension service.

Health and Sanitation: The cooperative health program is designed to promote development of public health services which can in time be financed and staffed by Nicaraguans. Achievement of program objectives in this field will result in raising general standards of health and reducing loss of manpower from preventable disease. The health servicio approach toward these program objectives continues to concentrate on improvements in environmental sanitation, the preparation of professional and auxiliary personnel, the organization of health services, and improvements in methods of operation plus special programs directed at the eradication or control of preventable diseases.

The program in health and sanitation was established in 1942, discontinued in 1947 and reopened in 1951. It operates by means of a cooperative Servicio staffed by U. S. technicians and Nicaraguan personnel. Particularly important progress has been made in water supply and sewage disposal operations.

In addition to servicio operations, a hospital administrator has been assigned to assist in the reorganization of the 400-bed Managua General Hospital, and substantial progress has been made in improving the physical plant and in modernizing the equipment and procedures.

Education: The education program is aimed at establishing a system of vocational-industrial education through opening a national trade school in Managua; developing a system of industrial arts and homemaking education in the major centers of the Republic; helping in the reorganization of the rural elementary school system through the development of a pilot normal school for the training of rural elementary teachers; assisting in-service training of teachers; and helping to revise the rural school curriculum of the country.

This program was started in 1951. Five industrial arts and homemaking centers have been established in larger towns and are operating with 30 teachers and supervisors trained under the program. In rural elementary education, periodic teacher-training workshops have been conducted since March 1953. Seventy-five teachers have been given intensive training in preparation for conducting a school system for a defined area beginning in May of this year. More than 350 other rural teachers and 50 urban teachers have attended short intensive workshops.

General Narrative Statement (Continued)

Other Activities: The program also includes work with the Nicaraguans in evaluating the country's hydro-electric potential and bringing citizens of that country to the U. S. for training in the fields of public administration and labor. A city planning specialist, appointed in 1953, is assisting the Ministry of Public Works in establishing a city planning department which is concentrating its activities on the orderly development of the capital city, Managua. It is expected that a civil aviation project will be initiated before the end of FY 1955.

Other Resources: During the past four years the International Bank for Reconstruction and Development has loaned Nicaragua a total of $9,200,000 for highway construction, grain storage construction, electric power development, and agricultural purposes.

The Export-Import Bank has loaned $600,000 for Nicaraguan power development since 1951.

The United Nations technical assistance agencies are also conducting programs in Nicaragua. There has been close cooperation between USOM/Nicaragua and the U. N. group in that country and there is no overlap or duplication in their operations.

Military Assistance

The Army has a small Military Assistance program. There is no Navy or Air Force program. Progress has been relatively slow because it is necessary to train personnel in the use of the equipment before they can effectively operate it. During the last half of 1955, it is believed that considerable progress will be made.

The FY 1956 Program

The proposed FY 1956 technical cooperation program in Nicaragua is largely a continuation of the current program. Increased technical assistance is planned in the field of public road construction and maintenance.

Emphasis will continue to be placed on assisting the Nicaraguan government in implementing the development program devised by the International Bank.

LATIN AMERICA

Country: NICARAGUA

INDIVIDUAL COUNTRY DATA

Summary by Major Cost Components

(In thousands of dollars)

Programs by Fiscal Year	Total U. S. Cost	Supplies Equipment & Grants to Servicios	U. S. Government Technicians		Contract Services		Participants		Other Costs
			No. Employed June 30	Cost	No. Employed June 30	Cost	No. of Persons	Cost	
Technical Cooperation									
1954	505.6	165.0	20	213.6		19.1	13	74.7	33.2
1955	764.1	150.0	22	315.6	1	110.0	28	134.3	54.2
1956	910.1	200.0	25	409.3	4	120.0	25	120.0	60.8

Summary by Major Activity

(In thousands of dollars)

Programs by Fiscal Year	Total U. S. Cost	Agriculture and Natural Resources	Industry and Mining	Transportation	Labor	Health and Sanitation	Education	Public Administration	Community Development Social Welfare and Housing	All Other
Technical Cooperation										
1954	505.6	218.1		19.1	20.4	93.6	132.7		11.6	10.1
1955	764.1	326.5		21.8	15.0	125.2	245.5	5.0	15.0	10.1
1956	910.1	413.7		54.8	15.0	138.0	239.8	15.0	23.7	10.1

PANAMA

BASIC DATA

			Panama	L.A.	U.S.
Population (1954)	millions	0.9	Per capita GNP[a]	dollars	340	300	2,200
Annual growth	percent	2.6	Literacy rate	percent	62	55	97
			Life expectancy	years	52	45	68
Area	1,000 square miles	29	Road miles....per 1,000 square miles		48	70	1,100
Agricultural land	percent	3	Elec. power per capita KWH per year		116	170	3,165
Agricultural land per capita	acres	0.8					

TRADE AND PAYMENTS

	1938	1951	1952	1953	1954[b]
	(millions of US $)				
Exports, f.o.b.[c]		30	37	42	62
Imports, c.i.f.		72	89	84	102
Trade balance		-42	-52	-42	-40
Principal exports					
Bananas: Quantity..... 1,000 MT	n.a.	239	205	234	350
Value..... $ millions	6	12	10	16	20
Trade with U.S. (U.S. Customs data)					
Exports to U.S.	3	12	14	17	18
Imports from U.S.	10	47	75	83	100
Balance	-7	-35	-61	-66	-82
Balance of payments					
Balance on goods and services		-4	-11	-9	
Net capital		11	4	2	
Private		-2	1	3	
Official and banking		13	3	-1	
Government grants		*	1	1	
Long-term capital		*	3	*	
Short-term capital		13	-1	-2	
Change in exch. reserves		+12	+3	*	
Dollar assets in U.S. banks	34	68	81	90	73

PRODUCTION

	Unit	1938	1951	1952	1953	1954[b]
Major crops:						
Rice, rough[e]	1,000 MT	23	86	93	111[P]	100
Bananas			(See principal exports)			
Major industries:						
Electricity	million KWH	30	89	94	101	106

FINANCES

	1951	1952	1953	1954	1955E
	(millions of US $)				
Central government budget - calendar years					
Revenue	32.0	35.7	40.6	40.3	43.9
Expenditure	38.7	47.9	47.5	41.0	43.9
Surplus or deficit (-)	-6.7	-12.2	-6.9	-0.7	-
As % of total revenue	- 21%	-34%	- 8%	- 2%	
Prices (index 1948 = 100)					
Cost of living: Food (Panama City)	95	96	95	94	

EXTERNAL RESOURCES

	1950	1951	1952	1953	1954	Program 1955	Program 1956
	(millions of US $)						
FOA obligations (fiscal years)	-	0.1	1.3	0.8	1.1	1.1	1.3
	(calendar years)						
Ex-Im Bank disbursements	1.0	-	2.0	-			
IBRD disbursements	-	-	-	-	0.3[d]		
U.S. private investment (net)							
New direct investment	-1	-38	-48	-15			
Reinvested subsidiary earnings	12	70	58	29			
Book value of U.S. direct private investment	348	373	383	398			

* Less than $500,000. n.a. - Not available P - Preliminary E - Estimate

a FOA estimate; 1 balboa per U.S. $.

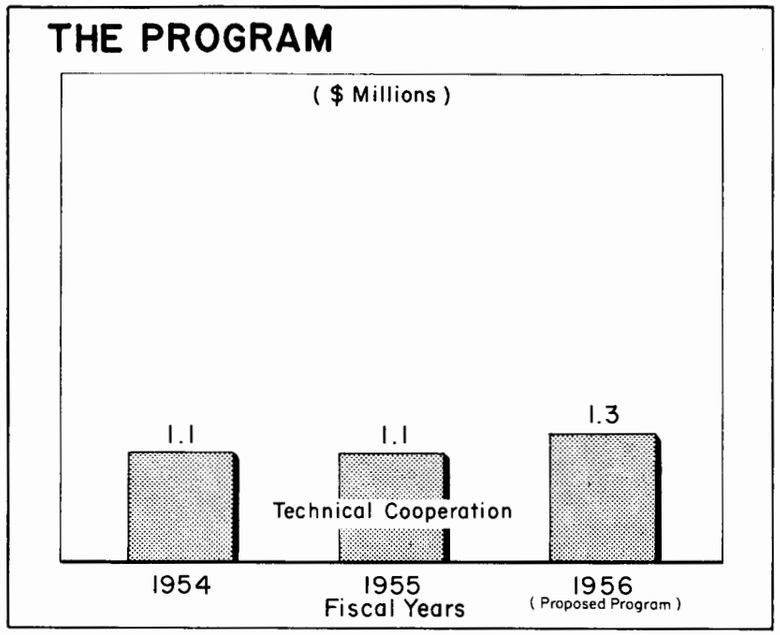
b 1954 data partly preliminary or estimated.

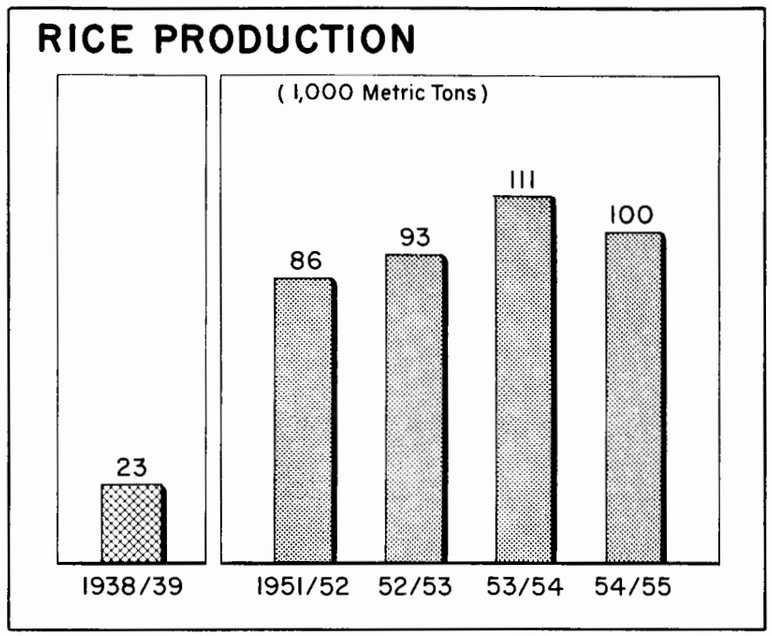
c Includes adjustment for undervaluation of bananas and abaca.

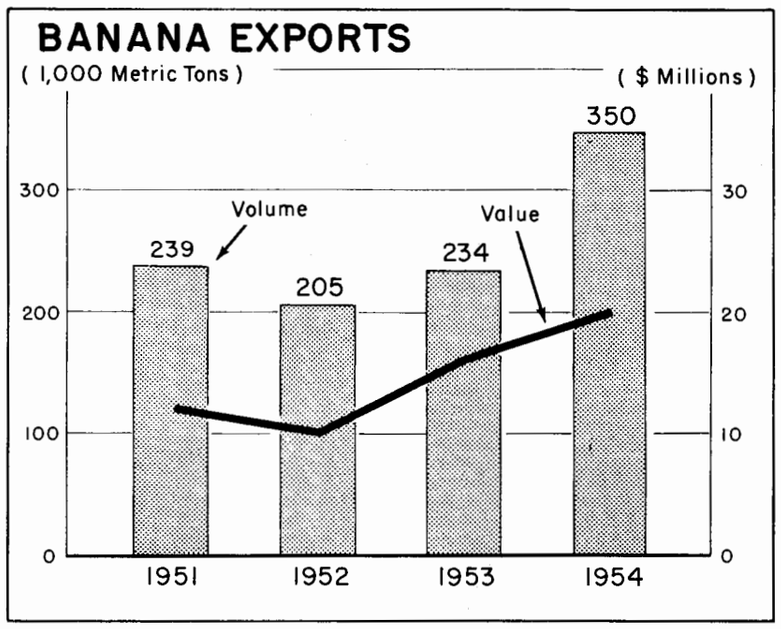
d Undisbursed IBRD balance, Dec. 31, 1954 - $1.2 million.

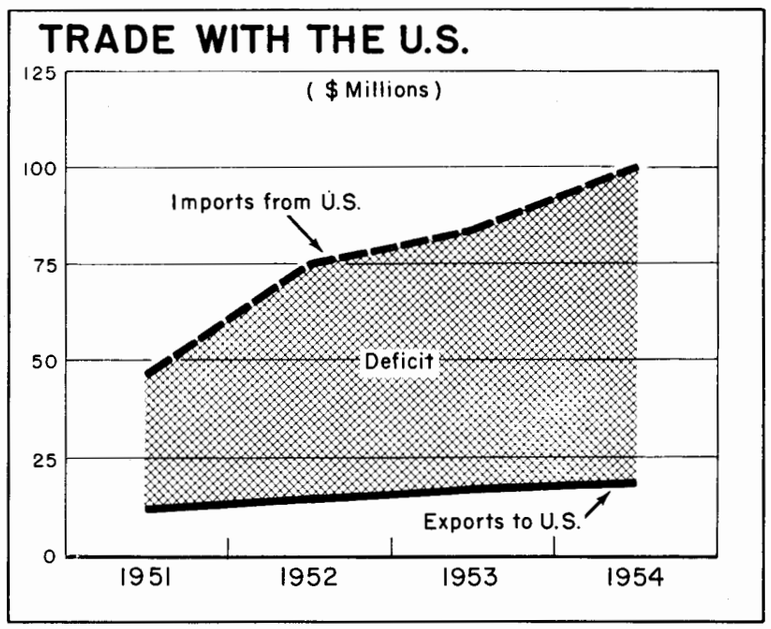
e Crop years beginning year stated.

PANAMA


THE PROGRAM
($ Millions)
1.1
1.1
1.3
Technical Cooperation
1954
1955
Fiscal Years
1956
(Proposed Program)


RICE PRODUCTION
(1,000 Metric Tons)
23
86
93
111
100
1938/39
1951/52
52/53
53/54
54/55


BANANA EXPORTS
(1,000 Metric Tons)
($ Millions)
300
200
100
0
30
20
10
0
Volume
Value
239
205
234
350
1951
1952
1953
1954


TRADE WITH THE U.S.
($ Millions)
125
100
75
50
25
0
Imports from U.S.
Deficit
Exports to U.S.
1951
1952
1953
1954

LATIN AMERICA

Country: PANAMA

INDIVIDUAL COUNTRY DATA

Summary of Program by Function

(In thousands of dollars)

Function	Program FY 1954	Program FY 1955	Proposed FY 1956
Technical Cooperation	1,111.2	1,060.0	1,268.8
Total Country Program	1,111.2	1,060.0	1,268.8

General Narrative Statement

Current Situation

Panama has been closely associated with the U.S. through its 50 odd years as an independent republic. It is a country often referred to as the crossroads of the world and as a melting pot of populations. International commerce has been its lifeblood and its people have been drawn from many nations. Panama is an importer nation, dependent upon foreign exchange earnings from the Panama Canal to balance its trade deficit. In recent years, however, Panama has recognized the need for general economic development and a movement away from almost complete dependence on the Canal. This awakening together with a growing nationalism has resulted in the initiation of social and economic reforms aimed at improvements in the major factors limiting the development of the country, such as an unsatisfactory educational system, poor health conditions, inadequate transportation, underdeveloped agriculture, and lack of information on natural resources. Technical cooperation can be of very real assistance to Panama in these fields.

The assassination of President Remon last year caused a difficult political situation which is still not completely stabilized. Considerable unemployment exists at present owing, in part, to post war cutbacks in activity in the Canal Zone. A new treaty agreement has been worked out between the United States and Panama which upon ratification will raise the annual U.S. payment to Panama from $430,000 to $1,930,000 and cede about $25,000,000 in real property to Panama. Commissary privileges of local rate employees in the Canal Zone not residing within the Zone will subsequently be terminated.

Program Objectives

The United States has a large stake in maintaining friendly and cooperative relations with the Government and people of Panama and is ready to assist where feasible in Panama's programs of social and economic improvement. Long-range objectives of the technical cooperation program are to help Panama:

(1) Increase production of basic foods;

(2) Develop the country's natural resources;

(3) Identify possibilities for new and expanded industries and increase efficiency in existing industries;

(4) Improve transportation, particularly with respect to highways and aviation;

General Narrative Statement (Continued)

(5) Develop better health and sanitation facilities and control of certain specific diseases;

(6) Improve the rural elementary school system and industrial and agricultural vocational training in selected secondary schools;

(7) Professionalize public administration;

(8) Develop a national housing program; and

(9) Develop social welfare work.

Progress to Date

The program in Panama, which has been limited to technical cooperation with moderate funds for demonstration projects of a joint nature, has emphasized work in agriculture, health and education with recent addition of industry, transportation and public administration activities.

Agriculture and Natural Resources: A contractual relationship was established with the University of Arkansas in 1951 under which the University is assisting Panama in agricultural education, research and extension. Progress to date is apparent in the improvement at the national vocational agriculture school at Divisa which is now turning out well-trained high school level graduates specialized in agricultural sciences. The results of basic research work are being disseminated through an extension service. A joint fund servicio was established in 1953 to expand the scope of the agricultural program.

Good progress on a long-range basis has been accomplished in crop and livestock improvement, production of draft animals, experiments in crop variety testing, irrigation and water resources, grain storage, seed certification, soils analysis, cacao and coffee production, poultry production and improvement, agricultural credit, farm mechanization, forage crops, crop information and statistics, and promotion of 4-H type farm youth clubs.

Industry: An industry program has been initiated in 1955 to assist the development of small industries to complement the expanding agricultural program, develop the Free Zone at Colon, improve Panama's foreign exchange position, help reduce unemployment and provide for the local production of certain basic products. A survey is being carried out to identify the possibilities that exist for achieving these objectives.

Transportation: This program to date has been limited to the development of services and facilities for the promotion of national and international civil aviation through the development of Tocumen International Airport. Mission assistance has been provided in planning the Administration Building and in selecting and installing equipment, and in training personnel for the safe operation of the airport. Some assistance has also been given in site selection and design of an airstrip in remote David.

Health and Sanitation: Between 1943 and 1945 a health and sanitation program in Panama carried out extensive malaria control activities that have been well maintained since that time. A broader health program was initiated in 1951. Major attention has been given to the serious tuberculosis problem. A country-wide vaccination project was carried out to immunize the youth of the country. This campaign has been terminated and the necessary continuation of immunizing babies is maintained by Panama. A mass X-Ray survey to locate all tuberculosis cases is now in progress. Technical help to the tuberculosis program has also been provided in hospital administration and nursing.

Consultant services have been furnished in nursing education, psychiatric nursing, hospital administration, health education, and sanitary engineering. A sanitary survey of all towns larger than 1500 population has been made.

Education: A modern school of vocational industrial education has been established and transferred to the Ministry of Education. A system of vocational education has been developed with modern standards of curriculum development, teaching methods and equipment. Vocational courses have been inaugurated or strikingly improved in seven schools and the teachers trained.

General Narrative Statement (Continued)

In rural education, 15 schools were taken as a group for demonstrating general school improvement. School gardening, hot lunches, handicrafts, home economics and community organization were introduced and teaching methods and physical equipment improved. Improvements have been made at a national normal school, in instruction on agriculture, home economics, handicrafts and methods of teaching primary pupils. Several hundred teachers have received additional instruction during summer school courses. Vocational agriculture work at Divisa has met with unusual success.

Public Administration: Public administration has been included in the Panama program since 1952 and has resulted in a great interest in improving the administrative services of government. Accomplishments include a management study of courses in public administration at the National University, a seminar for top level government administrators resulting in improvements in many government departments, and special help in archives and records management.

Social Welfare: Accomplishments have included the improvement of courses and teaching at the School of Social Welfare, in-service training of social workers, and the establishment of medical social work at the Santo Tomas Hospital.

Training: An active program of bringing trainees to the United States in all fields of activity has been an important component of the technical cooperation program in Panama.

The FY 1956 Program

In general the planned FY 1956 program continues present operations. The new joint fund servicio in economic development, which has been operating in a limited way, will be expanded to provide greater assistance in water resources, agricultural credit, agriculture machinery operation and maintenance, public roads and housing. It is anticipated that the industry survey will highlight the need for specialists in certain industries as well as indicate opportunities for new capital investments. A specialist in public works has been included to aid Panama in work to be financed under an International Bank for Reconstruction and Development loan. The work in education will be more adequately covered by the addition of several specialists, as will be the program in public administration. Public administration personnel and assistance will be supplied under contract with the University of Tennessee.

INDIVIDUAL COUNTRY DATA

Summary by Major Cost Components

(In thousands of dollars)

Programs by Fiscal Year	Total U. S. Cost	Supplies, Equipment & Grants to Servicios	U. S. Government Technicians		Contract Services		Participants		Other Costs
			Number Employed June 30	Cost	Number Employed June 30	Cost	No. of Persons	Cost	
Technical Cooperation									
1954	1,111.2	268.0	34	343.5	10	350.0	35	96.3	53.4
1955	1,060.0	285.0	40	460.6	13	125.0	32	88.1	101.3
1956	1,268.8	310.0	43	540.7	11	112.5	41	136.8	168.8

Summary by Major Activity

(In thousands of dollars)

Programs by Fiscal Year	Total U. S. Cost	Agriculture and Natural Resources	Industry and Mining	Transportation	Labor	Health and Sanitation	Education	Public Administration	Community Development Social Welfare and Housing	All Other
Technical Cooperation										
1954	1,111.2	611.0	10.0	25.3	14.7	176.6	169.1	46.2	39.9	18.4
1955	1,060.0	354.6	48.0	28.0	2.0	187.0	264.4	117.0	49.0	10.0
1956	1,268.8	522.0	30.0	24.0	3.5	212.1	324.9	62.3	66.0	24.0

PARAGUAY

BASIC DATA

			Paraguay	L.A.	U.S.
Population (1954) .....millions	1.5	Per capita GNP[a]..dollars	190	300	2,200
Annual growth .....percent	2.3	Caloric intake	2,670	2,407	3,120
Area .....1,000 sq. mi.	157	Literacy rate.....percent	40	55	97
Agricultural land ..... percent	4	Infant mortality .....per 1,000 births	52	87	28
Agricultural land per capita.....acres	3	Road miles per 1,000 sq.mi.	29	70	1,100
		Elec. power per capita ..... KWH per year	27	170	3,165

TRADE AND PAYMENTS

	1938	1951	1952	1953	1954[b]
	(millions of U.S. $)				
Exports, f.o.b.	7	38[E]	31	25[E]	35
Imports, c.i.f.	9	29[E]	35[E]	28	39
Trade balance	-2	9	-4	-3	-4
Principal exports					
Cotton: Quantity..... 1,000 MT	n.a.	9	14	16	
Value..... $ millions	2	8	11	9	
Quebracho: Quantity..... 1,000 MT	n.a.	36	28	29	22
Value..... $ millions	6	6	6	4	5
Trade with U.S. (U.S. Customs data)					
Exports to U.S.	1	7	8	6	5
Imports from U.S.	1	4	7	7	7
Balance	-	3	1	- 1	- 2
Balance of payments					
Balance on goods & services		4	-10	- 7	
Net capital		*	12	8	
Private		4	10	5	
Official & banking		- 4	2	3	
Government grants		*	1	1	
Long-term capital		2	- 1	- 1	
Short-term capital		- 6	2	3	
Change in gold & exch. reserves		+ 4	- 1	- 2	
Gold and foreign exchange reserves					
Central Bank (end of year)		19	18	16	10

EXTERNAL RESOURCES

	1950	1951	1952	1953	1954	Program 1955	Program 1956
	(millions of U.S. $)						
FOA obligations (fiscal years)	0.1	0.1	1.6	0.8	1.2	1.5	1.5
	(calendar years)						
Ex-Im Bank disbursements	-	-	-	-	c		
IBRD disbursements	-	-	-	1.5	0.2[d]		

PRODUCTION

	Unit	1938	1951	1952	1953	1954[b]
Major crops:[e]						
Cotton	1,000 MT	9	16	12	13[P]	
Rice	1,000 MT	4	21	19	16[P]	23
Sugar	1,000 MT	5	30	23	15	

FINANCES

	1951	1952	1953[f]	1954[E]	1955
	(millions of U.S. $)				
Central government budget (calendar years)					
Revenue	5.0	7.9	13.4	27.3	
Expenditure	4.6	8.5	13.3	27.4	
Defense	1.5	2.9	4.6	9.6	
Public works	0.2	0.5	0.6	0.5	
Other	2.9	5.1	8.1	17.3	
Surplus or deficit (-)	0.4	-0.6	0.1	-0.1	
As % of total revenue	8%	-8%	1%	-	
Defense expend. as % of budget	30%	37%	35%	35%	
Prices (index 1948=100)					
Wholesale: Asuncion	283	725	935	1,143	
Cost of living: Asuncion	316	687	1,180	1,405	

* Less than $500,000 n.a. - Not available P - Preliminary E - Estimate

a FOA estimate; converted at 25.8 guaranies per U.S. $

b 1954 data partly preliminary or estimated

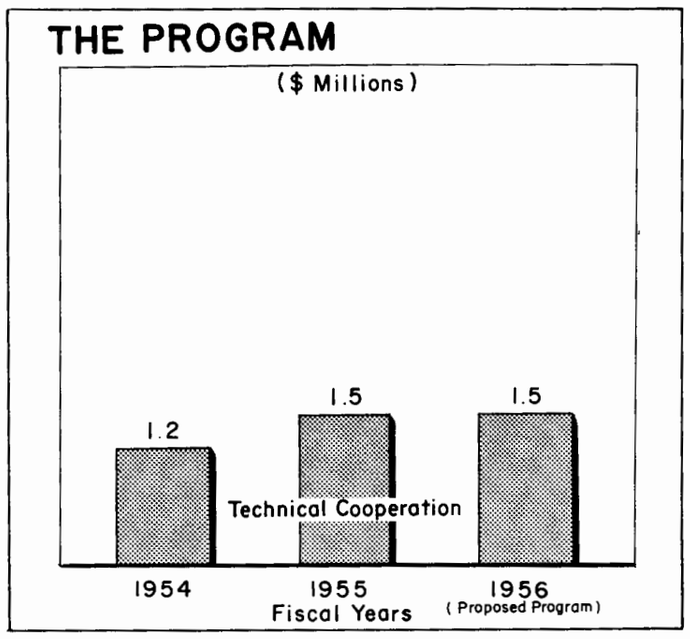
c Undisbursed Ex-Im Bank balance, Dec. 31, 1954 - $7.2 million

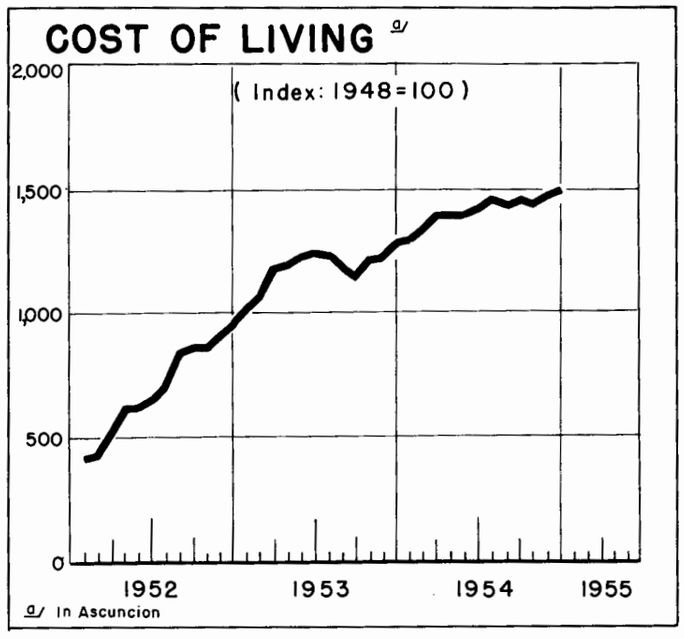
d Undisbursed IBRD balance, Dec. 31, 1954 - $3.3 million

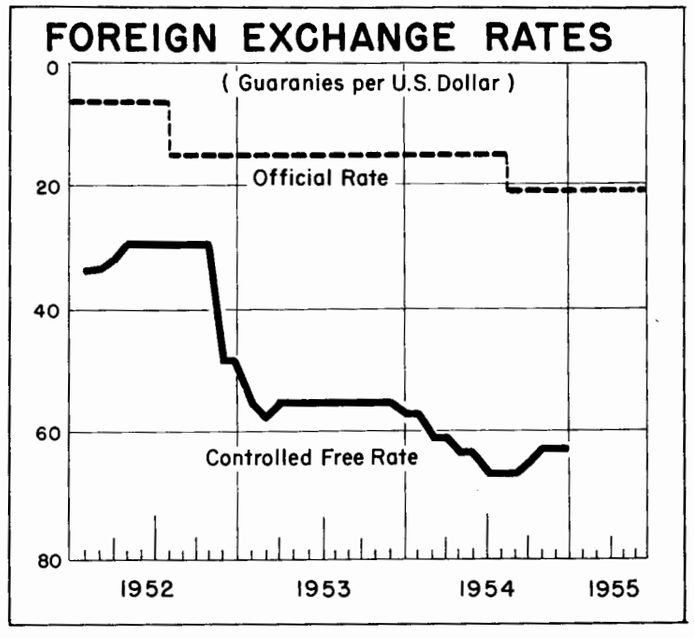
e Crop years beginning in years stated.

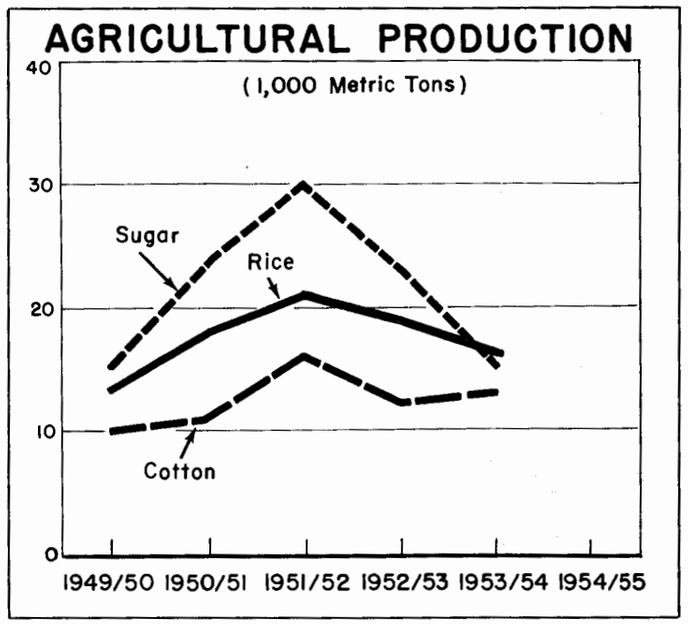
f March 1 to Dec. 31

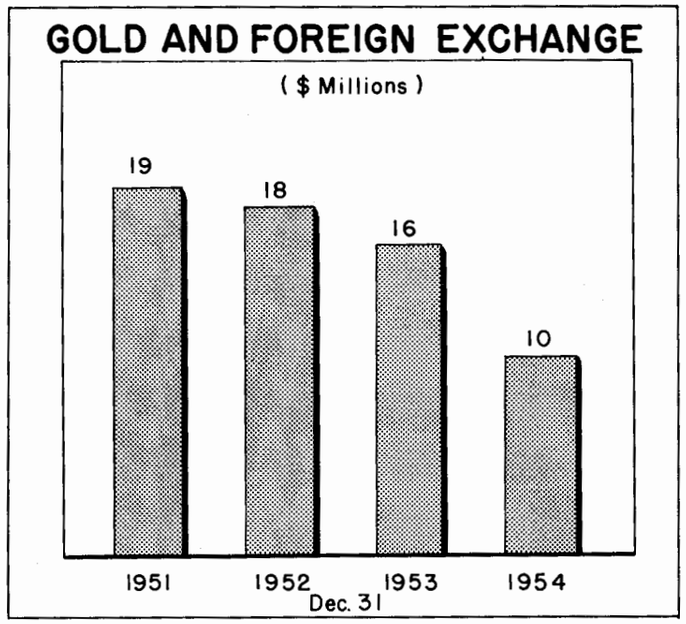
PARAGUAY

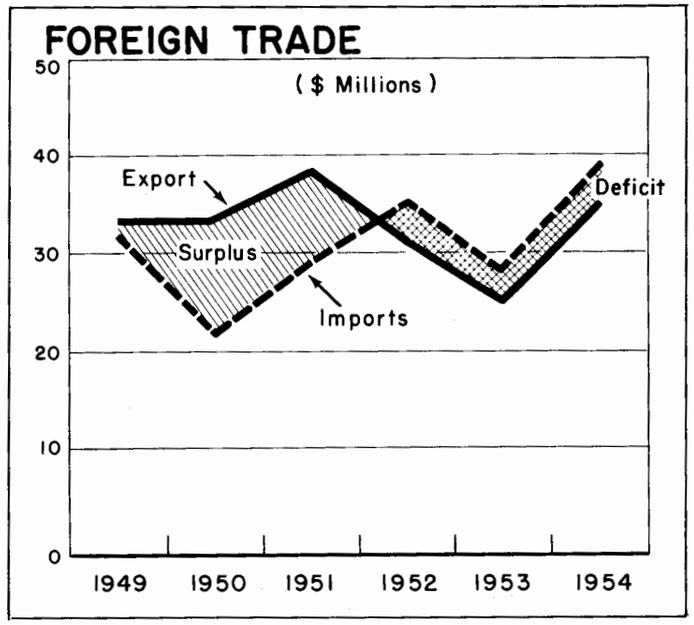

THE PROGRAM
($ Millions)
1.2
1.5
1.5
Technical Cooperation
1954
1955
1956
(Proposed Program)
Fiscal Years


COST OF LIVING a/
(Index: 1948=100)
2,000
1,500
1,000
500
0
1952
1953
1954
1955
a/ In Ascuncion


FOREIGN EXCHANGE RATES
(Guaranies per U.S. Dollar)
0
20
40
60
80
Official Rate
Controlled Free Rate
1952
1953
1954
1955


AGRICULTURAL PRODUCTION
(1,000 Metric Tons)
40
30
20
10
0
Sugar
Rice
Cotton
1949/50
1950/51
1951/52
1952/53
1953/54
1954/55


GOLD AND FOREIGN EXCHANGE
($ Millions)
19
18
16
10
1951
1952
1953
1954
Dec. 31


FOREIGN TRADE
($ Millions)
50
40
30
20
10
0
Export
Surplus
Imports
Deficit
1949
1950
1951
1952
1953
1954

LATIN AMERICA

Country: PARAGUAY

INDIVIDUAL COUNTRY DATA

Summary of Program by Function

(In thousands of dollars)

Function	Program FY 1954	Program FY 1955	Program Proposed FY 1956
Technical Cooperation	1,198.6	1,508.2	1,453.2
Total Country Program	1,198.6	1,508.2	1,453.2

General Narrative Statement

Current Situation

Paraguay, a country with one and one-half million people, has only four percent of its land under cultivation. The rest of the nation remains to be developed. The new Government, inaugurated in August, 1954, is concerned about the country's economic problems and is endeavoring to take corrective measures to solve them. Late 1954 was marked by some industrial expansion, increased commerce and an increased highway program, but also by rising prices, dwindling foreign exchange and climatic conditions that portend a poor harvest in 1955.

Among the principal factors limiting economic development are (1) lack of transportation and communication facilities and power; (2) administrative deficiencies within the government organization and the narrow margin of public finance which are compounded by Paraguay's lack of capital - both public and private; (3) low productivity of workers due to illiteracy, general low level of health, backward technology; (4) scarcity of skilled labor, both agricultural and industrial; (5) mounting inflation, generated by governmental deficits, rigid price controls, lack of a sound government revenue and collection system, increase in monetary supply, and operation of a multiple exchange system.

Program Objectives

Major objectives of U.S. policy are to maintain our traditional friendship with Paraguay and to help where feasible in Paraguay's efforts to provide a sound base for its economic development. The technical cooperation program is working toward achievement of these objectives by assisting the Government of Paraguay to: raise agricultural productivity levels and thereby increase food production; expand timber resources utilization and thus increase Paraguayan national income; develop cheaper river and adequate air and highway transportation to permit access to idle lands; improve the health and welfare of the people and thereby their general welfare and productivity; reorganize the school system to improve basic rural education, provide a sound system of teacher training and develop industrial and vocational training to increase the supply of skilled labor; improve governmental management techniques to achieve greater efficiency and economy of operation; increase capital resources by helping to create an investment climate attractive to both domestic and foreign private investment; work with the Intergovernmental Committee for European Migration in bringing immigrants to Paraguay, thus increasing the supply of productive manpower.

General Narrative Statement (Continued)

Progress to Date

The technical cooperation program in Paraguay, now entering its 13th year, has made significant progress in the basic fields of agriculture, health, and education. While much remains to be done in these three fields, action is also needed to solve the country's difficult problems in governmental administration, transportation and communication, trade and investment and marketing. Assistance on these problems is designed to open up the idle lands of the country, as well as to improve production on lands now under cultivation, to expand its economy, the gross national product and consequently its taxable base. With such developments, significantly more progress in the health, education and agricultural fields can be expected.

Agriculture and Natural Resources: This element of the program aims to increase food production and to assist in the formation of a nucleus of trained national professional agricultural technicians. Programs of crop development, livestock improvement, forestry, agricultural economics and agricultural extension are in operation. Significant among accomplishments has been the establishment of a supervised farm credit system. Today about 10 percent of Paraguay's farmers working 33 percent of the cultivated area of the country are in this program. Other completed activities include a model dairy, production of balanced livestock rations, a seed wheat increase and distribution program, and an insect and plant disease control service.

Transportation: Activities in this field are designed to assist Paraguay in freeing itself from its communications-locked situation, principally through road construction and maintenance, fluvial transport and airport reconstruction, and the development of civil aviation facilities. Particular emphasis in FY 1955 has been placed on opening the Chaco or western part of Paraguay. Engineering services will be provided for the lay-out and construction of a road between Asuncion and Filadelfia in the Chaco under a cooperative agreement with the Ministry of Public Works, Mennonite authorities in the area and Chaco ranchers.

In civil aviation, technical assistance is programmed to provide engineering assistance in reconstructing the runway of the Asuncion International Airport and to advise Paraguay on the development of governmental organizations to administer civil aviation, operation and safety control programs.

A comprehensive engineering report on the Paraguay River was completed this year. The report covers the requirements for keeping the river in navigable condition during the entire year.

Health and Sanitation: This program is designed to help the people of Paraguay become more productive by improving their health. Operations at four health centers, serving a population of over 150,000, have brought about increased health consciousness on the part of the people, and have effectively demonstrated the advantages of preventive medicine, medical services in the fields of maternal and child health, the control of tuberculosis and venereal diseases. Significant results have been achieved in training sanitarians, nurses, social workers, and auxiliary personnel. Paraguay's only nursing school has been reorganized, and now provides a fully professional, three-year training program. A small group of well-trained Paraguayan physicians with an interest in and understanding of public health problems has been developed.

Education: Considerable emphasis has been placed on the education program this year. In vocational education the technical cooperation program has helped establish Paraguay's only civilian industrial school which provides instruction in ten trades and now has an enrollment of 325 students. All graduates have been immediately placed in industry. All courses are taught by Paraguayans. This year, existing shops and courses have been improved, new courses established and arrangements completed for the introduction of trades and industrial arts courses in the high school at Concepcion. These will be the first such courses offered outside the capital.

General Narrative Statement (Continued)

The rural elementary education program is concerned with developing a functional curriculum for rural schools, and an adequate pre-service and in-service teacher training system. Thus far, teacher-training activities have concentrated on in-service training courses and preparation of a new normal school curriculum. The emphasis now shifts to pre-service training, which will be carried out chiefly at the new Rural Normal School scheduled to open in March 1956.

Other Activities: Emphasis in public administration this year was placed on improvement of administration in the Ministry of Public Works and Communications, including the development and adoption of a complete reorganization plan. An administrative management study in the Ministry of Public Health and Social Welfare was initiated. Aid was provided in the reorganization of the government's statistical services and statistical and economic data were developed for use in economic planning. Community development activities are directed toward strengthening and reorienting the school of social work and coordinating existing social welfare programs.

At Paraguay's request, an investment program was initiated in FY 1952 to assist the Government in its efforts to encourage private investment and to furnish advice and guidance on industrial development. During 1955 the preparation of an Investment Manual for foreign investors was completed, advice was furnished the Paraguayan Government concerning foreign capital investment legislation and assistance was provided to private business men and industrialists and their trade association.

Other Resources: UN agencies are assisting Paraguay on economic planning, reorganization of postal and municipal services, statistics, forestry and social security administration. In addition, the World Health Organization (WHO) is working in the fields of tuberculosis control, maternal and child health and the control of venereal disease, hookworm and smallpox. USOM/Paraguay maintains close working relationships with UN technicians and there is no duplication of functions in their operations.

U. S. private investments in Paraguay now amount to between $12 and $15 million.

The FY 1956 Program

The proposed technical cooperation program for FY 1956 will be increasingly oriented toward the country's difficult problems of communications, transportation and the related problem of marketing. Emphasis will again be placed on the field of education, particularly the implementation of the new pre-service education of teachers and the extension of industrial arts into the secondary educational curriculum. Concurrently our Mission will work closely with the Government in the development of a series of projects (area development of the Chaco, colonization, fluvial and road development) which are designed to open up the country and expand its taxable base. Close liaison will be maintained with the IBRD, particularly with respect to its approved $5 million loan for agriculture, river and highway development.

The agricultural extension service will continue to disseminate the results of extensive experimental work of the Agricultural Servicio in past years, and will emphasize expansion of work with the 4-H Clubs. Livestock work will feature production of breeding stock, range management, and an artificial insemination program for both beef and dairy cattle. A water survey and irrigation study is planned in the Paraguayan Chaco.

In addition to the technical direction of the trans-Chaco road construction, a technician will be provided to establish and direct a program for the training of personnel in machinery operation and maintenance. Emphasis during 1956 will be placed on a study of means of creating a modern and efficient national merchant fleet which would result in substantial freight rate reductions yielding foreign exchange savings. Also planned is an engineering survey of the possibility of establishing small electric supply power systems in the cities outside of Asuncion.

With the development of improved transportation facilities within the country, it is planned to undertake studies of the marketing organization and practices in the country and to stimulate the development of improved marketing techniques and organization which will facilitate the flow of trade.

General Narrative Statement (Continued)

We will continue cooperation with the Ministry of Health in the activities described previously. Priority will be given to an environmental sanitation program and to the program of health education in order to carry the public health program to the people. This work will be closely coordinated with social welfare activities in a concerted effort to stimulate local participation in community activities.

The recent authorization of a $7.2 million line of credit by the Export-Import Bank for the establishment of a water supply system in Asuncion will contribute significantly to progress in this field.

During FY 1956, we shall continue to provide assistance to the various Ministries in the fields of budget, management, procurement, supply and warehousing, as well as in over-all management organization and procedures.

LATIN AMERICA

Country: PARAGUAY

INDIVIDUAL COUNTRY DATA

Summary by Major Cost Components

(In thousands of dollars)

Programs by Fiscal Year	Total U. S. Cost	Supplies, Equipment & Grants to Servicios	U. S. Government Technicians		Contract Services		Participants		Other Costs
			Number Employed June 30	Cost	Number Employed June 30	Cost	No. of Persons	Cost	
Technical Cooperation									
1954	1,198.6	591.7	28	424.3		20.0	37	124.4	38.2
1955	1,508.2	588.0	37	551.3		32.2	47	243.5	93.2
1956	1,453.2	353.0	41	662.8	2	50.0	61	285.0	102.4

Summary by Major Activity

(In thousands of dollars)

Programs by Fiscal Year	Total U. S. Cost	Agriculture and Natural Resources	Industry and Mining	Transportation	Labor	Health and Sanitation	Education	Public Administration	Community Development Social Welfare and Housing	All Other
Technical Cooperation										
1954	1,198.6	338.3	3.0	20.0	6.0	241.0	462.8	101.5		26.0
1955	1,508.2	455.3	4.0	77.0		279.2	471.0	121.1	6.9	93.7
1956	1,453.2	396.2		154.0	15.0	236.4	379.3	142.1	16.1	114.1

PERU

BASIC DATA

			Peru	L.A.	U.S.
Population (1954) ..... millions	9.3	Per capita GNP[a].....dollars	135	300	2,200
Annual growth .....percent	2.9	Caloric intake	2,220	2,407	3,120
Area ..... 1,000 sq.mi.	482	Literacy rate .....percent	42	55	97
Agricultural land .....percent	13	Life expectancy .....years	39	45	68
Agricultural land per capita .....acres	5	Road miles per 1,000...sq.mi.	46	70	1,100
		Elec. power per capita ..... KWH per yr.	32	170	3,165

TRADE AND PAYMENTS

	1938	1951	1952	1953	1954[b]
		(millions of US $)			
Exports, f.o.b.	68	248	234	218	246
Imports, c.i.f.	58	262	288	294	250
Trade balance	10	-14	-54	-76	-4
Principal exports					
Cotton: ..... Quantity .... 1,000 MT	77	62	84	88	81
..... Value .... $ millions	14	85	80	65	
Sugar: ..... Quantity .... 1,000 MT	249	264	305	408	400
..... Value .....$ millions	6	34	33	34	
Trade with U.S. (U.S. Customs data)					
Exports to U.S.	13	61	62	87	96
Imports from U.S.	17	115	127	119	96
Balance	-4	-54	-65	-32	-
Balance of payments					
Balance on goods & services		-38	-64	-74	
Net capital		35	46	64	
Private		38	41	41	
Official and banking		-3	5	23	
Government grants		2	3	2	
Long-term capital		-5	1	17	
Short-term capital		*	1	4	
Change in gold & exchange reserves		+4	-3	-5	
Gold and foreign exchange reserves (end of yr.)	25	72	69	64	67

EXTERNAL RESOURCES

	1950	1951	1952	1953	1954	Program 1955	Program 1956
			(millions of US $)				
FOA obligations (fiscal years).....	0.2	0.2	1.8	1.7	2.4	2.4	2.7
			(calendar years)				
Ex-Im Bank disbursements	-	-	6.0	10.0	- c		
IBRD disbursements	-	-	0.7	1.7	1.5 d		
U.S. private investment (net)							
New direct investment	-9	17	28	30			
Reinvested subsidiary earnings	6	3	6	-1			
Book value of U.S. direct private investment	145	197	230	259			

PRODUCTION

	Unit	1938	1951	1952	1953	1954[b]
Major crops[e]:						
Cotton	1,000 MT	82	93	98	102[P]	104
Sugar, cent., raw	1,000 MT	403	477	611	614	608
Rice (rough)	1,000 MT	95	257	284	277	259
Major industries:						
Petroleum, crude.....	1,000 MT	2,097	2,148	2,184	2,112	2,272
Lead, refined.....	1,000 MT	26	45	49	59	58

FINANCES

Central government budget (calendar years)	1951	1952	1953	1954[E]	1955[E]
	(millions of US $)				
Revenue	125.3	137.8	143.4	146.2	
Expenditure.....	114.9	136.9	156.9	158.5	176.2
Defense.....	26.7	27.5	33.1	31.3	33.8
Capital outlay, other.....	4.1	6.0	5.5	27.1	28.9
Public works.....	12.4	22.0	22.5		
Other.....	71.7	81.4	95.8	100.1	113.5
Surplus or deficit (-).....	10.4	0.9	-13.5	-12.3	
As % of total revenue.....	8%	1%	-9%	-8%	
Defense expend. as % of budget.....	23%	20%	21%	20%	19%
Prices (index 1948=100)					
Wholesale: Lima.....	192	201	204	225	234(Jan)
Cost of living: Lima.....	142	152	165	174	179(Jan)

* Less than $500,000 n.a. - Not available P - Preliminary E-Estimate

a FOA estimate; converted at 19 soles per US $.

b 1954 data partly preliminary and estimated.

c Undisbursed Ex-Im Bank balance, December 31, 1954 - $106.8 million.

d Undisbursed IBRD balance, December 31, 1954 - $6.6 million.

e Crop years beginning in years stated.

Revised May 18, 1955

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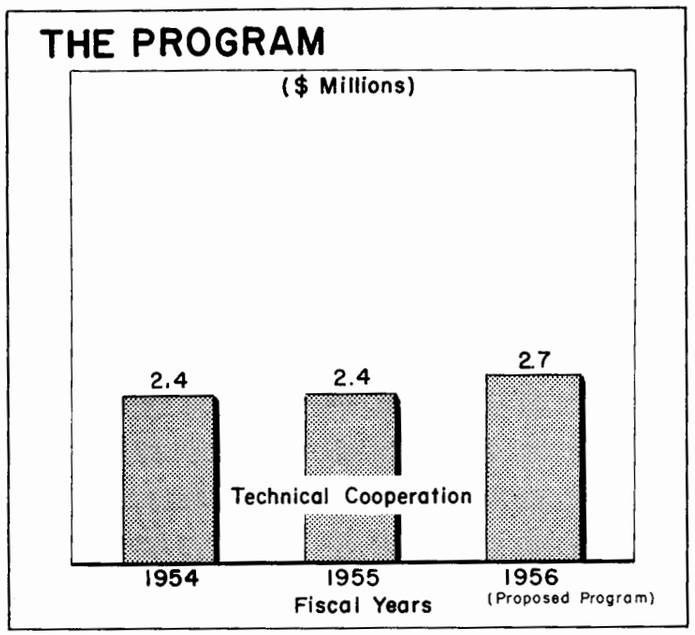
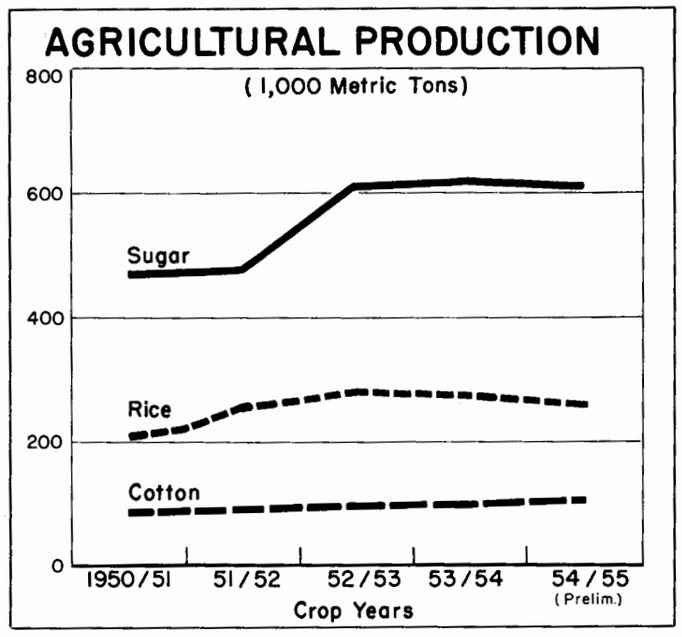
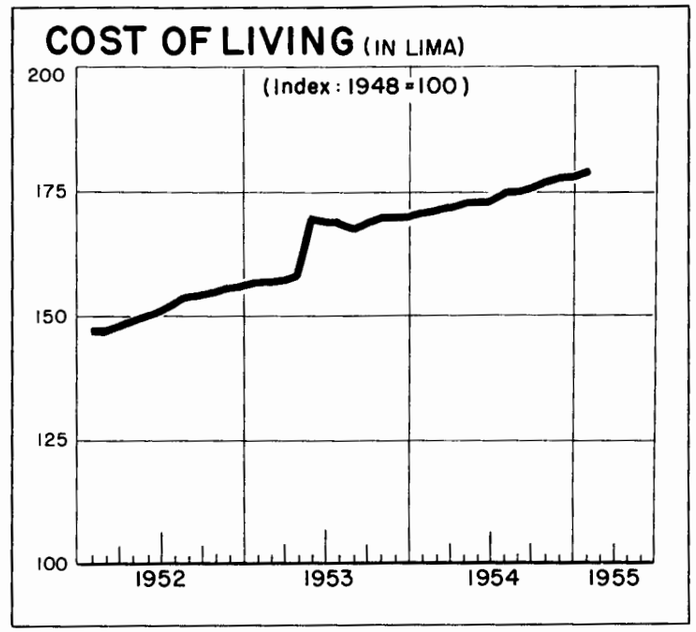
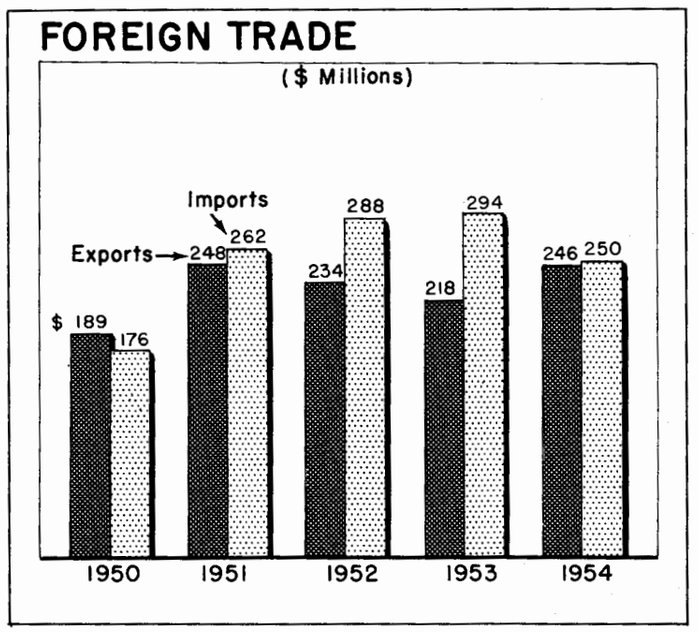
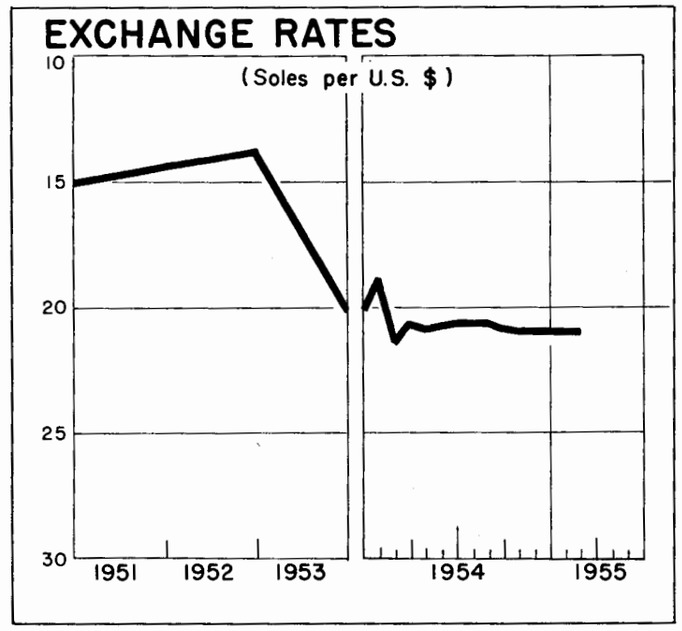
PERU

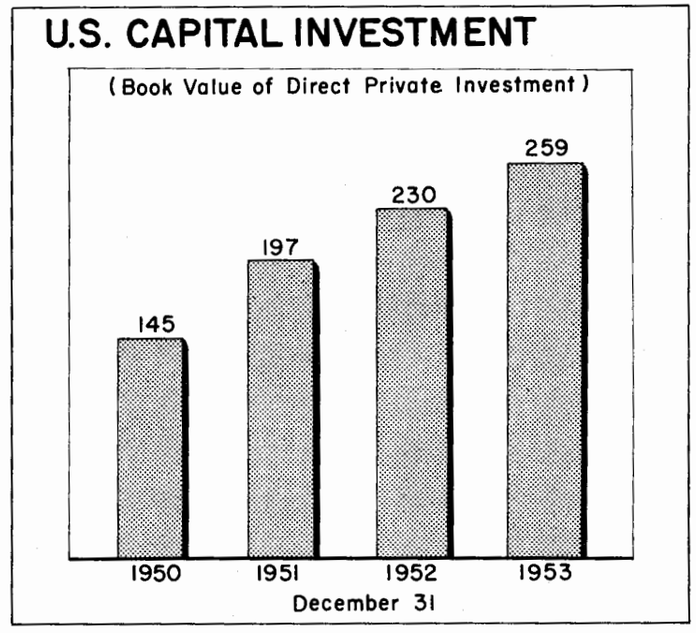

THE PROGRAM
($ Millions)
2.4
2.4
2.7
Technical Cooperation
1954
1955
1956
(Proposed Program)
Fiscal Years


AGRICULTURAL PRODUCTION
(1,000 Metric Tons)
800
600
400
200
0
Sugar
Rice
Cotton
1950/51
51/52
52/53
53/54
54/55
(Prelim.)
Crop Years


COST OF LIVING (IN LIMA)
(Index: 1948=100)
200
175
150
125
100
1952
1953
1954
1955


FOREIGN TRADE
($ Millions)
Imports
Exports
$ 189
176
248
262
234
288
218
294
246
250
1950
1951
1952
1953
1954


EXCHANGE RATES
(Soles per U.S. $)
10
15
20
25
30
1951
1952
1953
1954
1955


U.S. CAPITAL INVESTMENT
(Book Value of Direct Private Investment)
145
197
230
259
1950
1951
1952
1953
December 31

PERU

BASIC DATA

			Peru	L.A.	U.S.
Population (1954) ..... millions	9.3	Per capita GNP[a].....dollars	135	300	2,200
Annual growth .....percent	2.9	Caloric intake	2,220	2,407	3,120
Area ..... 1,000 sq.mi.	482	Literacy rate .....percent	42	55	97
Agricultural land .....percent	13	Life expectancy .....years	39	45	68
Agricultural land per capita .....acres	5	Road miles per 1,000...sq.mi.	46	70	1,100
		Elec. power per capita ..... KWH per yr.	32	170	3,165

TRADE AND PAYMENTS

	1938	1951	1952	1953	1954[b]
		(millions of US $)			
Exports, f.o.b.	68	248	234	218	246
Imports, c.i.f.	58	262	288	294	250
Trade balance	10	-14	-54	-76	-4
Principal exports					
Cotton: ..... Quantity .... 1,000 MT	77	62	84	88	81
..... Value .... $ millions	14	85	80	65	
Sugar: ..... Quantity .... 1,000 MT	249	264	305	408	400
..... Value .....$ millions	6	34	33	34	
Trade with U.S. (U.S. Customs data)					
Exports to U.S.	13	61	62	87	96
Imports from U.S.	17	115	127	119	96
Balance	-4	-54	-65	-32	-
Balance of payments					
Balance on goods & services		-38	-64	-74	
Net capital		35	46	64	
Private		38	41	41	
Official and banking		-3	5	23	
Government grants		2	3	2	
Long-term capital		-5	1	17	
Short-term capital		*	1	4	
Change in gold & exchange reserves		+4	-3	-5	
Gold and foreign exchange reserves (end of yr.)	25	72	69	64	67

EXTERNAL RESOURCES

	1950	1951	1952	1953	1954	Program 1955	Program 1956
			(millions of US $)				
FOA obligations (fiscal years).....	0.2	0.2	1.8	1.7	2.4	2.4	2.7
			(calendar years)				
Ex-Im Bank disbursements	-	-	6.0	10.0	- c*		
IBRD disbursements	-	-	0.7	1.7	1.5 d		
U.S. private investment (net)							
New direct investment	-9	17	28	30			
Reinvested subsidiary earnings	6	3	6	-1			
Book value of U.S. direct private investment	145	197	230	259			

PRODUCTION

	Unit	1938	1951	1952	1953	1954[b]
Major crops[e]:						
Cotton	1,000 MT	82	93	98	102[P]	104
Sugar, cent., raw	1,000 MT	403	477	611	614	608
Rice (rough)	1,000 MT	95	257	284	277	259
Major industries:						
Petroleum, crude.....	1,000 MT	2,097	2,148	2,184	2,112	2,272
Lead, refined.....	1,000 MT	26	45	49	59	58

FINANCES

Central government budget (calendar years)	1951	1952	1953	1954[E]	1955[E]
			(millions of US $)		
Revenue	125.3	137.8	143.4	146.2	
Expenditure.....	114.9	136.9	156.9	158.5	176.2
Defense.....	26.7	27.5	33.1	31.3	33.8
Capital outlay, other.....	4.1	6.0	5.5	27.1	28.9
Public works.....	12.4	22.0	22.5		
Other.....	71.7	81.4	95.8	100.1	113.5
Surplus or deficit (-).....	10.4	0.9	13.5	-12.3	
As % of total revenue.....	8%	1%	9%	-8%	
Defense expend. as % of budget.....	23%	20%	21%	20%	19%
Prices (index 1948=100)					
Wholesale: Lima.....	192	201	204	225	234(Jan)
Cost of living: Lima.....	142	152	165	174	179(Jan)

* Less than $500,000 n.a. - Not available P - Preliminary E-Estimate

a FOA estimate; converted at 19 soles per US $.

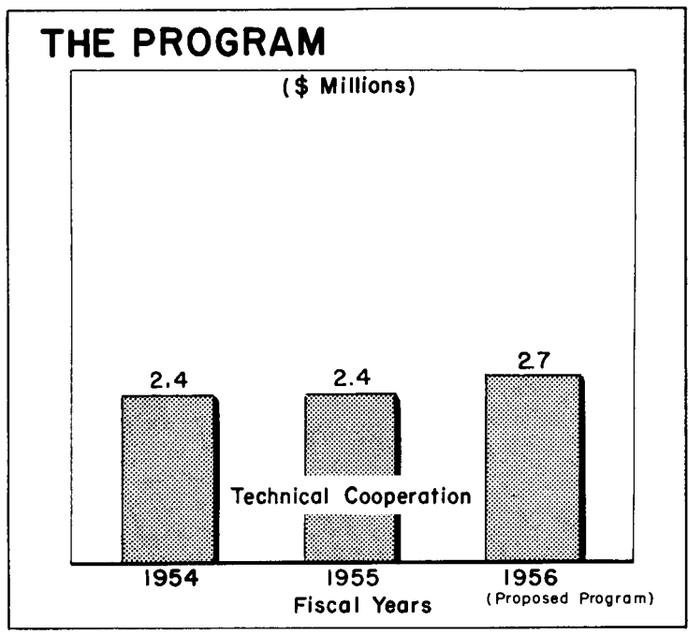
b 1954 data partly preliminary and estimated.

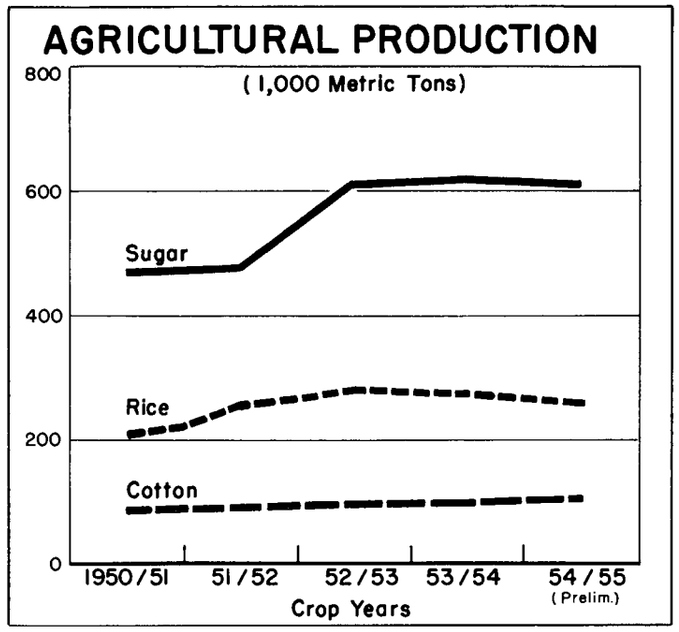
c Undisbursed Ex-Im Bank balance, December 31, 1954 - $106.8 million.

d Undisbursed IBRD balance, December 31, 1954 - $6.6 million.

e Crop years beginning in years stated.

PERU


THE PROGRAM
($ Millions)
2.4
2.4
2.7
Technical Cooperation
1954
1955
1956
(Proposed Program)
Fiscal Years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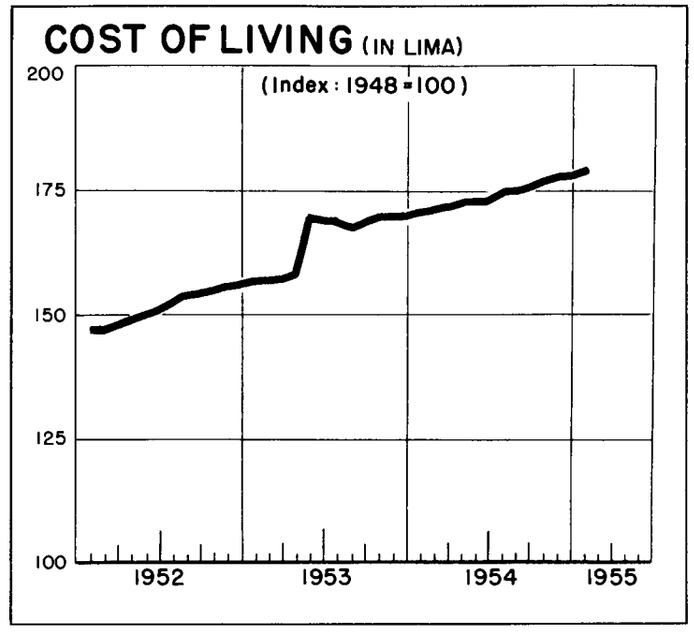
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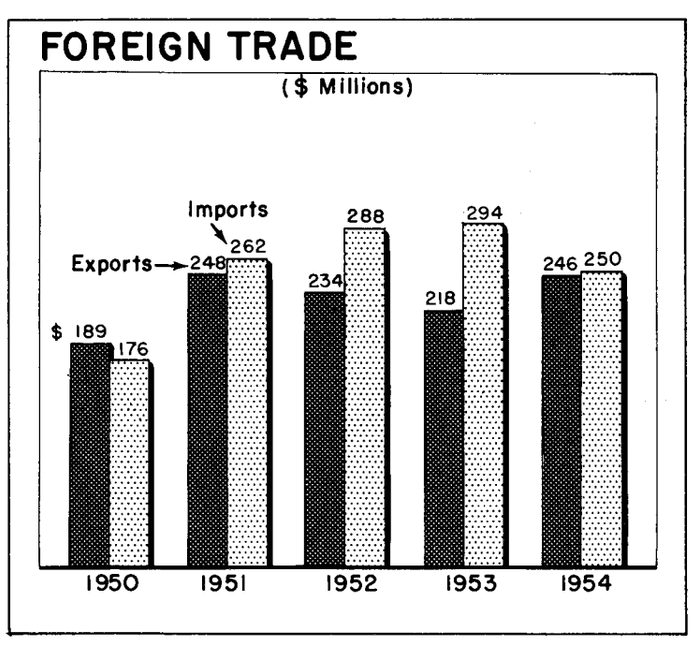
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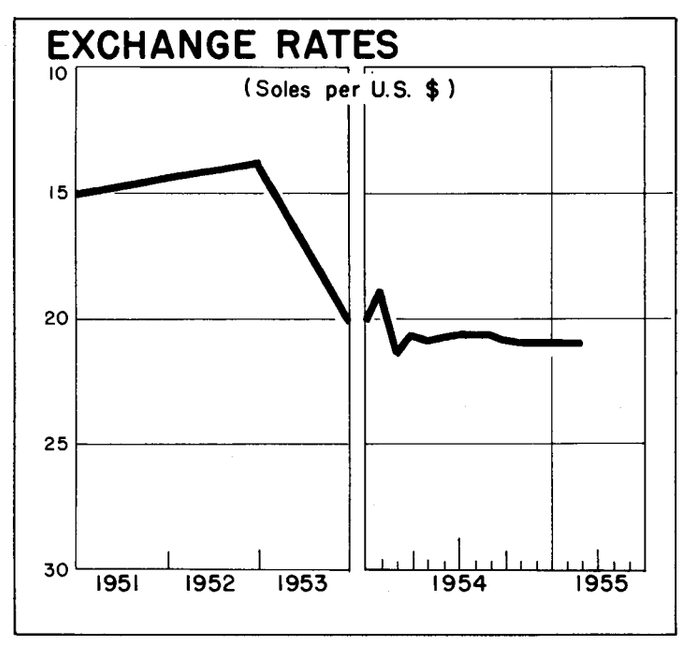
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(Soles per U.S. $)
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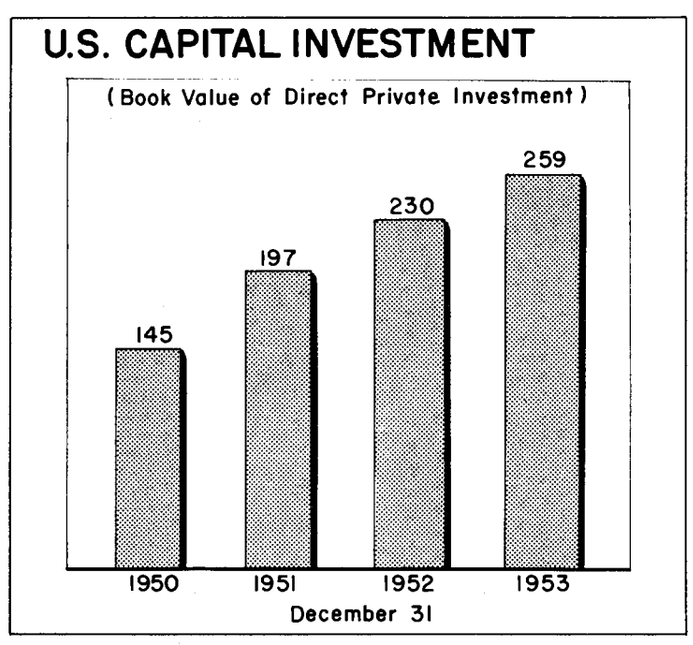
1954
1955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(Book Value of Direct Private Investment)
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December 31

LATIN AMERICA

Country: PERU

INDIVIDUAL COUNTRY DATA

Summary of Program by Function

(In thousands of dollars)

Function	Program FY 1950/54	FY 1955	Proposed FY 1956
Military Assistance	a/	a/	a/
	FY 1954		
Technical Cooperation	2,408.4	2,413.4	2,704.7
Total Country Program Other than Military Assistance	2,408.4	2,413.4	2,704.7

a/ Data included in separate submission on Military Assistance.

General Narrative Statement

Current Situation

Peru, in 1954, adopted strong anti-inflationary measures which have resulted in maintenance of a free dollar exchange position, achievement of a viable balance of payments position and an increase in gold reserves. Peru's international credit position has strengthened. Its gross national product increased four percent between 1953 and 1954 although gross national product was still less than one billion dollars in 1954 measured in constant 1950 prices.

Despite political disturbances in the last half of 1954, the present Odria Government has shown strength and stability. Peru's international relationships appear to be normal and close cooperation with the U.S. continues.

Obstacles are being encountered which limit the momentum of Peru's economic development. Even if the availability of development capital through international loans is increased, the Peruvian Government may experience difficulty in marshalling the local currency required to utilize such credits fully. The pressure of population increases, estimated at 2.9 percent annually, requires an accelerated pace of land clearing, irrigation and rehabilitation and an increase in agricultural production. In addition, industrial production must be more rapidly increased, new roads must be constructed and marketing facilities and services must be expanded if Peru's economic development is to proceed at a more rapid pace than her population growth and result in improved standards of well being for her people.

Program Objectives

It is U.S. policy and in the U.S. interest to continue good relations and close cooperation with the Government of Peru and its people. It is in the U.S. interest to encourage and assist Peru where feasible in her own efforts to: maintain a free dollar exchange position; keep down inflation; expand international and domestic trade; maintain

General Narrative Statement (Continued)

her internal self-sufficiency in basic foods and increase production of complementary crops; strengthen and diversify industry; improve public health, housing and social welfare; raise the overall educational level and reduce illiteracy; improve transportation; increase the production for export of strategic minerals; expand the productive capacity and general welfare of her people; and improve the "climate" for both domestic and foreign private investment.

Peru's strategic location on the West Coast of South America and her wealth of natural resources complementary to U.S. needs -- as well as her long record of constant and strong friendship toward the people of the U.S. -- combine to create a background for the U.S. policy of willingness upon request to assist Peru in her economic development efforts.

The purpose of the Military Assistance Program for Panama is to enable the country to accomplish the military roles and missions assumed in the mutual defense of the Western Hemisphere and to strengthen the collective effort against possible Communist or other aggression.

Progress to Date

Technical Cooperation

The interest and cooperation of the Government and people of Peru have enabled considerable progress to be made under the technical cooperation program. The present Government, aware of its responsibilities for Peru's development, has brought into its own regular governmental framework many of the projects in various fields of activity which have been initiated under the technical cooperation program. Peru is taking a positive approach toward its problems of economic development and is doing considerable forward planning for their solution and for the further economic development of the country. Increasing interest is being shown in creating a favorable climate for both domestic and foreign private investment in Peru in order to develop further the natural resources, industry and commerce of that country.

The foregoing over-all factors in progress to date have enabled considerable progress to be made in specific elements of the technical cooperation program and have resulted in close coordination between Peru's over-all economic development efforts and this program.

Agriculture and Natural Resources: Peru's major agricultural problem, in brief, is that while agricultural production is improving with about 20 percent gain in the period from 1943 to 1954, the population has increased at about 25 percent during that same period. To assist Peru's own efforts to at least maintain her present degree self-sufficiency in basic foods, the technical cooperation program is concentrating on research and extension work; crop and livestock improvement; improved utilization of lands now under cultivation; the opening of new lands to cultivation; and the better utilization of Peru's water and fishery resources. Progress along these lines is being made through the mechanism of the agricultural servicio begun in 1953, which has also assisted in the creation and development of a Peruvian agricultural extension service, an agricultural machinery service (now entirely financed by Peru), and other agricultural matters designed to assist Peru in feeding its expanding population and in producing export crops complementary to the agricultural production of the U. S.

Considerable progress is being made in the agricultural economic program and in the work with farm youth. Technical assistance to help Peru in establishing an agricultural credit service has been initiated this year and work has begun to assist Peru in opening the Mantaro Valley, a potentially important agricultural area.

Health and Sanitation: Assistance in this field has shifted from a concentration of efforts some

General Narrative Statement (Continued)

years ago in the building of hospitals and health centers and malaria control activities to its current emphasis on environmental sanitation, preventive medicine, industrial hygiene, health education, social welfare and vital statistics. Major progress has been made in this field and national and local health services have been strengthened. A substantial number of projects initiated under the technical cooperation program has been transferred to the complete administrative and financial responsibility of Peru.

Education: The education program has concentrated primarily on rural, elementary and vocational education with an emphasis on teacher-training. The constructive Peruvian approach to its education problem and the Government's rapid expansion of educational facilities has enabled considerable progress to be made in this field, particularly in elementary education in the rural areas. Peru's illiteracy rate, currently estimated at 42 percent of the population, is being reduced. Encouraging progress has resulted from Peru's "nuclear school" system under which demonstration public schools have been associated with Peru's normal schools in key areas of the country. The demonstration is subsequently repeated in many areas of the country by teachers who have participated in the demonstration school project while undertaking their normal school training.

Transportation and Power: Peru, like other Latin American countries, is faced with serious transportation difficulties which hinder economic development. Technical assistance in highway and farm-to-market road development and in intra-coastal shipping is designed to help alleviate these problems and enable a more adequate flow of both domestic and foreign commerce. The recently developed through bill of lading from Iquitos, at the head waters of the Amazon, to New York City has eased the flow of commerce between this new area of Peruvian development and the U. S.

Assistance is also being provided to Peru in a survey of the country's hydroelectric power potential.

Industry and Mining: Assistance in this field is directed toward assisting Peru in its efforts to develop most effectively its mineral resources and to establish a broader and more diversified base of small and medium industry. A geological survey, technical assistance in the preparation of minerals and other projects in mineral technology are also being undertaken in this field of activity and are progressing satisfactorily.

Public Administration: Technical assistance is being provided in conjunction with overall governmental administration. This assistance is particularly concentrated in those Peruvian administrative agencies responsible for economic and social improvement. At Peruvian request, specialists in record management and census work are now being sent to Peru under this program.

Labor: Under this program, the first employment service in Peru has been established at Lima and is operating with effective results. Assistance is also being provided in labor standards work and grants are made for the training of Peruvian labor leaders and technicians in the U. S.

Training: The importance of developing trained people is recognized in all parts of the technical cooperation program. Considerable emphasis is given to local training as well as to the provision of training grants for study in the U. S. in the different specialized fields.

Military Assistance

The anti-aircraft artillery unit equipped by the Military Assistance Program (MDAP) is the first to be organized in Peru. Peru has contributed over 5 million soles for a construction program for the unit. This construction program includes additional barracks, supply buildings, equipment maintenance and storage facilities, and motor pool facilities. This unit has the most improved area and is the best equipped of all units in the Peruvian Army.

General Narrative Statement (Continued)

The Peruvian Navy is effectively utilizing all materials delivered for use in the training school. This material is properly installed and the training school is in operation. Spare parts furnished to vessels have either been utilized or placed in "on board stock" for future use. Training ammunition provided has allowed the Peruvian Navy to fire full gunnery practices. In general, all utilization of MDAP material is effective and satisfactory.

The Peruvian Air Force for the first time in its history now has a firm foundation as an effective combat arm. The higher standard of training in the technical units with the advent and stimulation of MDAP is significant. All MDAP supported units have increased the number of flying hours and in-commission and utilization rates of aircraft and the proficiency of the individual crews. The Peruvian Air Force has established a more effective and efficient supply system than was in effect prior to MDAP.

The previous year programs provided, within the availability of funds, selected items of unit equipment for the Army, modernization equipment and maintenance support for the Navy, propeller type aircraft for the Air Force, and training assistance to all three Services.

The FY 1956 Program

As the technical cooperation program in Peru has matured, "first things first" have been accomplished in many fields of activity. A substantial part of the activities planned for FY 1956 represents a continuation in these fields with shifts in emphasis as a result of progress which has been made.

There is considerable degree of integration among activities in the different fields at present. Even more emphasis will be placed on such integration in FY 1956. The close coordination and concentration of different activities planned to assist in opening up and developing the Mantaro Valley area is an example.

Much has already been done to bring the technical cooperation program into direct contact with the people of Peru. Even more emphasis will be placed on this aspect of the program in FY 1956. The new development service planned for FY 1956 is specifically designed to result in a direct impact upon people in the rural areas of Peru by concentrating upon the small, but significant activities which directly affect them, i.e., the stimulation of self-help irrigation and community road development.

Opportunities for the transfer of additional activities initiated under the technical cooperation program to the complete administrative and financial responsibility of the host government appear good. The most substantial of such transfers are expected to take place in the field of health and sanitation in which the Peruvian Government has been increasingly active.

LATIN AMERICA

Country: PERU

INDIVIDUAL COUNTRY DATA

Summary by Major Cost Components

(In thousands of dollars)

Programs by Fiscal Year	Total U. S. Cost	Supplies, Equipment & Grants to Servicios	U. S. Government Technicians		Contract Services		Participants		Other Costs
			Number Employed June 30	Cost	Number Employed June 30	Cost	No. of Persons	Cost	
Technical Cooperation									
1954	2,408.4	605.0	46	514.2	2	920.0	74	159.9	209.3
1955	2,413.4	730.0	55	729.2	18	365.5	85	255.3	333.4
1956	2,704.7	830.0	64	863.7	16	320.3	110	348.7	342.0

Summary by Major Activity

(In thousands of dollars)

Programs by Fiscal Year	Total U. S. Cost	Agriculture and Natural Resources	Industry and Mining	Transportation	Labor	Health and Sanitation	Education	Public Administration	Community Development Social Welfare and Housing	All Other
Technical Cooperation										
1954	2,408.4	1,256.8	300.5	23.6	20.5	510.9	250.7	12.3	28.9	4.2
1955	2,413.4	1,034.6	296.9	50.2	63.1	418.0	337.0	32.0	29.2	152.4
1956	2,704.7	927.0	307.5	54.7	88.2	462.3	355.9	77.2	38.7	393.2

URUGUAY

BASIC DATA

			Uru-guay	L.A.	U.S.
Population (1954)	millions	2.6			
Annual growth	percent	1.8			
Area	1,000 sq.mi.	72			
Agricultural land	percent	86			
Potentially productive land	percent	8.8			
Agricultural land per capita	acres	17			
Per capita GNP[a]	dollars		455	300	2,200
Caloric intake			3,070	2,407	3,120
Literacy rate	percent		85	55	97
Infant mortality	per 1,000 births		43	87	28
Road miles per 1,000 sq.mi.			88	70	1,100
Elec. power per capita	KWH per yr.		284	170	3,165

TRADE AND PAYMENTS

		1938	1951	1952	1953	1954[b]
		(millions of US $)				
Exports, f.o.b.		62	236	209	270	252
Imports, c.i.f.		62	310	237	193	264
Trade balance		-	-74	-28	77	-12
Principal exports						
Wool, greasy, washed, and tops: Quantity	1,000 MT	53	38	54	92	52
Value	$ millions	27	117	90	165	n.a.
Meat and by-products: Quantity	1,000 MT	129	102	81	79	105
Value	$ millions	16	45	41	44	n.a.
Trade with U.S. (U.S. Customs data)						
Exports to U.S.		5	135	59	53	31
Imports from U.S.		5	84	43	25	43
Balance		-	51	16	28	-12
Balance of payments						
Balance on goods & services			-77	-34	71	
Net capital			-40	40	-51	
Private			7	55	-11	
Official and banking			-47	-15	-40	
Government grants			*	*	*	
Long-term capital			1	2	7	
Short-term capital			-48	-17	-47	
Change in gold and exchange reserves			-113	+17	+18	
Gold and foreign exchange reserves (end of yr.)		67	199	216	234	227

[a] FOA estimate; converted at 2.35 pesos per US $.
[b] 1954 data partly preliminary or estimated.
[c] Undisbursed Ex-Im Bank balance, Dec. 31, 1954 - $2.5 million.
[d] Undisbursed IBRD balance, Dec. 31, 1954 - $2.3 million.
[e] Includes Paraguay.
[f] Crop year beginning in years stated.

EXTERNAL RESOURCES

	1950	1951	1952	1953	1954	Program 1955	Program 1956
	(millions of US $)						
FOA obligations (fiscal years)	0.1	0.1	0.4	0.2	0.1	0.3	0.4
	(calendar years)						
Ex-Im Bank disbursements	-	-	2.0	-	-	[c]	
IBRD disbursements	-	4.0	3.4	11.0	12.3	[d]	
U.S. private investment (net)							
New direct investment	3	6	1	-3			
Reinvested subsidiary earnings	2	5	3	6			
Book value of U.S. direct private investment[e]	61	74	77	82			

PRODUCTION

	Unit	1938	1951	1952	1953	1954[b]
Agricultural production - wool	1948=100	87	130	132	141	146
Major crops:[f]						
Wool, greasy basis	1,000 MT	57	85	86	92[P]	95
Wheat	1,000 MT	361	478	463	816	798
Corn	1,000 MT	132	117	208	236	

FINANCES

	1951	1952	1953	1954	1955
	(millions of US $)				
Prices					
Export price of wool (US $ per 100 lb.)	120.0[E]	61.2	71.6	68.3	
Cost of living: Montevideo (index 1948-100)	115	131	140	157	

* Less than $500,000. n.a.-Not available. P-Preliminary. E-Estimate.

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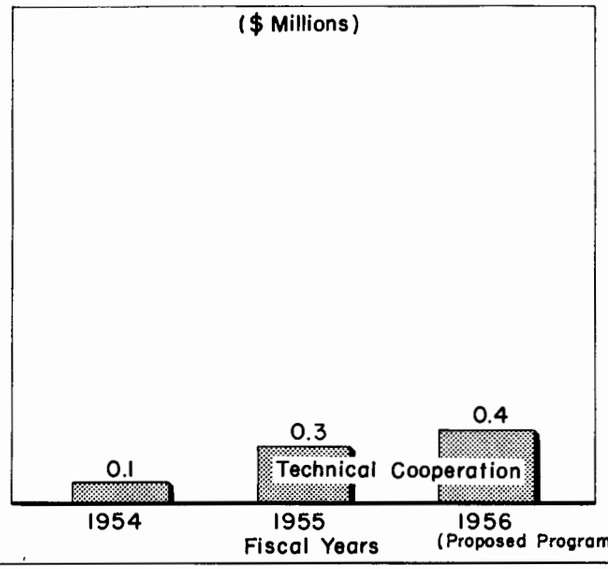
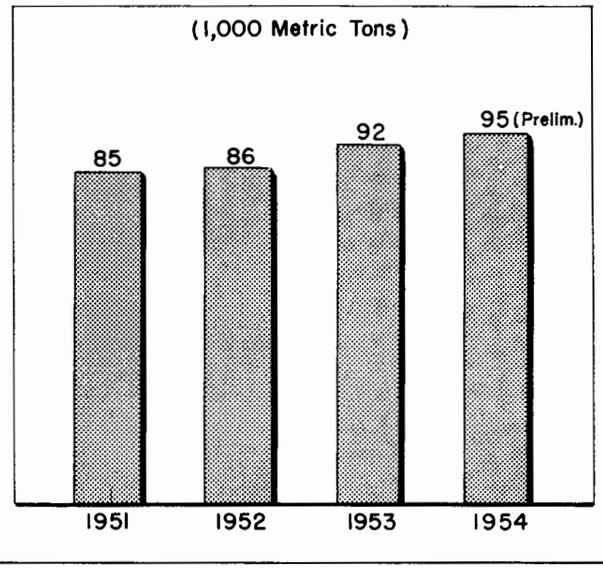
URUGUAY

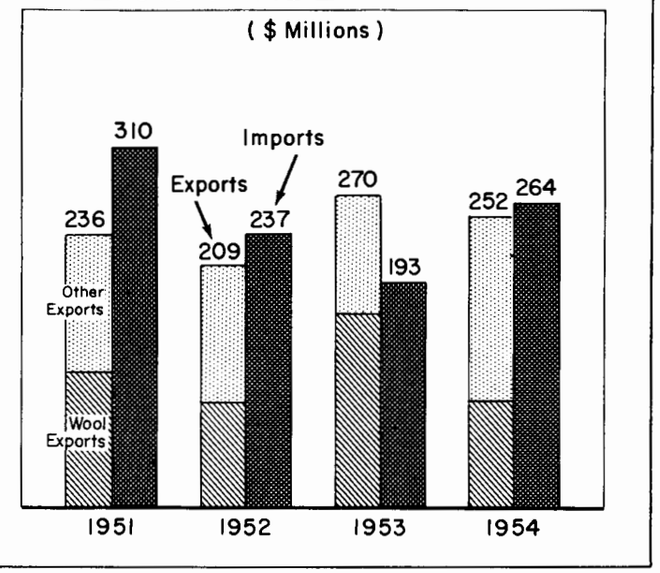
THE PROGRAM



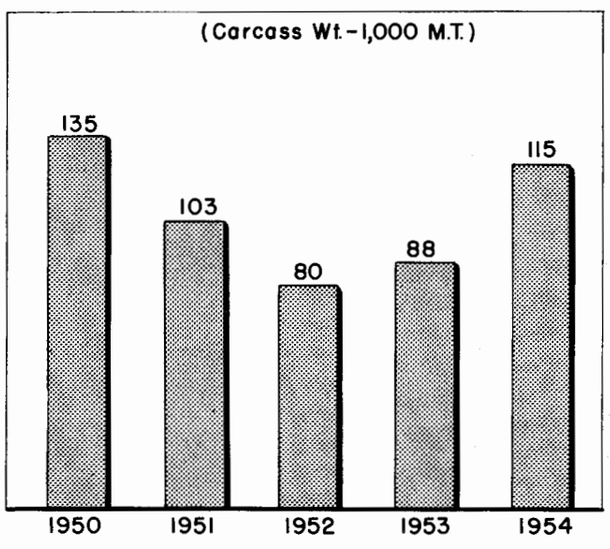
WOOL PRODUCTION



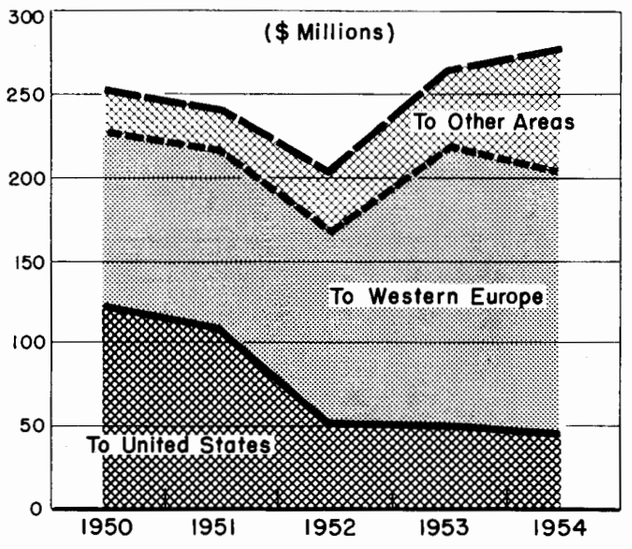
FOREIGN TRADE



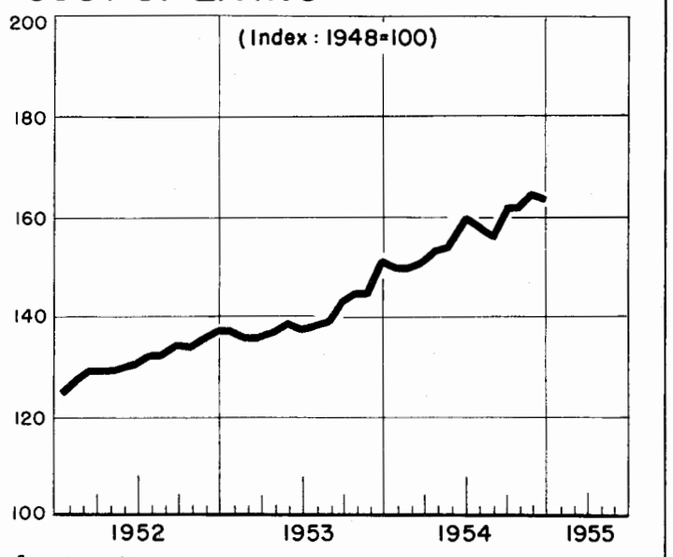
BEEF AND VEAL EXPORTS



EXPORTS BY DESTINATION



COST OF LIVING a/



a/ In Montevideo

LATIN AMERICA

Country: URUGUAY

INDIVIDUAL COUNTRY DATA

Summary of Program by Function

(In thousands of dollars)

Function	Program FY 1950/54	Program FY 1955	Program Proposed FY 1956
Military Assistance	a/	a/	a/
	FY 1954		
Technical Cooperation	144.3	303.6	425.9
Total Country Program Other Than Military Assistance	144.3	303.6	425.9

a/ Data included in separate submission on Military Assistance.

General Narrative Statement

Current Situation

Uruguay, which has a stable government, is one of the most politically and socially advanced Republics in the world. About 85 percent of the people are literate and universal free education is available through the university level.

In November, 1954, Uruguay held its first national elections under the Colegiado system of government which places executive authority in a nine-man National Council. The policies of the new Government Administration relating to pressing economic problems which include declining livestock and crop production and upward trends in farm and factory production costs, have not yet been announced. The new Government has, however, indicated its interest in technical assistance.

Despite Uruguay's favorable standard of living, the need for most effective utilization of the country's natural and human resources has never been greater than it is today. Dependent upon the export of wool, meat, vegetable oil, hides and skins for the necessary foreign exchange with which to purchase essential imports, Uruguay's economy and program of economic development are very sensitive to changes in world price levels of wool and meat, which dropped sharply during the past year. To resolve its economic problems, Uruguay needs to modernize its governmental structure and increase its present production of livestock, produce more wool and meat, both for home consumption and export, diversify and expand its agriculture, develop industrial production to the maximum set by limitations of available resources. Raw materials such as iron and manganese, aluminum and copper, sulphur and rubber are lacking in Uruguay. Sources of industrial power, such as coal and petroleum, are lacking.

Program Objectives

It is U. S. policy and in the U. S. interest to continue cooperation with Uruguay, and to assist that country, when requested and feasible, in its efforts to make maximum use of

General Narrative Statement (Continued)

its human and natural resources in bringing about greater economic progress. The Technical Cooperation Program contributes towards the achievement of these over-all objectives by assisting the Government of Uruguay to: (1) make optimum use of its human resources by expanding the preventive health program with the object of minimizing absenteeism, increasing individual productivity on the job, and reducing the incidence of disease and death; (2) promote industrial development by increasing productivity, lowering costs and improving quality through provision of industrial productivity specialists on a consulting basis and dissemination of technical information and related services; (3) assist and advise the Government in the reorganization of its statistical services so as to provide a necessary base for planning and conducting economic programs of the Government; (4) modernize public administration procedures.

The purpose of the Military Assistance Program for Uruguay, as for the other American Republics, is to enable the country to accomplish the military roles and missions assumed in the mutual defense of the Western Hemisphere and to strengthen the collective effort against possible Communist or other aggression.

Progress to Date

Health and Sanitation: The Technical Cooperation Program in Uruguay has consisted mainly of work in the health and sanitation field in which projects have been in operation for eleven years. By June 30, 1955, all of the present projects of the Health Servicio will be absorbed into the existing program of the Uruguayan Ministry of Public Health. The principal programs developed have been in maternal and child health, control of tuberculosis and venereal diseases and health education.

Public Administration: This program is designed to assist the Uruguayan Government in improving its administrative techniques in order to render more effective governmental services and thus realize the benefits of the forward-looking national program adopted by that country.

Particularly important in progress to date have been: the development of recommendations for modern procurement legislation and organization; a plan for improving purchasing procedures in the Ministry of Public Health, and a recently completed, comprehensive report on problems in the governmental administration, with recommendations for their solution. This report has aroused great interest on the part of the public and government officials and it is hoped that this interest may result in significant improvements in the governmental organization of the country.

Census and Statistics: Assistance in this field is directed toward the reorganization of Uruguay's governmental statistical service and the development of statistical and economic data which can be used as a basis for the planning and execution of governmental programs. During FY 1955, a U. S. consultant worked with the Office of Census and Statistics in preparation for the taking of a national population census, the first since 1908. In addition, the Industrial Register was completed, making available for the first time since 1936 information on all of Uruguay's manufactures. Assistance was also provided in reorganizing the General Office of Statistics and Census, and in the reorientation of foreign trade statistics, coordination of statistics and setting of standards for statistical personnel.

Other Resources: UN agencies are assisting Uruguay in agriculture and also (in close cooperation with USOM/Uruguay) in planning and conducting a Census of Montevideo, as part of the National Census.

Uruguay is presently negotiating loans with the International Bank for Reconstruction and Development for projects of agricultural development, railway rehabilitation, electric plant expansion for Montevideo and new electric power plants and transmission lines. United States private investments in that country totalled $82 million in 1953.

Military Assistance

The Chief of the U. S. Air Mission to Uruguay is presently functioning as the Acting Chief of the Air Section, and has received the small amount of Air Force and Navy materiel shipped to date. No Army materiel has been shipped.

General Narrative Statement (Continued)

The objectives of the FY 1954-1955 programs were to provide, within the availability of funds, selected items of initial unit equipment for the Uruguayan Army, modernization equipment and maintenance support for the Navy, aircraft for the Air Force and training assistance to all three Services.

The FY 1956 Program

Technical Cooperation

Among the continuing fields of activity, health and sanitation efforts will be oriented toward assisting the Uruguayan Ministry of Public Health in its operation of former servicio programs. Increased emphasis will be placed on environmental sanitation, health education and training programs. Public administration efforts will be concentrated on the development of a comprehensive program for improvements in government organization with emphasis on economic planning, public finance and purchasing, procurement and supply systems and personnel management. Priority will be given to training grants in these fields and discussions are underway concerning a possible contractual relationship at the University of Montevideo. Census and statistical work will continue. A short-term management consultant is programmed in the civil aviation field.

The major new program emphasis planned for FY 1956 is directed toward improving productivity in the medium and small industries of Uruguay and encouraging increased domestic and foreign private investment to further develop Uruguay's resources. Negotiation of the agreement to establish an industrial productivity servicio is nearing completion.

LATIN AMERICA

Country: URUGUAY

INDIVIDUAL COUNTRY DATA

Summary by Major Cost Components

(In thousands of dollars)

Programs by Fiscal Year	Total U. S. Cost	Supplies Equipment & Grants to Servicios	U. S. Government Technicians		Contract Services		Participants		Other Costs
			No. Employed June 30	Cost	No. Employed June 30	Cost	No. of Persons	Cost	
Technical Cooperation									
1954	144.3		6	76.6			17	58.1	9.6
1955	303.6	40.0	7	135.9			28	102.0	25.7
1956	425.9	50.0	11	164.9	2	50.0	32	131.5	29.5

Summary by Major Activity

(In thousands of dollars)

Programs by Fiscal Year	Total U. S. Cost	Agriculture and Natural Resources	Industry and Mining	Transportation	Labor	Health and Sanitation	Education	Public Administration	Community Development Soc. Welfare and Housing	All Other
Technical Cooperation										
1954	144.3	-48.5(Cr.)			8.0	131.1		53.0		.7
1955	303.6	10.2	12.8		34.3	140.6		104.8		.9
1956	425.9	1.0	121.7	22.2	13.2	105.8		161.1		.9

VENEZUELA

BASIC DATA

			Venezuela	L.A.	U.S.
Population (1954) ..... millions	5.6	Per capita GNP[a]....dollars	710	300	2,220
Annual growth .....percent	3.0	Literacy rate..... percent	43	55	97
		Caloric intake	2,200	2,407	3,120
Area ..... 1,000 square miles	352	Infant mortality			
Agricultural land .....percent	18	..... per 1,000 births	81	87	28
Agricultural land per		Road miles per 1,000 sq.mi.	30	70	1,100
capita .....acres	7.2	Elec. power per capita			
		..... KWH per year	155	170	3,165

TRADE AND PAYMENTS

		1938	1951	1952	1953	1954[b]
				(millions of US $)		
Exports, f.o.b.		181	1,353	1,450	1,455	1,690
Imports, c.i.f.		107	785	883	896	914
Trade balance		74	568	567	549	776
Principal exports						
Petroleum and products:	Quantity 1,000 MT	26,225	86,468	90,979	89,107	95,247
	Value $ Millions	162	1,315	1,382	1,366	1,606
Coffee:.....	Quantity 1,000 MT	36	19	30	45	26
	Value $ Millions	8	14	34	47	36
Trade with U.S. (U.S. Customs data)						
Exports to U.S.		20	324	397	441	504
Imports from U.S.		52	456	501	513	531
Balance		-32	-132	-104	- 72	- 27
Balance of payments						
Balance on goods & services			72	44	86	
Net capital			-30	91	88	
Private			-25	99	88	
Official and banking			- 5	- 5	*	
Government grants			-	-	-	
Long-term capital			1	4	-	
Short-term capital			- 6	- 9	*	
Change in gold and exch. reserves			- 1	+61	+45	
Gold and foreign exchange reserves (end of year)		63	391	452	497	498

EXTERNAL RESOURCES

	1950	1951	1952	1953	1954	Program 1955	Program 1956
			(millions of US $)				
FOA obligations (fiscal years).....	0.1	0.1	0.1	0.1	0.1	0.2	0.2
			(calendar years)				
Ex-Im bank disbursements.....		2.0	5.0	3.0			
U.S. private investment (net).....							
New direct investment.....	-39	-16	115	93			
Reinvested subsidiary earnings....	- 4	19	73	34			
Book value of U.S. direct private investment.....	993	996	1,184	1,308			

PRODUCTION

	Unit	1938	1951	1952	1953	1954[b]
Major crops:[c]						
Coffee	1,000 MT	56	36	57	39[P]	50
Rice	1,000 MT	1	43	50	41[P]	75
Sugar, centrifugal, raw	1,000 MT	17	64	73	85	95
Cacao beans	1,000 MT	17	18	16	17[P]	18
Major industries:						
Crude petroleum	1,000 MT	27,627	91,415	97,004	94,651	101,184
Electricity	Mill. KWH	106	618	720	841	979
Iron ore .....1,000 MT		-	1,270	1,973	2,296	5,388

FINANCES

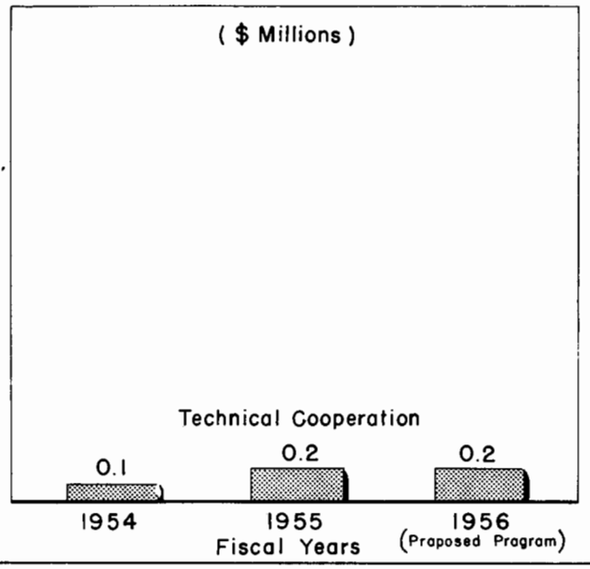
	1951	1952	1953	1954	1955
			(millions of US $)		
Central government budget (years ending June 30)					
Revenue	634.5	685.7	707.3	699.3	704.5
Expenditure	643.7	706.8	682.0	702.1	750.7
Defense	56.3	63.3	63.3	59.7	61.1
Capital outlay .....(221.2)[d]		n.a.	n.a.	n.a.	227.6
Other expenditures	587.4	643.5	618.7	642.4	462.0
Surplus or deficit (-)	-9.2	-21.1	25.3	- 2.8	-46.2
As % of total revenue	-1%	-3%	4%	-	-7%
Defense expend. as % of budget..	9%	9%	9%	9%	8%
Prices (index 1948=100)					
Wholesale: Caracas	100	102	99	101	101 Jan.
Cost of living: Caracas	117	119	117	118	

n.a. Not available P - Preliminary E - Estimate * Less than $500,000.
a FOA estimate; converted at 3.35 bolivares per U.S. $.
b 1954 data partly preliminary or estimated.
c Crop years beginning years stated.
d Included in all other categories.

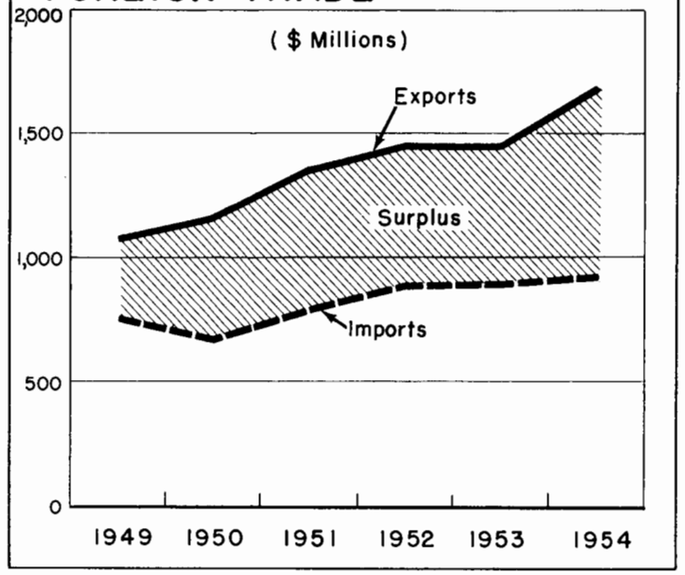
Revised May 18, 1955

VENEZUELA

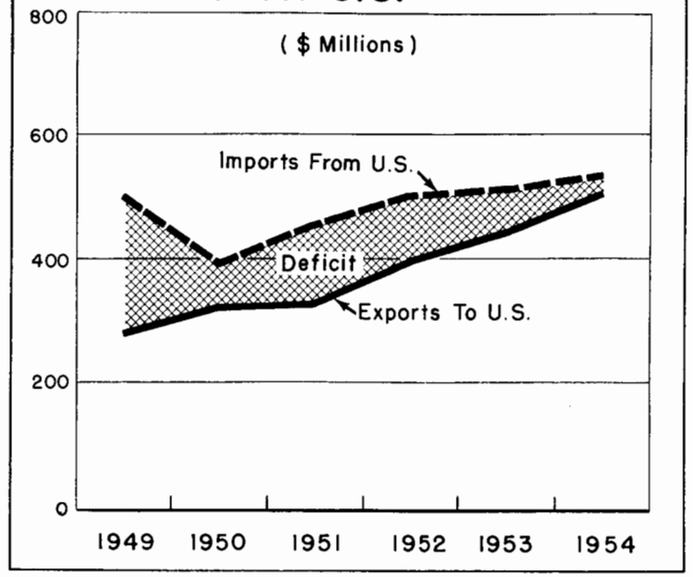
THE PROGRAM



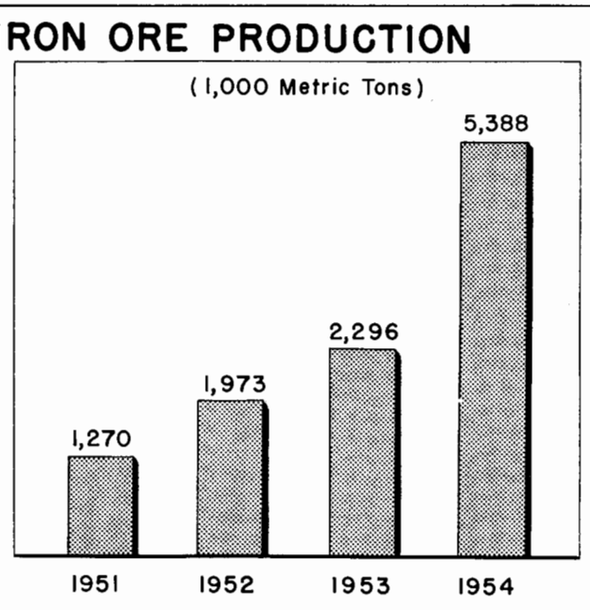
FOREIGN TRADE



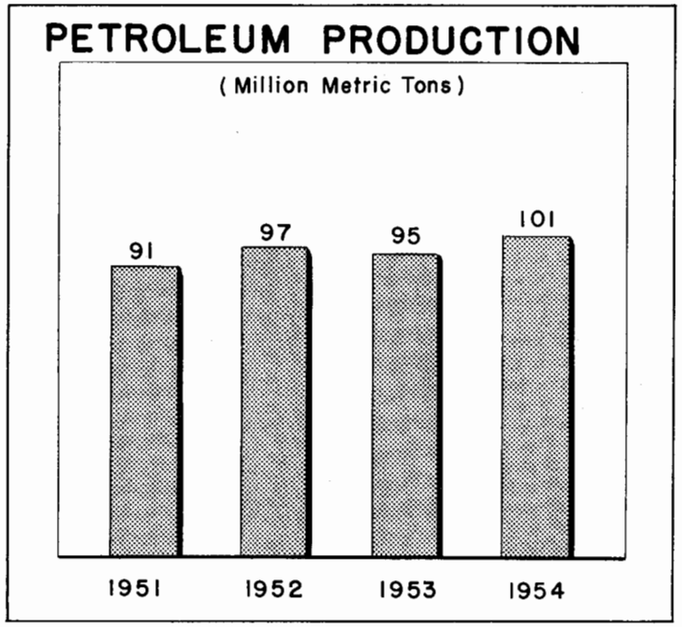
TRADE WITH U.S.



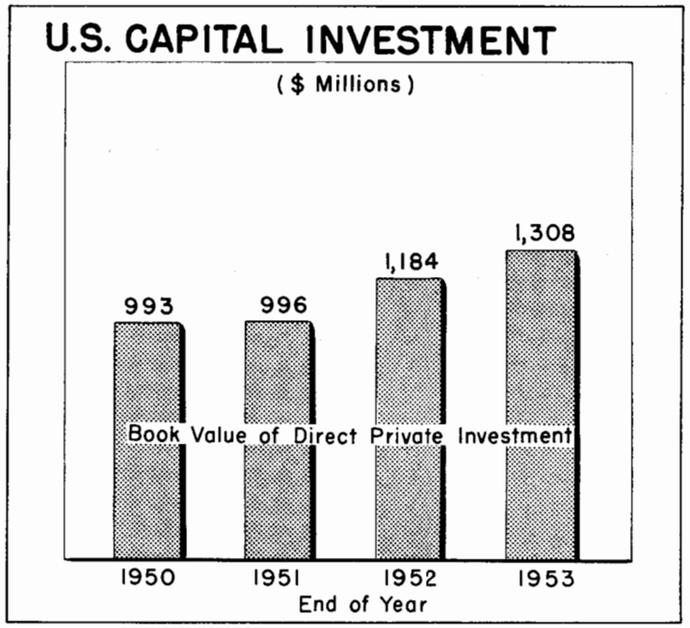
IRON ORE PRODUCTION



PETROLEUM PRODUCTION



U.S. CAPITAL INVESTMENT



LATIN AMERICA

Country: VENEZUELA

INDIVIDUAL COUNTRY DATA

Summary of Program by Function

(In thousands of dollars)

Function	Program FY 1950/54	Program FY 1955	Proposed FY 1956
Technical Cooperation	111.3	204.9	175.1
Total Country Program	111.3	204.9	175.1

General Narrative Statement

Current Situation

The industrialization of Venezuela is moving forward rapidly. The country's foreign exchange income from oil and ore resources is impressive. Sufficient domestic and foreign capital is available to develop the country.

The benefits of the Venezuelan oil and ore wealth, however, are not reaching the largest segment of the population. The majority of Venezuelans earn their livelihood from agriculture and the general standard of living of this group is low. Poor productivity characterizes most of the small and medium size farms. Health conditions and educational facilities in the countryside need attention.

The Venezuelan Government plans to expand and diversify its agricultural production and to improve health conditions and education in the rural areas. It does not, however, now have the technicians or organization to carry out these rural area programs.

The Venezuelan Government is meeting some of its technical assistance requirements by direct employment of foreign technicians. The privately sponsored American International Association and the International Basic Economy Corporation are providing technical assistance. The United Nations technical assistance program in Venezuela this year is planned to include 19 technicians and the Venezuelan Government is seeking to obtain much more assistance through this organization.

Program Objectives

It is in the United States interest to continue a cooperative program with Venezuela. Venezuela is an important supplier of oil and ores to this country. It is the second largest importer of U.S. products in Latin America. It is the objective of the limited technical cooperation program to assist Venezuela where feasible and when requested in its efforts to improve conditions of life, particularly in its rural areas.

Progress to Date

The Technical Cooperation Program to date has been limited to the field of health and sanitation.

Health and Sanitation: A sizeable number of rural water supply systems have been constructed, with the Venezuelan

General Narrative Statement (Continued)

contribution to 44 times that of the United States. The operational aspect of the program is now considered to be practically completed and only technical consultation is planned for in the future. Earlier program accomplishments included successful campaigns to control malaria, hookworm and schistosomiasis. In the current fiscal year, the program has included a nurse educator, an industrial hygiene consultant and a specialist in vital statistics, in addition to carrying on the program in rural water supply construction.

The FY 1956 Program

The proposed program for FY 1956 provides for the discontinuation of joint operational responsibility for the water supply construction program. Two technicians will continue as consultants. Technical help in the fields of industrial hygiene and vital statistics will be continued. Provision is also made for a nurse educator to help train technicians within the Ministry of Public Health.

LATIN AMERICA

Country: VENEZUELA

INDIVIDUAL COUNTRY DATA

Summary by Major Cost Components

(In thousands of dollars)

Programs by Fiscal Year	Total U. S. Cost	Supplies Equipment & Grants to Servicios	U. S. Government Technicians No. Employed June 30	U. S. Government Technicians Cost	Contract Services No. Employed June 30	Contract Services Cost	Participants No. of Persons	Participants Cost	Other Costs
Technical Cooperation									
1954	111.3	25.0	6	81.8					4.5
1955	204.9	50.0	7	130.6			1	4.5	19.8
1956	175.1		8	151.7			3	13.5	9.9

Summary by Major Activity

(In thousands of dollars)

Programs by Fiscal Year	Total U. S. Cost	Agriculture and Natural Resources	Industry and Mining	Transportation	Labor	Health and Sanitation	Education	Public Administration	Community Development Social Welfare and Housing	All Other
Technical Cooperation										
1954	111.3					111.2				.1
1955	204.9					204.8				.1
1956	175.1					175.0				.1

INDIVIDUAL COUNTRY DATA

Summary of Program by Function

(In thousands of dollars)

Function	Program FY 1954	FY 1955	Proposed FY 1956
Technical Cooperation	1,022.7	555.4	1,095.0
Total Program	1,022.7	555.4	1,095.0

General Narrative Statement

Current Situation

The Overseas Territories in the Western Hemisphere consist of the territories of the United Kingdom, France and The Netherlands in the Caribbean area, including British Guiana, Surinam and French Guiana on the northeast coast of South America and British Honduras in Central America. The island territories, once prosperous are, for the most part densely populated, with an extremely low standard of living generally based on a one-crop economy such as sugar. The mainland territories also have low standards of living, but are only sparsely populated and the vast interior areas are largely unexploited.

In the past the Metropolitan Governments have done relatively little toward economic development of these territories, but with growing political unrest they have recently been giving more attention to the area. They are now providing substantial funds and technical help to the territories. Self-government is also growing. Surinam and The Netherlands Antilles are co-equal partners with the Netherlands under a new statute of the Realm. Many of the British Territories have local self-government and with the anticipated federation of the island territories within the next year or two, are moving rapidly toward Dominion status within the British Commonwealth. While the Metropolitan Governments are now giving full support to the development in these areas, the rate of development is falling short of existing needs despite the fact that substantial funds have now been provided. This is due primarily to the inability of the Metropolitan Governments to provide certain types of technicians required.

Program Objectives

The territories in this area are of major importance to the United States in view of their strategic location as evidenced by the U.S. military bases established there in World War II. As a matter of policy, the United States is also interested in their social and economic growth and in the development of self-government in the area. The U.S. looks with favor on the prospect of a Federation of the West Indies. Some of these territorial areas are important sources of minerals and raw materials such as bauxite from Surinam, British Guiana and Jamaica, hardwoods from British Honduras, and oil from the refineries of Curacao and Aruba.

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General Narrative Statement (Continued)

The United States has agreed to provide limited technical assistance to the Overseas Territories in the form of U.S. technicians and training in order to strengthen and supplement the new development programs supported by the Metropolitan Governments. In all cases the local officials and the resident governors have requested U.S. technicians because of U.S. technical experience under similar circumstances in Latin America in certain specific fields such as agricultural extension, vocational education, health and sanitation and housing. Because of the inability of the Metropolitan Governments to provide certain types of technicians, especially those with the necessary practical experience, U.S. participation has had both a practical and psychological impact in giving required momentum to the development programs in the area.

The French departments in the area have not requested a U.S. technical assistance program and their interest has thus far been limited to sending a few trainees to Puerto Rico for vocational training and participation in the self-help housing program.

U.S. technical assistance programs for the Overseas Territories include regional programs of aided self-help housing and the Puerto Rico vocational training program and separate country programs in Surinam, British Guiana and British Honduras. Programs are being negotiated for Jamaica and with the Barbados and Windward and Leeward Islands.

Regional Overseas Territories Program for FY 1956

The 1956 program for regional projects in the Overseas Territories is described below:

Regional Housing: Housing conditions in the Caribbean Overseas Territories are so extremely poor that housing ranks high on the list of relative priorities for the area. U.S. housing technicians have been working on a regional basis in the area for several years under the sponsorship of the four-power Caribbean Commission. Their purpose has been to develop low-cost methods of construction, utilizing local materials wherever possible and employing the aided self-help approach. The program has been expanded at the request of the local governments in FY 1955 through the addition of three technicians, bringing the total staff to five. This group serves all of the Overseas Territories with the exception of Surinam and British Guiana which now have their own housing technicians on their individual staffs.

Aside from the very successful projects in Surinam where the regional housing staff initiated the program, work on projects in Barbados, Trinidad, St. Lucia, Grenada and Jamaica has been most successful. Approximately 3,000 houses were constructed due largely to the work of the U.S. technicians. Regional housing activities are planned in FY 1956.

Regional Vocational Training - (Puerto Rico): Puerto Rico's experience with problems similar to those faced by the Overseas Territories, her excellent training institutions, and proximity to the Overseas Territories are some of the reasons underlying the recent contract with the Commonwealth of Puerto Rico for the vocational training of up to 90 technicians a year from the Overseas Territories.

Seventy-five junior students attended the Metropolitan Vocational School of Puerto Rico in 1953/1954. In FY 1955 the expanded program offered training at all levels in a wider range of activities. The new agreement utilizes all available Puerto Rico institutions and provides training in agriculture, industrial arts, mechanics, electricity, building crafts, etc., as well as higher level training at the University of Puerto Rico. Training courses for the 80 new participants began in May 1955. An additional 10 grants for training at the Metropolitan Vocational School were extended from the previous year.

This program is intended to provide semi-skilled and skilled teachers and workers in the shortest possible time. The program for FY 1956 provides for the continuation of this much needed program.

General Narrative Statement (Continued)

BRITISH GUIANA

Current Situation

Soon after Great Britain had granted a large degree of local autonomy to British Guiana, a Communist dominated political party, taking advantage of the existing poor social and economic conditions, won control of the local government in the first election held under the new Constitution. Their misuse of their newly won power forced the British to suspend the Constitution and free elections in 1953 to avoid widespread rioting and complete chaos. Realizing that rapid social and economic improvement is essential as a basis for political stability and self-government, Great Britain made available $25,000,000 for an intensive development program for 1954 and 1955.

Difficulties, however, have been encountered in implementing the program as expeditiously as political realities demand. There is a shortage of senior technicians in agriculture, engineering and reclamation, and health and sanitation, and a general shortage of lower level technicians and skilled labor. Techniques to provide short-term technical training are lacking. The British Progress Report on the Development Program issued at the end of 1954, indicates that 60 projects are in operation. However, the report shows initial accomplishments have been primarily limited to the laying of ground work for the Program including the setting up of necessary organizations such as Credit Corporation, Housing Department, Drainage and Irrigation Department, etc. The report stresses that great difficulty is being encountered in recruiting the senior technical staff required owing to the shortage of British technicians.

Program Objectives

U.S. interest in British Guiana is not merely confined to the need for political and economic stability in the area. U.S. trade with British Guiana has been growing steadily and this country is a potential source of strategic minerals and raw materials required by the United States.

At the request of Great Britain, the United States under the agreement of June 12, 1954 is providing technical cooperation to support the new over-all development program. The U.S. is supplying technicians and training in those agreed fields where the United States can make the greatest contribution. Although the U.S. program has only been in operation one year it has had great psychological value in stimulating British and local efforts and is giving momentum to the new development program.

U.S. program objectives are to help:

1. Implement the development program with the objective of establishing internal economic and social conditions favorable to an early restoration of local self-government.

2. Carry out the experimental work and establish the extension services required for expansion and diversification of agriculture by small independent farmers.

3. Strengthen the public works organization in order to expedite completion of reclamation and irrigation projects, and the construction of roads.

4. Strengthen the public health system.

5. Organize and implement a country-wide housing program.

6. Utilize all available resources for the purposes of the development program and to give proper consideration to the development of the interior.

Progress to Date

The U.S. technical cooperation program in British Guiana is being carried out under a contract between FOA and the University of Maryland. The contract provides a staff of 18 technicians in agriculture, reclamation and resettlement, transportation, sanitary engineering and housing. The first year of the program under the contract has involved recruitment of the full

BRITISH GUIANA

BASIC DATA

		Br. Guiana	L.A.	U.S.
Population (1954)..... millions	0.4	Life expectancy..		
Annual growth..... percent	3.6	..... years	51	45 97
Area.....1,000 sq. mi.	83	Road miles.....		
Agricultural land..... percent	5.7	per 1,000 sq. mi.	7	70 1,100
Agricultural land per capita acres	6.5	Elec. power per capita KWH per yr.	96	170 3,165

TRADE AND PAYMENTS

	1938	1951	1952	1953	1954[a]
		(Millions of US $)			
Exports, f.o.b.....	12	34	48	49	
Imports, c.i.f.....	11	39	48	42	
Trade balance.....	1	-5	-	7	
Principal exports					
Bauxite: Quantity..... 1,000 MT	287	2,035	2,323	2,149	2,000
Value..... $ millions	n.a.	n.a.	n.a.	13	14
Sugar: Quantity..... 1,000 MT	182	177	238	215	
Value..... $ millions	n.a.	n.a.	n.a.	n.a.	
Trade with U.S. (U.S. Customs data)					
Exports to U.S.....		2	3	4	4
Imports from U.S.....		5	6	3	5
Balance.....		-3	-3	1	-1

EXTERNAL RESOURCES

	1950	1951	1953	1954	Program 1955	Program 1956
		(Millions of US $)				
FOA obligations (fiscal years).....	-	0.1	-	0.6	0.1	0.3
			(calendar years)			
Ex-Im Bank disbursements.....	-	-	-	-		
IBRD disbursements.....	-	-	-	-		

* Less than $500,000 n.a. - Not available P-Preliminary E-Estimate

a 1954 data partly preliminary or estimated

b Crop years beginning in year stated

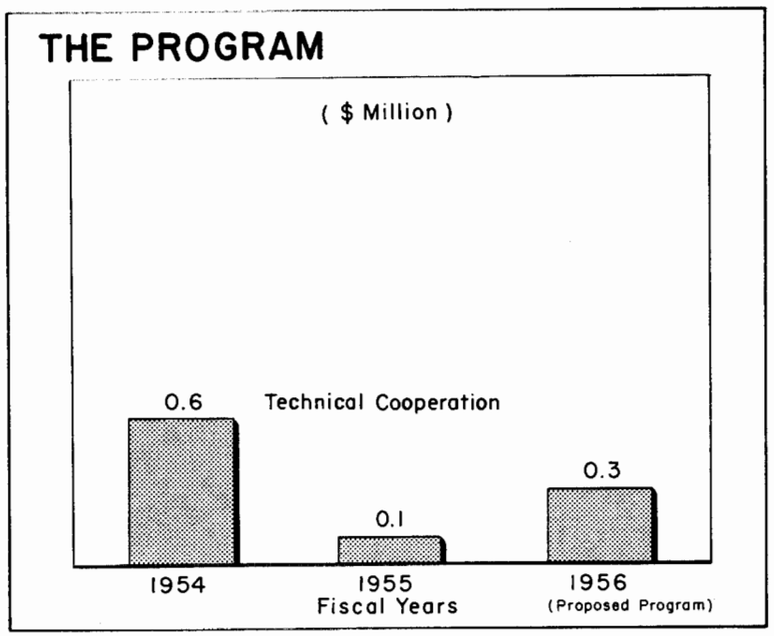
PRODUCTION

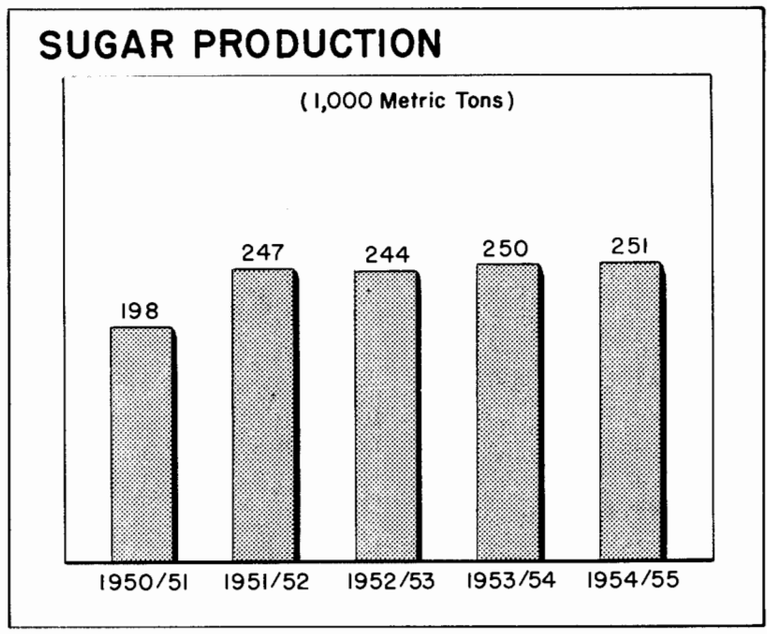
	Unit	1938	1951	1952	1953	1954[a]
Major crops[b]						
Sugar	1,000 MT	191	247	244	250	251
Rice	1,000 MT	70	111	125	134E	
Major industries:						
Bauxite.....	1,000 MT	344	2,107	2,426	2,311	
Electricty.....	million KWH	n.a.	38	43	44E	
Diamonds.....1,000 Metric Carats		37	43	38	35	26

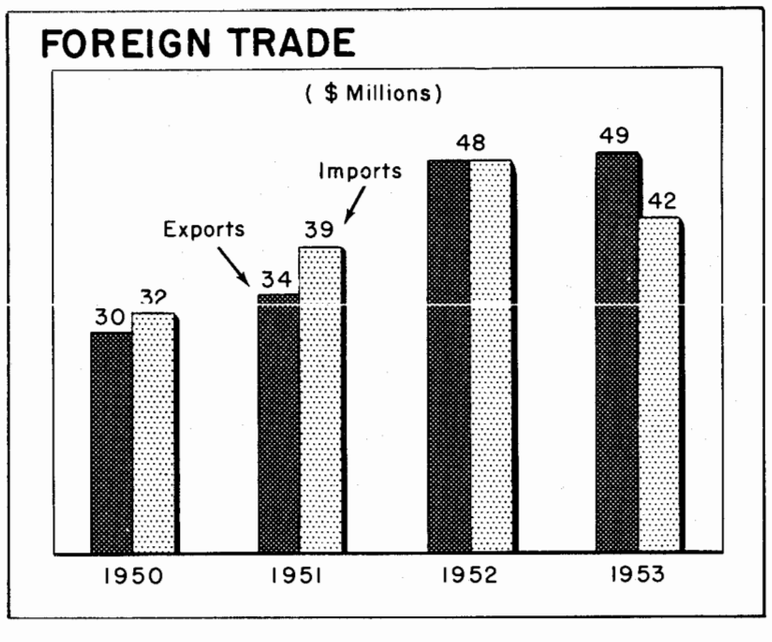
FINANCES

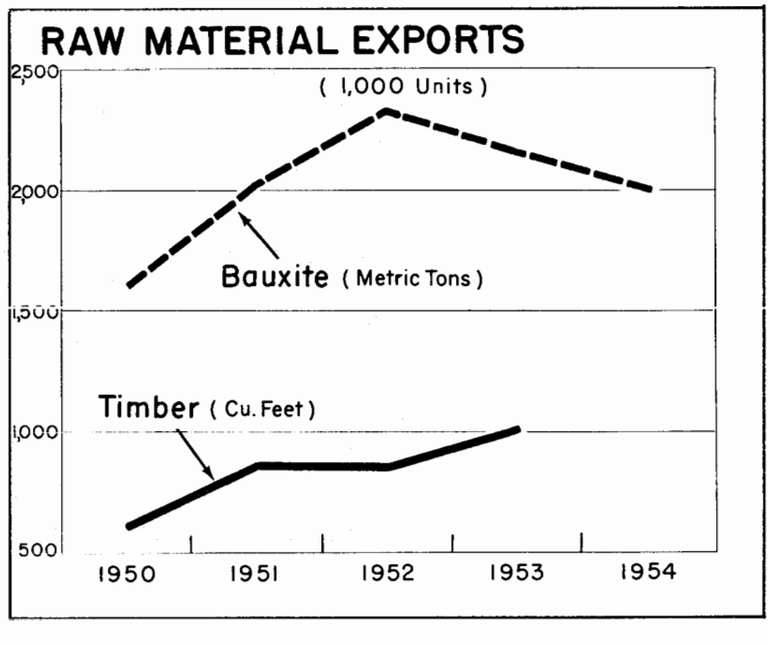
	1951	1952	1953	1954	1955
	(millions of US $)				
Central government budget (calendar years)					
Revenue	15.4	18.8	19.3		
Expenditure	15.2	18.0	19.0		
Surplus or deficit (-)	0.2	0.8	0.3		
As % of total revenue	1%	4%	2%		
Prices (index 1948=100)					
Cost of living: Georgetown.....	122	136	136	140	

BRITISH GUIANA









General Narrative Statement (Continued)

staff of technicians. Accomplishments during this period include, in addition to the psychological impact already noted, the completion of a short course for surveyors by training engineering professors. This eliminated a program bottleneck by providing 32 local technicians for work on the coastal reclamation projects under the development program. U.S. agricultural technicians have also been assisting on crop diversification, soils survey, animal husbandry and extension practices. U.S. housing and community development technicians have assisted in the organization of the local housing department and in getting 800 houses into production before the end of 1954. Progress has also been made on the development of new designs, production and standardization of materials, and in training and developing demonstration projects for the aided self-help programs. Aside from contract technicians, U.S. technicians were furnished to assist in a minerals survey and to train local geologists in the location and evaluation of mineral deposits. Training in Puerto Rico and the United States has been provided for local technicians in a variety of fields.

The FY 1956 Program

The proposed program provides for the continuation of activities begun in FY 1955 and is designed to provide additional assistance required by the development program in FY 1956. On the basis of the Mission Director's recent survey of the interior, we are encouraging the British to give more attention to the possibilities of opening up this area on a priority basis under the development program.

Agriculture: The object of this project is to assist in carrying out programs required for expansion and diversification of agriculture by small farmers. The economy of British Guiana has been almost entirely dependent on sugar cane which is cultivated on large estates and the experimentation and extension services to help small farmers have not been developed. A great part of the work of the University of Maryland field party will be to help organize more balanced agricultural activities and to train the technicians needed to enable small farmers to expand and diversify their production.

The opening up of new areas for farming and resettlement is an important part of the development program. An extensive soils survey of selected areas along the coast to determine soil-use potentiality is now in progress and is expected to take about 18 months to complete. The survey was organized and planned by a University of Maryland soils expert during FY 1955 and two additional experts in soils classification will assist in carrying out the survey in FY 1956.

Reclamation: To increase and diversify agriculture new lands must be brought into production. It is expected that reclamation efforts for the time being will be concentrated along the fertile coastal belt. Much of this land is below the high tide level, so, dykes must be built and the land drained. To assist in carrying out reclamation projects a reclamation engineer, a resettlement advisor and a rural sociologist-economist have been requested by the British Guiana Government for FY 1956. It is planned that the training course in basic surveying given last spring will be repeated in FY 1956 by instructors from the University of Maryland.

Industry and Mining (Geology): A project has been developed to strengthen the facilities of the British Guiana Geological Survey by training young geologists in the appraisal of ore deposits. This project is a result of a survey visit by the Chief of the Foreign Geology Branch, U.S. Geological Survey. During FY 1956, a photo-geologist will be assigned for approximately six months to this project.

Transportation: A greatly improved road system is imperative for the further economic development of British Guiana. The Public Works Department is responsible for the maintenance of existing roads and the planning of new ones. A skilled U.S. highway engineer is to be assigned to help strengthen the facilities of the Public Works Department for the maintenance and construction of roads.

Health and Sanitation: The services of a health educator, a public health nurse and a sanitary engineer are planned to assist in the strengthening of the Public Health system. The system needs to be expanded to permit the opening up of new agricultural land and the establishment of new communities.

General Community Development: This project is aimed at helping to organize and carry out community development projects in order to utilize community and family efforts to solve their own problems using their own available resources.

One directly employed U.S. technician is now on duty in British Guiana advising the Government and helping on the organization of community development projects. This advisor works with local officials, and other groups, relative to community development activities in agriculture, health and

General Narrative Statement (Continued)

sanitation, reclamation, irrigation, housing, etc. One of these projects is to organize and carry out a large-scale self-help housing program throughout the country. One of the main sources of social unrest in British Guiana has been the extremely poor level of housing and shelter throughout the country. It is very important that the planned large-scale program be carried out expeditiously. Through February 1955, seven groups of individuals in various parts of the country have begun construction of their own homes on a self-help basis. It is expected that 30 to 40 additional groups will begin work during 1956. A civil engineer has been requested to advise on planning of new communities.

SURINAM

Current Situation

On December 29, 1954, a statute was approved which confirmed the autonomous position that Surinam has enjoyed within The Netherlands Kingdom since 1950. With the exception of foreign affairs and defense, Surinam manages its own affairs through an elected legislature and chooses a representative, who sits with the Dutch Cabinet with the rank of Minister. Surinam desires technical guidance from the United States to help in its development.

Surinam has only a small population in relation to its size. Considerable mineral, timber and agricultural resources are present. The country is covered by dense tropical forests and traversed by deep rivers, which make access to timber and mining areas very difficult. The small population inhibits the development of enterprises requiring a large labor force. Vocational training facilities need be improved and expanded to provide the technicians and skilled labor. The proven agricultural lands lie along the coast, below sea level, and require expensive reclamation work to be placed in production. Present agricultural production is not sufficient to meet internal demands. Rice is the dominant crop. Agricultural diversification is needed. Public health services and housing are inadequate.

Surinam has a favorable dollar balance due to bauxite production, but recognizes the danger of basing its economy on this one major export. Lastly, capital is needed to finance further development.

Surinam's problems are being attacked by a Ten Year Development Program, prepared with the assistance of the International Bank for Reconstruction and Development. The necessary financing has been arranged in the amount equivalent to approximately $65,000,000 U.S. of which The Netherlands and Surinam will supply two-thirds (grants and loans) and one-third, respectively.

Program Objectives

Surinam with its autonomous position in the area is the chief source of U.S. imports of bauxite and looks to the United States for independent technical advice in building its economy. The United States interest in the development of self-government and political and economic stability in this area is a matter of national policy. U.S. participation in the long-range development program is restricted to those fields in which Surinam and The Netherlands Government believe U.S. technicians can make the greatest contribution.

The long-range objectives of the technical cooperation program are to help:

(1) Determine the resources available for development and the requirements for such development.

(2) Increase agricultural production by improving the extension service and by crop diversification.

(3) Provide additional skills through in-service training of local technicians and by training in the United States.

(4) Increase the number and the efficiency of skilled and semi-skilled labor by a vocational education program.

SURINAM

BASIC DATA

			Suri-nam	L.A.	U.S.
Population (1954).....millions	0.2	Infant mortality .....per 1,000 births	45	87	28
Annual growth ..... percent	3.1	Road miles per 1,000 sq.mi.	5	70	1,100
Area..... 1,000 sq.mi.	55	Elec. power per capita ..... KWH per yr.	56	170	3,165
Agricultural land .....percent	0.2				
Agricultural land per capita... acres	0.4				

TRADE AND PAYMENTS

	1938	1951	1952	1953	1954[a]
	(millions of US $)				
Exports, f.o.b.....	3	21	24	26	
Imports, c.i.f.....	4	24	30	29	
Trade balance.....	-1	-3	-6	-3	
Principal exports					
Bauxite: Quantity..... 1,000 MT	378	2,675	3,155	3,209	3,272
Value.....$ millions	2	17	19	21	21
Trade with U.S. (U.S. Customs data)					
Exports to U.S.....		16	21	21	21
Imports from U.S.....		8	11	9	8
Balance.....		8	10	12	13
Balance of payments					
Balance on goods & services.....		-4	-1	*	
Net capital.....		4	1	*	
Private.....		3	2	2	
Official and banking.....		1	-1	-2	
Change in gold & exchange reserves.....		n.a.	n.a.	+2	
Gold and foreign exchange reserves (end of yr.)		n.a.	11	13	

EXTERNAL RESOURCES

	1950	1951	1952	1953	1954	Program 1955	Program 1956
	(millions of US $)						
FOA obligations (fiscal years).....	-	1.5	-	-0.2	0.2	0.2	0.3
	(calendar years)						
Ex-Im Bank disbursements.....	-	-	-	-	-		
IBRD disbursements.....	-	-	-	-	-		

PRODUCTION

	Unit	1938	1951	1952	1953	1954[a]
Major crops:						
Rice[b]	1,000 MT	29[c]	58	54	58[E]	
Major industries:						
Electricity	1,000 KWH	1,210	10,180	11,610	13,170	
Bauxite mining.....	1,000 MT	377	2,700	3,168	3,273[P]	3,300

FINANCES

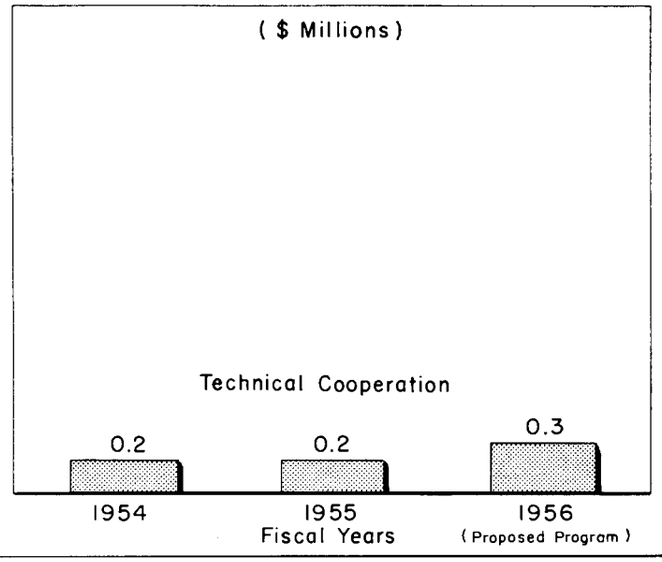
Central government budget	1951	1952	1953	1954	1955
			(millions of US $)		
Revenue	14.4	18.3	17.3		
Expenditure.....	16.0	19.8	20.7		
Surplus or deficit (-).....	-1.6	-1.5	-3.4		
As % of total revenue	-11%	-8%	-20%		

* Less than $500,000 n.a. - Not available. P - Preliminary. E - Estimate.

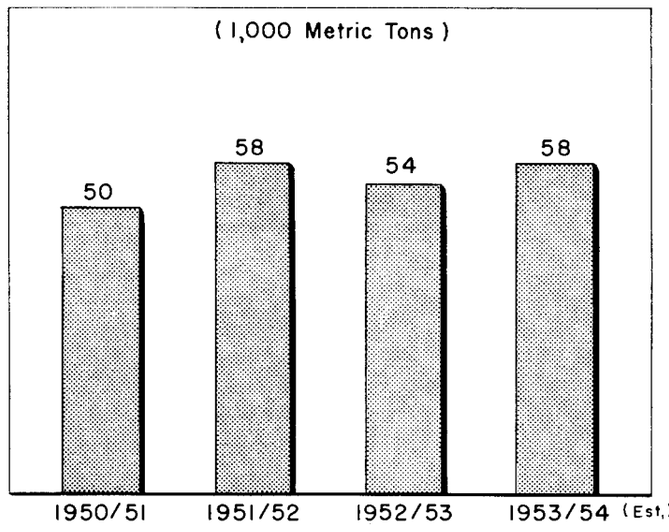
a 1954 data partly preliminary or estimated.
b Crop years beginning in years stated.
c Prewar average

SURINAM

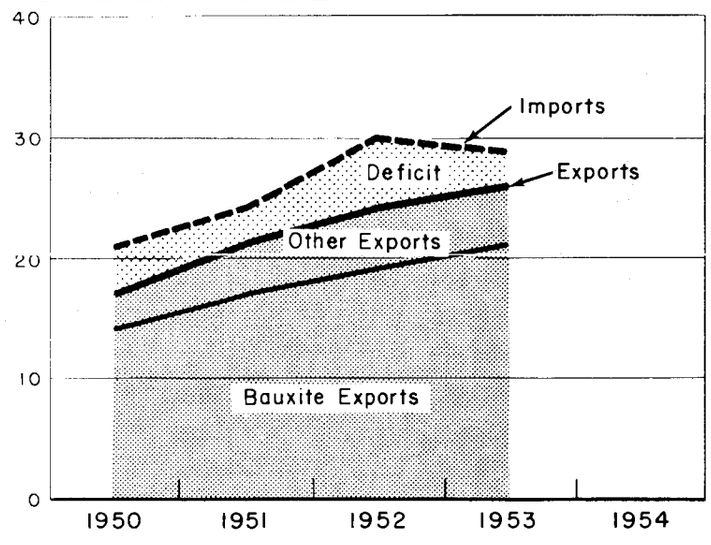
THE PROGRAM



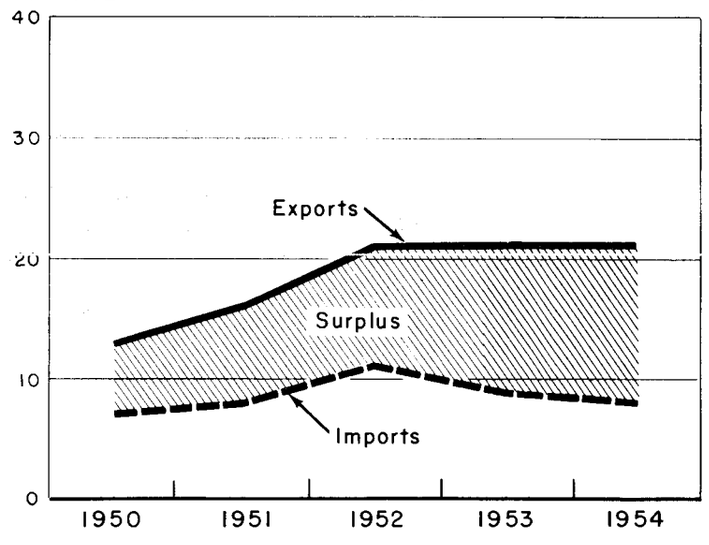
RICE PRODUCTION



FOREIGN TRADE



TRADE WITH THE U.S.



General Narrative Statement (Continued)

(5) Establish an effective rural public health program.

(6) Carry out a 10-year housing plan.

(7) Build up small industries by furnishing technical information.

Progress to Date

The first year of the technical cooperation program operations has been received with enthusiasm by Surinam and Dutch officials. U.S. technicians are operating as a combined field party which is attached to a general "Servicio" with a single joint fund. In agriculture, three full-time advisors have been working on projects in extension, horticulture and home economics. A preliminary study of the timber industry has been completed. The health staff was recruited only recently and is beginning work on the establishment of several rural demonstration health centers. Surinam is constructing a new technical school and one U.S. technician is assisting with curriculum developments, equipment selection and teacher training. He is also serving as an advisor to the Surinam Department of Education. The school will increase the supply of skilled technicians for industry, agriculture, mining and the building trades. Another U.S. technician is assisting in the establishment of the housing department to administer the large housing activity under the new development program. He has also assisted on the aided self-help housing program which has been responsible for the construction of 400 houses in the last year.

The FY 1956 Program

In addition to the continuation of existing activities in agriculture, health, vocational education and housing, the FY 1956 program includes additional technicians needed to provide assistance under the new development program.

Agriculture and Natural Resources: Short-term consultants in soils classification and lumbering and training in the United States are planned, in addition to a continuation of services by the extension specialist, the agronomist and the home economist.

Industry and Mining: A specialist in handicraft and small industry development and training in the United States is programmed.

Health and Sanitation: The four-man health team will continue to assist on the preventive side of the health program. Funds are programmed for the establishment of the rural demonstration health centers and for training in the United States.

Education: One U.S. technician will continue to advise and assist on developing vocational training at the new trade school. He will also assist in the introduction of vocational training in agriculture, health, machine trades and home economics in the rural elementary schools.

Public Administration: A resources management specialist is programmed. He will advise the USOM Director on program planning matters and will advise the local Government on implementation of the development program.

Community Development - Housing: Technical assistance on Surinam's extensive housing program will continue. Training of participants in the United States or Puerto Rico is planned.

BRITISH HONDURAS

Current Situation

British Honduras has an economy based on its forest resources which are being depleted. The population is only 75,000 and there has been little agricultural development to date. Agricultural resources must be developed to provide adequate employment and a sound economic basis for local self-government. The geographic remoteness of British Honduras contributes to the static condition of its economy.

General Narrative Statement (Continued)

The Development Plan outlined initially in 1946 has thus far been unable to produce desired results even with adequate funds available. Primary deterrents to economic development have been the shortage and unskilled nature of local manpower, and the lack of qualified technical and managerial help from abroad.

Program Objectives

Providing technical assistance to British Honduras is consistent with U.S. policy. Her people, long familiar with the American Jesuit activities in that country, have been impressed by U.S. methods and accomplishments. British Honduras is a source of hardwoods and other raw materials for the U.S.

Our immediate program objectives are to assist British Honduras in its efforts to strengthen and diversify its agriculture, to improve its transportation and housing and to increase the availability of technical skills.

Progress to Date

At the request of the Colonial Office, a small U.S. planning team was sent to British Honduras to evaluate the situation in cooperation with British and local officials. Their purpose was to determine needs and types of possible U.S. technical assistance. The planning mission recognized the need for technical assistance in many fields and observed the urgent need of getting something started at once to bolster and improve economic conditions in order to maintain political stability. Consideration was given to the recent IBRD recommendations and to the new five-year development program. The team's recommendations included a limited technical assistance program designed to support the new development program. This recommended program includes three to four full-time technicians and provision for the short-term use of U.S. technicians assigned to Missions nearby. Emphasis in the new development plan is on agricultural diversification, with additional help in vocational education, sanitary engineering, rural self-help housing, lumbering wood processing and transportation. It is anticipated that a formal agreement will be negotiated and that U.S. technicians in agriculture, community development (housing), sanitary engineering and vocational education will begin work late in FY 1955.

The FY 1956 Program

The proposed program is based on the recommendations of the planning team which resulted in a request for assistance from the local Government and the Colonial Office. It is limited to furnishing several U.S. technicians and a small number of training grants in the U.S. and Puerto Rico.

Agriculture and Natural Resources: This program includes U.S. agricultural technicians in extension and vocational agricultural education and consultants in agronomy, credit and marketing, food processing, lumbering and wood processing in order to develop a basis for agriculture and to provide for its diversification.

Transportation: Provision is made for a part-time consultant in order to open up new areas for agricultural development and to provide access roads for timber.

Vocational Education: British Honduras lacks the skilled and semi-skilled labor required to meet the needs of the development program. The U.S. has been requested to provide a full-time vocational education specialist to assist in the strengthening and expansion of the local trade school and to develop vocational training in the rural elementary schools. Provision is also made for several training grants in the U.S. and Puerto Rico.

Community Development (Housing): Provision is made for a full-time U.S. community development advisor, assisted by housing technicians on loan from the regional Dependent Overseas Territories housing program, in order to establish agricultural communities in new areas and to provide adequate housing facilities.

General Narrative Statement (Continued)

JAMAICA

Current Situation

Jamaica is the largest of the British Islands in the West Indies. Its primary problems are of population pressure, low productivity and unemployment. Rapid economic development measures are required to provide a sound economic basis for political stability and self-government. Great Britain is supporting a long-range development plan intended to place Jamaica on a sound economic basis and has given the Jamaicans a large share of local self-government.

Program Objectives

Jamaica's close proximity to the United States, her growing trade with the U.S., her position in the forthcoming Federation of the British West Indies and a strong desire for American cooperation bring her closely into the sphere of U.S. interests in the area.

British and Jamaican officials have requested U.S. technical assistance in order to speed up the development program and to supplement their own technicians in those fields where U.S. experience can make a greater contribution. Jamaican officials also believe that U.S. technical assistance will contribute to closer relationships with and a better understanding of the U.S.

Progress to Date

At the request of the Governor of Jamaica a U.S. planning group visited the island in February, 1955 to survey with local officials the nature and extent of possible U.S. technical assistance within prescribed terms of reference. Discussions were limited to the fields of agriculture, public health and vocational education. The U.S. planning group's recommendations call for a staff of nine U.S. technicians and for the training of approximately 12 to 15 local technicians a year in the U.S. and Puerto Rico, specializing in agriculture. It is anticipated that a formal agreement will be negotiated and that the first technicians for the new program will arrive in FY 1955.

The FY 1956 Program

The proposed FY 1956 program includes a small staff of U.S. technicians to provide technical cooperation in support of Jamaica's new development program on specific activities within such limits as may be agreed upon by the U.S., local officials and the United Kingdom.

Agriculture and Natural Resources: The Agricultural Extension Service of Jamaica requires assistance in developing its field agent activity through in-service training programs to teach them effective extension methods. A U.S. extension specialist is provided to serve as advisor to the ministry in developing and improving the extension service and to serve as the senior U.S. agriculture technician. The services of a specialist in information and visual aids is provided to assist on the extension program.

Farm credit at the moment is so restrictive that it is of little use to the farmers. A more liberal credit system must be developed if Jamaican agriculture is to expand. One U.S. technician is included in the program to plan and establish a supervised credit system.

Successful execution of the land projects in the Jamaican development program will depend on cadastral surveys (land surveys) which have not yet started. The Ministry of Agriculture and Lands has requested a U.S. technician to organize a cadastral division and advise on the planned surveys. A shortage of surveyors is delaying progress of land development projects, soil surveys and irrigation projects. The U.S. has been asked to provide a short course in surveying similar to that recently conducted in British Guiana. The foregoing engineering services will be provided under the existing contract with the University of Maryland.

Three training grants in the U.S. are planned and vocational training will be provided in Puerto Rico.

General Narrative Statement (Continued)

Industry and Mining: One U.S. ground-water geologist is included in the program plan to assist in organizing and supervising ground-water investigations in one or two selected areas, to train local personnel, and to advise on Jamaica's geological mapping project. This project is important since the distribution of annual rainfall in Jamaica makes irrigation a necessity.

Health and Sanitation: Sanitary engineering as it is known in the United States is not included in the Jamaican health program. A sanitary engineer is required as an advisor to the Health Department for the training of the sanitarians to serve with the parish health units. Jamaica has just begun its work on health education and requires additional guidance. One U.S. technician is programmed for this purpose. Another U.S. technician is included to assist in nutrition work.

Vocational Education: Jamaica's lack of agricultural and industrial skills and managerial talent is a deterrent to the acceleration of its development program, especially in the agricultural and food processing sector. A U.S. technician will assist the Ministry of Education and Social Welfare in the development of an organized program for vocational agricultural education.

BARBADOS, WINDWARD AND LEEWARD ISLANDS

Current Situation

Economic and social conditions in these islands are extremely depressed. Practically all of them are dependent on sugar. Population pressures are very strong, especially in Barbados, the most important territory in this group. Great Britain is supporting development programs for these territories by providing funds and technical guidance. These islands will become a part of the British West Indian Federation which is planned to become a part of the Commonwealth.

Program Objectives

The Government of Great Britain has requested the United States to furnish agricultural technicians to work with the Colonial Development and Welfare Organization on the individual development programs in this group of islands. A small team of U.S. agricultural technicians has been requested to advise on the production of local foodstuffs for home consumption, and on marketing and soil conservation.

Progress to Date

It is anticipated that a formal agreement will be negotiated and that the first technicians will arrive in FY 1955.

The FY 1956 Program

Agriculture and Natural Resources: Work in this field will be directed toward increased production and improved marketing arrangements for local foodstuffs. This is one of the most pressing and urgent problems in the West Indies. In the past, attention has primarily been focussed on major export crops. Food and vegetable production, capable of substantial expansion through the development of external markets within the area, has been neglected.

The program includes four U.S. agricultural technicians, an agricultural economist, extension specialist, vegetable horticulturist and a soils specialist. Training in the United States and Puerto Rico is planned and a limited number of participants from Trinidad would be included in the training program.

INDIVIDUAL COUNTRY DATA

Summary by Major Cost Components

(In thousands of dollars)

Programs by Fiscal Year	Total U. S. Cost	Supplies, Equipment & Grants to Servicios	U. S. Government Technicians		Contract Services		Participants		Other Costs
			No. Employed June 30	Cost	No. Employed June 30	Cost	No. of Persons	Cost	
Technical Cooperation									
1954	1,022.7	150.0	3	59.8		750.0	16	34.4	28.5
1955	555.4	50.0	11	216.2	11	150.0	42	104.3	34.9
1956	1,095.0	50.0	27	551.9	14	275.0	58	161.0	57.1

Summary by Major Activity

(In thousands of dollars)

Programs by Fiscal Year	Total U. S. Cost	Agriculture and Natural Resources	Industry and Mining	Transportation	Labor	Health and Sanitation	Education	Public Administration	Community Development, Social Welfare and Housing	All Other
Technical Cooperation										
1954	1,022.7	51.4					4.0		57.3	910.0
1955	555.4	117.6	20.0	3.0		42.5	29.2	11.5	108.3	223.3
1956	1,095.0	305.3	57.5	7.0		140.7	69.7	18.0	146.8	350.0

LATIN AMERICA

REGIONAL PROJECTS

UNDISTRIBUTED BY COUNTRY

Summary of Program by Function

(In thousands of dollars)

Function	Program FY 1954	Program FY 1955	Proposed FY 1956
Technical Cooperation	1,113.2	1,076.6	1,199.4

General Narrative Statement

Program Objectives

The primary purpose for regional or multi-country technicians is to service the specialized short-term needs of the individual country programs. In addition, the Regional account includes funds for projects involving the furnishing of services by contract or otherwise in those instances where it is difficult or impossible to pro-rate the costs among the countries benefitting from the services.

Progress to Date

Agriculture and Natural Resources: In the field of agriculture and natural resources there were included technicians to operate the regional rubber research program, specialists in the fields of machinery pool operation and maintenance, plant pathology, and forestry and technical reports. A three-year contract with the Inter-American Institute of Agricultural Sciences was signed during FY 1955. It provides backstopping services for country programs in the field of coffee and cacao production and marketing, in the general field of agricultural information and communications, and in the training of Latin American participants in agriculture and home economics.

Industry and Mining: Provision was made for projects undertaken on a regional basis to supply training films, technical materials and exhibits to the country programs. One regional technician was provided.

Transportation, Communications and Power: The regional program in this field was limited to civil aviation. The Regional Civil Aviation group, headquartered in Panama, serviced the specialized needs of the several country civil aviation programs, as well as advising when requested in the establishment of new programs. These technicians provided technical advice in the following fields of civil aviation: safety regulations, airport management, airport engineering, electrical engineering, airways operations, meteorology and aircraft inspection.

Labor: Funds were provided to finance regional projects jects for the preparation of films, printed materials, exhibits, and a labor digest.

Health and Sanitation: Regional technicians are providing specialized assistance to the country programs in the fields of industrial hygiene, sanitary engineering, public

General Narrative Statement (Continued)

health nursing, nursing education, health education and general public health. A contract between FOA and the Commonwealth of Puerto Rico provides training facilities and instruction in the field of public health. FY 1955 marked the first year of a three-year contract between FOA and the American Hospital Association under which the Association has been providing technical assistance in the improvement of hospitals and hospital services in Latin America. It is expected that before the end of FY 1955 a three-year contract will be signed between FOA and Harvard University to provide consultation and technical backstopping on a regional basis in the field of nutrition.

Public Administration: Regional technicians are providing specialized advice to country programs in the fields of organization and methods; procurement, warehousing and supply; personnel administration; and census cartography.

General and Miscellaneous: Two visual aids specialists are also included in the regional program.

The FY 1956 Program:

The proposed regional program for FY 1956 is essentially a continuation of the current program, with such minor variations as may be required to provide the specialized technical support required by the country programs.

INDIVIDUAL COUNTRY DATA

Summary by Major Cost Components

(In thousands of dollars)

Programs by Fiscal Year	Total U. S. Cost	Supplies, Equipment & Grants to Servicios	U. S. Government Technicians: Number Employed June 30	U. S. Government Technicians: Cost	Contract Services: Number Employed June 30	Contract Services: Cost	Participants: No. of Persons	Participants: Cost	Other Costs
Technical Cooperation									
1954	1,113.2		16	610.1		149.4		150.9	202.8
1955	1,076.6		29	512.5	3	298.0			266.1
1956	1,199.4		32	521.8	12	448.0			229.6

Summary by Major Activity

(In thousands of dollars)

Programs by Fiscal Year	Total U. S. Cost	Agriculture and Natural Resources	Industry and Mining	Transportation	Labor	Health and Sanitation	Education	Public Administration	Community Development Social Welfare and Housing	All Other
Technical Cooperation										
1954	1,113.2	319.2	56.5	158.0	80.2	330.3	63.1	105.9		
1955	1,076.6	538.8	42.5	166.1	30.6	177.0		78.0	5.0	38.6
1956	1,199.4	485.5	50.0	202.6	50.0	279.2		78.0	21.4	32.7

LATIN AMERICA

ORGANIZATION OF AMERICAN STATES

Summary of Program by Function

(In thousands of dollars)

Function	Program FY 1954	FY 1955	Proposed FY 1956
Technical Cooperation	693	1500	1500
US Pledge to CY program	1000		
Credit from prior year contribution	- 148		
Total obligation, FY 1954 funds	852		
Adjustment of prior year obligations	- 159		
Net obligations, FY 1954	693		

General Narrative Statement

The Organization of American States Technical Cooperation Program provides an opportunity on a multilateral basis together with the United States for the Latin American countries to participate in a cooperative effort to further the economic development of Latin America. In contrast to the United States bilateral and United Nations programs of technical assistance, which provide direct technical assistance to individual countries, the OAS program consists entirely of regional projects. It is limited to the establishment and support of regional training centers. OAS technical assistance funds provide an additional technical training staff for existing educational institutions and provide fellowships for trainees from all the countries of Latin America to attend the centers. At the end of the courses the trainees return to their own countries to assist in organizing similar training programs there. The calendar year 1955 program consists of nine such projects, of which seven were in full operation in December 1954.

The Inter-American Rural Normal School, located in a teaching training institution in Venezuela, is a working example of an OAS project. Rural elementary education is the only formal education which millions of Latin Americans receive and it is deficient primarily because of the lack of properly trained teachers. The rural normal school training center will operate for a period of four years, and will give two courses of two years each. OAS technical assistance funds will provide a total of 105 scholarships for the two courses, plus the services of eight professors and certain equipment for the school. Each of the American Republics has been invited to send five rural teachers to the center. Upon completion of the project each of the countries will have a number of teachers better qualified to organize and operate rural education facilities. Venezuela will continue to operate this training center for the benefit of all member states after the OAS project is terminated.

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General Narrative Statement (Continued)

The Inter-American Economic and Social Council, an organ of OAS, has subordinate to it a Coordinating Committee on Technical Assistance composed of one representative from each of the Inter-American agencies which carry out the projects. These agencies include the Pan American Union, Inter-American Indian Institute, Inter-American Institute of Agricultural Sciences, Inter-American Statistical Institute, American International Institute for the Protection of Childhood, Pan American Institute of Geography and History, and Pan American Sanitary Bureau. Close coordination is maintained with the United States bilateral and the United Nations technical assistance programs.

For each of the first four years of the program, 1951-1954, the United States pledged $1 million with the proviso that the United States contribution would not exceed 70 percent of the total contributions. In 1954 pledges from 19 governments to the special OAS technical assistance account totalled $1,430,892, of which the United States pledge, at 70 percent of the total, amounted to $1 million.

Based on the increased interest of other governments in the program and the increasing effectiveness of the program, the United States increased its offer in 1955 to $1,500,000, also subject to the proviso that the United States contribution would not exceed 70 percent of total contributions. Pledges from 20 governments to the 1955 account as of March 18, 1955 totalled $1,597,900, of which the United States contribution at 70 percent would amount to $1,118,530. Seven Latin American countries have so far increased their pledges over 1954.

In addition to the contributions which they make to the special account, the host countries also furnish local support to the projects in the form of local personnel, services, supplies and equipment, training materials, etc. In 1954 these contributions by the host countries amounted to approximately $200,000, which is in addition to an estimated $2 million already being provided in land, facilities and buildings.

In view of the effectiveness and popularity of the program as demonstrated by the increasing contributions made by several of the Latin American countries, it is proposed that the United States should again in 1956 offer the amount of $1,500,000. Authorization and appropriation are therefore requested for a United States contribution in that amount. The United States contribution will not exceed 70 percent of total contributions.

LATIN AMERICA

TECHNICAL COOPERATION PROGRAM OF THE ORGANIZATION OF AMERICAN STATES (OAS)

Summary of Allocations by Projects

Title of Project	Cooperating Agency	Host Government (s)	C. Y. 1954	C. Y. 1955	Proposed C. Y. 1956 a/
Inter-American Training Center for Economic and Financial Statistics	Inter-American Statistical Institute	Chile	$ 153,646	$ 173,103	
Inter-American Housing Center	Pan American Union	Colombia	199,157	231,241	
Inter-American Rural Normal School	Pan American Union	Venezuela	153,708	186,176	
Inter-American Training Center for the Evaluation of Natural Resources	Pan American Institute of Geography and History	Brazil	140,199	156,058	
Workshops on the Administration of Children's Services	American International Institute for the Protection of Childhood	Uruguay	29,527		
Technical Education for the Improvement of Agriculture and Rural Life	Inter-American Institute of Agricultural Sciences	Cuba Peru Uruguay	459,093	532,560	
Pan American Aftosa Center	Pan American Sanitary Bureau	Brazil	205,326	266,614	
Subtotal, Projects			1,340,656	1,545,752	
Administration			76,962	84,660	
Total Program			1,417,618	1,630,412	2,143,000 a/
Proposed U. S. Contribution at 70 percent					1,500,000

a/ The program for calendar year 1956 has not yet been considered by the Coordinating Committee. It is estimated that many of the projects in operation in 1955 will be continued in 1956, and some new projects will be added. It is further estimated that increased contributions from governments will result in a larger program in 1956.

NON-REGIONAL

EXCERPT FROM PRESIDENT'S MESSAGE

"....Our programs of national action are not in any manner a substitute for United Nations action in similar fields. Every instance of effective measures taken through the United Nations on a human problem improves the ultimate prospect of peace in the world. Therefore, I strongly recommend that the United Nations Technical Assistance Program, in which sixty governments participate and which is carried out by the United Nations and its specialized agencies be supported in a continuing and adequate manner. The United Nations Children's Fund has carried out an especially appealing and significant work. We have done our full share to make this work possible. We should continue to do so.

Persons who have escaped from totalitarian oppression, often at great peril, and refugees uprooted by war and disaster deserve further support in 1956 through programs administered by the United States, the United Nations and the Intergovernmental Committee for European Migration.

One of the unique, least expensive, and most fruitful aspects of the Mutual Security Program is the participation, largely in humanitarian projects, of forty-seven voluntary organizations representing many millions of our citizens. These organizations do an exceptionally effective work in helping the escapees and refugees become self-supporting. They distribute large quantities of food on a people-to-people basis. But certain costs for transporting food, and for supplies beyond their own voluntary resources, are needed and should be provided. ....."

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NON-REGIONAL PROGRAMS

Comparative Summary of Programs by Fiscal Year

(In thousands of dollars)

	Program		
	FY 1954	FY 1955	Proposed FY 1956
Non-Regional Programs			
Technical Cooperation			
UN Expanded Program of Technical Assistance	8,500	16,458	24,000
Inter-Regional Expenses	3,955	8,600	9,000
Total Technical Assistance	12,455	25,058	33,000
Other Programs			
Refugees and Migrants			
Intergovernmental Committee for European Migration	6,989	10,500	12,500
United Nations Refugee Fund			1,400
Escapee Program	7,154	6,250	6,000
United Nations Children's Fund	9,814	12,500	14,500
North Atlantic Treaty Organization (Civilian Headquarters)	1,157	1,169	3,700
Ocean Freight - Voluntary Relief Shipments	2,307	1,500	2,000
Ocean Freight - Surplus Agricultural Commodities	3,510	8,300a/	13,000
Control Act Expenses	998	1,175	1,175
Administrative Expenses (Other than Military Assistance)	33,748	32,600	35,225
Special Presidential Fund			100,000
Special Programs	32,209	8,000	
Coal Revolving Fund		20,000	
Total Other Programs	97,886	101,994	189,500
Total Non-Regional Programs	110,341	127,052a/	222,500

a/ Includes $1.0 million financed from savings from the prior year program for Support of Forces in Cambodia, Laos, and Vietnam.

NON-REGIONAL PROGRAM

UNITED NATIONS EXPANDED PROGRAM OF TECHNICAL ASSISTANCE (UNTA)

Comparative Summary of United States Contributions by Fiscal Year

	FY 1953	FY 1954	FY 1955	Proposed FY 1956
United Nations Expanded Program of Technical Assistance	8,171,333	8,500,000	16,457,621[a/]	24,000,000

Comparative Summary of United States Contributions by Calendar Year

	CY 1953	CY 1954	Proposed CY 1955	Proposed CY 1956
United Nations Expanded Program of Technical Assistance	12,767,145	13,861,809	15,000,000	15,500,000
FY 1953 Funds	8,171,333			
FY 1954 Funds	4,595,812	3,904,188		
FY 1955 Funds		9,957,621	6,500,000[b/]	
FY 1956 Funds			8,500,000	15,500,000

a/ Includes $6,500,000 included in Second Supplemental Appropriation Act, approved by the Congress April 20, 1955.
b/ Amount included in Second Supplemental Appropriation Act, approved by the Congress April 20, 1955.

General Narrative Statement

Importance of Program to United States

The United Nations Expanded Program of Technical Assistance was established with strong United States leadership and support in 1950. Continued U.S. participation in this internationally financed program is in the U.S. interest both because it helps to bolster the economies of underdeveloped countries and because it strengthens materially the operations of the United Nations and Specialized Agencies.

It is the policy of the United States to aid in the economic development of underdeveloped countries by providing technical assistance, in order to raise standards of living and to make them less susceptible to Communist propaganda and subversion. This assistance is being furnished on both a bilateral and multilateral basis. It is advantageous for the United States to participate in both programs. The multilateral approach from the U.S. point of view has the following advantages:

1. Experts are recruited from 63 other countries, thereby lessening the demand on U.S. manpower in fields in which U.S. experts may be scarce.

General Narrative Statement (Continued)

2. Participation in an international program in which other governments bear a part of the cost is more economical for the United States than bearing the cost alone.

3. Some problems of economic development must be dealt with on a regional basis. While the regional approach is being increasingly stressed under bilateral programs, certain regional problems lend themselves to handling by an international organization.

4. Countries sometimes prefer to request assistance from an international organization of which they are members and to which they contribute rather than from an individual foreign government.

The USSR, after several years of delay and carping criticism, has now begun to contribute, in recognition of the importance which underdeveloped countries attach to the UNTA program. Soviet participation now makes it particularly important that the United States maintain the leadership which it has exercised since the beginning of the program in 1950. If the United States fails to maintain its leadership in the UN Technical Assistance program, the relative importance of USSR participation will be substantially increased.

The U.S. and UN agencies coordinate their respective technical assistance programs both in the field and at headquarters. (See Chart I, "Operational Coordination of United Nations Technical Assistance Program and United States Technical Assistance Program".) In the field there is a continuous close liaison among the FOA Mission, the UN Mission and the recipient government at all stages of both planning and operating technical assistance projects. Through the procedures which have been developed, overlapping or duplication which sometimes occurred early in the program is now almost entirely eliminated, and the most effective use is made of all available resources. The programs are complementary rather than competitive.

The Program

The United Nations Expanded Program is carried out by the UN and Specialized Agencies: Food and Agriculture Organization, International Civil Aviation Organization, International Labor Organization, International Telecommunication Union, United Nations Educational, Scientific and Cultural Organization, World Health Organization and World Meteorological Organization. Representatives of these agencies make up the Technical Assistance Board, which has primary responsibility for the over-all administration of the Expanded Program. The International Bank for Reconstruction and Development and the International Monetary Fund cooperate in the UN Technical Assistance program, although they do not receive allocations from the UN Special Account, from which the UNTA program is financed. (See Chart II, showing organization of UN Expanded Program of Technical Assistance.)

Project requests are formulated by the recipient country in consultation with representatives of the Specialized Agencies. These requests are forwarded to the Technical Assistance Board through the UN Resident Representative who is directly responsible to the Technical Assistance Board for coordination of the international agency activities in the recipient country. On the basis of these requests, the Technical Assistance Board compiles a total program which it recommends to the intergovernmental Technical Assistance Committee. This Committee, which is made up of representatives of the eighteen governments on the Economic and Social Council, including the U.S., approves the program, and allocates funds from the UN Special Account to the participating organizations to carry out the projects which have been approved. The steps involved in program development are illustrated in Chart III, entitled "Formulation of United Nations Technical Assistance Program".

At the end of 1954 there were 946 experts including 118 U.S. nationals working in some 75 countries and territories. During 1954 a total of approximately 1500 fellowships were awarded to provide specialized training abroad.

The priority activities of the UN program are in the fields of agriculture, public health, and education, including training in technical fields as well as vocational and community education and extension work. There is also growing activity in such fields as public administration, industrial production, labor productivity and civil aviation. In the beginning of the program there was necessarily a considerable emphasis on surveys.

General Narrative Statement (Continued)

Following these surveys, individual projects have been undertaken which are now beginning to produce concrete results.

In the field of public health, the World Health Organization has had striking successes in the control of widespread communicable diseases of the underdeveloped areas such as malaria, tuberculosis and yaws. At the same time, the WHO has worked to strengthen local health services, especially for the improvement of environmental sanitation and the training of local health personnel.

The Food and Agriculture Organization has carried on a wide variety of agricultural advisory services to member governments. Its work in livestock disease and improvement has been especially successful; it has also assisted countries to make notable gains in their fisheries programs.

UNESCO has assisted governments to build up and adapt to modern conditions school systems that in many cases are quite inadequate for the needs of a changing society. A program of fundamental education at the village level has been pressed by UNESCO, bringing to communities as a whole a recognition of what can be accomplished through simple and realistic programs of adult education.

The ILO has been particularly successful in the field of training-within-industry; ICAO has aided a number of governments to make substantial progress toward air traffic safety. The United Nations Technical Assistance Administration has helped to launch schools or institutes for training in government administrative methods; a number of substantial gains in industrial productivity have been brought about through assistance provided by UN-TAA.

U. S. Contributions

$24 million is being requested to enable the U.S. to continue its support of the UNTA program through December 31, 1956. Of this amount $8.5 million is requested as a U.S. contribution for the second half of calendar year 1955 and $15.5 million is proposed for calendar year 1956. It is proposed that the U.S. contribute $15.0 million for calendar year 1955. The request of $8.5 million for the last half of the calendar year is in addition to the amount of $6.5 million approved by the Congress in the Second Supplemental Appropriation Act as the U.S. contribution to the UNTA program for the six months ending June 30, 1955.

The UN program operates on a calendar year basis. In order that the administrators of the program may know how much money they will have to work with, a special technical assistance pledging conference is held in November at which governments are asked to announce their pledges for the following year. In the Mutual Security Appropriation Act for 1955 the Congress stipulated that "no commitment for the calendar year 1955 or thereafter shall be pledged on behalf of the United States until the Congress appropriates for said purpose". In accordance with this stipulation, the United States did not make a pledge for 1955.

The fact that the level of U.S. support for 1955 is still unknown makes operations for this year extremely difficult and long-range planning almost impossible. In the beginning of 1955 the program has had to be restricted to a continuation of projects in operation at the end of 1954 because of the limitation of funds. To avoid a repetition of this kind of situation, which results in inefficient operations and precludes sound programming, the U.S. should be in a position to make a pledge for calendar year 1956 at the pledging conference in November 1955. In order that the U.S. may make a pledge for calendar year 1956, it is essential that funds for the entire calendar year be authorized and appropriated in the fiscal year 1956 budget. The amount of $15.5 million proposed as the U.S. contribution for calendar year 1956 would provide an increase of $500 thousand over the level proposed for calendar year 1955. At the same time, it is proposed that the U.S. percentage be reduced to the goal of 50 percent. If other governments also increase their pledges for 1956, as is anticipated, the program could be expanded materially, in order to meet more adequately the requests of underdeveloped countries for technical assistance.

The program has been gradually expanding since its

General Narrative Statement (Continued)

inception. Total pledges from other governments have increased from $8 million in 1950-51 to $13 million for 1955, an increase of 62 percent over the period. U.S. support increased from $12 million for 1950-51 to $13.9 million for 1954, an increase of 16 percent. A U.S. contribution of $15.0 million for 1955 would represent an eight percent increase over 1954, and a 25 percent increase over our original contribution in 1950.

The International Development Advisory Board, under the chairmanship of Mr. Eric Johnston, recommended in its report of December, 1953, "that the U.S. announce its willingness to see the UN Expanded Program of Technical Assistance doubled over a period of five years, and that as the total goal is doubled, the U.S. share will be reduced to not more than 50 percent".

The program is supported by voluntary contributions. Governments contribute in accordance with their interest and ability to participate. For the first three years U.S. support constituted about 60 percent of total funds pledged to the Central Account from which internationally financed costs of the program are funded. By 1954, in view of the improved financial situations of other developed countries and the increase of support from other governments, it was possible for the U.S. to begin to reduce its proportion of the central account. For 1954 the U.S. pledged 57.7 percent of total pledges to the central account as of January 1, 1954. By December 31 other pledges had reduced the U.S. percentage for 1954 to 55 percent. The total proposed U.S. contribution for calendar year 1955 of $15.0 million would be about 53.6 percent of total pledges for the year. A further reduction to the goal of 50 percent is planned for 1956. It is proposed that this gradual reduction in U.S. percentage should be achieved while, at the same time, the level of the total program should continue to expand.

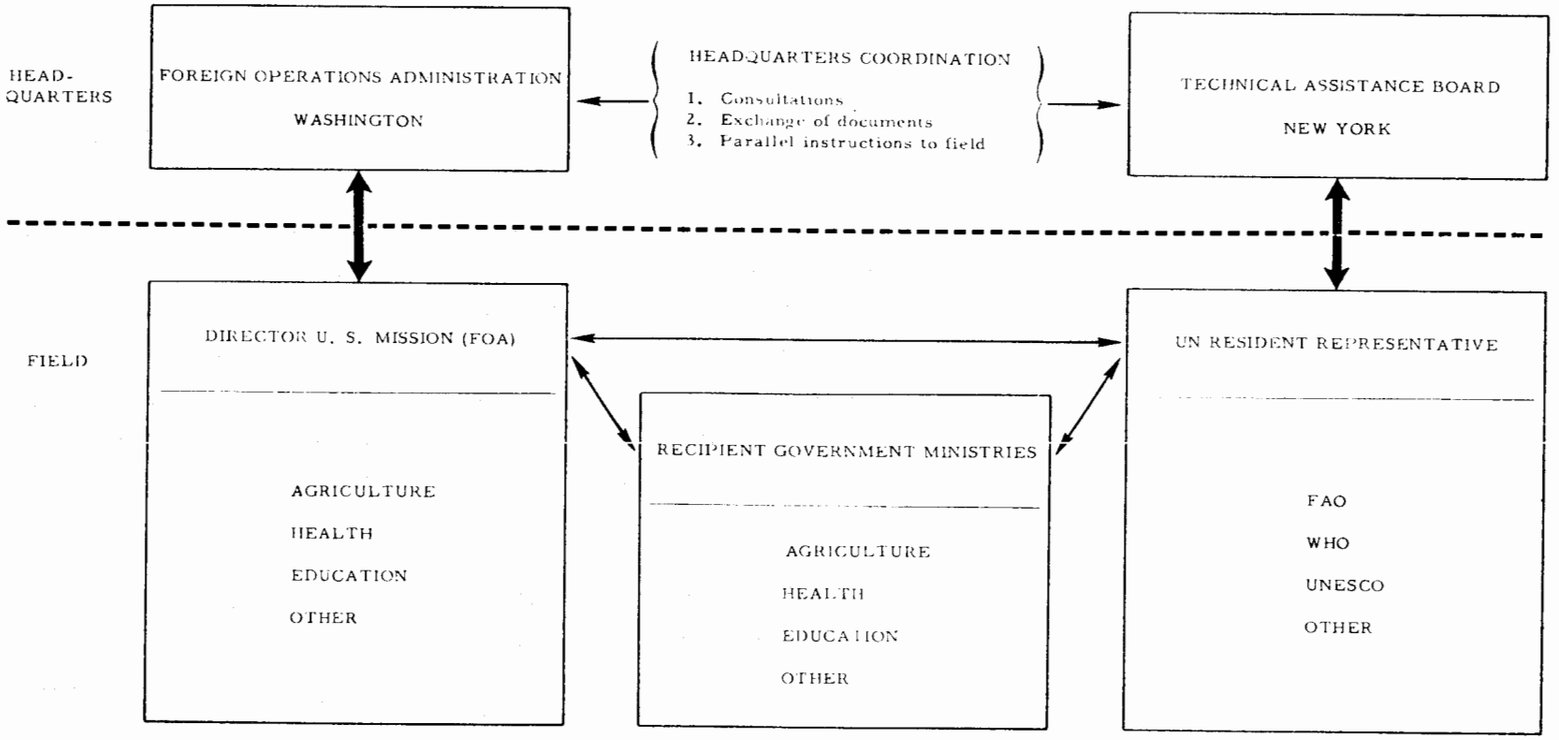
Pledges and contributions from the beginning of the program from all governments are indicated in the following table:

(In millions of dollars)

Calendar Year	Other Governments	United States	Total	U. S. Percentage
1950-51 (18 mos.)	$ 8	$12	$20	60
1952	7.4	11.4	18.8	60
1953	9.6	12.8	22.4	57
1954	11.4	13.9	25.3	55
1955	13	15	28	53.6
1956	15.5 (Est.)	15.5(Proposed)	31	50

For 1955, 61 governments have pledged approximately $13 million in support of the program. This represents an increase of $1.6 million or 14 percent over pledges from other governments for 1954. In addition, local cost contributions of governments receiving technical assistance are estimated at approximately twice the amount financed internationally. When these contributions are taken into account, the U.S. percentage of the total cost of the program for 1954 was approximately 21 percent.

I. OPERATIONAL COORDINATION OF UNITED NATIONS TECHNICAL ASSISTANCE PROGRAM AND UNITED STATES TECHNICAL ASSISTANCE PROGRAM



II. UNITED NATIONS EXPANDED PROGRAM OF TECHNICAL ASSISTANCE

UN GENERAL ASSEMBLY
(60 GOVERNMENTS)

ECONOMIC & SOCIAL COUNCIL
(18 GOVERNMENTS)

ARGENTINA	EGYPT	TURKEY
AUSTRALIA	FRANCE	U. S. S. R.
CHINA	INDIA	UNITED KINGDOM
CZECHOSLOVAKIA	THE NETHERLANDS	UNITED STATES
DOMINICAN REPUBLIC	NORWAY	VENEZUELA
ECUADOR	PAKISTAN	YUGOSLAVIA

TECHNICAL ASSISTANCE COMMITTEE
(SAME MEMBER COUNTRIES AS ECOSOC)

TECHNICAL ASSISTANCE BOARD

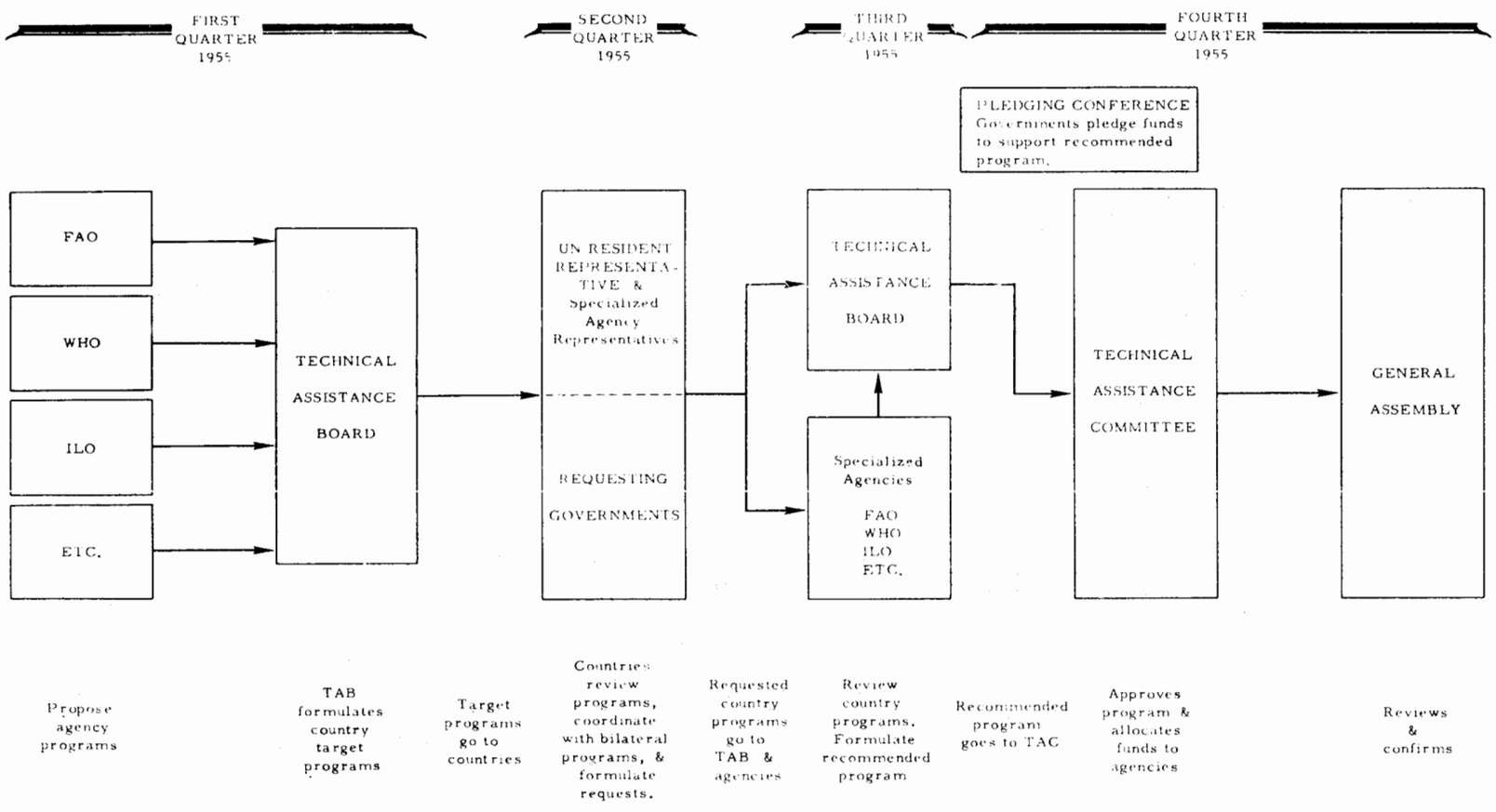
EXECUTIVE CHAIRMAN: OWEN (UNITED KINGDOM)

PARTICIPATING ORGANIZATIONS	EXECUTIVE HEADS
INTERNATIONAL LABOR ORGANIZATION	MORSE (UNITED STATES)
FOOD AND AGRICULTURE ORGANIZATION	CARDON (UNITED STATES)
INTERNATIONAL CIVIL AVIATION ORGANIZATION	LJUNGBERG (SWEDEN)
U. N. EDUCATIONAL, SCIENTIFIC AND CULTURAL ORGANIZATION	EVANS (UNITED STATES)
WORLD HEALTH ORGANIZATION	CANDAU (BRAZIL)
INTERNATIONAL TELECOMMUNICATIONS UNION	ANDRADA (ARGENTINA)
WORLD METEOROLOGICAL ORGANIZATION	SWOBODA (SWITZERLAND)
UNITED NATIONS TECHNICAL ASSISTANCE ADMINISTRATION	KEENLEYSIDE (CANADA)

OBSERVERS

INTERNATIONAL BANK FOR RECONSTRUCTION & DEVELOPMENT	BLACK (UNITED STATES)
INTERNATIONAL MONETARY FUND	ROOTH (SWEDEN)

III. FORMULATION OF UNITED NATIONS TECHNICAL ASSISTANCE PROGRAM
(EXAMPLE : CALENDAR YEAR 1956)



NON-REGIONAL PROGRAM

IV. UNITED NATIONS EXPANDED PROGRAM OF TECHNICAL ASSISTANCE (UNTA)

Proposed Program for Calendar Year 1955

Summary by Agency and Major Cost Component

	Technicians		Fellowships		Supplies and Equipment	Total
	No.	Cost	No.	Cost		
Basic Program - Priority I Projects						
Food and Agriculture Organization	334	$ 3,674,000	158	$ 284,400	$ 735,949	$ 4,694,349
World Health Organization	252	2,772,000	222	399,600	152,879	3,324,479
International Labor Organization	120	1,320,000	353	635,400	62,610	2,018,010
United Nations Educational, Scientific and Cultural Organization	161	1,771,000	278	500,400	137,018	2,408,418
International Civil Aviation Organization	53	583,000	86	154,800	14,500	752,300
International Telecommunication Union	13	143,000	17	30,600	28,750	202,350
World Meteorological Organization	9	99,000	12	21,600	18,680	139,280
United Nations Technical Assistance Administration	253	2,783,000	346	622,800	1,401,039	4,806,839
Implementation of Priority II Projects						2,500,000[a/]
Indirect Project Costs						2,800,174
Total Project Costs						23,646,199
Administrative Costs						1,929,026
Subtotal						25,575,225
Reserve and Working Fund						3,000,000
Total Proposed Program, Calendar Year 1955	1,195	$13,145,000	1,472	$2,649,600	$2,551,425	$28,575,225[b/]
Proposed U.S. Contribution to Calendar Year 1955 Program						15,000,000
FY 1955 Supplemental Appropriation						-6,500,000
Requested in FY 1956 Appropriation						8,500,000
Estimated U.S. Pledge for Calendar Year 1956 [c/]						15,500,000
Total Funds Requested, FY 1955						$24,000,000

a/ A total of $5,701,871 of Priority II projects was approved for operation in 1955. These consist of projects to be implemented as soon as funds are available. Because of the unavailability of funds early in year, it is presently estimated that not more than $2,500,000 of these projects can be implemented in 1955.

b/ The size of the program to be implemented is contingent on the total amount of funds available during the year. Approximately $13 million has been pledged by 61 governments toward the 1955 program.

c/ The calendar year 1956 UNTA program will not be approved until late in 1955. It is estimated that the distribution of the 1956 program will be roughly the same as in 1955, and that increased contributions from governments will result in a larger program.

NON-REGIONAL PROGRAM

V. UNITED NATIONS EXPANDED PROGRAM OF TECHNICAL ASSISTANCE

Proposed Program for Calendar Year 1955

Summary by Specialized Agency and Geographic Region

	Europe	Near East and Africa	Asia and Pacific	Latin America	Inter regional	Total
Basic Program - Priority I Projects						
Food and Agriculture Organization	$ 332,895	$1,407,176	$1,443,554	$1,263,624	$247,100	$ 4,694,349
World Health Organization	119,851	1,185,863	1,331,561	687,204	-	3,324,479
International Labor Organization	205,250	407,260	710,300	635,200	60,000	2,018,010
United Nations Educational, Scientific and Cultural Organization	75,840	816,660	755,660	760,258		2,408,418
International Civil Aviation Organization	25,000	377,400	228,500	121,400		752,300
International Telecommunication Union	13,480	121,570	67,300	-		202,350
World Meteorological Organization	5,950	81,580	13,400	38,350		139,280
United Nations Technical Assistance Administration	435,955	911,680	2,260,774	1,107,930	90,500	4,806,839
Implementation of Priority II Projects						2,500,000[a/]
Indirect Project Costs						2,800,174
Administrative Costs						1,929,026
Reserve and Working Capital Fund						3,000,000
Total	$1,214,221	$5,309,189	$6,811,049	$4,613,966	$397,600	$28,575,225[b/]

a/ A total of $5,701,871 of Priority II projects was approved for operation in 1955. These consist of projects to be implemented as soon as funds are available. Because of the unavailability of funds early in year, it is presently estimated that not more than $2,500,000 of these projects can be implemented in 1955.

b/ The size of the program to be implemented is contingent on the total amount of funds available during the year. Approximately $13 million has been pledged by 61 governments toward the 1955 program.

NON-REGIONAL PROGRAM

INTER-REGIONAL EXPENSES

(In thousands of dollars)

	Program		
	FY 1954	FY 1955	Proposed FY 1956
Inter-Regional Projects	a/	4,017.0	4,324.0
Domestic Program Expenses	5,225.6	6,250.0	6,800.0
Total	5,225.6	10,267.0	11,124.0
Less Amounts Included in Other Programs as Follows:			
Defense Support, Europe	-996.8	-1,333.0	-1,323.0
Joint Control Area	-274.1	-334.0	-301.0
Technical Cooperation, Korean Country Program	-	-	-500.0
Net Amount Provided for Under Technical Cooperation	3,954.7	8,600.0	9,000.0

a/ In FY 1954, expenses of this nature were distributed to country and regional programs.

General Narrative Statement

Inter-Regional Projects

"Inter-Regional Activities" are those functions, undertakings, or activities which, as the title implies, serve or assist two or more geographical regions, and hence necessitate financing from the funds which would otherwise be made available to two or more geographical regions and/or from two or more appropriation accounts. Activities solely on behalf of a single geographical region are to be financed from the funds which will be made available to the appropriate regional office and not from the proposed inter-regional funds; no such activities are included in the table.

The estimated inter-regional activities for FY 1956 are those necessary for the proper implementation of approved or anticipated requirements pursuant to the technical cooperation and technical exchange programs. No activities are included which would constitite an undertaking distinct or unrelated to the basic programs and objectives of the technical cooperation and technical exchange programs set forth in the regional office presentations.

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General Narrative Statement (Continued)

The projects are of two general types. First, are activities required to implement continuing training programs such as the provision of orientation and language training for participants; contracts with land grant colleges, universities and professional societies to provide training to FOA participants; and preparation of visual aids, technical literature and technical exhibits.

Second, are projects of a developmental nature and of a less routine character such as training of foreign nationals in the peaceful uses of atomic energy; contracts with American universities to train foreign nationals in the processes and techniques of national economic development; and preparation of manuals and other materials on the processes of industrial development of a country.

Domestic Program Expenses

Domestic program expenses consist of expenses of personnel in FOA and participating agencies engaged in or related to the furnishing of technical assistance to other governments or their nationals. It includes technical backstopping for field operations, including the development of technical materials for use abroad, technical assistance to field or Washington project personnel, and related subprofessional, stenographic and typing services. The services are global in nature and are not generally identifiable for accounting purposes with a particular project in a specific region or country. It also covers domestic training activities and includes review of applications, placement, training and supervision of trainees, making travel arrangements and reviewing and evaluating reports.

NON-REGIONAL PROGRAM

REFUGEES AND MIGRANTS

Activity	Program FY 1954	Program FY 1955	Proposed FY 1956
Intergovernmental Committee for European Migration	$6,989,190	$10,500,000	$12,500,000
United Nations Refugee Fund			1,400,000
Escapee Program	7,154,321	6,250,000	6,000,000
Total	14,143,511	16,750,000	19,900,000

General Narrative Statement

Over 30 million persons throughout the free world have been displaced by war and revolution. The enormity and diversity of the problem they represent make it impossible for the United States to aid all of them directly and make it necessary to restrict American efforts to limited and selected groups of refugees. This U. S. interest is humanitarian, but it is in addition an interest which is basically political and economic.

Tens of thousands of men, women, and children have escaped their Communist masters, often at great peril, in search of a better life in the free world, since the Kremlin pulled down the Iron Curtain across Central Europe after World War II. Arriving with little personal property or funds, lacking a knowledge of Western languages, and sometimes without skills that can be put profitably to use, these refugees need both immediate assistance and longer range aid to become self-respecting members of the free world community.

While the Western European countries provide asylum to refugees and a measure of care, their own resources limit both the assistance available for the initial stages of escapee reception and the opportunities for employment. New escapees arrive in countries that have not yet absorbed all the refugees created by World War II and that, moreover, are faced with pressing problems in providing for their own growing populations.

Despite the efforts of the United Nations Relief and Rehabilitation Administration and then the International Refugee Organization during and after the war, there remain hundreds of thousands of war-time refugees who either have had no chance of becoming self-supporting or by reason of ill-health or age are unable to work. Even ten years after the war, some 77,000 refugees are still living under unhealthy conditions in camps in Western Europe. The governments concerned have been engaged in efforts to provide adequately for these unfortunates and while their contributions have been substantial, their resources are insufficient. External assistance is required for overseas resettlement as well as for integration. The programs presented are also concerned with a limited number of refugees in the Far East, where similar problems are faced.

United States Interest

The U. S. interest in the closely interrelated problems created by the recent escapees, the residual World War II refugees, and the excess populations of Europe has political, economic and social facets:

General Narrative Statement (Continued)

Adequate assistance to escapees from behind the Iron Curtain demonstrates to the captive peoples of the Communist countries that the free world welcomes those who arrive in the West seeking freedom.

By helping to provide permanent situations for remaining World War II refugees through integration in their countries of residence or by movement overseas, the U. S. aids the economies of our allies in Europe.

Similarly the movement overseas of indigenous peoples who cannot find work in their homelands strengthens the economic systems of Western Europe, and at the same time adds willing workers to the manpower resources of the under-populated countries of the Western Hemisphere and Australasia.

Above and beyond these considerations, there is the American tradition of extending aid to the victims of war and tyranny, to those who barely exist in bleak refugee camps and now look forward only to a life of useless waiting.

The Programs

As part of the Mutual Security Program, the U. S. has been assisting escapees and contributing to the international program for furthering migration out of Europe. It is proposed that the U. S. continue to support these activities in FY 1956 and that, in addition, the U. S. make a contribution to the United Nations Refugee Fund.

1. The U. S. Escapee Program (USEP) is a United States-administered program which assists a relatively small group of selected persons who have fled from Communist countries in Europe and Asia and who are of special interest to the United States. The program provides supplemental care, training and assistance in resettlement.

2. The Intergovernmental Committee for European Migration (ICEM) is an international organization, outside of the United Nations system, with a membership of twenty-four governments. Its function is to facilitate and increase the movement out of Europe of surplus populations, including refugees, to countries in need of additional manpower. It concentrates on providing transportation to migrants who would not otherwise be moved.

3. United Nations Refugee Fund (UNREF) is designed to provide permanent solutions for refugees not eligible for USEP assistance. A large number of these refugees are still living in camps ten years after the war. Many others, though not in camps, would be assimilated into their countries of residence as the result of this program. Supplemental emergency care would be provided for some of the neediest refugees.

The magnitude of the problem presented by the unabsorbed populations in Europe is so large that attacks on it must be made by different agencies and in different ways. No one agency commands all the resources and all the talent to meet the problem.

Program Coordination

Each of the three organizations focuses its activities on different aspects of the over-all problem of dealing with refugees and migrants: ICEM on the movement of migrants and refugees particularly from Europe; USEP on the care and resettlement of escapees who are of political significance to the United States; and UNREF on providing permanent local settlement of the limited group of unassimilated refugees for which the United Nations has assigned responsibility to the UN High Commissioner for Refugees.

A coordinating group of high level representatives of ICEM, UNREF and USEP meets regularly in Geneva to coordinate programs and to insure that there is no overlapping. Furthermore, in each country where these programs operate there is regular interchange of information and frequent consultation for the purpose of avoiding duplication of effort. Coordination is particularly important and is accorded special attention and emphasis in the following potential areas of overlap and duplication:

General Narrative Statement (Continued)

1. Local Integration: ICEM has no interest in this activity. USEP will concentrate on a very small number of integration cases of escapees who cannot be resettled in other countries. UNREF will devote its efforts to integrating those refugees who are not eligible under the Escapee Program.

2. Resettlement: USEP is primarily interested in resettlement, and has many projects with voluntary agencies to bring about the maximum resettlement of Escapee Program eligibles. UNREF has a limited interest in this field and concentrates upon refugees not eligible under USEP. Its activities are pointed toward integration more than resettlement. ICEM, through its field offices, makes arrangements for the transportation of migrants including escapees and other refugees to their country of resettlement.

3. Supplementary Assistance: ICEM has no activities in this field. USEP provides assistance to escapees within its select caseload to supplement aid from other sources, such as asylum countries and voluntary agencies, in order to bring it to the level necessary to meet U. S. objectives. UNREF provides supplementary assistance only to those refugees who are ineligible under the Escapee Program.

The voluntary non-profit relief agencies carry out virtually all projects sponsored by ICEM, UNREF and USEP. They function almost as the operating arms of the latter two agencies for whom, usually under contract arrangements, they implement the various projects providing supplemental care, vocational training, etc. In the case of USEP especially, the voluntary agencies search for oversess resettlement opportunities and assist the escapees in visa documentation, preparation for movement, etc. Similarly they assist ICEM in its task by seeing that refugees are present at the proper time and place for movement and by meeting and assisting the refugees on arrival in their new homelands. In addition, the agencies utilize a revolving fund maintained by ICEM in order to meet transportation costs for refugees in their caseloads who sign notes promising to repay costs of travel. Meetings, discussions and correspondence involving all interested agencies, supplemented by field surveys and audits, insure that programs function without duplication of effort and meet most effectively the needs of the greatest number of refugees.

The Refugee Relief Act authorizes the issuance of 209,000 U. S. visas before January 1, 1957 to refugees, escapees and relatives of U. S. citizens. Though not a part of the Mutual Security Program, it is related to it in that some of the persons eligible under the Act are also eligible under the USEP or UNREF programs. In addition, ICEM provides transportation on a grant or loan basis for persons coming to the U. S. under this Act who are unable to meet the full cost of their transportation. No funds are available under the Act for transportation to the U. S. of eligibles in need of transportation assistance.

NON-REGIONAL PROGRAM

INTERGOVERNMENTAL COMMITTEE FOR EUROPEAN MIGRATION

Comparative Summary of Obligations by Fiscal Year

	FY 1952	FY 1953	FY 1954	FY 1955	Proposed FY 1956
Intergovernmental Committee for European Migration	$10,000,000	$8,190,000	$6,989,190	$10,500,000	$12,500,000

Comparative Summary of U.S. Contributions by Calendar Year

	CY 1952	CY 1953	CY 1954	CY 1955	Proposed CY 1956
Intergovernmental Committee for European Migration	$ 8,950,000	$6,789,590	$9,439,600	$10,500,000	$12,500,000

Reconciliation of Amounts Shown as Obligated by Fiscal Year and Contributed by Calendar Year

Fiscal Year	Availability (Appropriations)	Adjustments in Availability	Net Obligations	Obligations for Calendar Year Contributions: CY 1952	CY 1953	CY 1954	CY 1955	Proposed CY 1956
Total				$ 8,950,000	$6,789,590	$9,439,600	$10,500,000	$12,500,000
FY 1952	$10,000,000 a/	-	$10,000,000	10,000,000	-	-	-	-
FY 1953	9,240,500	$-1,050,500 c/	8,190,000	-1,050,000	6,789,590 b/	2,450,410 b/	-	-
Funds appropriated for ICEM	(9,240,500)	(-500) c/	(9,240,000)	-	(6,789,590)	(2,450,410)	-	-
Less: Deobligations of prior year funds returned to Europe Economic Assistance	-	(-1,050,000)	(-1,050,000)	(-1,050,000)	-	-	-	-
FY 1954	7,500,000	-510,810 d/	6,989,190	-	-	6,989,190 e/	-	-
FY 1955	10,000,000	+500,000 f/	10,500,000	-	-	-	10,500,000	-
FY 1956	12,500,000	-	12,500,000	-	-	-	-	12,500,000

a/ Reflects authorized allocation from funds appropriated for Europe Economic Assistance.
b/ Reflects carryover of a portion of movement of migrants included in the CY 1953 program and their completion in CY 1954, and contribution in the form of a loan to the cash reserve fund.
c/ Reflects unobligated balance as of June 30, 1953 returned to the Treasury.
d/ Reflects unobligated balance as of June 30, 1954, of which $500,000 was reappropriated for FY 1955, and $10,810 returned to the Treasury.
e/ Includes up to $355,820 which may be released from obligation upon final determination of cost of CY 1954 program; this would reduce net contribution to $9,083,780.
f/ Reflects reappropriation of a part of the June 30, 1954 unobligated balance.

Revised May 12, 1955

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NON-REGIONAL PROGRAM

INTERGOVERNMENTAL COMMITTEE FOR EUROPEAN MIGRATION

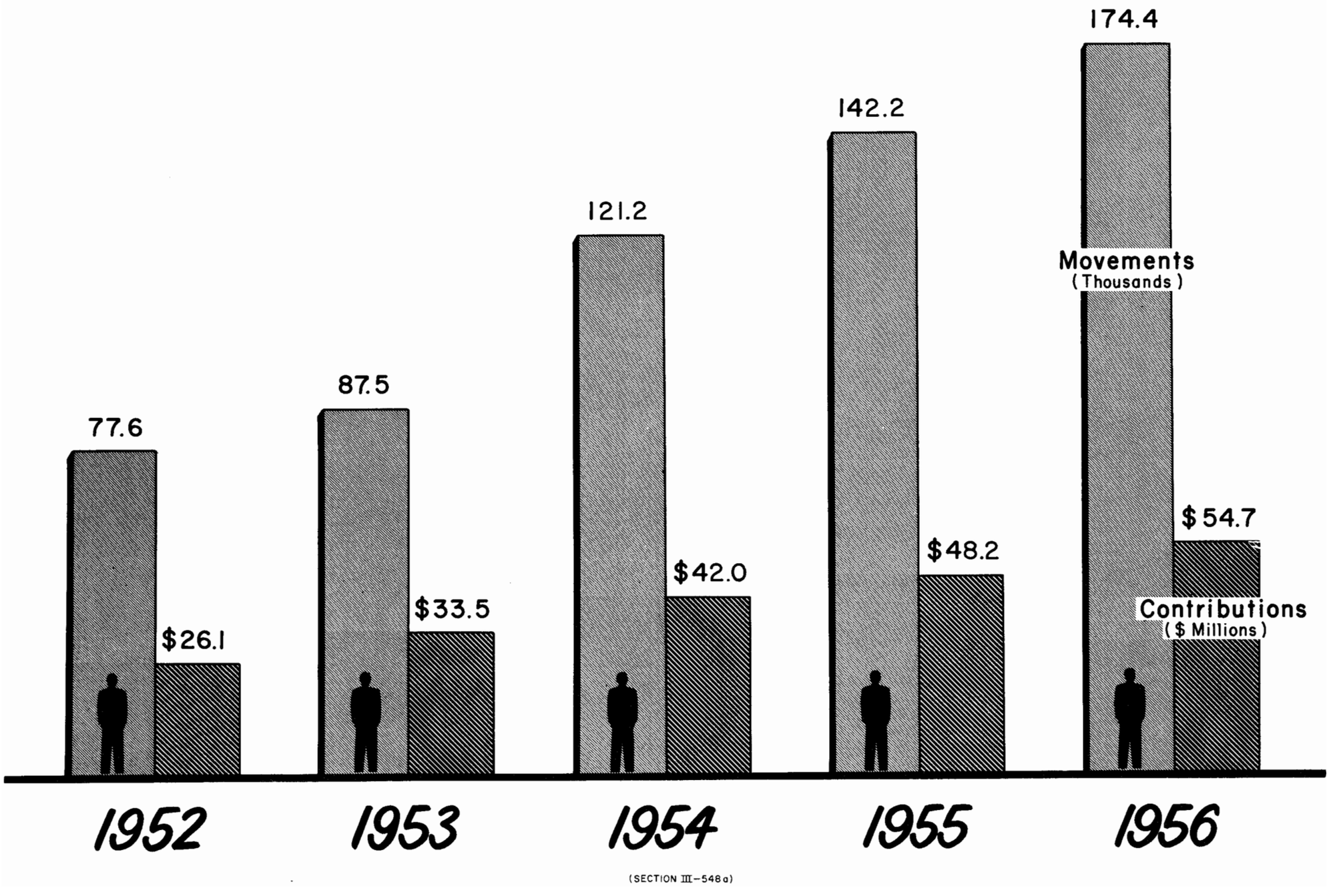
Comparative Summary of Movement of Migrants

From	Actual CY 1954	Estimate CY 1955	Estimate CY 1956	To	Actual CY 1954	Estimate CY 1955	Estimate CY 1956
Austria	6,411	18,420	16,450	Argentina	29,309	17,335	19,900
Germany	34,931	36,840	43,750	Australia	37,773	49,180	38,650
Greece	11,775	12,435	18,650	Brazil	16,336	12,180	20,800
Italy	48,263	50,450	64,000	Canada	21,294	11,935	8,000
Netherlands	1,274	11,010	17,550	Chile	814	1,240	2,900
Trieste	5,735	-	3,050	Israel	1,037	1,030	2,050
Near East & Far East	1,450	1,915	2,370	U.S.	7,246	34,530	63,000
				Uruguay	-	3,700	2,900
				Venezuela	5,307	8,105	11,350
Others	11,383	11,095	8,530	Others	2,106	2,930	4,800
Total Movements	121,222	142,165	174,350		121,222	142,165	174,350

Revised May 12, 1955

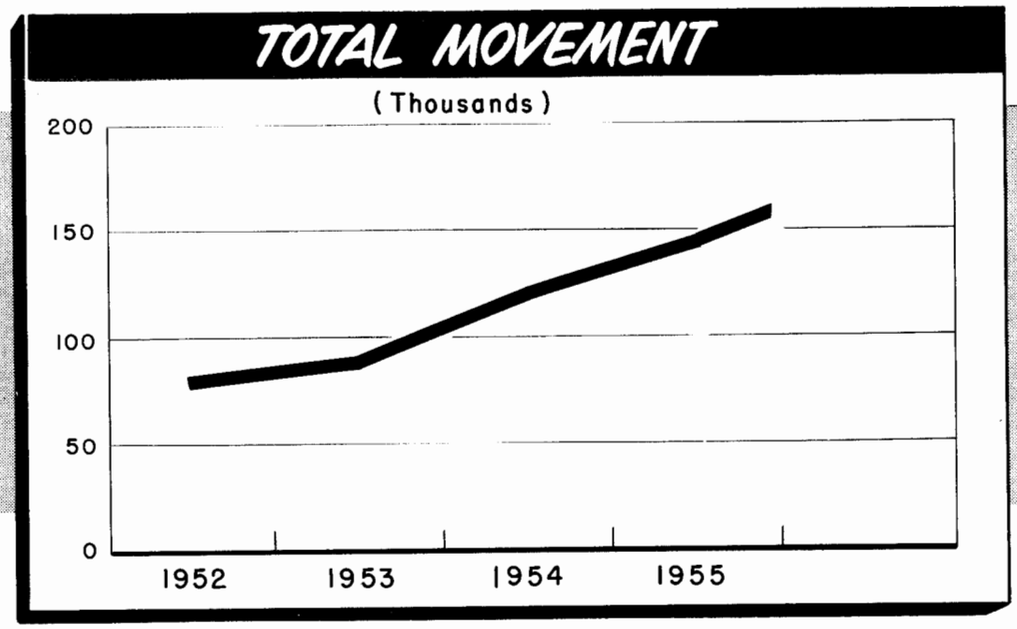
ICEM COMPARISON

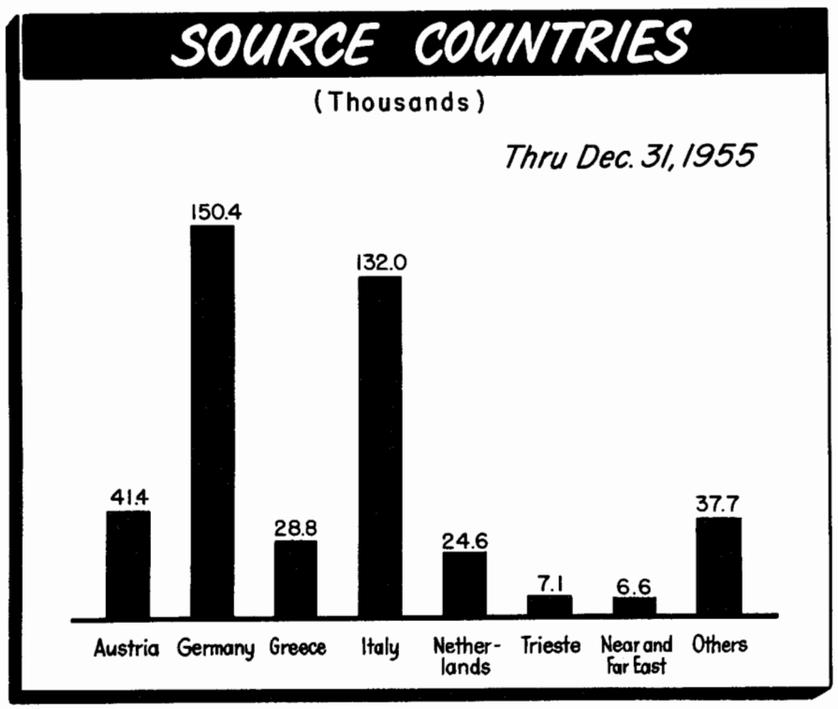
Movements and Contributions

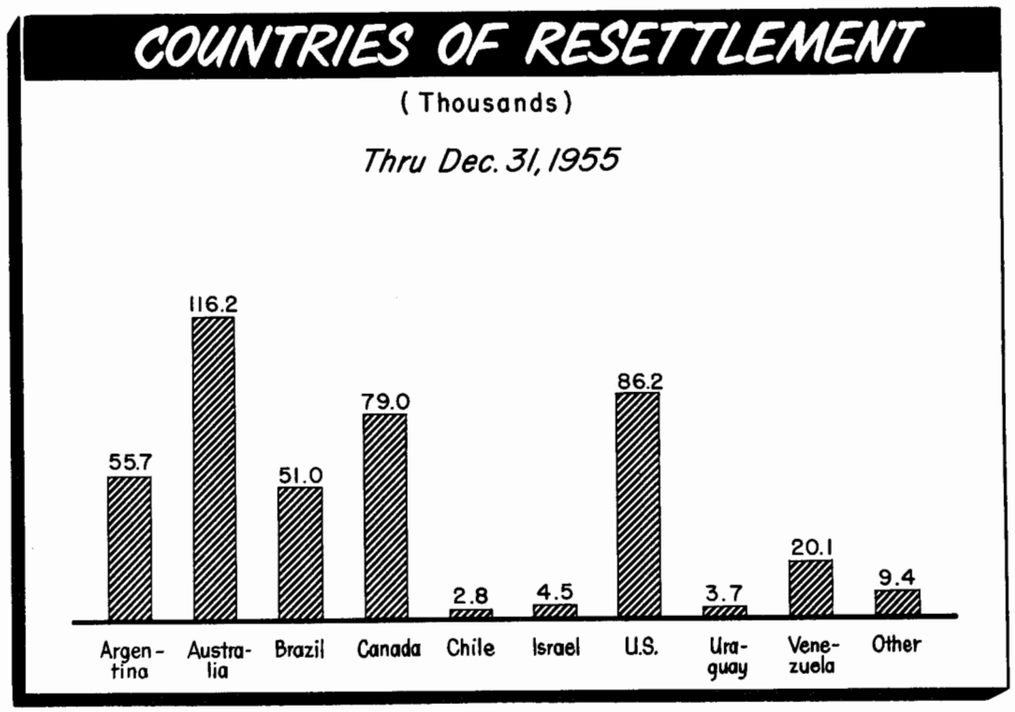


INTERGOVERNMENTAL COMMITTEE FOR EUROPEAN MIGRATION

MOVEMENT OF MIGRANTS







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NON-REGIONAL PROGRAM

INTERGOVERNMENTAL COMMITTEE FOR EUROPEAN MIGRATION

General Narrative Statement

The purpose of the Intergovernmental Committee for European Migration is to increase movement out of the over-populated countries of Europe of migrants and refugees who are unlikely to be absorbed by the economies of those countries. Because of the lack of capital to provide employment or of land available for cultivation, Austria, Germany, Italy, Greece and The Netherlands face the need of securing the emigration of some 3.5 million people in the next five to ten years to Australia, Canada, New Zealand, the United States and the Latin American countries. Italy faces the need for securing the emigration of 300,000 persons annually, The Netherlands 60,000, Greece 35,000 and Germany, in spite of a high level of employment, is unable to provide land for some 60,000 peasant families comprising over 250,000 individuals.

The Intergovernmental Committee for European Migration was organized in 1951 on United States initiative in response to a number of reports and legislative actions by the Congress. The Committee has 24 member governments. Communist and communist-controlled governments are excluded from membership by the constitution. New Zealand and the Federation of Rhodesia and Nyasaland are planning to join in 1955. Section 101(a)(2) of the Mutual Security Act of 1951 provided the basis for United States participation in the Committee in calendar year 1952, and Section 534 of the Act as amended, the authorizations for participation in 1953 and 1954. Section 405(a) of the Mutual Security Act of 1954 authorized continuing United States participation. Organized initially on a provisional basis the Migration Committee is now functioning under a constitution which gives it more formal status and stability, and an anticipated lifespan of three to five years. The constitution has been accepted by 16 member governments, including the United States.

The Migration Committee moved 77,664 migrants in 1952, 87,527 in 1953 and 121,222 in 1954. Included in the total of 286,413 migrants moved over the three-year period were some 100,000 refugees. The persons moved by the Committee would not otherwise have been moved. They were added to the flow of approximately 200,000 migrants who move out of Europe annually without international assistance.

To increase the volume of movement the Committee has acted to improve procedures in the selection and processing of migrants in the emigration countries and in their reception and placement in the immigration countries. At the request of member governments the Committee has furnished skilled technicians to increase the effectiveness of the public administrations of those governments dealing with emigration and immigration. Other services such as vocational and language training and the dissemination of information about opportunities for emigrants have been provided cooperatively with the emigration and immigration countries. All of these services applied at both ends of movement have served not only to increase the flow of migrants but substantially to improve the quality of immigrants selected and to reduce waste, expenditure and confusion in the migration process. Approximately one-third of the migrants moved have consisted of the wives and children of migrants who have proceeded overseas earlier without their families.

The voluntary agencies have played an important role in assisting the Migration Committee to expand the flow of movement. They have exploited new opportunities for immigrants in the receiving countries, secured employers and sponsors for migrants, and, assisted by the Committee, have operated revolving funds which make it possible for the migrants to contribute both in advance of movement and after arrival to the cost of their own movement. Substantial progress has been made in placing a larger proportion of the total movement on a self-payment basis.

The Committee is planning to move 143,320 migrants in 1955. Most of this movement will be to Australia and to Latin America, but the total includes an estimate of 46,500 refugees who are expected to receive visas under the Refugee Relief Act of 1953 to be moved to the United States. The Congress in appropriating funds for the United States contribution to the Committee for calendar year 1955 required that all migrants moved to the Western Hemisphere at the

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General Narrative Statement (Continued)

expense of United States contributed funds should have a security clearance based on reasonable standards established by the Committee. This condition of contribution was readily accepted by the concerned member governments, and procedures have now been established by the Committee to insure that no migrant is moved to the Western Hemisphere without a security clearance. The operation of these procedures remains under constant observation by the Department of State.

The estimate for movement in calendar year 1956 is 174,350 including 63,000 to the United States under the Refugee Relief Act of 1953. The estimated budget of the Migration Committee for 1956 is $54,736,618 of which $2,545,507 is for administrative expenditure and $52,191,111 is for operational expenditure. Contributions to the administrative expenditure are obligatory upon member governments in accordance with a fixed percentage scale. The United States share is 31.32 percent, $790,989. Contributions to the operational expenditure are voluntary. They consist of contributions of free funds for movement and of reimbursements by governments for specific movements undertaken at their direction. The proposed United States contribution to operational expenditure for 1956 is $11,709,011. This contribution to the operational expenditure assists the Committee to meet the deficits arising from partial reimbursements by governments for the costs of movement. The emigration countries in Europe reimburse the Committee at the rate of $60 for the movement of an individual migrant, and the immigration countries also reimburse the Migration Committee varying amounts, Australia $75, Colombia $50 and Brazil $20. Canada reimburses the Committee for the full cost of all movement to Canada under official schemes. The proposed total United States contribution requested, $790,989 to administrative expenditure and $11,709,011 to operational expenditure, is $12,500,000 for calendar year 1956. This represents an increase of 19 percent in dollars over 1955 appropriation compared with the increase of 21.6 percent in movement (143,320 in 1955 and 174,350 in 1956).

NON-REGIONAL PROGRAM

UNITED NATIONS REFUGEE FUND

Comparative Summary of Program by Fiscal Year

Function	Program FY 1954	Program FY 1955	Program Proposed FY 1956
United Nations Refugee Fund	-	-	$1,400,000

General Narrative Statement

Importance of the Program to the United States

The United Nations Refugee Fund (UNREF) is a four-year fund to be financed by voluntary contributions that was authorized by the United Nations General Assembly in Resolution 832 (IX) of October 21, 1954. The purpose of the fund is to enable the United Nations High Commissioner for Refugees to undertake a program of permanent solutions of the problems of those refugees originating for the most part from World War II and its aftermath who, ten years after the war, still remain an economic drain on the free countries of Western Europe, and to permit emergency assistance for the most needy cases. This fund represents a final effort on the part of the United Nations to assist in finding solutions for the most difficult cases, and was supported by the U.S. with this understanding. The countries of residence, it is understood, will assume full financial responsibility should any of the refugees within the scope of the program still require assistance at the end of the four-year period.

The U.S. contribution to this humanitarian program would provide an opportunity for furthering the objectives of this Government in the following respects:

1. It is in the interests of the United States to promote the continuation of the generous asylum policies of countries friendly to the United States, and to support them in these policies.

2. Financial support of UN Refugee Fund by the United states, along with other countries, will result in a valuable service to the countries of asylum and to the free world by helping to convert an economic deadweight and potential source of unrest into a productive asset. While the principal countries of residence, namely Austria, Germany, Greece, and Italy, have the basic responsibility for the approximately 300,000 unassimilated refugees affected by this program who are located within their respective borders, the high cost of maintaining the refugees and integrating them into their economies has proved to be so great an economic burden that the countries of residence have not been able to solve the problem completely with their own resources. Despite admirable efforts and substantial expenditures by these countries, some supplementary financial assistance from outside sources is required if a satisfactory solution to the refugee problem is to be found.

3. The fact that tens of thousands of these refugees are still living in camps ten years after the war is being used as damaging propaganda against the West by the Soviets and their satellites. The living conditions in the refugee camps are not good, and the morale of the refugees has progressively deteriorated. The United States shares with other free countries the conviction that further steps should be taken to demonstrate to the refugees themselves, as well as to the Communist bloc, that there are

General Narrative Statement (Continued)

opportunities for these victims of war and Communism to find a decent life in countries where they have sought refuge. The proposed UN Refugee Fund program will help provide such an opportunity to many of the refugees.

The Problem

Although very significant progress has been made in the past toward resolving the refugee problem, there still remain in Western Europe about 300,000 needy refugees still requiring assistance who fall within the mandate of the U.N. High Commissioner for Refugees. Some 77,000 of these are still in refugee camps, where living conditions are poor and at best afford only a means for existence.

The basic problem is to provide an opportunity for the more able refugees to establish themselves in homes and to have a means of supporting themselves and their families, and generally to find a new life in the West. There are two practical permanent solutions: integration in the country of asylum or emigration. While emigration is possible in a limited number of cases, the only feasible solution for the great majority is integration in the country of asylum. Hence the major effort of the UN Refugee Fund will be designed to stimulate and accelerate the activities of countries of residence to absorb larger numbers of refugees, as productive, self-supporting members of their economies.

Between five and ten per cent of the 300,000 refugees are difficult cases, commonly referred to as the "hard core" of the refugees. These are the refugees who, being aged, blind, tubercular or otherwise disabled, cannot hope to benefit from projects for resettlement through emigration or economic integration but who must be given special or institutional lifetime care. Within the last two years the High Commissioner has been able to make suitable arrangements for about 400 of these difficult cases. Supplementary assistance through the UN Refugee Fund is necessary to provide for the remaining cases until permanent provision is made for them.

The Program

A target program of $4,200,000 has been approved for the first year of operations of the UN Refugee Fund. Of this amount $3,200,000 is for the promotion of permanent solutions for the more able refugees, and $1,000,000 for the emergency aspects of the program. The main emphasis of the permanent solutions program will be on those refugees located in the camps. It is estimated that about 14,000 refugees will be integrated into their countries of present residence in the first year of operations, divided as follows: Austria, 8,500; Italy, 600; Germany, 2,210; Greece, 2,750.

Provisional programs for permanent solutions involving a number of projects have been developed for Austria, Italy, Germany and Greece by the Office of the High Commissioner working in conjunction with the interested voluntary agencies, the United States Escapee Program (USEP), the Intergovernmental Committee for European Migration (ICEM) and the governments concerned. After field and headquarters consultation, the programs are then reviewed and approved by the Executive Committee, which is comprised of the representatives of 20 countries including the United States. Neither the USSR nor any of its satellites is a member of the Executive Committee, and they cannot become members. The resolution establishing the Executive Committee specifically states that members shall be "selected on the basis of their demonstrated interest in and devotion to the solution of the refugee problem." The High Commissioner is responsible for executing and supervising the approved programs. However, as his Office is not basically an operational agency, the actual work will be carried out, for the most part, by the voluntary agencies under contract.

Projects to assist the process of integrating refugees in their countries of present residence include loans to enable refugees to start small businesses or find homes outside the refugee camps, loans and grants to establish refugees in agriculture, and vocational training to enable refugees to qualify for available employment opportunities. Many of the refugees have grown up in the camps with little or no opportunity to educate themselves in economic skills. The allocation to assist activities in regard

General Narrative Statement (Continued)

to the emigration of refugees will be used primarily to supplement the limited resources of the voluntary agencies devoted to finding overseas placement opportunities and obtaining visas for refugees. A table showing the breakdown of estimated project costs by country is attached.

Of the $1,000,000 approved for emergency purposes, $594,000 is for the placement of approximately 1,000 difficult cases in institutions; and $406,000 for emergency assistance, including medical and hospital aid and supplementary feeding and clothing. Part of the emergency assistance funds will be used to maintain European refugees in China until such time as they are able to reach Hong Kong.

As has been pointed out, a basic principle of this program is that finances from international sources must be supplementary in character and shall not relieve the countries of residence of their general responsibility for finding a solution for the problems of refugees within their borders. In order to qualify for assistance from UNREF, the countries must agree to match funds allocated from the central account of UNREF with local contributions generally in the form of local currency or services. In effect, the availability of the international funds will stimulate additional expenditures by recipient governments toward alleviation of the refugee problem over and above the substantial amounts they are already spending.

United States Contribution to UNREF

It is proposed that $1,400,000 be made available for a U.S. contribution to the calendar year 1955 program of the UN Refugee Fund. This amount represents one-third of the $4,200,000 required from all countries for the first year's operation of a four-year program, estimated to cost a total of $16,000,000. It is further proposed that payment of the United states contribution be limited to approximately one-third of total government contributions paid into the central account of UNREF. The success of this program will depend in large measure upon the support of the United States.

NON-REGIONAL PROGRAM

UNITED NATIONS REFUGEE FUND

Proposed Program for Calendar Year 1955

Country	Total Estimates	Permanent Solutions	Emergency Assistance	
			Placement Difficult Cases	Supplementary Assistance
Austria	$1,699,000	$1,440,000	$259,000	$
Germany	420,000	420,000		
Greece	820,000	700,000	95,000	25,000
Italy	399,000	280,000	98,000	21,000
Turkey	31,000		22,000	9,000
China	391,000		90,000	301,000
Iran	21,000		9,000	12,000
Egypt	25,000		15,000	10,000
Middle East	24,000		6,000	18,000
Undistributed (Contingency)	10,000			10,000
Sub-total, Integration Projects		2,840,000		
Emigration Activities	250,000	250,000		
Administrative Costs	110,000	110,000		
Total	$4,200,000	$3,200,000	$594,000	$406,000

NON-REGIONAL PROGRAM

ESCAPEE PROGRAM

Comparative Summary of Programs by Fiscal Year

Function	Program FY 1954	FY 1955	Proposed FY 1956
Escapee Program	7,154,321	6,250,000	6,000,000

General Narrative Statement

The Escapee Program has been carried on since March of 1952 to provide reception, interim care and maintenance, and resettlement assistance to recent Soviet and satellite escapees in Europe, and to undertake assistance projects on behalf of selected escapee groups or individuals in other areas of the world. The program provides specific support to U.S. interests in demonstrating the concern of the West for those who flee Communist oppression and seek asylum in the free countries of the world.

The program, which operates primarily through contracts with voluntary agencies representing the major U.S. religious and nationality groups, supplements the contribution of local governments of asylum and of the voluntary agencies to assure an adequate standard of care for escapees until permanent resettlement or integration into the asylum countries can be effected. Projects include the furnishing of food, clothing, shelter, sanitary and health services, amenity supplies, and limited recreational facilities. Primary emphasis is placed on activities which will hasten the prompt resettlement of escapees. For example, the escapees are thoroughly screened to assure that they are bona fide anti-Communist refugees and deserving of assistance; are given resettlement counselling and language and vocational training; and are assisted in securing necessary personal documentation and visas. Other resettlement efforts include the search for jobs and housing which will facilitate escapee emigration to other countries; and the payment of transportation costs to countries of immigration. By January 1, 1955, out of 62,000 persons initially registered for program assistance, 16,737 escapees from the USSR and satellite countries had been resettled, primarily in the U.S., Canada, Australia, and Latin America. On this date, there were 28,383 escapees still on the caseload of whom about 10,000 were living in refugee camps. The balance of about 17,000 were dropped from the caseload as no longer in need of assistance, ineligible because of date of arrival, or for other reasons.

At the beginning of calendar year 1956, it is expected that there will be 19,850 persons on the caseload and that of these, about 14,566 will be resettled in the course of the year, will be locally integrated, or otherwise dropped from the caseload. Taking into account additions to the caseload during the year, it is estimated that 9,750 escapees will be left on hand on December 31, 1956. Since the number of new escapees arriving each year is very small in comparison to the number being resettled, there is a downward trend in the total caseload of the program.

The Escapee Program follows a contract cycle which runs on a calendar year basis. As a result, funds allotted for each fiscal year actually provide services during the calendar year of the same designation. During calendar year 1956, the program will continue as before with heavy emphasis on resettlement in the

General Narrative Statement (Continued)

United States under the Refugee Relief Act and in other countries under various resettlement programs which are beginning to develop. This resettlement will be accomplished in part through the normal resettlement mechanisms of the voluntary agencies and in part through special contracts under which the agencies make priority efforts to reestablish escapees by finding jobs, housing, and visas in countries seeking new immigrants. These special resettlement efforts are necessary because of the severe difficulty of obtaining visas for Iron Curtain escapees who, because of their recent residence in their countries of origin, are a suspect and handicapped group even among other refugees. To supplement these efforts, special emphasis will be placed on local integration and institutional care in the countries of asylum for difficult-to-resettle cases. As the accumulated caseload declines, the standard of care and maintenance and the intensity of resettlement support for the most recent escapees can be increased to the degree necessary to assure that every effort is made to show these unfortunate people the real concern of the United States for their welfare and future well-being. The effectiveness of Western assistance to escapees from Communist countries has been demonstrated by the recent Soviet and satellite efforts to induce escapees to return to their former homes behind the curtain.

In the Far East, the program will continue projects in behalf of selected escapees from Red China. By January 1955, 6,680 Chinese refugees had been resettled in Taiwan and other areas and an estimated 12,245 more will be resettled during 1955 and 1956. The program in the Far East is necessarily of a selected nature and will provide the assistance necessary to care for only a small part of the hundreds of thousands of refugees in Hong Kong. In the Middle East a small program in behalf of selected escapees will be continued.

A total of $6,000,000 will be required to cover the cost of activities in behalf of escapees during 1956.

ESCAPEE PROGRAM

PROGRAM REQUIREMENTS FOR CY 1956

Category of Assistance	Germany	Austria	Italy	Other Western Europe	Greece	Turkey	Middle East	Far East	Total
Care and Maintenance	$ 392,000	$ 258,000	$ 297,000	$ 80,000	$237,000	$ 67,000	$ 20,000	$ 25,000	$1,376,000
Resettlement Support	560,000	488,000	320,000	292,000	352,000	56,000	83,000	95,000	2,246,000
Local Integration	185,000	96,000	120,000		90,000			380,000	871,000
Transportation	150,000	312,000	325,000	138,000	50,000	12,000	20,000	500,000	1,507,000
TOTAL	$1,287,000	$1,154,000	$1,062,000	$510,000	$729,000	$135,000	$123,000	$1,000,000	$6,000,000

CASELOAD PROJECTION

	On Hand Dec. 31, 1954	Additions to Caseload	Reductions in Caseload	On Hand Dec. 31, 1955	Additions to Caseload	Reductions in Caseload	On Hand Dec. 31, 1956
Office of Field Coordination	4,374	+776	-1,992	3,158	+100	-1,853	1,405
Austria	6,097	+4,149	-5,520	4,726	+2,220	-5,280	1,666
Germany	5,889	+2,836	-3,999	4,726	+382	-2,218	2,890
Greece	4,675	+469	-1,716	3,428	+271	-1,640	2,059
Italy	3,124	+870	-1,806	2,188	+336	-1,350	1,174
Trieste	2,981	+1,117	-3,229	869	+1,085	-1,767	187
Turkey	265	+60	-262	63	+72	-96	39
Iran	661	+28	-174	515	0	-255	260
Middle East	257	+15	-95	177	0	-107	70
TOTAL 1/	28,323	+10,320	-18,793	19,850	+4,466	-14,566	9,750

1/ In addition, it is estimated that 17,000 refugees in the Far East will receive assistance in 1956.

NON-REGIONAL PROGRAM

UNITED NATIONS CHILDREN'S FUND

Comparative Summary of United States Contribution by Fiscal Year

Item	Program FY 1954	FY 1955	Proposed FY 1956
United Nations Children's Fund	$9,814,333	$12,500,000	$14,500,000

Comparative Summary of United States Contribution by Calendar Year

Item	Program CY 1953	CY 1954	Proposed CY 1955	Proposed CY 1956
United Nations Children's Fund	$9,814,333	$8,300,000	$9,000,000	$9,700,000
From FY 1954 funds	9,814,333			
From FY 1955 funds		8,300,000	4,200,000	
From FY 1956 funds			4,800,000	9,700,000

General Narrative Statement

Importance of Program to the United States

From a global, long-range standpoint, raising the children of today to be healthy, productive and good citizens of tomorrow is a most important consideration in our total effort to achieve worldwide peace and economic stability. The attitudes which persons develop in their youths become deeply ingrained and have a decided bearing on the will of peoples to live in an atmosphere of peaceful productivity in the world community.

Considerable progress has been made to date in improving the welfare of children; yet the needs of millions of children still remain largely unfilled. Approximately two-thirds of the world's 900 million children lack adequate food, clothing and protection against disease. Many can look forward to only a short, unproductive life burdened by hunger, poverty and disease. Others who may survive longer will remain forever a burden on society, their outlook on life warped and even bitter. Ill health impairs incentive and deters progress, and produces discontent.

Child needs are basically the same in all the areas assisted by UNICEF - the need for the most elementary child health and welfare services, and for trained personnel to perform these services; the need for safeguard against widespread

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General Narrative Statement (Continued)

and debilitating disease; and the need for more and better food to overcome serious deficiencies in diet.

One of the very real problems of the underdeveloped countries is to improve the health of their children to enable them to become productive individuals. These countries lack the necessary resources, however, to cope with the problem by themselves. Outside financial assistance is badly needed. UNICEF has been the focal point through which international aid for children has been provided.

It is in the interest of the United States to continue its strong support of UNICEF, both for humanitarian reasons and for the abundant good will which has accrued to the United States through its participation in the program. The United States took a leading role in establishing UNICEF and has made substantial contributions to it since its inception. The Soviet bloc, on the other hand, contributes nothing. The peoples receiving assistance are cognizant of the major contribution that the United States has made to UNICEF, and are aware of the complete lack of USSR support. The result has been to enhance the prestige and humanitarian reputation of the United States throughout the world.

The Children's Fund has proved to be a worthwhile and effective international activity. The program is reaching and bringing practical benefits to needy children and families everywhere, and is tangible evidence to them that many of the more fortunate peoples of the world are interested in helping them improve their conditions. The children and mothers receiving UNICEF aid are learning that there are other countries, often far distant ones, who care enough for their welfare to send supplies and equipment and trained people to help improve their conditions and their capacity to survive. The work of UNICEF, consequently, has its place in the total effort to achieve international peace and understanding.

UNICEF Program

UNICEF assistance no longer emphasizes the emergency "hand-out" type of aid prevalent in the early days of the program. On the contrary, present UNICEF activities concentrate on permanently improving rather than temporarily relieving child health conditions, and are designed to provide an initial impetus to programs which assisted countries will eventually carry on by themselves.

The needs of the underdeveloped countries are so great and resources for international assistance so limited that UNICEF must apply certain specific criteria in determining which projects it will assist. These criteria are as follows:

1. The government desiring assistance must initiate the request for aid to UNICEF.

2. UNICEF emphasizes aid to economically underdeveloped countries, particularly in the rural areas.

3. UNICEF aid is concentrated on a few types of programs which deal with basic inadequacies in child care and which generally have a mass impact on the particular community. These programs include assistance to rural maternal and child welfare centers in areas where child-care services are nonexistent or totally inadequate; extensive health campaigns against diseases affecting large numbers of children, such as tuberculosis, malaria and yaws; and the raising of nutritional standards of children through better diets, including a wider use of milk.

4. The assisted government must agree to match the funds allocated by UNICEF with a substantial contribution of its own toward each program. The amount of the "matching" contribution, which consists of local currency or services, is at

General Narrative Statement (Continued)

least equal to and is generally more than the international funds assigned to a program. In 1954, governments receiving aid contributed a total of $32.5 million compared to the $17.1 million allocated from the central account, or an average of $1.90 for every $1.00 allocated.

5. UNICEF aid is used to make a lasting contribution to the welfare of large numbers of children, through projects which the assisted countries can eventually carry on themselves. Programs are geared to the administrative and financial capacities of countries. Community participation is emphasized in all stages of the program. Thus a solid base is laid at national, provincial and local levels enabling countries to continue the programs when UNICEF aid is terminated.

6. The project should be useful as a demonstration to the requesting country and should result in the development of local organizational patterns which can be duplicated and extended elsewhere in the country.

UNICEF has been increasingly successful in stimulating self-help on the part of governments and assisted peoples. Self-help is not only evidenced by the substantial amount of "matching" funds which the governments are contributing, but is also reflected in a number of other ways. These include the actual taking over by governments of projects started with UNICEF aid; increased public health budgets for child health programs; the recruitment of more competent personnel for maternal and child health work; and, in some instances, the creation of maternal and child health or welfare departments. Even more significant perhaps than the record of government action are the added desire and efforts made by the people to help themselves in improving their own conditions.

A clear division of responsibilities exists between UNICEF and such other international organizations as the World Health Organization (WHO) and the Food and Agriculture Organization (FAO), which are concerned generally with matters of health and nutrition. UNICEF provides the supplies and equipment which are not locally available; while the WHO or FAO, as appropriate, furnishes the technical assistance and know-how requested by the governments both in the planning and execution of the programs. This clear-cut difference in emphasis simplifies the question of coordination, and assures that "the resources of the United Nations in health, nutrition and welfare are aligned in a unified approach in helping governments meet children's needs."

In 1954 UNICEF continued to make significant progress in reaching larger numbers of children in a larger number of countries. During the year the Fund aided 250 projects in 88 countries and territories. Thirteen of these countries received assistance for the first time. More than 28 million children and mothers benefited from UNICEF aid in 1954, as compared to 21 million in 1953. Over 13 million children were vaccinated against tuberculosis; 7 million children and mothers were protected from malaria and other insect-borne diseases; 1.5 million children were treated for yaws, and 1.3 million given a food supplement under the long-range feeding programs. For the three-year period 1952-54, UNICEF furnished basic equipment and supplies for approximately 5,500 maternal and child health centers in rural areas. UNICEF also provided limited emergency aid to children in countries affected by catastrophes such as floods, droughts and typhoons. UNICEF allocations for 1954, amounting to $17.1 million, are summarized by area and by type of program in the attached table.

United States Contribution to UNICEF

The UNICEF program operates on a calendar year basis, whereas the appropriation of a U.S. contribution is currently on a fiscal year basis. This tends to complicate somewhat the pledging and contribution of funds by the United States, including the percentage question. The difficulties caused thereby have resulted in situations both in 1954 and 1955 in which the other governments have not known in advance in either year the total amount which the United States was prepared to contribute or the percentage applicable to our contribution to UNICEF's

General Narrative Statement (Continued)

programs for these two years. This may well have resulted in less contributions than would otherwise have been forthcoming had the other governments known and been able to take into consideration U.S. intentions before determining the extent of their commitments. For example, in announcing the U.S. contribution last September for the period January 1, 1954 - June 30, 1955, the U.S. representative stated he hoped other governments would assume a greater share of the costs of the program than they had borne in the past, and stated further that the percentage of the U.S. contribution would be reduced to 60 percent by June 30, 1955. However, the majority of the other governments had already made their pledges prior to the U.S. announcement, and could therefore not take the reduced U.S. percentage into account in determining the amounts of their 1954 contributions.

A similar situation prevails with respect to pledges and contributions to UNICEF's 1955 program. The U.S. is not able to pledge an amount or indicate a percentage applicable to UNICEF's total 1955 program since funds for the last six months of this calendar year (the first six months of FY 1956) have not yet been appropriated and the United States does not make any pledge or other commitment for a contribution to UNICEF until the funds have been appropriated by the Congress. (The next U.S. pledge will not be made until the Congress has completed action on the current request.) The governments were told last September of the intention of the U.S. to reduce its contribution to 60 percent by June 30 of this year and this goal will definitely be reached. In fact, as a result of vigorous efforts on the part of UNICEF following announcement of the U.S. pledge, this goal was almost achieved six months ahead of time (61 percent as of December 31, 1954). Since, as stated above, the U.S. has given no indication of the amount or percentage of the U.S. contribution in the last half of this year's program for the benefit of other governments in determining the amounts of their pledges to the total year program and since the U.S. contribution has already been reduced by 12 percent over the comparatively short period, it is recommended that the U.S. not reduce its percentage further for the remainder of the calendar year 1955 at such short notice. However, in accordance with the policy that the United States should reduce the percentage of its contribution on a gradual basis, and that such action should be so regulated that it will not have an adverse effect on the UNICEF program, it is proposed that the U.S. contribution could be further reduced in CY 1956 to 57.5 percent.

In order to avoid the difficulties outlined above which result from the present system of fiscal year appropriations to calendar year programs, it is proposed that in the future funds for contribution to UNICEF be authorized and appropriated for a period corresponding to the UNICEF program year. This would make it possible for the United States to make a pledge for a full calendar year program of UNICEF in the fall of the preceding year. Knowledge of the full calendar year U.S. pledge in advance of the year in question would be of great value to the UNICEF administration in planning and carrying out its yearly program. As indicated above, it would also be helpful in the attainment of the U.S. objective that other governments make maximum contributions to UNICEF, so that any reduction in the U.S. percentage will not hurt the total program of the Fund. Under the proposed arrangement there could be no misunderstanding on the part of other governments as to the amount or percentage of the U.S. contribution. Rather, the U.S. position with respect to both factors would be crystal clear, and other governments could take this position fully into account in determining the amounts of their own contributions.

In view of the above, an amount of $14,500,000 is being requested to cover the U.S. contribution for the 18-month period July 1, 1955 through December 31, 1956. This action will make it possible for the United States to make a pledge in the fall of 1955 not only for the final six months of this calendar year but for the entire calendar year 1956 program of UNICEF. Contribution of the request of $14,500,000 would be divided as follows: $4,800,000 for the last half of the CY 1955 program, which, together with the $4.2 million appropriated in FY 1955 for the first six months of this year's program, would

General Narrative Statement (Continued)

make a total U.S. contribution of $9,000,000 to UNICEF's 1955 program; and $9,700,000 for the CY 1956 program.

The following summary table of government contributions (in millions of dollars) to the central account of UNICEF illustrates the progressive reduction in the percentage of the U.S. contribution and the steady increase in contributions from other governments for the past several years:

Calendar Year Program	United States Contribution	Other Government Contributions	United States Percentage
1952	$6.7	$2.7	71%
1953	9.8	4.6	68%
1954	8.3	5.3	61%
1955(proposed)	9.0	6.0(estimated)	60%
1956(proposed)	9.7	7.2(estimated)	57.4%

The U.S. contribution is further limited to 33-1/3 percent of all contributions, including contributions made by governments for the benefit of persons located within territories under their control. These local cost contributions have shown an increase from $23.6 million to $32.5 million over the three-year period from 1952 through 1954. In 1954 the U.S. contribution was 18 percent of all contributions, including the local matching contributions.

NON-REGIONAL PROGRAM

UNICEF ALLOCATIONS FROM THE CENTRAL ACCOUNT

By Area and Type of Activity

	Actual Allocations Calendar Year 1954		Target Program 1/ Calendar Year 1955	
	Amount	Percent	Amount	Percent
Programs by Area				
Africa	$ 1,583,400	10.9	$ 2,700,000	15.5
Asia	6,697,500	46.0	8,236,000	47.3
Eastern Mediterranean	1,907,400	13.1	2,100,000	12.0
Europe	949,000	6.5	700,000	4.0
Latin America	3,122,000	21.4	3,130,000	18.0
Inter-regional	315,000	2.1	550,000	3.2
Total, Area Assistance	14,574,300 a/	100.0	17,416,000 b/	100.0
Programs by Activity				
Maternal and Child Welfare	3,732,100	25.6	6,193,000	35.5
Mass Health	4,572,300	31.4	5,481,000	31.5
Nutrition				
(a) Long-range feeding assistance	2,177,300	14.9	1,580,000	9.1
(b) Milk conservation	1,540,900	10.6	2,176,000	12.5
Emergency Aid	2,551,700	17.5	1,986,000	11.4
Total, Project Aid	14,574,300 a/	100.0	17,416,000 b/	100.0
Administrative and Operational Services	2,608,740		2,584,000	
TOTAL ALLOCATIONS	17,183,040		20,000,000	

1/ Approved by UNICEF Executive Board in September.
a/ Allocations of $2,748,800 for freight included in total area assistance and project aid figures.
b/ Estimated allocations of $2,797,000 for freight are included in total area assistance and project aid figures.

NON REGIONAL PROGRAM

NORTH ATLANTIC TREATY ORGANIZATION (CIVILIAN HEADQUARTERS)

Comparative Summary of Activities by Fiscal Year

Function	Program FY 1954	Program FY 1955	Proposed FY 1956
Total U.S. Contribution to NATO Civilian Headquarters	$1,156,700	$1,169,000	$3,700,000
U.S. Contribution to Ordinary NATO Budget	1,156,700	1,169,000	1,225,000
U.S. Contribution to Special NATO Building Budget		(325,000)[a/]	2,475,000
NATO Ordinary Budger (in dollar equivalents)			
Operating Costs	$3,918,500	$3,920,000	$3,920,000
Capital Costs	47,060	40,000	40,000
Total NATO Ordinary Budget	3,965,560	3,960,000	3,960,000
United States Assessment			
Operating Expenses (22.5%)	881,663	882,000	882,000
Capital Costs (45%)	21,177	18,000	18,000
Total U.S. Assessment	902,840	900,000	900,000
Credit for U.S. Nationals Loaned to NATO	-164,840	-200,000	-225,000
Net United States Payments to NATO Ordinary Budgets	738,000	700,000	675,000
Direct Cost to U.S. of U.S. Nationals Loaned to NATO			
Salaries	280,000	309,000	364,000
Allowances	96,000	103,000	121,000
Other Expenses	42,700	57,000	65,000
Total Direct Cost	418,700	469,000	550,000
Total U.S. Contribution to NATO Civilian Headquarters Ordinary Budgets	1,156,700	1,169,000	1,225,000
NATO Special Budget for Construction of Civilian Headquarters Building, Total Cost		722,000	5,500,000
U.S. Share of NATO Special Budget for Civilian Headquarters Building		(325,000)[a/]	2,475,000

a/ This U.S. share of FY 1955 initial costs on the NATO Building is being met by application of certain credits which the U.S. has accrued with NATO.

NON-REGIONAL PROGRAM

NORTH ATLANTIC TREATY ORGANIZATION (CIVILIAN HEADQUARTERS)

General Narrative Statement

Organization of NATO

The North Atlantic Treaty Organization is headed by the North Atlantic Council on which each member government is represented by its Ministers of Foreign Affairs, Defense, and Finance and by its Permanent Representative in Paris. The Council and its committees are served by an international Staff which comprises the Civilian Headquarters of the Organization. The International Staff is organized into three principal operating units, (Political Affairs, Economics and Finance, Production and Logistics) together with administrative and staff sections. The Secretary General and his immediate staff direct and coordinate the work of the International Staff; facilitate the work of the Council and initiate action to carry out Council decisions; maintain liaison with national delegations to NATO; and control all expenditures of the Organization.

The Division of Political Affairs provides analysis of an intelligence nature affecting NATO and assists the work of Council committees in the field of Civil Cooperation. The Division of Economics and Finance heads up the annual review of the economic capabilities of the NATO nations to meet the military requirements of the common defense; developing recommendations for sharing the defense burden. This division also screens costs of defense programs and assists the committees on emergency planning in commodity and transport fields. The Division of Production and Logistics surveys defense production facilities, analyzes deficiencies, and presents recommendations for coordinated production programs in Europe; reviews and inspects the progress of infrastructure projects; and assists technical expert working groups in the examination of specific production problems.

Development of NATO Budget and Scale of Contribution

The NATO budget is prepared by the Secretary General, reviewed by the Budget Committee on which all 14 member nations are represented, and approved by the North Atlantic Council. Each member nation is assessed according to an agreed scale of contributions. The U.S., the U.K., and France pay equal shares of the regular operating costs but capital expenditures are shared with greater recognition of capacity to pay. At present the U.S. pays 22.5 percent of operating costs and 45 percent of capital expenditures.

Loan of U.S. Nationals

A NATO member government may arrange with the Secretary General for its nationals who serve on the International Staff to be paid directly by the government. This arrangement is necessary because NATO salaries are based on European scales and would not attract nationals of the U.S. and Canada. When the Secretary General desires the services of U.S. citizens, he requests the U.S. Government to employ such personnel, pay them at U.S. rates, and detail them to NATO. The U.S. receives consequent credit on its contribution equivalent to the salaries and allowances which would have been paid such persons had they been hired directly by NATO.

Proposed U.S. Contribution for FY 1956

The NATO Civilian Headquarters budget for ordinary expenses has become relatively stable. The cost to the United States against the ordinary NATO budget for 1956, including the cost of U.S. Nationals detailed to NATO, is estimated to be $1,225,000 compared with $1,169,000 in FY 1955.

The Mutual Security Act of 1954 authorizes U.S. participation in sharing the cost of construction of a permanent headquarters building for NATO. NATO is now housed in a temporary structure originally built for the UN General Assembly session in Paris in 1951 on the understanding that it would be dismantled upon completion of that session. The building has become structurally unsafe, as well as not fully adequate for NATO's needs. Plans for a new building to be erected on a site made available gratis by the French Government have been completed. The cost of the building is currently estimated, on the basis of the preliminary architectural plans, at about

General Narrative Statement (Continued)

$6,200,000. The U.S. share under the capital cost scale is 45 percent or about $2,800,000. However, the application of certain credits which the U.S. had accrued with NATO, approximating $325,000 toward initial costs of the building in FY 1955, reduces the estimated further amount of the U. S. share to $2,475,000. This latter amount is included in the estimate for 1956.

NON-REGIONAL PROGRAM

OCEAN FREIGHT - VOLUNTARY RELIEF SHIPMENTS

Comparative Summary of Program by Fiscal Years

Area	Program FY 1954	Program FY 1955	Program Proposed FY 1956
Ocean Freight - Voluntary Relief Shipments			
Europe	$1,251,624	$ 970,000	$ 700,000
Near East	75,000	75,000	80,000
Africa	10,000	10,000	10,000
South Asia	270,000	90,000	90,000
Far East	699,861	355,000	1,110,000
Latin America	-	-	10,000
Total, Ocean Freight - Voluntary Relief Shipments	$2,306,485	$1,500,000	$2,000,000

Comparative Summary of Ocean Freight Subsidies on Shipments by Voluntary Relief Agencies

Area	Program FY 1954	Program FY 1955	Program Proposed FY 1956
Expenditures for Ocean Freight	$ 2,306,485	$ 1,500,000	$ 2,000,000
Weight of Relief Supplies (lbs)	109,000,000	68,250,000	82,000,000
Value of Relief Supplies	$ 37,050,000	$23,250,000	$28,000,000

NOTE 1: Participating Agencies include the following: American Baptist Relief; American Friends of Austrian Children; American Friends Service Committee; American Jewish Joint Distribution Committee; American Mission to Greeks; American ORT Federation; Assemblies of God - Foreign Service Committee; Brethren Service Commission; Church World Service; Congregational Christian Committee; Cooperative for American Remittances to Everywhere (CARE); Foster Parents' Plan for War Children; International Rescue Committee; Iran Foundation; Little House of Saint Pantaleon; Lutheran World Relief; Mennonite Central Committee; Near East Foundation; Refuge des Petits; Romanian Welfare; Salvation Army; Save the Children Federation; Tolstoy Foundation; Unitarian Service Committee; United Lithuanian Relief Fund of America; War Relief Services - National Catholic Welfare Conference; and World University Service.

NOTE 2: Participating countries and areas include the following in fiscal year 1955: Austria; France; Germany; Greece; Italy; Trieste; Yugoslavia; India; Pakistan; Formosa; Iran; Jordan; Egypt; Peru; Hong Kong; Bolivia; Afghanistan; and Vietnam.

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General Narrative Statement

This appropriation of $2 million is being requested to continue the ocean freight support on shipments of relief and rehabilitation supplies by approved American nonprofit voluntary agencies engaged in humanitarian activities abroad. Approved agencies are those registered with the Advisory Committee on Voluntary Foreign Aid and the American Red Cross. These private agencies draw their principal support from voluntary donations of the American people both in cash and in kind. It has been conservatively estimated that their combined constituencies comprise 75 percent of the American people. The program is typically American, representing, as it does, a material expression of goodwill by our citizens for their less fortunate friends abroad.

As indicated in the table above, supplies valued at $23,250,000 will have been shipped and distributed this year at a cost to the Government of $1.5 million. It is readily seen, therefore, that in terms of the value of the goods delivered, the cash outlay on the Government's side is multiplied 15 1/2 times. These goods include specifically food, clothing, medical and hospital supplies, school supplies, handtools for trades and agriculture, and other self-help supplies. Much of these goods are donated in kind without any cash contribution to cover delivery costs. Hence, the value to the agencies of ocean freight support, without which the program could not go forward at its present level. The increase in the amount requested this year as against last is principally to take care of substantially increased shipments of goods to South Vietnam. The voluntary agencies are gearing their programs to service the increased needs occasioned by the mass movement of refugees from North Vietnam.

In each case, before expending funds appropriated for this purpose, a formal agreement is entered into between the U. S. Government and the receiving government, which guarantees on the part of the latter duty-free entry of goods and the payment of inland transportation costs from port of entry to the ultimate point of distribution. The American agencies for their part bear the cost of solicitation, processing, warehousing, packaging for export, and transportation to U.S. ports, plus the salaries and other administrative costs in maintaining field representatives in the countries of reception to supervise distribution. Thus, the program represents a three-way cooperative arrangement between the American voluntary agencies, the U. S. Government, and the foreign governments, with each contributing materially to its success. Under regulations which have been established for the program, all goods are adequately marked to identify their U. S. origin. These markings bear the FOA Emblem and the wording "Gift of the American People - Ocean Freight Paid by the U. S. Government". Additionally, each agency must maintain in the recipient countries U. S. citizen representatives to supervise distribution and to insure that the supplies reach the persons for whom they are intended.

These agencies are carrying on many other activities and services of interest to the United States in the field of technical cooperation, resettlement, and other services to refugees and escapees. During the past two fiscal years, they have also moved substantial quantities of agricultural surplus commodities with the help of funds appropriated by the Congress. A request for funds for this purpose for FY 1956 is being presented as a separate item.

NON-REGIONAL PROGRAM

OCEAN FREIGHT - SURPLUS AGRICULTURAL COMMODITIES

Comparative Summary of Programs by Fiscal Year

(In thousands of dollars)

Function	Program FY 1954	FY 1955	Proposed FY 1956
Ocean Freight - Surplus Agricultural Commodities	3,510	8,300	13,000

General Narrative Statement

FOA has primary responsibility for administering Title II of the Agricultural Trade Development and Assistance Act of 1954, Public Law 480, 83rd Congress. This section of the Act provides that up to $300 million worth of surplus commodities held by the CCC may be used over a three-year period to provide assistance to friendly peoples in meeting famine or other urgent relief requirements. Commodities may be made available f.o.b. U.S. ports but the Act does not authorize payment of ocean freight charges.

Under Title III of PL 480 certain surplus agricultural commodities, which would otherwise be wasted (primarily through spoilage), may be made available to eligible U.S. voluntary agencies for distribution overseas to needy people under certain circumstances. (Eligible agencies as defined in PL 480 are those registered with and approved by the Advisory Committee on Voluntary Foreign Aid.) The commodities are clearly marked showing that the food is a donation of the U.S. Government. The voluntary agencies, in each instance, are required to maintain U.S. citizen representatives in the recipient countries to supervise the distribution of these supplies and to insure that they are delivered to the needy persons for whom they are intended. The recipient government for its part admits the goods duty-free and pays the cost of inland transportation from port of entry to ultimate point of distribution. Under the present authority, commodities are turned over by the Department of Agriculture to eligible agencies at U.S. ports.

Payment of the ocean freight costs involved in moving the commodities provided under both Titles, as indicated above, is not authorized in PL 480 and must be funded from one or more of the following sources:

1. The government receiving the surpluses.
2. The resources available to the voluntary agencies themselves (in the case of Title III releases).
3. Mutual Security funds.

The portion of Mutual Security funds specifically programmed for this purpose is shown in the foregoing table. In addition to these amounts, some share of funds used for country programs is devoted to payment of ocean freight for surplus agricultural commodities distributed in connection with country projects or emergency relief. (These costs are included in amounts shown for country programs in the regional sections of this document.) Estimates of the share of country program funds, and of funds of recipient countries and voluntary agencies used for this purpose as well as the value of commodities shipped are given in the following table (in millions of dollars):

NON-REGIONAL PROGRAM

OCEAN FREIGHT - SURPLUS AGRICULTURAL COMMODITIES

General Narrative Statement (Continued)

Estimated Cost of Shipments of Surplus Agricultural Commodities under Titles II and III, P.L. 480	FY 1954	FY 1955 Total	FY 1955 Title II	FY 1955 Title III	Proposed FY 1956
Costs of Ocean Freight					
Financed from Mutual Security funds specifically programmed for this purpose	$ 3.5	$ 8.3	$ -	$ 8.3 a/	$ 13.0
Financed from Mutual Security country program funds	6.4	11.3	11.3	-	5.0
Total, Mutual Security Funds	9.9	19.6	11.3	8.3	18.0
Financed from resources of recipient countries and voluntary agencies	2.4	9.1	5.7	3.4	8.8
Total Ocean Freight Costs	12.3	28.7	17.0	11.7	26.8
Value of Commodities	102.0	291.75	125.0	166.75	270.0

a/ Includes $2.9 million from amounts appropriated under Section 409(c), and $4.4 million from funds appropriated under Section 201(a)(1) and $1.0 million of savings in the prior year program for Support of Forces in Cambodia, Laos, and Vietnam under authority of Section 409(d).

Estimates given above of the value of commodities shipped are based for FY 1954 on U.S. export market prices, and for later years on Commodity Credit Corporation cost and investment. Amounts shown for FY 1954, before enactment of P.L. 480, include programs undertaken under authority of P.L. 77, P.L. 216, and Section 513 (b) of the Mutual Security Act of 1951, as amended, which were similar to those now carried out under Title II of P.L. 480.

A concerted effort is now underway to maximize the freight costs borne by the recipient governments. For example, with respect to the voluntary agency Title III surplus programs, certain of the Western European countries receiving benefits under these programs might be expected to bear an increasingly larger share of these costs as their economic situation progressively improves. An estimate as to what might be expected by way of recipient government funding of Title II programs is much more difficult to arrive at. In FY 1955, 60 percent of all Title II commodities were utilized in floods, famine, and other natural disasters for which, for the most part, no advance budget planning as to funding was possible. Such emergency operations, particularly those occurring in countries which even normally might have difficulty in meeting these costs, must often, not only because of the economic situation of the country,

General Narrative Statement (Continued)

but also because of time exigencies inherent in the emergency, be financed in substantial part by Mutual Security funds.

In FY 1956, it is estimated that a total of $270 million worth of surpluses will be utilized in Title II and Title III programs, requiring approximately $27 million from all sources for ocean freight costs. It is estimated that an amount of $18.0 million will be required beyond that which the recipient governments and, in the case of Title III, the voluntary agencies can reasonably be expected to meet from their own resources. It is proposed that Mutual Security funds up to a maximum of $18.0 million be utilized to meet these costs so that surpluses in the total amount designated may be moved.

On the basis of experience to date, certain situations requiring the utilization of surpluses can be anticipated in FY 1956 for which country program funds can and logically should be used. An example in FY 1955 of such a situation would be the circumstances which obtained in South Vietnam and which led to the use of country program funds, i.e., Operation Exodus funds, in relief type surplus distribution projects.

However, in FY 1955 less than one-third of the ocean freight costs covered by Mutual Security Program funds could be met from funds which had been originally allotted for development assistance or defense support purposes to the particular country receiving the surpluses; in FY 1956 this amount is estimated at $5 million. By far the larger percentage of ocean freight costs in FY 1955 had to be met either by funds appropriated in Section 409(c) or by funds transferred for this purpose under Section 409(d) from elsewhere in the Mutual Security Program, usually from programs other than that in the country receiving the surpluses and hence at the expense of other unrelated operations. In FY 1956 the authorization and appropriation of this latter residual amount, estimated at $13.0 million, is being specifically requested.

It is not realistic at this time to estimate how the $13.0 million, if authorized and appropriated, might eventually be divided as between Title II and Title III projects. Costs of shipments under both Titles could vary by as much as $6 million depending on (a) the extent to which recipient governments in FY 1956 can finance ocean freight costs and (b) the extent to which country program funds can be made available, without serious detriment, for certain of the surplus distribution programs. The $13.0 million represents in fact a median average between the ranges in the two Titles.

NON-REGIONAL PROGRAM

CONTROL ACT EXPENSES

Comparative Summary of Expenses by Fiscal Years

	Program					
	FY 1954		FY 1955		Proposed FY 1956	
	Man-Years	All Costs	Man-Years	All Costs	Man-Years	All Costs
Foreign Operations Administration						
Office of Administrator	32.6	$379,034	36.9	$409,609	33.6	$376,910
Overseas Missions	10.0	142,685	16.2	147,691	8.4	78,618
Total Foreign Operations Administration	42.6	521,719	53.1	557,300	42.0	455,528
State Department						
Departmental	15.1	89,119	26.5	164,400	28.5	176,548
Overseas	17.6	213,289	21.2	253,600	27.8	343,324
Total State Department	32.7	302,408	47.7	418,000	56.3	519,872
Commerce Department	28.5	173,490	29.7	199,700	29.7	199,600
Grand Total, Control Act Expenses	103.8	$997,617	130.5	$1,175,000	128.0	$1,175,000

General Narrative Statement

The scheme of organization for conducting operations under the Mutual Defense Assistance Control Act (Battle Act) has a dual aspect. The Act itself made one of its most important contributions to improving previous operating arrangements by recognizing the need for a central administrator to give coordination to the activities of the various U. S. agencies interested in the control of strategic exports from foreign countries to maintain free-world security. On the other hand, the Act recognized that these agencies had to do the operating work involved in the Battle Act program, their operations to be coordinated by the central administering head. In addition to the function of administering the Battle Act, the Director of the Foreign Operations Administration is responsible, together with the Secretary of State, for coordinating, through the Economic Defense Advisory Committee, all economic defense programs of the U. S. Government.

The program that the Battle Act addresses itself to is not one of directly or solely applying controls on exports for security purposes. The Battle Act requires the administrator to work with other countries of the world to secure an international pattern of trade controls that would enhance the security from aggression of the free world. Providing forceful leadership towards working out an international pattern of

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General Narrative Statement (Continued)

security trade control requires that the U. S. Government formulate its own positions and then carry them to the member countries of the free world by international negotiations and representations in an effort to reach multilateral agreement. This process of planning and persuading takes place in both the major phases of establishing security trade controls: that of determining commodity controls and that of cooperative enforcement of commodity controls.

To provide the central directing coordination over the interagency arrangement for carrying out the Battle Act is the mission of the Office of the Deputy Director for Mutual Defense Assistance Control, under the Director of the Foreign Operations Administration. This office sees to it that a program and supporting activities are planned and initiated; that sound policies are devised for general guidance of the program and for application in particular situations; and that there is proper and consistent execution of activities and policies by the agencies carrying out operations. In addition this office represents the program in terms of reporting and responding to the Congress, to the President and his agencies for program coordination in the field of national security, and to the public. It also carries out the specific responsibility under the Battle Act of making available technical advice and assistance on export control procedures to any nation desiring such cooperation.

Determining commodity controls involves deciding on what commodities have strategic value such that their export should be controlled to impede the military capacity of potential aggressor nations. To carry out the letter and the spirit of the Battle Act, there is required not a single standard of strategic value, but rather several different levels of strategic value. At the same time the standards of strategic value are not unchanging ones that can be applied in isolation, but must be applied in relation to complex and dynamic political and economic factors. The process of determining commodity controls is, therefore, a complicated operation.

In the work of determining the strategic importance of individual commodities, the Commerce Department gives the primary operational leadership. In the Bureau of Foreign Commerce of the Department, there is a structure of Technical Task Groups organized along the lines of major commodity groupings. These exist to make strategic evaluations of commodities in connection with the Commerce Department's program to control exports from the United States for security purposes. This same structure is employed to prepare technical evaluations of the strategic character of commodities for the Battle Act Program. Also under the administration of the Commerce Department is an inter-agency Joint Operating Committee. This takes the technical strategic evaluation, adds to it political and economic considerations developed by the State Department, Defense and other agencies, and comes up with a composite evaluation of the export controls that should be applied to commodities. The Joint Operating Committee was set up to service, with its commodity control evaluations, both the Commerce Department program of domestic export control and the Battle Act program for international export control.

The State Department, through the U. S. foreign service, carries the results of the planning forward into the arena of international negotiations and relations. In the USRO Office of Security Trade Controls, there is maintained a delegation, plus a supporting staff, to represent the United States in an international security trade control organization that exists in Paris. This organization was set up only on an informal basis by a number of free-world countries. Nevertheless it functions as a mechanism through which multilateral negotiations can be conducted and agreement obtained on adopting commodity export controls. In the various diplomatic posts around the world, U. S. foreign service officers conduct bilateral negotiations and dealings with foreign countries to secure the adoption of security trade controls. Often, when difficult problems arise in the multilateral forum or in individual country negotiations, the U. S. foreign service officials overseas call for the assistance of commodity control technicians from Washington, and among these the Commerce Department officers are heavily represented.

General Narrative Statement (Continued)

There is an area of economic research and intelligence work that gives basic support to the function of determining commodity controls. Long-term and short-term analyses of economic and trade needs of free-world countries, of Soviet bloc economics and trade tactics, and of ways of decreasing reliance of free-world countries on trade with the Soviet bloc contribute to the solution of commodity control problems. In this area of work, Commerce Department and State Department both contribute in equal measures of importance. The former brings to this work a long background and experience in following all aspects of a foreign country's economic conditions and institutions, springing out of its specialized interest in commerce and trade. The latter has its foreign economic reporting system and its domestic intelligence research facilities as the basis for significant contributions. The Foreign Operations Administration also contributes especially in this area of work because of its knowledge of the economies of foreign countries.

In the area of enforcing commodity controls, there is a similar distribution of participation. When it comes to planning systems and techniques for enforcing commodity controls, such as transit trade controls, shipping controls, financial transaction controls, and anti-diversion controls, the Commerce Department contributes out of its technical competence in commerce, trade and finance. When it comes to negotiating the adoption of enforcement systems or techniques by countries and to negotiating with countries to insure adequate handling of specific enforcement cases, officials of the U. S. foreign service do the work.

Although State and Commerce Department share the basic operations under the Battle Act, other agencies also have a prominent interest here. Defense Department, out of its military interest, is greatly concerned with the strategic value of goods exported to or withheld from potential enemy countries. Foreign Operations Administration, in its concern with things that affect the economic strength of countries, is intimately interested in trade control operations. Because of the complex nature of the problems coming up under the Battle Act, the Act itself calls for securing the joint advice of all these agencies plus others having an interest in security trade control. In addition the intelligence agencies of the government render substantial support to the Battle Act program. Thus there is an inter-agency cast to the carrying out of the program. An inter-agency mechanism is provided for securing the participation of all these interested agencies, in the form of the Economic Defense Advisory Committee and its subsidiary working groups and ad hoc groups.

The funds authorized under the Battle Act program provide for financing the central administering and coordinating staff, and also for supplementing the financial resources that the main agencies participating in Battle Act work can make available from their own operating appropriations. These funds are allocated to the State Department, Commerce Department and Foreign Operations Administration to insure an adequate total level of activity by these agencies in carrying out Battle Act operations and in representing their particular agency interest in the inter-agency machinery for planning and operating the Battle Act program. Authorization is requested for a program in Fiscal Year 1956 of the same financial size as the program for Fiscal Year 1955. Within the over-all program figure, there is a shift of some funds from the Foreign Operations Administration to the State Department. This is, in the main, to recognize the fact that certain Foreign Operations Administration personnel participating in enforcement work in the country missions abroad properly belong under the State Department organization within the country team.

EXCERPT FROM PRESIDENT'S MESSAGE

"....The Foreign Operations Administration has proved to be an effective and efficient instrument for conducting the Mutual Security Program. An able and devoted group of men and women have successfully conducted the program under direct line authority from the President.

The Congress provided in the Mutual Security Act of 1954 for the termination of the Foreign Operations Administration by June 30 of this year. As I indicated in my letter to the Secretary of State of April 15, I shall issue an Executive Order effective June 30, 1955, transferring the affairs of the Foreign Operations Administration to the Department of State, except for certain military aspects which will be transferred to the Department of Defense.

This transfer to permanent Departments of the Government will reflect the significance of this program as an integral part of our foreign policy. In the implementation of the program, the facilities of all agencies of the Executive Branch will be used where appropriate, and to the maximum possible extent on a contract basis. However, it is essential that responsibility for the non-military operations continue unified; to fragment this responsibility among several agencies would seriously detract from their effectiveness. The reorganization will continue the role of the Institute of Inter-American Affairs in carrying out cooperative programs for the advancement of the well-being of the peoples in the other American Republics.

The continuity of operations and the adjustments of internal relationships within the Department of State after June 30, 1955, will require a period of transition. I recommend that the Mutual Security Act of 1955 include broad authority to revise the organization during a period of six months following June 30, 1955.

The International Cooperation Administration will be a new semi-autonomous unit within the Department of State. Its Director will report directly to the Secretary of State and will, on the Secretary's behalf, give supervision and direction to the mutual security operations performed within the Department of State.

This responsibility will require that the International Cooperation Administration have the capacity to make and carry out operating decisions within broad policy guides established by the Secretary of State. It will likewise require that the Director of the International Cooperation Administration have his own complement of supporting staff and program personnel, both in Washington and in the field. It will be his responsibility to assure that appropriate policy guide lines are secured from the Secretary of State, and within those guide lines he will issue the necessary instructions to the field to carry out its policy...."

NON-REGIONAL PROGRAM

ADMINISTRATION (OTHER THAN FOR CHAPTER I, MILITARY ASSISTANCE)

Summary of Administrative Expense

Agency	Program FY 1954	Program FY 1955	Proposed FY 1956
Foreign Operations Administration			
Washington[1/]	$12,456,105	$12,324,000	$12,518,000
Overseas:			
Europe	6,332,808	4,973,346	4,672,000
Near East, South Asia and Africa	5,162,372	4,867,914	5,530,000
Far East	2,890,396	3,942,758	5,276,000
Latin America	1,323,631	1,718,982	2,229,000
Total Overseas	15,709,207	15,503,000	17,707,000
Total Foreign Operations Administration	28,165,312	27,827,000	30,225,000
Department of State			
Program Policy Review and United States Regional Office	5,582,752	4,773,000	5,000,000
TOTAL	$33,748,064	$32,600,000	$35,225,000

1/ Includes Participating Agency Support.

General Narrative Statement

Since its inception, pursuant to the President's Reorganization Plan No. 7, the Foreign Operations Administration has achieved major reductions in administrative costs. These costs were reduced from $49.2 million in FY 1953 to $33.7 million in FY 1954, a reduction of $15.5 million. During FY 1955 an additional savings of $1.1 million was made principally by reductions in European missions and by savings in participating agency funding as a result of studies made of the activities of these agencies in relation to FOA policies, procedures and operations.

Requirements for FY 1956 are estimated at $35,225,000. While a further decrease of about $300,000 is forecast for European missions, this decrease is more than offset by new and additional requirements for missions in underdeveloped areas and particularly in the Far East. The net increase of $2.6 million requested for FY 1956 results in major part from increased administrative expense needs resulting from increased program activity in the underdeveloped countries of the Far East, Latin America, the Near East and South Asia. The largest single increase of

General Narrative Statement (Continued)

$.9 million is for the expenses of administering the Korean program. This increased requirement results from (1) partial replacement of military personnel by civilians in the Korea Civil Assistance Command as a result of the cut back in military strength levels for that Command, (2) provision for salaries of local employees previously paid from Korea Government funds and (3) other object expenses currently furnished by the Department of Army without charge to the Mutual Security Program. The remaining net increase of $1.7 million results in major part from provision for full year costs of new missions that have been activated this year (Japan, Cambodia, Laos, Guatemala and British Guiana), for increased administrative requirements for other missions in underdeveloped areas where program operations are expanding, and for educational allowances for the dependent children of overseas employees in accordance with PL 22, April 5, 1955.

The proposed transfer of the Foreign Operations Administration to the Department of State as the International Cooperation Administration will have no major effect on administrative requirements forecast in these estimates. Should any functions presently performed by the Foreign Operations Administration be transferred to the Department of Defense, it is assumed that funds for personnel engaged in performing such functions and related costs will be transferred to that Department.

NON-REGIONAL PROGRAM

SPECIAL PRESIDENTIAL FUND

Comparative Summary of Program by Fiscal Year

Function	Program FY 1954	Program FY 1955	Proposed FY 1956
Special Presidential Fund	-	-	$100,000,000

General Narrative Statement

It is proposed that the Congress authorize the establishment of, and appropriate $100 million, for a Special Presidential Fund which would be designed to cover some of the presently contingent or unforeseeable requirements which are certain to become firm or to develop during Fiscal Year 1955 but for which, because they now are contingent or unforeseeable, no specific provision can properly be made in the regular programs. This Special Fund would be administered in accordance with the provisions of Section 401 of the Mutual Security Act of 1954 which provides in part that funds subject to its provisions "may be used * *, without regard to the requirements of this Act or any other Act for which funds are authorized by this Act, in furtherance of any of the purposes of such Acts, when the President determines that such use is important to the security of the United States."

The justification for this specific request rests on two propositions, both of which are amply supported by the experience which has been accumulated in operating the Mutual Security Program in past years. These propositions are the following:

1. The Mutual Security Program, if it is properly to fulfill its purpose, must be capable, without serious disruption of important going programs, of meeting the most urgent of the large number of new requirements for mutual security assistance which arise during a fiscal year subsequent to the time of the Congressional presentation covering that year.

2. The establishment of a Special Presidential Fund of the kind and of the magnitude requested represents one of several complementary and interdependent measures which will best provide the flexibility needed to deal with new requirements of the character referred to in 1 above.

The request is a simple recognition of the fact that American foreign policy, and the Mutual Security Program as one of its primary instruments, must contend with, and be responsive to, the continuously changing conditions which characterize the world in which we live. Events of the past five years have demonstrated conclusively that one cannot foretell, and specifically prepare for, the many new situations which will develop in any succeeding twelve to eighteen months period and which, in terms of very vital U. S. interests, will call for some form of Mutual Security assistance. These same events have equally well proved that the ability of the United States to react, and to react quickly, to many of these situations, by promptly extending the kind and quantity of assistance needed, has been of considerable significance in terms of American security. Reference to actual experience during Fiscal Year 1955 will bring this out.

It has been necessary during Fiscal Year 1955, and it has similarly been necessary in other years, to meet three basic types of requirements for which prior specific provision could not be made.

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General Narrative Statement (Continued)

First, there are those requirements which are recognized as potential at the time the program for a succeeding fiscal year is developed but which, as of that time, are not sufficiently definite, in terms of their nature, their size or their final emergence as firm requirements at all, to justify the inclusion of a specific, identifiable allowance therefor in the program presented to the Congress. At any given time, potential requirements of this kind will be substantial, and one can be sure, based on past experience, that some of them will subsequently become actual requirements demanding of prompt fulfillment. One can be equally sure that others of them will never mature. However, one cannot foretell into which of these two classes any one of the specific potential requirements will finally fall, nor, in most instances, the precise size or character it might take. The best one can do is to make an educated judgment as to the proportion of the aggregate contingent claims that may eventually become firm. In Fiscal Year 1955, increased assistance requirements in the following countries, alone aggregating over $100 million, are representative of this type of situation: Guatemala, Iran, Egypt, Pakistan, and Yugoslavia.

a. Iran. The $40 million in defense support specifically proposed for Iran in the FY 1955 Congressional presentation was based upon the best conservative estimate at that time with respect to (a) the date at which an agreement covering the Anglo-Iranian oil dispute could be completed and (b) the rate at which, once such agreement was ratified, the Abadan Refinery could be brought into production and its output exported and converted into foreign exchange earnings. It was recognized that this estimate might be far too optimistic on both counts. This proved to be the case, and additional requirements of $25 million were thereby created -- requirements which, if they had not been met, might have constituted a serious threat to the economy of the country and to the political stability of its currently friendly government.

b. Guatemala. When the FY 1955 program was first presented to the Congress, no one could foretell with certainty whether Communist influence would continue to play a major role in Guatemala or whether, as subsequently came to pass, non-Communist forces would succeed in gaining control. Planning of an aid program under such circumstances presented serious difficulties. If existing conditions continued, no more than a small ($200,000) technical cooperation program seemed warranted; but if a new, friendly and independent government should come into power, immediate support thereof might be crucial if such government were to survive. When, finally, the Communist-led regime was overthrown and Colonel Castillo Armas emerged as President, it did in fact appear to be of great importance to support the new government by providing badly needed economic and technical assistance. The program was thereupon increased by approximately $5 million.

c. Yugoslavia. At the time of the FY 1955 Congressional presentation, the apparent failure of the 1954 Yugoslav wheat crop was a portent of a possible need for increased assistance, but it was not yet certain whether, and if so, to what extent, the aid already specifically programmed would prove to be insufficient to finance urgent food imports for which Yugoslavia lacked the necessary foreign exchange. The actual impact of this drought, as it was later assessed, when coupled with a number of other completely unforeseen and largely unrelated developments--the Danube flood, for example,--gave rise to significant new requirements which could only be met by a sizeable increase in the previously developed mutual security program for the country, as well as by the extension of considerable assistance under the Agricultural Trade Development and Assistance Act (Public Law 480).

d. Pakistan. The growing concern of the Executive Branch over economic trends in Pakistan was already such at the time of the FY 1955 Congressional presentation as to be repeatedly expressed during the hearings. General economic difficulties, most serious in East Pakistan, coupled with the prospect that the commencement of a military aid program might generate substantial new requirements for defense support assistance, led to statements that it was possible, and perhaps probable, that the aid level then being illustratively proposed for the country would prove to be seriously

General Narrative Statement (Continued)

inadequate and would thereupon require major upward adjustment in order to obviate very adverse consequences. The need for immediate additional aid, aggravated by disastrous floods, turned out to be even greater than had seemed likely when the presentation took place. As a consequence, the defense support program was raised from a planned $20 million to more than $65 million.

e. Egypt. The $20 million development assistance program for Egypt which was shown in the FY 1955 Congressional submission was prepared before it was known whether, when, and on what terms, an Anglo-Egyptian agreement would be reached covering the Suez Canal. The figure reflected the most educated possible judgment as to these unknown variables and with respect to the size and probable character of a program which it would prove practicable and desirable to implement during FY 1955 if and when such an agreement was concluded, but it was necessarily a highly illustrative figure and was so described. Moreover, it was explained that this level would probably need to be materially adjusted upwards or downwards depending upon the progress of negotiations and the timing, nature and consequences of any agreement finally consummated. Fortunately, an amicable and mutually satisfactory settlement was reached shortly thereafter, thus enabling the institution of an aid program based on a settlement date more optimistic than that on which the $20 million level had been predicated. Moreover, the political and economic situation which existed in Egypt at this time was such as to indicate that the Egyptians had the ability effectively to utilize, and that from a U. S. standpoint it would be desirable promptly to make a commitment for, a program in the amount of $40 million rather than one of $20 million.

Potential requirements for FY 1956, similar to the potential FY 1955 requirements for the foregoing countries which existed in the spring of 1954, are already in evidence. They can at this time, however, only be discussed in Executive Session.

Second, there are those requirements which cannot be, or in any event are not, foreseen at the time that the annual program is presented to Congress but which appear, and must be dealt with, after the fiscal year has commenced. This class of requirements includes those that result from natural disasters, those that reflect some new, unforeseeable move on the international chessboard on the part of Communism, those which flow from unexpected political or economic developments in a country of critical importance to the United States, and those which are simply the products of human fallibility in forecasting the shape of things to come. They include, but are by no means limited to, requirements that one would ordinarily class as "emergency" in nature. They also include the requirements presented by those occasional sudden opportunities to seize the initiative and to undertake measures abroad which are likely to strengthen the fabric of the free world if, but only if, they are undertaken immediately or shortly after the opportunity appears. New requirements of this kind which developed during the current fiscal year are illustrated by the following: the urgent needs for emergency food and medical supplies or other forms of relief created by Hurricane Hazel in Haiti, by unprecedented floods in the Danube Basin, in Nepal, and in Pakistan, and by the appearance of a grain shortage in Libya; the necessity which developed, following the Geneva truce and partly in conjunction with SEATO-connected efforts to improve the military posture and strengthen the internal security of free nations in the Far East, substantially to increase, over previously planned levels, the amounts of both military assistance and complementary direct forces support and defense support to Thailand and the Philippines (an increase aggregating some $50 million for non-military aid alone); the greatly increased demands for military equipment, and for other supporting forms of aid (approximating $50 million), by the National Chinese Government which were in part created by, and followed, the further growth and intensification of the Communist military threat toward Formosa and the reflection of this threat in overt acts of aggression in the Formosa Strait; the unexpected requirement for $10 million in direct forces support in Greece when, shortly after the beginning of the current fiscal year, it became clear that mounting financial difficulties caused the Greek Government to conclude that, in the absence of such added help, it would be necessary to effect a major and immediate cutback in the size of its armed forces, a cutback which not only

General Narrative Statement (Continued)

the Greek Government, but both NATO and U. S. military authorities as well, felt would be seriously adverse in terms of defense capabilities on the Balkan Peninsula; and the need for financing the commencement of a military aid program for Iraq which resulted from the conclusion during the course of the fiscal year, first, of the Turkish-Iraqi defense agreement and, then, a U. S. Iraqi-Mutual Defense Assistance Agreement. The foregoing entirely new and unexpected requirements, together with others which were like them and which were also met in fiscal year 1955, totaled several hundred million dollars. Requirements of a similar nature and comparable magnitude can also be expected to arise during the course of fiscal year 1956.

Third, there are those new requirements which reflect no change in physical needs for assistance but simply an increase in the cost of carrying out a program which was not only foreseen as necessary, but which was actually planned, and proposed to the Congress, for the fiscal year in question. The increase which was made in that portion of the total FY 1955 India development assistance program which is being devoted to the procurement of railway rolling stock is illustrative of a new requirement in FY 1955 which was dictated by this type of circumstance. In this instance, because of the acute unemployment situation prevailing in the U. S. railroad equipment manufacturing industry, a decision was made to procure 50 percent of this rolling stock in the United States rather than from foreign suppliers under free international competitive bidding, as originally contemplated. This decision made it necessary to pay $8.5 million more than had been estimated in the Congressional submission for precisely the same quantity and types of railway equipment as had been shown for the FY 1954 and 1955 programs in that submission. Thus, no new physical requirement for railroad rehabilitation was met but the cost of meeting the previously stated physical requirement was significantly higher.

It is impossible for a number of obvious reasons to quantify exactly the total amount of new requirements classifiable in one of the three foregoing categories which developed in FY 1955, in FY 1954, or in any other comparable earlier period, and which were considered of sufficient urgency and priority to be met and to be met regardless of the reductions in, or postponements of, other programs that may have been necessary in order to meet them. However, it can be said that new requirements of this type which have necessitated, or will necessitate, Presidential determinations or Presidential transfers will alone aggregate about $400 million in FY 1955--excluding, in other words, those new requirements that could be handled simply by reprogramming within an appropriation. The comparable figure in FY 1954 was in the neighborhood of three quarters of a billion dollars, but this was partly because of the necessity for allocating massive resources to support operations in Indochina.

There is no reason to believe that the same kinds of factors which operated in fiscal years 1954 and 1955 to create the foregoing new requirements will not continue to be operative in fiscal year 1956 and create new requirements of a comparable total magnitude which will need to be met during the course of that fiscal year. The contrary may properly be assumed. This conclusion is also apart from any consideration of the new requirements that can, and should be met outside of the Mutual Security Program - for example, through the Export-Import Bank or the IBRD; by turning to private organizations, such as voluntary relief agencies, foundations or business concerns; by invoking the Agricultural Trade Development and Assistance Act of 1954 (Public Law 480), and in particular, Title II thereof; or by other similar means. In other words, the kinds of new requirements with which this discussion is concerned are limited to those which, if they are to be met at all, must be met as part of the Mutual Security Program out of Mutual Security Program funds or through additional legislation.

Given the certainty that new requirements of the foregoing types will develop and need to be met in the course of fiscal year 1956, the question then becomes one as to the best method or methods of preparing to deal with, and of dealing with, such requirements, and of whether the establishment of a Special Presidential Fund of the size and type proposed is an essential element in an intelligent approach to this problem.

Fundamentally, there are four different ways in which it may be possible to meet such new requirements as they emerge. They are:

General Narrative Statement (Continued)

1. Congressional Action to seek supplemental authorizations and appropriations - an alternative which may be necessary and desirable if a new requirement is very large (the Pakistan and India famine relief programs and the $4 billion MDAP supplemental program in 1950, for example, but which does not usually represent a practical answer for the large number of smaller and typical new requirements that must be met in the ordinary conduct of the program, and which, of course, is no answer at all if Congress is not in session but the need is urgent.

2. The Use of Savings to apply, as, when, and to the extent that they are available, savings derived from the elimination, reduction in size, or less costly implementation of previously planned programs, utilizing Presidential transfer authority, if necessary, to move such savings from one appropriation account to another.

3. The Diversion of Funds from Other Programs to divert funds from, and at the expense of, previously planned programs of lower priority, using Presidential transfer authority, if necessary, to move such funds from one appropriation account to another. This is the technique by which new requirements have traditionally been met in the past when there were no program savings adequate to cover them. While forcing those responsible for administering the program continually to review the necessity for, the costs of, and the real priorities among, existing and projected programs; it also means the elimination, reduction or postponement of planned, and often going, programs which, though perhaps of lesser urgency than the new requirement for which they are being sacrificed, are urgent and important, sufficiently urgent and important to have justified the Executive Branch in requesting, and the Congress in appropriating, funds with which to finance them. Equally serious is the fact that this technique introduces a dangerous element of uncertainty into the planning and programming processes, not only of the United States, but also, and frequently with much more far-reaching consequences of a military, political, psychological and/or economic character, of the country from whose program the fund diversion is made. It detracts from, and makes more difficult, the kind of long-range planning of military build-ups or economic development which should increasingly constitute an important element of the Mutual Security Program. The orderly development of economic and military strength in the less developed countries should not be constantly upset and interrupted by the necessity for finding funds to initiate a crash program designed to cope with some immediate emergency need.

4. Special Presidential Fund to establish a special fund such as the Special Presidential Fund herein proposed and described. This would involve the setting aside, under proper safeguards as to use, funds which were not earmarked for regular programs and which were reserved, and intended exclusively, for use in meeting some portion of the new requirements that it can be predicted will arise in the course of any fiscal year.

The problem is, to repeat, the extent to which, and the manner in which, each of the foregoing techniques should be employed in FY 1956 in order to give the Mutual Security Program the kind of flexibility needed to meet really urgent new requirements as they arise. For the reasons given above, supplemental legislation and appropriations do not represent the right answer in the usual situation. Similarly, one cannot expect, under the most optimistic of circumstances, that savings from already going or planned programs will be entirely adequate to meet all new requirements. Such savings must, however, be encouraged in every possible way. Not only the machinery of administration, but also the provisions of the Mutual Security Act itself, should, by making possible the application of savings in one activity to the carrying out of other activities, be of a kind which will induce rigorous screening and rescreening of existing and projected programs and projects. There should be both the power under which, and the mechanisms through which, one can partially redistribute existing resources and intelligently apply a system of priorities in the actual conduct of the Mutual Security Program, assuring that the less urgent, previously planned programs give way to new more urgent ones as and when the latter become necessary. At the same time, legislative authority and administrative machinery of the foregoing character are not alone enough. There is also an urgent need for, as past experience has so repeatedly demonstrated, a fund, such as the proposed Special Presidential Fund, which will solve the problem of meeting new requirements without unduly and unwisely wrecking other planned programs which is in the U.S. national security interest to carry out.

General Narrative Statement (Continued)

The proposals presented for FY 1956 reflect a careful consideration and balancing of all of the factors set forth above, including the probability that new mutual security requirements of the magnitude encountered in previous years will have to be dealt with during FY 1956. Specifically, the following are requested:

1. A continuation of the authority included in Section 501 of the Mutual Security Act of 1954 to transfer a limited amount of funds among appropriations, with minor technical amendments thereof.

2. Continuation of the practice of preceding years of presenting "illustrative programs" to the Congress, but with the requirement, imposed by Section 513 of the Mutual Security Act of 1954, for strict, detailed and recurrent accountings to the interested committees of Congress with respect to significant changes made in such "illustrative programs".

3. Creation of a Special Presidential Fund of $100 million for use under the authority of Section 401 of the Mutual Security Act of 1954.

4. In addition to 3 above, continuation of the authority contained in Section 401 of the Mutual Security Act of 1954 to the extent of $50 million to draw upon any funds in the Act.

5. Retention of the special, narrowly restricted, and specifically directed flexibility now contained in Section 409(d) of the Mutual Security Act of 1954 under which, upon a determination by the President, any funds made available for the Mutual Security Program may be used "to pay ocean freight charges on shipments of surplus agricultural commodities, including commodities made available pursuant to any Act for the disposal abroad of United States agricultural surpluses", and the appropriation, as justified elsewhere in this presentation, of $13,000,000 to cover some part of the probable ocean freight costs of anticipated shipments of surplus agricultural commodities under Titles II and III of the Agricultural Trade Development and Assistance Act of 1954 (Public Law 480). The inclusion of such provisions will, among other things, make it easier to reduce the new requirements that might otherwise have to be met from Mutual Security funds when national disasters such as floods, hurricanes, droughts, frosts, etc., create conditions of famine. It will do so by permitting the use, through defraying the otherwise uncovered transportation costs, which are involved, of the authority contained in Title II of Public Law 480 to furnish surplus agricultural commodities to cover the "famine or other urgent relief requirements" of friendly nations or peoples.

6. Retention of the authority contained in Section 105(d) of the Mutual Security Act of 1954 under which the President has the authority to vary, within certain limitations, the delivery ceilings for military assistance which are established for each major geographic area in Section 105(c) of the Act.

In order to make certain that the Special Presidential Fund will be conserved for really important requirements and to minimize the possibility of its unwise use, these safeguards would be provided:

1. The fund would be limited in size to a relatively small proportion of the total new requirements which, based on past experience, will probably arise during FY 1956 and which would generally be considered as representing urgent requirements that deserved prompt attention by the United States for reasons of national security.

2. The amount of the fund, to wit $100 million, would be deducted from the amount of the present authority ($150 million) under Section 401 to divert funds from any portion of the program for other uses.

3. The fund could only be used when the President determined that its use for a particular purpose was "important to the security of the United States". It is presently contemplated that this power would be exercised by the President personally under normal circumstances and not be delegated to lesser officials. Moreover, if present practices were continued, this power

General Narrative Statement (Continued)

would only be exercised by the President upon the written recommendation of the Cabinet officials primarily concerned, usually the Secretaries of State and Defense, the Director of the Bureau of the Budget, and sometimes the Secretary of the Treasury.

4. In accordance with Section 513 of the Mutual Security Act of 1954, there would have to be a detailed accounting to the appropriate Congressional committees covering the uses to which such fund was put.

Although no world-wide Special Fund of this kind has heretofore been contained in Mutual Security legislation, there are ample precedents in the form of special regional funds which demonstrate that a fund of this type can work effectively and be adequately safeguarded against abuse. The most recent illustration is Section 121 of the Mutual Security Act of 1954, under which Congress appropriated $700,000,000 for fiscal year 1955, to be made available on such terms and conditions, including transfer of funds, as the President might specify, "for expenses necessary for the support of the forces of nations in the area of Southeast Asia .... and for other expenditures to accomplish in Southeast Asia and the Western Pacific the policies and purposes declared in this Act." The record of accomplishment and careful administration under this section are an indication that a Special Presidential Fund can be used effectively and efficiently to provide the kind of flexibility that wise and prudent conduct of the Mutual Security Program requires. In fact, without the $700 million provided by Section 121 during fiscal year 1955, the Executive Branch would have been gravely handicapped in its efforts to deal rapidly with the situation which developed in the Far East after the Geneva conference, and it might well have been necessary to seek supplemental authority and appropriations from the Congress and to have convened a special session for that purpose.

The Special Presidential Fund must be carefully and sharply distinguished, in terms of both its nature and its purpose, from two other requests with which it might otherwise be confused and to which it actually bears no resemblance or relation - the $200 million requested for the President's Fund for Asian Economic Development and that part of the $1.4 billion requested for military assistance which is listed as "Additional Funding Requirements" and which has not been programmed in detail to cover specific requirements. In neither of these cases are we dealing primarily with new requirements of the sort discussed herein, although the use of either of these funds to meet new requirements cannot of course be excluded. On the contrary we are concerned in both instances with requirements that now exist and with objectives which we have already decided must be sought. In the former case - the President's Fund for Asian Economic Development - the general objectives and purposes for which the money requested will be employed have already been defined, and the only uncertainties concern the particular projects and activities through which, and the procedures and mechanisms by which, these purposes and objectives will be pursued. In the other case, the additional existing requirements for military aid, as illustrated by the selection of projects listed, are known to be many times in excess of the amount of funds requested for the purpose, and the principal doubt as to the use of such funds relates simply to the question of which of these several billion dollars in requirements will be judged to represent the highest priority and, therefore, selected for actual financing. While these funds are those which, within the military assistance portion of the program, would first be turned to in order to meet any new requirements which could only be met by the use of military assistance funds, they should in no sense be thought of as unprogrammed or unearmarked funds which can be diverted to other uses without serious damage to the attainment of presently identified and important Mutual Security objectives.

NON-REGIONAL PROGRAM

SPECIAL PROGRAMS

Special Projects	Program FY 1954	Program FY 1955	Proposed FY 1956
Other Programs			
Basic Materials Development	$ 9,048,744		
Special Food Program	13,339,501	$8,000,000	
Inland Transportation (Voluntary Relief Shipments)	1,452,200		
Other	8,368,817		
Total Special Programs	32,209,262	8,000,000	

General Narrative Statement

Grouped under the heading "Special Programs" are several programs of a one-time or special nature carried out in FY 1954 and FY 1955 for which no new funds are being requested in FY 1956. The only FY 1955 program included in this category is the Special Food Program.

Special Food Program

This program carried out in FY 1955 was similar to the Special Food Program carried out in FY 1954. It provided for the distribution of some of this country's surplus food to less fortunate people in 45 countries of the free world. Most of the food was in consumer-sized units and assembled into packages for family distribution. For most of the program the food gift was an assembled package in a paper carton (stamped with the FOA clasped-hand emblem in color and the statement, "Donated by the People of the United States of America.") For a part of the program, a heavy paper bag, imprinted the same as the cartons, was provided for the package assembly at the point of distribution. The packages contained five to seven food items and ranged from 13 to 14 3/4 pounds in weight. Nearly all of the consumer-sized unit containers of the food were marked in the same manner as the over-all package.

For this program, butter, cottonseed cooking oil, vegetable oil shortening, dry beans, wheat flour, cheese and non-fat dried milk were obtained, or processed from raw materials, from Commodity Credit Corporation stocks. Canned beef and gravy was purchased in the open market. Eighty-four million pounds of food, valued at $16.7 million, used in this program were requisitioned from the Commodity Credit Corporation under the provisions of Title II of the Agricultural Trade Development and Assistance Act of 1954 (PL 480). Six million pounds of canned beef and gravy, valued at $2.9 million were purchased. This provided the food for about 6.5 million family gift packages.

A program of up to $30 million worth of food under Title II of the Agricultural Trade Development and Assistance Act was authorized. The President authorized the expenditure of $5.0 million under Section 401 of the Mutual Security Act of 1954 to include the purchase of the canned meat, gift package assembly, and other costs. Also under Section 409 (d) of the MSA Act, $3.0 million was authorized to pay the ocean freight and related costs.

The distribution program was carried out principally through the American non-profit voluntary relief organizations.

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NON-REGIONAL PROGRAM

General Narrative Statement

The equivalent of about a half a million packages was used by the U. S. military as a part of its community Christmas parties in the vicinity of U. S. military establishments in Europe. Twenty non-profit voluntary relief organizations participated and were responsible for distribution in sixteen countries in Latin America, thirteen in Europe, nine in Africa and the Near East and seven in the Far East. All of the costs of distribution abroad were borne by the participating voluntary non-profit relief organizations.

The following table gives the commodity composition of the program.

CHRISTMAS HOLIDAY FOOD PACKAGE PROGRAM

(In millions of dollars)

Commodity	
Title II, PL 480	
Wheat Flour	$ 2.0
Shortening	2.0
Butter	3.2
Cheese	1.8
Non-fat Dry Milk	2.1
Rice	4.4
Dried Beans	1.2
Total	16.7
FOA Funds	
Meat	2.9
Transportation, Packaging, and Other Costs	5.1
GRAND TOTAL	24.7

NON-REGIONAL PROGRAM

COAL REVOLVING FUND

Comparative Summary of Program by Fiscal Year

Function	Program FY 1954	FY 1955	Proposed FY 1956
Coal Revolving Fund		$20,000,000	

General Narrative Statement

In late September 1954, the President of the United States approved in principle the maximum use of U. S. mined coal in the implementation of the FY 1955 Mutual Security Program, if transactions could be arranged consistent with the objectives of the Mutual Security Act and other relevant policies of the Administration. The President agreed that a 10 million ton increase in exports appeared reasonable and indicated that the increased tonnage should be divided between the major coal producing states, including Pennsylvania, Kentucky, West Virginia, and Illinois, taking into account the areas of highest relative unemployment as determined by the Secretary of Labor.

The President agreed that subject to need it would be possible to establish a revolving fund of $20 million to facilitate purchases of coal in the U. S. for shipment to countries not directly eligible for assistance under the Mutual Security Act.

This action was premised on the need for integration of overseas economic needs in cooperating friendly countries with the need of internal cushioning for U. S. economic adjustment, in this instance of coal, and was considered to be a common sense merging of foreign and domestic objectives.

In implementation of this program, it was determined that unsatisfied demands in aid-receiving countries would not be sufficient to increase total exports substantially. Demand for U. S. coal existed in non-aid receiving countries, but could not be satisfied through normal commercial channels, primarily due to a lack of dollar exchange.

Following an intensive study as to needs and potential markets, a $20 million revolving fund was authorized by the President under the provisions of Section 401 of the Mutual Security Act of 1954 to finance coal shipments to any friendly country, whether or not such country was directly eligible for assistance under the Mutual Security Act, where there was an economic need for coal and where arrangements could be made for that country to make its local currency available for the benefit of other friendly countries for whom assistance was programmed under the Mutual Security Act of 1954. The dollar costs of the coal would then be transferred from the $20 million fund to the program for the country for which the local currency was made available in the amount of dollar equivalent of such local currency. When the charges were transferred from the $20 million fund to the appropriation for the country which would be the beneficiary of the local currency, dollars in the fund would become reavailable for additional coal purchases under similar arrangements.

Under this plan, a portion of the dollar costs of the coal transactions would not be transferred to specific country programs and thus would remain charged to the $20 million fund,

General Narrative Statement (Continued)

because the local currency made available for third countries by the country receiving the coal might be less than the equivalent value of the dollar expenditure for the coal. This arose from the fact that the dollar cost of the coal, including transportation, would exceed world market prices, and the recipient country could not in most instances be expected to make local currency available in a greater amount that the equivalent of competitive prices.

As of April 15, 1955, procurement authorizations had been issued under the coal revolving fund covering approximately 730,000 tons of coal valued at $12,121,860, including transportation costs.

Total Coal Purchases under the Mutual Security Program

In formulating the FY 1955 Congressional presentation, it was contemplated that 1.3 million tons of coal would be purchased from the U. S. under the Mutual Security Program during the fiscal year. On the basis of experience to date, it is now estimated that over four million tons of coal will be authorized for purchase during the fiscal year, under the revolving fund and the regular program.

U. S. Total Coal Exports

There has been a marked increase in total export of U. S. coal during recent months. The table below gives comparative exports, October 1952 through March 1955. If the present rate can be maintained, it should reach a 24 million ton annual total or an increase of 10 million tons for the 12 months ending September 1955. The Mutual Security Program cannot claim credit for this increase in the total export of coal. On the basis of surveys indicating a considerable unsatisfied demand, however, such action as was feasible was taken by FOA to cause increased exports through foreign purchase of coal with other than Mutual Security funds (free dollars) as well as through purchase of coal with the Mutual Security funds. With Department of State approval, negotiations in the form of coal agreements under the program have been designed to maximize the export of coal using free dollars and to revert to purchases with Mutual Security funds as a means of securing foreign government approval to increase "free dollar" purchases. Examples of increased use of free dollars of foreign countries to buy coal are: (a) British agreement to purchase approximately one million tons of coal with free dollars during the fiscal year; (b) Italian Government agreement to lift the restriction on the import of American coal which resulted in an immediate increase in free dollar purchases from approximately 120,000 tons per month to 500,000 tons per month; and (c) German Government agreement to import approximately one million tons of coal through free dollar purchase, thus lifting the virtual embargo which has existed until the fall of 1954 on such imports.

Tonnage of U.S. Solid Fuels Overseas Exports
(Excluding Canada)

Oct. 1952-Sept. 1953		Oct. 1953-Sept. 1954		Oct. 1954-Mar. 1955	
October	1,270,122	October	1,208,704	October	1,670,192
November	1,364,762	November	1,198,702	November	1,538,536
December	1,644,279	December	1,347,195	December	2,078,374
January	1,664,569	January	1,015,903	January	1,374,649
February	1,063,926	February	879,955	February	2,139,786
March	948,214	March	1,053,993	March	1,939,487
April	1,227,319	April	1,218,469		
May	968,854	May	1,188,494		
June	1,152,918	June	1,326,032		
July	1,115,496	July	1,236,059		
August	1,282,609	August	1,311,433		
September	1,270,735	September	1,122,774		
Total	14,973,803	Total	14,107,713	Total	10,741,024

MUTUAL SECURITY PROGRAM

COAL REVOLVING FUND

Status as of April 15, 1955

(In thousands of dollars)

Allocation	$20,000

Coal Shipments

Transactions Authorized

	Coal	Freight	Total	
Denmark	$2,500	$1,312	$3,812	
Finland	1,358	800	2,158	
France	245	260	505	
Italy	1,000	682	1,682	
United Kingdom	2,250	1,715	3,965	
	$7,353	$4,769	$12,122	$12,122
Balance To Be Programmed				7,878
Total Allocation				$20,000

Programming of Local Currency Credits

Local Currency Credits Programmed

Country of Deposit	Country Receiving Aid	Local Currency Cost of Aid	Exchange Rate	Thousands of Dollars Equivalent
France	Israel	69,900,000 francs	350 = $1.00	$200

Local Currency Credits on Deposit or Requested but Not Yet Programmed

Country of Deposit	Local Currency	Exchange Rate	
Denmark	1,618,550 kroner	6.91 = $1.00	234
Finland	30,408,530 finn marks	230 = $1.00	132
France	99,838,646 francs	350 = $1.00	285
United Kingdom	823,767 pounds	One = $2.7856	2,295[a/]
Balance To Be Realized from Future Transactions			$16,854[a/]
Total Local Currency Credits			$20,000[a/]

a/ Represents local currency equivalent of actual or proposed dollar disbursements. Not adjusted for credit allowed coal receiving countries for difference between U.S. shipping costs and world transportation costs.