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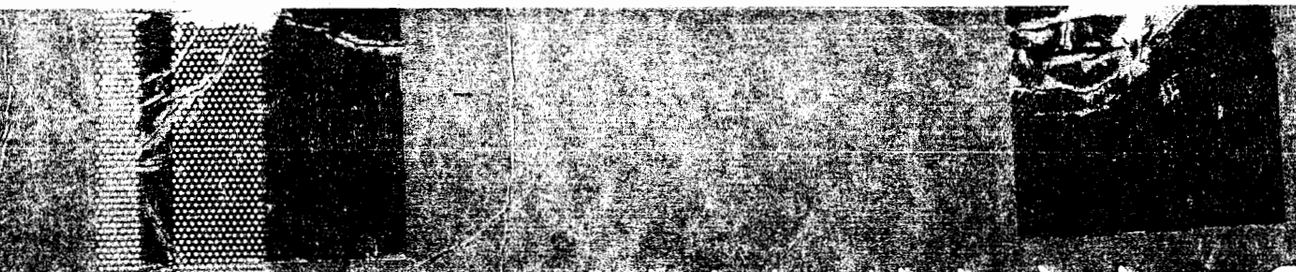


MUTUAL SECURITY PROGRAM

Volume IV

Program Estimates
Fiscal Year 1957

Regional and Country Program Detail:

LATIN AMERICA
NON-REGIONAL

BEST AVAILABLE

MUTUAL SECURITY PROGRAM

TABLE OF CONTENTS

VOLUME IV - LATIN AMERICA

	Page No.
LATIN AMERICA	
Map of Latin America	1
Summary of Program by Function (Chart)	2
Regional Summary (Chart)	3
Foreign Trade (Chart)	4
Summary of Program by Function	5
Regional Narrative Statement	6
Distribution of FY 1957 Program	11
Military Program (Chart)	12
Type of Military Assistance	13
Total Programs by Country, Excluding Military Assistance	14
Non-Military Program by Country (Chart)	15
Summary by Major Activity Field	16
Non-Military Program by Field of Activity (Chart)	17
Summary by Major Cost Components	18
Summary of Commodity Imports	19
Argentina	21
Bolivia	23
Brazil	33
Chile	45
Colombia	53
Costa Rica	61
Cuba	65
Dominican Republic	73
Ecuador	79
El Salvador	87
Guatemala	91
Haiti	103
Honduras	111
Mexico	119
Nicaragua	123
Panama	131
Paraguay	135
Peru	141
Uruguay	149
Venezuela	157
Overseas Territories	161
Regional and Undistributed	165
Organization of American States	171

March 14, 1956

B

LATIN AMERICA

FY 1957 PROGRAM

COUNTRY	TYPE OF ASSISTANCE		
	MILITARY ASSISTANCE	DEVELOPMENT ASSISTANCE	TECHNICAL COOPERATION
Bolivia		●	●
Brazil	●		●
Chile	●		●
Colombia	●		●
Costa Rica			●
Cuba	●		●
Dom. Republic	●		●
Ecuador	●		●
El Salvador			●
Guatemala	●	●	●
Haiti	●		●
Honduras	●		●
Mexico			●
Nicaragua	●		●
Panama			●
Paraguay			●
Peru	●		●
Uruguay	●		●
Venezuela			●
Regional	●	●	●

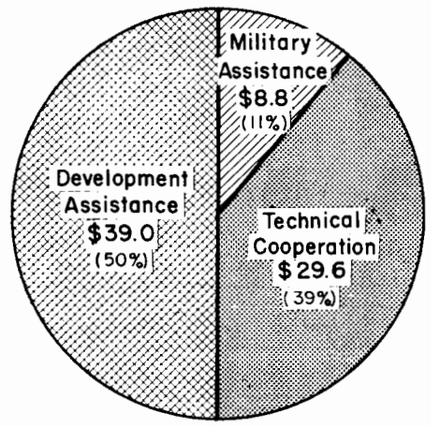
NOTE:

Does not include Atoms for Peace for Argentina or Overseas Territories Program.

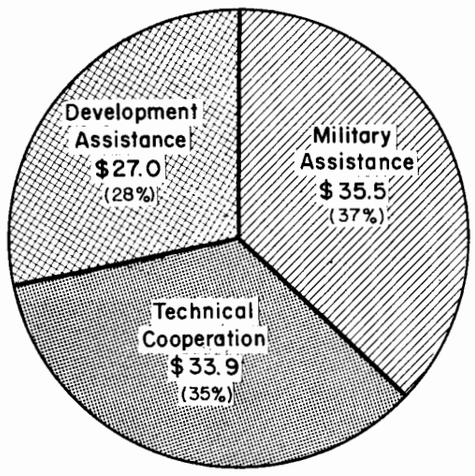
LATIN AMERICA - BY FUNCTION

CONFIDENTIAL

TOTAL PROGRAM
($ Millions)



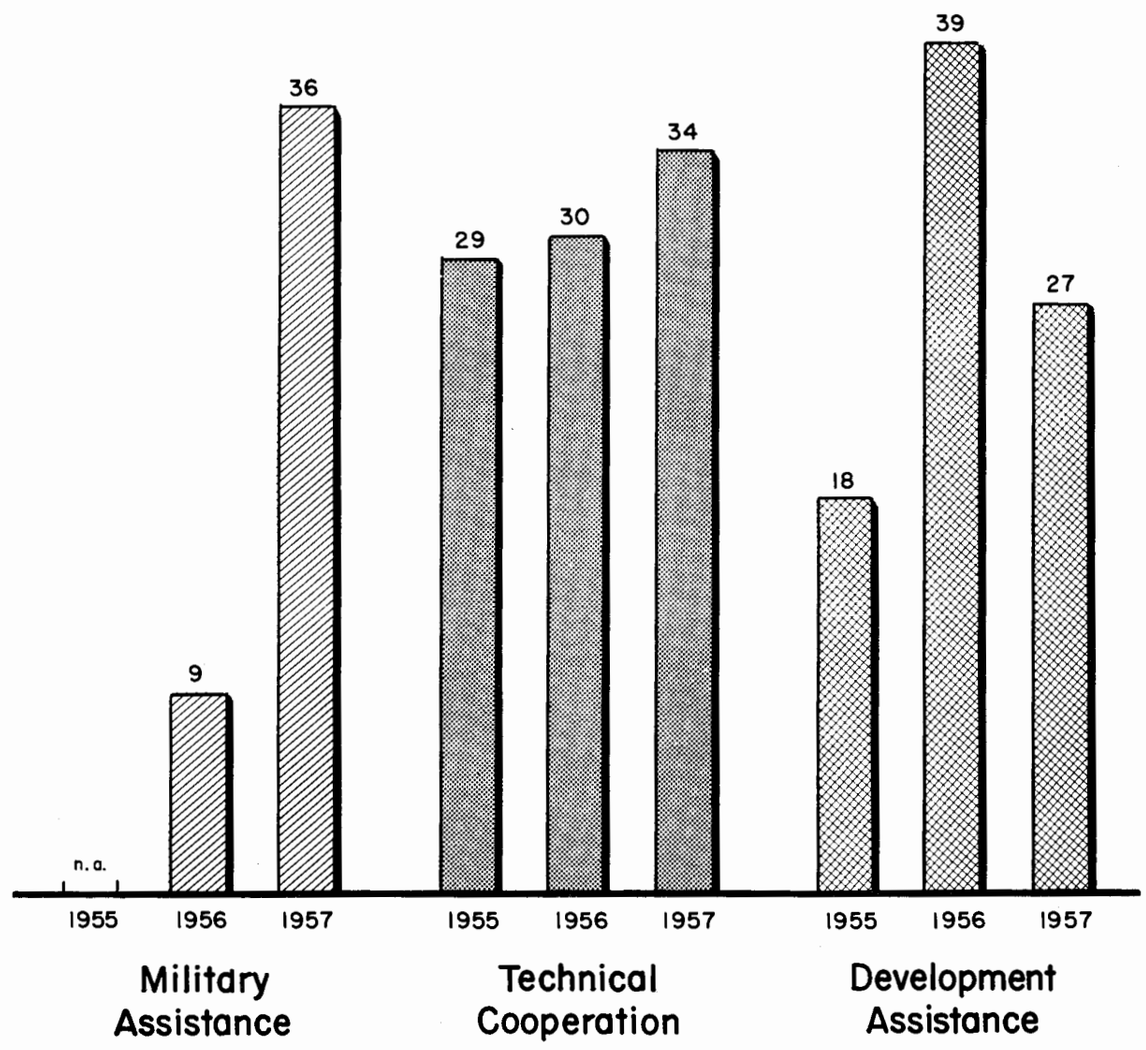
FY 1956 — $ 77.4 Million



FY 1957 — $ 96.4 Million

CONFIDENTIAL

TREND BY FUNCTION
($ Millions)



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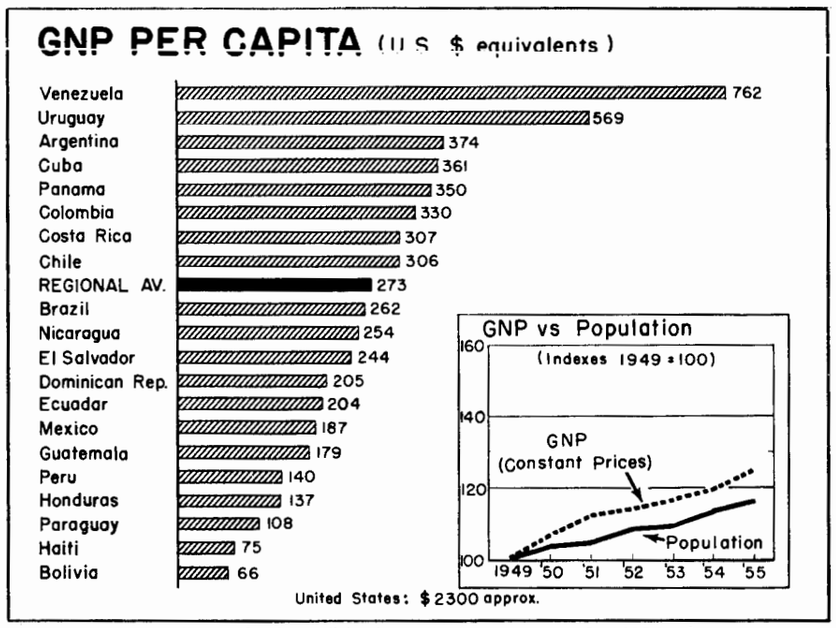
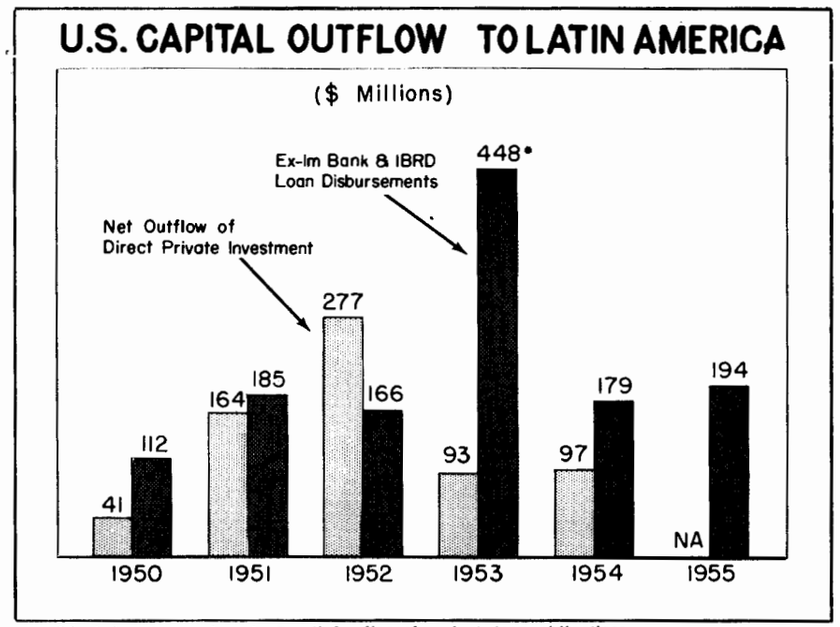
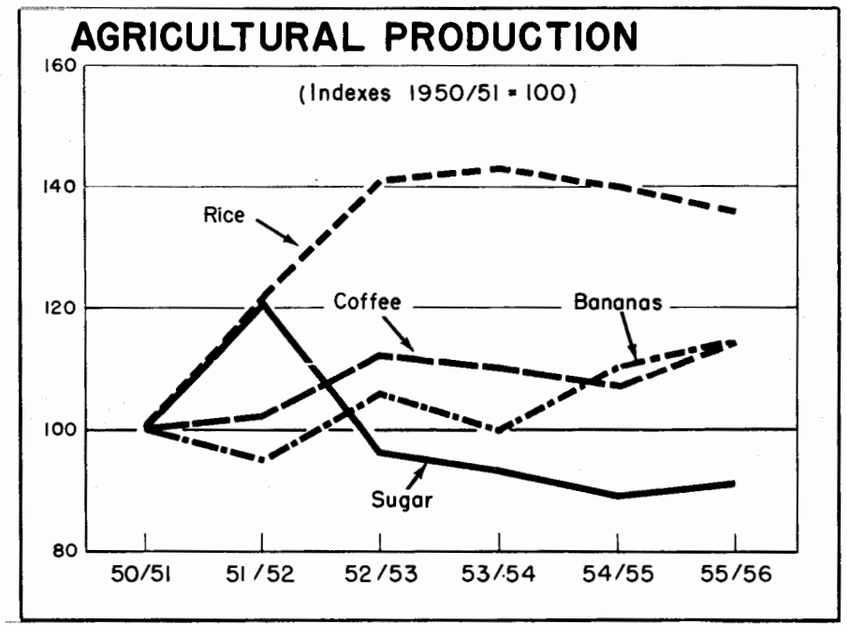
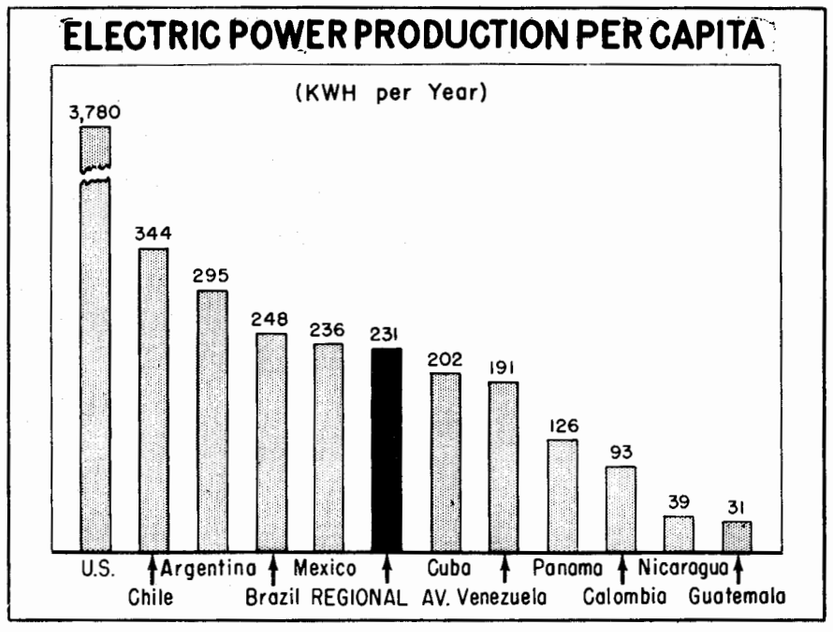
LATIN AMERICA - REGIONAL SUMMARY

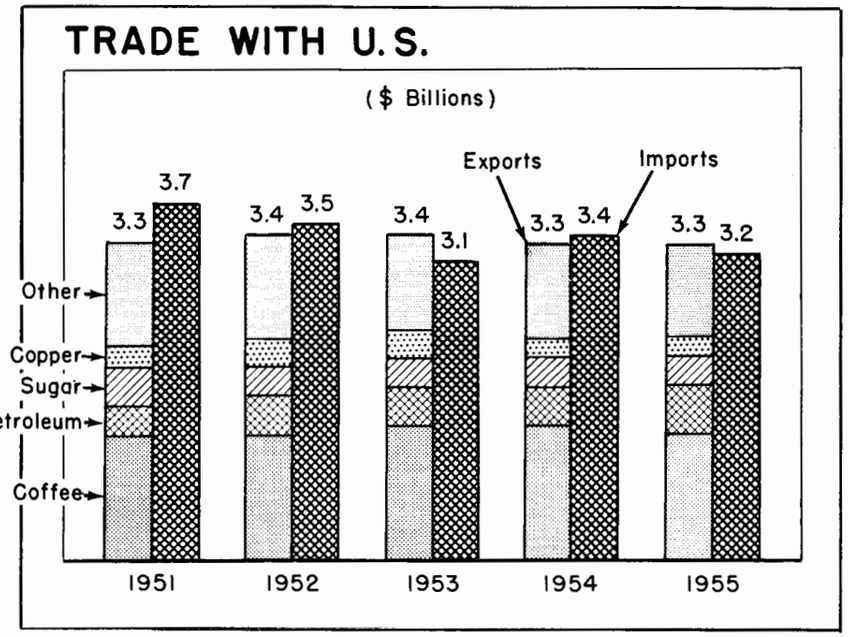


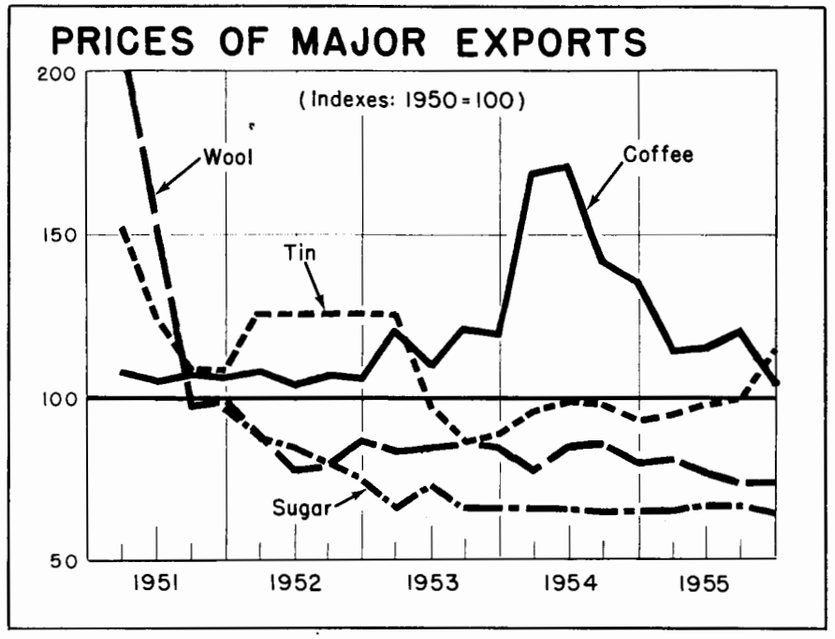


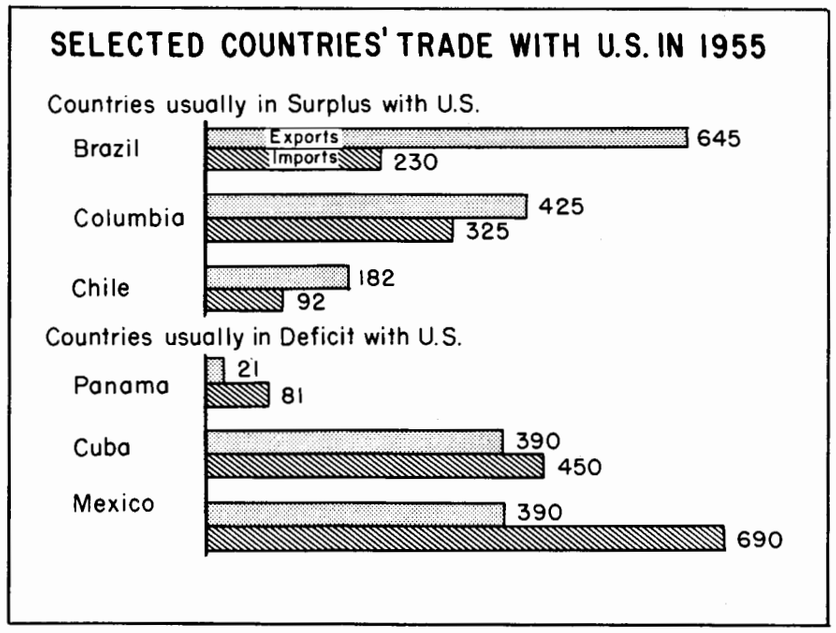


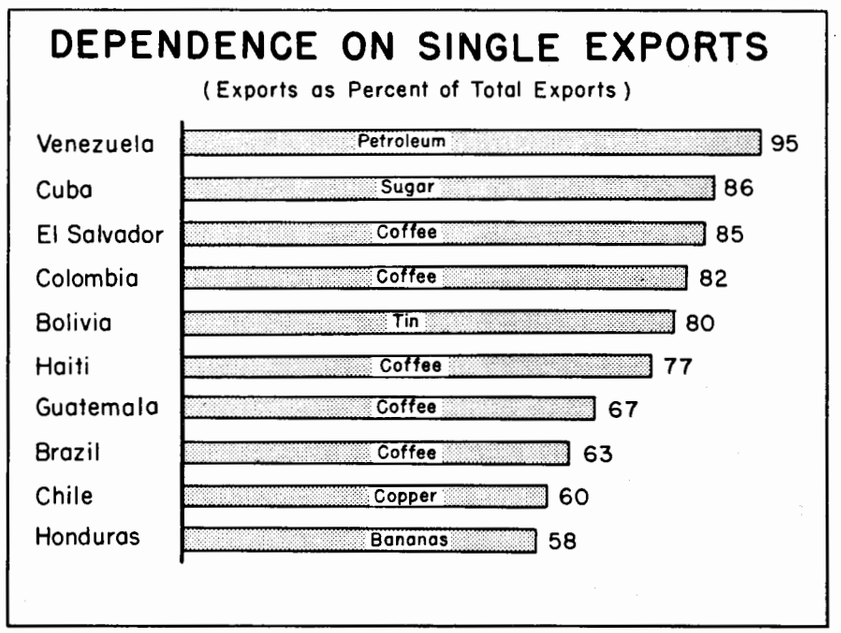


LATIN AMERICA - FOREIGN TRADE









LATIN AMERICA

REGIONAL SCHEDULE

Comparative Summary of Programs by Functions

(In thousands of dollars)

Function	Program FY 1950/56	Program FY 1956	Proposed FY 1957
Military Assistance	131,741	8,833	35,546
	FY 1955		
Development Assistance	18,207	39,000	27,000
Technical Cooperation*	28,812	29,606	33,850
Total Latin America	XX	77,439	96,396
MSP Sales Surplus Agricultural Commodities			
1. Sales in this Area	2,117	16,400	14,700
2. Sales Proceeds Programmed in this Area (Dollar Equivalent)			
Development Assistance	2,117	16,400	14,700

* Includes Organization of American States Program.

LATIN AMERICA

Regional Narrative Statement

LATIN AMERICA TODAY AND ITS IMPORTANCE TO THE UNITED STATES

Latin America is one of the crucial areas of contest between the forces of freedom and the forces of international Communism -- not only for political objectives, but for the opportunity to help to construct in that area a new economic and social order in which the aspirations of the people will be achieved in an atmosphere of freedom.

Our programs of cooperation with Latin America are a testing ground of the manner in which we support our traditional friends in their endeavors for political and economic progress. If we falter in support of those nations in this hemisphere with whom we have long maintained most intimate friendship, the sincerity of our declarations and intentions to support the peoples of other regions may be brought into question.

Latin American influence in support of freedom, peace, international justice, and effective cooperative processes in the field of international affairs, is a very powerful force in the difficult construction of a better world. In a military sense, a Latin America friendly to the United States can be a source of great strength. If unfriendly it could very adversely affect our welfare and security.

The economic importance of Latin America is very great. Latin America is the principal destination of United States commercial exports if military and special category shipments are excluded. Latin America is the principal source of imports into the United States.

United States security interests are firmly linked to trade with Latin America. Approximately 30 items on the U.S. stockpile of strategic materials come from Latin America. In addition substantial imports of iron ore and petroleum for which no stockpile has been established come from Latin America. The depletion of United States copper resources and the fact that the largest reserves of copper in the Free World are in Latin America clearly indicate increasing dependence with the passage of time.

Evaluation of the economic relationship with Latin America is often the occasion for over-emphasis of our dependence on Latin America for raw materials. Analysis of commodity breakdown of our leading exports to Latin America discloses that in 1954 Latin America took:

24.4% of our total exports of industrial machinery
30.7% of our total exports of engines, turbines and parts
52.3% of our total exports of busses and trucks
43.3% of our total exports of automobiles
48.8% of our total exports of medical and pharmaceuticals

An equally significant factor in our relationships is the concentration of United States investment in Latin America. Of a total U.S. direct investment abroad in 1954 of nearly $18 billion, over $6 billion was in Latin America, and this figure is increasing steadily.

OBSTACLES TO ECONOMIC DEVELOPMENT IN LATIN AMERICA

The countries of Latin America, each to a varying degree, face five major problems:

(1) Deficits in production of food and fuel.
(2) Shortages of power and transportation facilities.
(3) Inflation and budgetary deficits.
(4) Public health and sanitation.
(5) Educational facilities to prepare its citizens to meet minimum norms in all fields of activity of this mechanized world.

Continued economic progress in all of the American States is required to serve the enlightened self-interest and advancement of each. The low per capita incomes, low levels of consumption, the great geographical dispersion of the population, low levels of public health, lack of transportation and power facilities are all conditions blighting economic growth which must be solved before real progress can be achieved.

Regional Narrative Statement (Continued)

Latin America's progress is seriously hampered by such chronic weaknesses as lack of diversification, low per capita incomes, low literacy rates, poor health and sanitation conditions, lack of elementary educational facilities, low rates of saving and domestic capital formation, all of which characterize in varying degrees the economies of the area.

TECHNICAL COOPERATION

The technical cooperation program in Latin America consists of United States contributions of technical knowledge and experience to selected host country programs and projects directed at the practical solution of basic problems obstructing balanced economic and social development.

These contributions are extended: (1) on the basis of host country requests, and (2) to advance worthy economic and social objectives of the host country which are compatible with U.S. objectives. The technical cooperation program constitutes a practical demonstration of our desire to assist them toward their national goals and aspirations for higher living standards and a more comfortable way of life. It assists in a more efficient and effective mobilization of a nation's human and material resources:

(a) to build in a cooperating country a broader base of technical and managerial competence;

(b) to strengthen the institutional facilities;

(c) to stimulate effective leadership and sound planning and implementation of the country's development efforts; and

(d) to train people in an approach to solving problems and getting jobs done which is comparable to that prevailing in the United States.

In Latin America, our technical cooperation program is related to host country efforts in the fields of agriculture, education, health and sanitation, industry and mining, transportation and communications, labor, public administration, housing and community development.

Agriculture

In light of the basically agricultural character of the economies of Latin America, major attention is directed toward diversification on one-crop economies, expanding agricultural output and agricultural worker productivity. Increased mechanization and improved technology in farming must go hand-in-hand with advances on the industrial front.

Industry

Too rapid industrial development at the expense of agriculture is a major cause of economic instability in several Latin American economies. However, technical cooperation in vocational education, on-the-job training, industrial research, safety and industrial productivity can make an important contribution not only to increasing technical competence in industrial arts but in providing those pre-conditions for attracting increased private investment.

Health and Education

Basic to increased productivity both in agriculture and industry is the availability of healthy and literate workers. Through the health and sanitation program vast strides forward have been made in expanding and improving national public health services and much remains to be done. In the field of education, primary, secondary and vocational education standards and institutions are being improved and their activities related to programs in other fields which are complementary in contributing to the basic aim of greater productivity.

Transportation

Lack of adequate transportation and communications facilities is perhaps the most fundamental obstacle to economic growth in Latin America. Although the required financing of basic development in this field will most likely come from governments or public institutions, there is a critical need for trained technical and managerial personnel in all phases of these activities. Such training and assistance is being extended to personnel in cooperating countries in

Regional Narrative Statement (Continued)

constructing farm-to-market roads, highways, port facilities, development of civil aviation, and other communications facilities.

It is clear that no cooperating government can hope to achieve its development goals unless it has the basic administrative facilities and technically competent personnel to plan and carry out its programs. For this reason, increasing emphasis is being placed on the field of public administration training including business and municipal administration.

During FY 1956, the Technical Cooperation Program in Latin America amounted to $28.4 million. For FY 1957, a total of $32,350,000 is being requested for continuation of the program and will be programmed by country as shown in the accompanying tables and country narratives. This figure includes $50,000 which is requested for the implementation in FY 1957 of an agreement with the Argentine Republic which involves training of participants in the President's Atoms for Peace Program.

DEVELOPMENT ASSISTANCE

For several Latin American countries development plans are being carried out in an atmosphere of critical economic and political instability characterized by evidences of spiraling inflation, staggering balance of payments deficits, declining reserves, decreasing output and depreciating currencies. Likewise, earthquakes, hurricanes and floods can wreck havoc with the agricultural resources of a country, as in the case of Haiti in 1955, thus seriously affecting a nation's means of livelihood. Although United States policy does not encompass a national requirement to "shore up" such faltering economies, it does authorize programs of development assistance to meet emergency situations such as prevailed during FY 1956 in Bolivia, Guatemala, and Haiti, where because of special political or economic circumstances, United States interests would be adversely affected in the absence of such assistance. For FY 1957 a total of $27 million is being requested for emergency development assistance in Latin America.

Bolivia

In the case of Bolivia, serious economic dislocations occurred after the close of the Korean War when world tin prices dropped. In response to such a situation, the United States started a program of emergency economic aid to Bolivia in the fall of 1953. During FY 1954, $11.4 million was expended. In FY 1955 the amount was $20.0 million, and in FY 1956 to date, $20 million has been allocated. The program has averted possible starvation and has made possible the program of economic diversification and expanded agricultural production. The objective is the eventual creation of a stable, self-supporting Bolivian economy. Results have been encouraging, but further efforts will be required before the objective is achieved.

Guatemala

In the critical emergency situation coming in the wake of the overthrow of the pro-Communist Arbenz regime in Guatemala in 1954, the United States cooperated with the Castillo Armas government in repairing the economic damage of a looted national treasury, an accumulated internal debt of almost $50 million, a stagnant economy and severe unemployment.

The United States Government provided emergency development assistance of $4.8 million in FY 1955 and $15 million in FY 1956 to assist Guatemala to its feet with a view to enabling it to show by its own independent performance, the superiority of the Free World system. Our aid has permitted Guatemala to proceed with an agreed public works program which, besides relieving the immediate unemployment emergency, is now beginning to produce signs of advancement toward solution of some of Guatemala's fundamental economic problems. Outstanding among these is the construction and improvement of highways, lack of which is one of the country's most serious obstacles to economic progress. Other important fields in which significant advances are being made with United States help are rural development and health and sanitation. The impetus generated by our cooperative economic development contributions

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Regional Narrative Statement (Continued)

is expected to carry Guatemala through the initial critical stages of its recovery and reconstruction to a level of activity at which the economy will not only be self-sustaining, but will show a steady advance toward the goals legitimately aspired to by the Guatemalan people.

Special Projects

Certain special projects are proposed which are directed at strengthening the capability of Latin American governments to combat actual Communist subversion in their countries. Such projects will be designed to increase technical knowledge, to provide training and to improve facilities of local police and security forces. Projects totaling $2 million are proposed in the following countries:

Bolivia	$500,000	Costa Rica	$100,000
Brazil	500,000	Ecuador	100,000
Chile	100,000	Guatemala	300,000
Colombia	300,000	Uruguay	100,000

These projects include bringing police officers to the United States for training and high-ranking police officials for observation of U.S. police techniques; survey of police services to determine needs in the fields of traffic control, training, communications, organization, records, transportation, investigation, and internal security; reviews of counter-sabotage program for the protection of strategic industrial installations; U.S. police missions to make recommendations to improve counter-subversive activities; U.S. technicians to convey know-how in respect to mobility of forces, and assistance in the establishment of national police academies. In addition, these projects will provide the equipment needed in achieving the desired improvements in the activities of civilian-type and militarized police forces. Such equipment will include photostatic devices, fingerprinting equipment, spectroscopes, transportation equipment, communications devices and small arms, including tear gas.

U.S. MUTUAL DEFENSE ASSISTANCE PROGRAM

The United States has Mutual Defense Assistance Agreements with 12 of the Latin American countries: Brazil, Uruguay, Chile, Peru, Ecuador, Colombia, Nicaragua, Honduras, Guatemala, Cuba, Haiti and the Dominican Republic. Through the Mutual Defense Assistance Program we are helping those countries to improve their capabilities for effectively carrying out military missions important to the defense of the hemisphere. The program also promotes closer military cooperation between the United States and those countries and contributes to the mutually beneficial ties between them and ourselves not only in military matters but in all our relations with Latin America.

The bilateral military agreements with the Latin American countries come within the framework of the Inter-American Treaty of Reciprocal Assistance, which established the principle that an attack on one American State is an attack on all. The agreements also promote the objective of the resolution on military cooperation which was adopted at the Fourth Meeting of Consultation of the Ministers of Foreign Affairs. That resolution urges the American Republics to orient their military preparations toward the common defense of the hemisphere, rather than confining such preparations to the defense of their individual countries.

The countries of Latin America do not have the financial resources or the experience in modern warfare to train and equip forces for hemisphere defense missions without external help. With such assistance, however, they can produce suitable combat troops. As demonstrated by the Brazilian performance in the Second World War and by the Colombian performance in Korea, the Latin Americans, given equipment and training, can make an effective military contribution. During the Second World War the United States armed forces stationed over 130,000 men in Latin America. It is hoped that in the event of another general war the requirement for United

Regional Narrative Statement (Continued)

States armed forces in Latin America will be greatly reduced by the defense contribution of the countries with which we have agreements.

Since the Korean War the Soviet Union and its satellites have shown a marked increase in their interest in Latin America. A prominent part of the current Soviet bloc offensive in Latin America is the effort to provide the Latin American countries with armaments and military technical assistance. The intrusion of international Communism into the Latin American military scene makes even more important the effective implementation of the United States military assistance undertakings in the area.

The FY 1957 budget request for military aid to the 12 Latin American countries with which the United States has Mutual Defense Assistance Agreements is $35.5 million.

LATIN AMERICA

REGIONAL DISTRIBUTION OF FY 1957 PROGRAM

By Function and Country

(In thousands of dollars)

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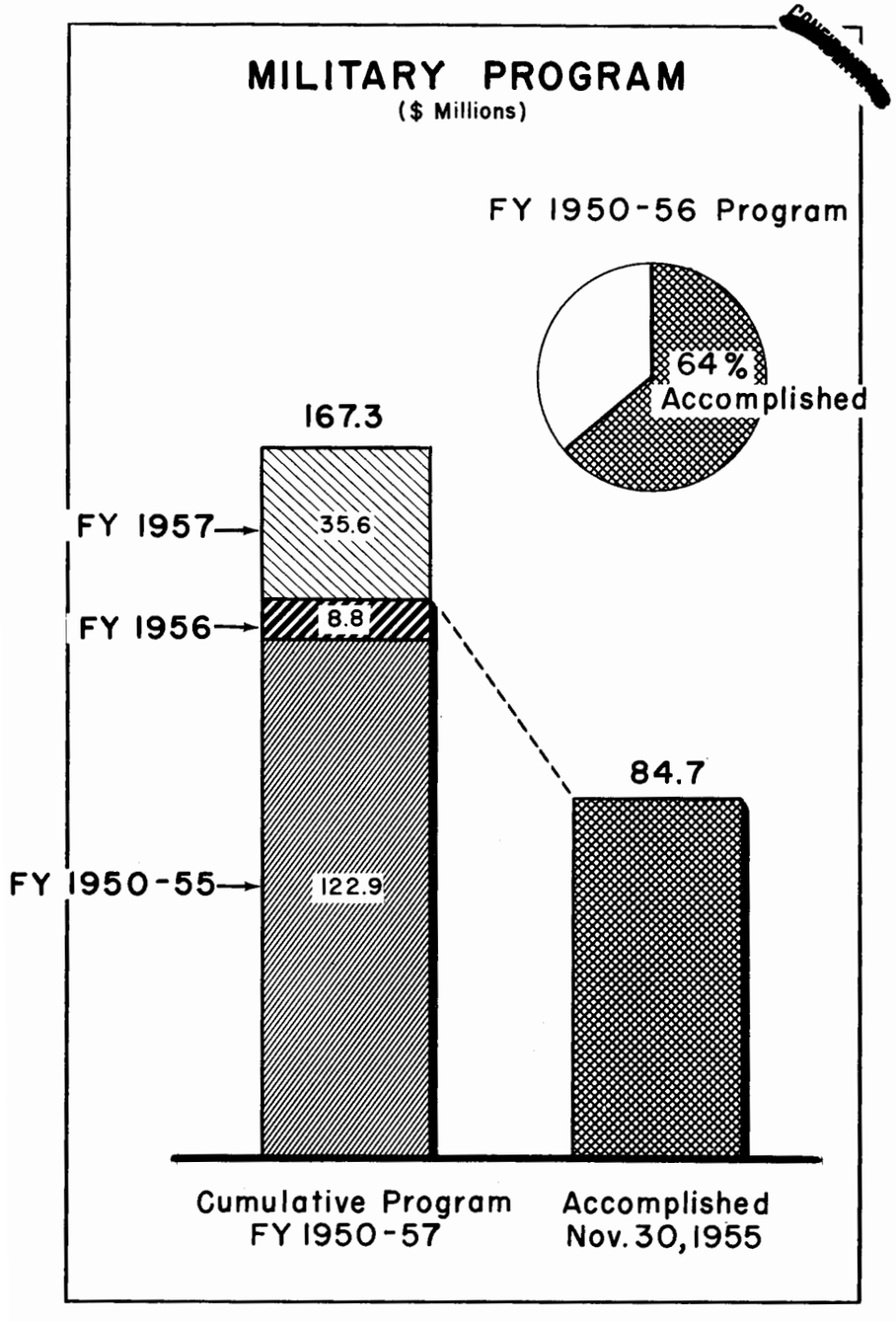
Country	Military Assistance	Development Assistance	Technical Cooperation	Total	
Argentina			50	50	
Bolivia		20,000	CONFIDENTIAL 3,195	23,195	
Brazil	12,958		4,739	17,697	CONFIDENTIAL
Chile	4,323		2,521	6,844	
Colombia	2,245		1,536	3,781	
Costa Rica			1,026	1,026	
Cuba	6,003		690	6,693	
Dominican Republic	1,365		330	1,695	CONFIDENTIAL
Ecuador	1,320		1,993	3,313	
El Salvador			1,005	1,005	
Guatemala	248	5,000	CONFIDENTIAL 1,730	6,978	
Haiti	653		1,152	1,805	CONFIDENTIAL
Honduras	CONFIDENTIAL 91		1,290	1,381	
Mexico			1,185	1,185	
Nicaragua	345		919	1,264	CONFIDENTIAL
Panama			1,195	1,195	
Paraguay			1,684	1,684	
Peru	2,585		2,996	5,581	
Uruguay	1,564		619	2,183	CONFIDENTIAL
Venezuela			225	225	
Overseas Territories			812	812	
Regional and Undistributed	1,846	2,000	CONFIDENTIAL 1,458	5,304	CONFIDENTIAL
Subtotal	35,546	27,000	32,350	94,896	
Organization of American States (OAS)			1,500	1,500	
Total Programs	35,546	27,000	33,850	96,396	

LATIN AMERICA - MILITARY PROGRAM

CONFIDENTIAL

MILITARY PROGRAM
($ Millions)



PROGRAM BY COUNTRY
($ Millions)

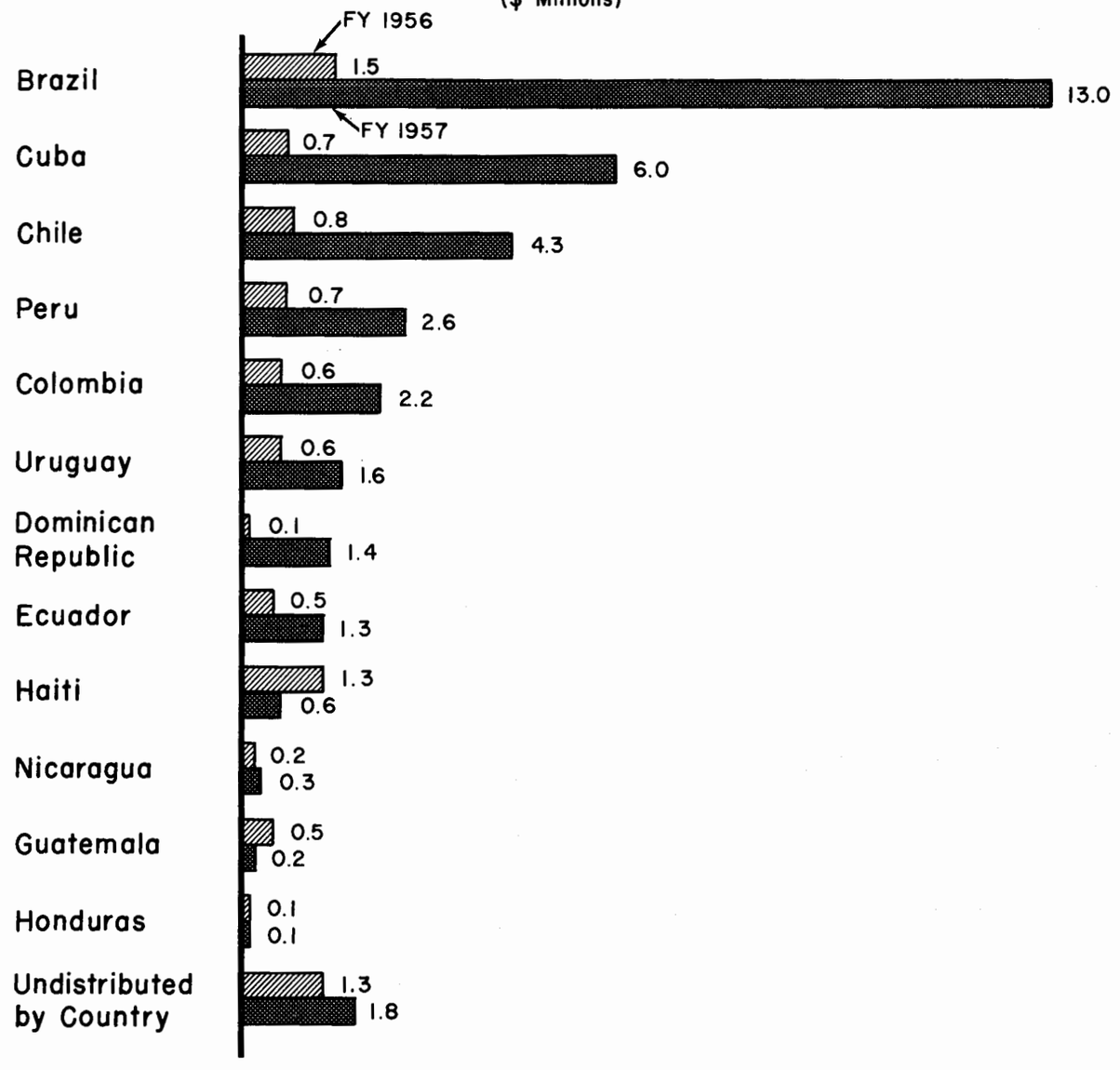


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TABLE I LATIN AMERICA

DEPARTMENT OF DEFENSE
MUTUAL DEFENSE ASSISTANCE PROGRAMS AND PERFORMANCE
VALUE BY TYPE OF ASSISTANCE AND DEPARTMENT
FISCAL YEARS 1950-56 AND PROPOSED FISCAL YEAR 1957
(In Thousands of Dollars)

TYPE OF MILITARY ASSISTANCE AND DEPARTMENT (1)	CURRENT PROGRAM			PERFORMANCE 30 NOVEMBER 1955	
	PROPOSED FY 1957 (2)	FISCAL YEAR 1956 (3)	FISCAL YEARS 1950-56 (4)	ACCOMPLISHED (5)	TO BE ACCOMPLISHED OF FY 50-56 PROGRAMS (6)
I TOTAL FOR AREA CHARGED TO APPROPRIATIONS	$ 35,546	$ 8,833	$ 131.741[a]	$ 84,652	$ 47,089[a]
Army	6,819	4,020	54,475	44,227	10,248
Navy	17,532	3,494	29,790	19,157	10,633
Air Force	11,195	1,319	47,476	21,268	26,208
II EQUIPMENT & SUPPLIES - TOTAL	29,243	3,743	115,253[a]	72,949	42,304[a]
Army	5,032	1,905	47,804	39,557	8,247
Navy	15,603	1,838	25,754	16,162	9,592
Air Force	8,608	-	41,695[a]	17,230	24,465[a]
III REPAIR & REHABILITATION OF EXCESS - TOTAL	-	395	2,998	2,038	960
Army	-	95	836	646	190
Navy	-	300	330	4	326
Air Force	-	-	1,832	1,388	444
IV TRAINING - TOTAL	5,277	3,628	6,683	3,877	2,806
Army (Distributed by Country)	1,169	1,442	1,784	562	1,222
Army (Area Support Costs)	6	6	6	-	6
Navy (Distributed by Country)	1,492	1,066	2,362	1,720	642
Navy (Area Support Costs)	237	100	488	387	101
Air Force (Distributed by Country)	1,796	893	1,895	1,135	760
Air Force (Area Support Costs)	577	121	148	73	75
VA PACKING, CRATING, HANDLING, TRANSPORTATION - TOTAL	1,026	1,067	6,807	5,788	1,019
Army (Distributed by Area)	612	572	4,045	3,462	583
Navy (Distributed by Area)	200	190	856	884	-28
Air Force (Distributed by Area)	214	305	1,906	1,442	464
VI EXCESS STOCKS AT ACQUISITION COST - TOTAL (NOT CHARGED TO APPROPRIATIONS)	22	318	88,908	74,912	13,995
Army	-	209	2,584	2,257	327
Navy	22	109	54,667	53,578	1,088
Air Force	-	-	31,657	19,077	12,580

a/ Includes $414 AF program for engineering change orders not distributed by country.

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LATIN AMERICA

TOTAL PROGRAMS (EXCLUDES MILITARY ASSISTANCE)

Summary by Country

(In thousands of dollars)

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Country	Program FY 1955	FY 1956	FY 1957
Argentina			50
Bolivia	12,829	22,619	23,195
Brazil	4,456	3,802	4,739
Chile	2,106	2,267	2,521
Colombia	1,359	1,318	1,536
Costa Rica	926	971	1,026
Cuba	521	571	690
Dominican Republic	336	485	330
Ecuador	1,351	1,588	1,993
El Salvador	847	927	1,005
Guatemala	6,662	16,791	6,730
Haiti	2,828	5,356	1,152
Honduras	1,205	1,190	1,290
Mexico	1,385	1,288	1,185
Nicaragua	902	873	919
Panama	1,357	1,110	1,195
Paraguay	1,799	1,533	1,684
Peru	2,416	2,469	2,996
Uruguay	389	391	619
Venezuela	195	144	225
Overseas Territories	693	569	812
Regional and Undistributed	1,321	1,144	3,458
Subtotal	45,883	67,406	59,350
Organization of American States (OAS)	1,136	1,200	1,500
Total Programs Other Than Military Assistance	47,019	68,606	60,850

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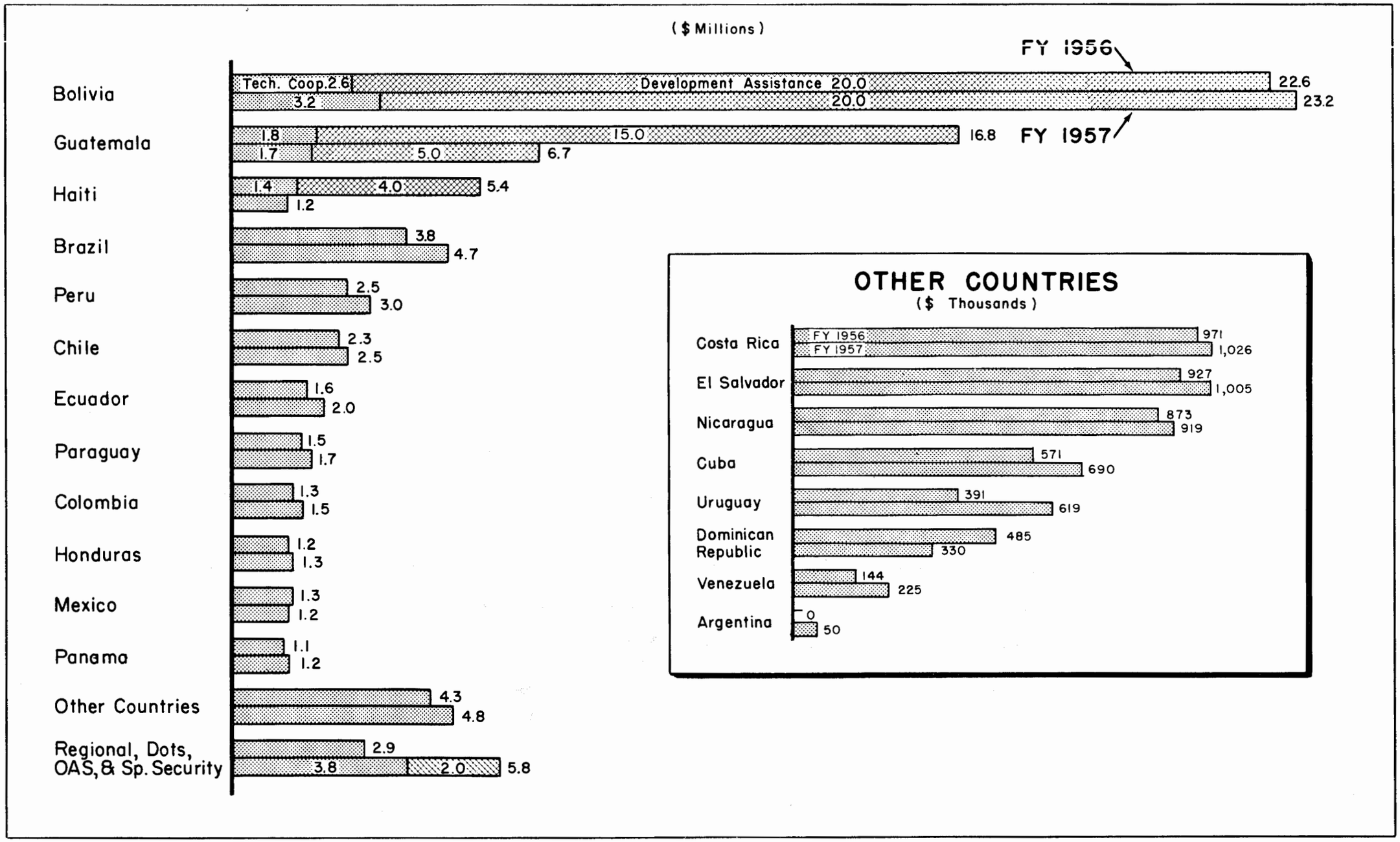
LATIN AMERICA - NON-MILITARY PROGRAM BY COUNTRY



LATIN AMERICA

REGIONAL SUMMARY (EXCLUDES 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 Cost	Agriculture and Natural Resources	Industry and Mining	Transportation	Labor	Health and Sanitation	Education	Public Admin.	Community Development, Soc.Welfare and Housing	General and Miscellaneous	Import of Saleable Commodities (Non-Military)	Other Costs
Development Assistance												
1955	18,207	425		5,500		960					8,682	2,640
1956	39,000	7,134	300	10,720		140			764		19,912	30
1957	27,000		2,000	3,000				2,000			20,000	
Technical Cooperation												
1955	27,676	9,212	2,020	1,101	632	5,220	4,208	2,502	566	2,215		
1956	28,406	9,659	2,190	1,720	934	5,793	4,108	1,909	683	1,410		
1957	32,350	10,668	2,851	1,935	1,032	6,389	5,040	1,973	554	1,908		
Total Programs												
1955	45,883	9,637	2,020	6,601	632	6,180	4,208	2,502	566	2,215	8,682	2,640
1956	67,406	16,793	2,490	12,440	934	5,933	4,108	1,909	1,447	1,410	19,912	30
1957	59,350	10,668	4,851	4,935	1,032	6,389	5,040	3,973	554	1,908	20,000	

LATIN AMERICA - NON-MILITARY PROGRAM BY FUNCTION

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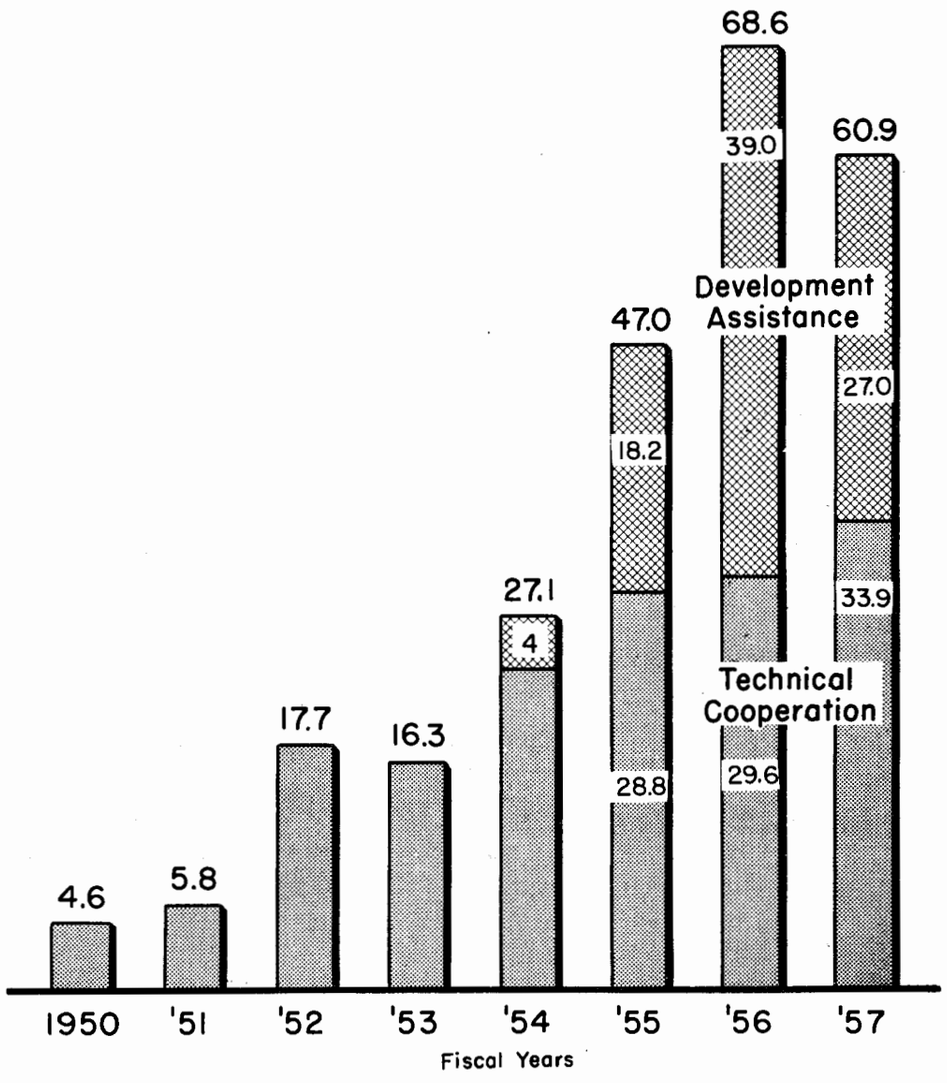
NON-MILITARY PROGRAM SUMMARY

($ Millions)



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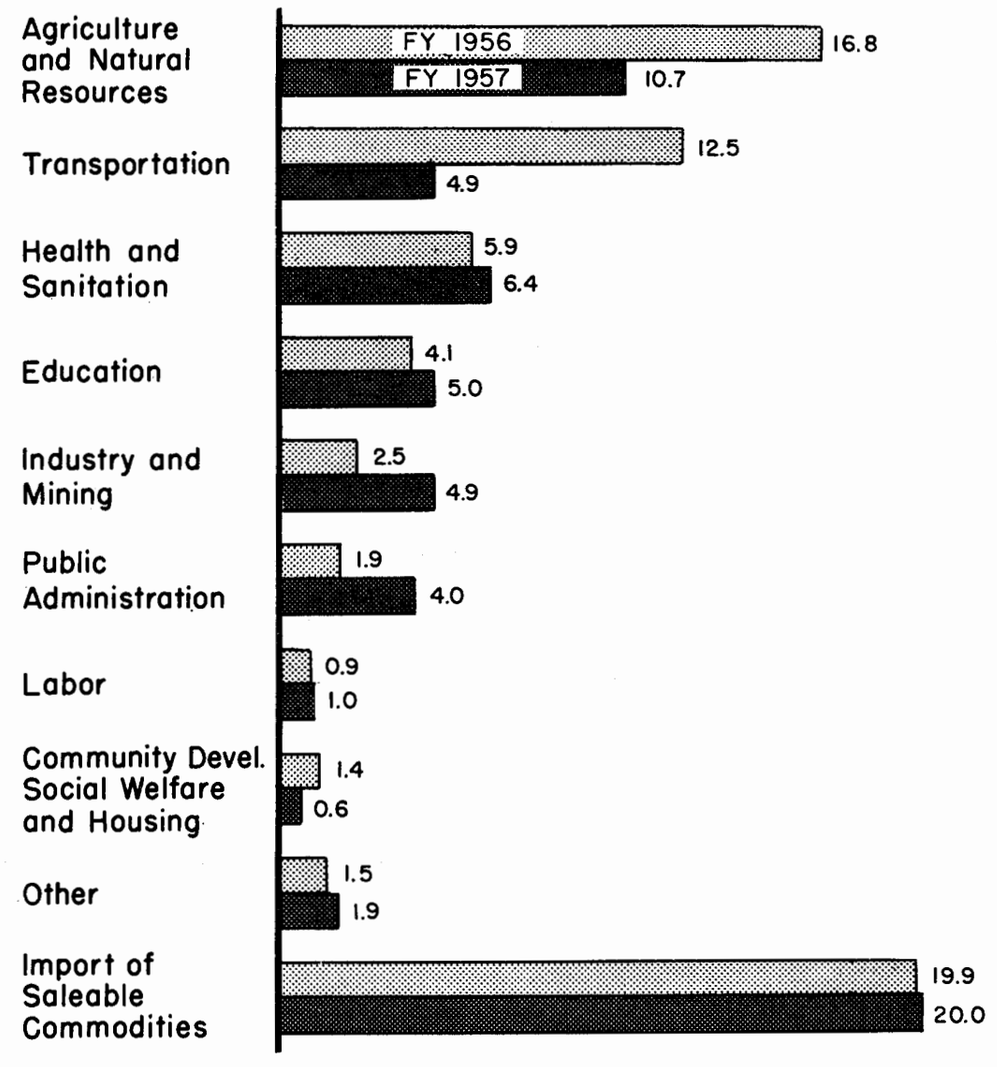
PROGRAM BY FIELD OF ACTIVITY

($ Millions)



LATIN AMERICA

REGIONAL SUMMARY (EXCLUDES MILITARY ASSISTANCE, AND TECHNICAL COOPERATION PROGRAM OF ORGANIZATION OF AMERICAN STATES)

Summary by Major Cost Components

(In thousands of dollars)

Programs by Fiscal Year	Program by Major Cost Components							Number of People			
								Technicians (Close FY)		Participants (Programmed During FY	
	Total Cost	Grants to Cooperative Services	Supplies and Equipment	U.S. Employed Technicians	Contract Services	Participants	Other Costs	U.S. Employed	Contract	Contract	Non-Contract
Development Assistance											
1955	18,207	960	10,759				6,488				
1956	39,000	140	22,025		545		16,290		26		
1957	27,000		22,920	515		335	3,230	33			87
Technical Cooperation											
1955	27,676	7,032	537	8,777	5,257	4,327	1,746	637	121	97	1,664
1956	28,406	5,815	807	11,929	1,600	5,730	2,525	799	193	150	1,809
1957	32,350	6,937	705	13,025	3,391	6,119	2,173	898	220	165	1,907
Total Programs											
1955	45,883	7,992	11,296	8,777	5,257	4,327	8,234	637	121	97	1,664
1956	67,406	5,955	22,832	11,929	2,145	5,730	18,815	799	219	150	1,809
1957	59,350	6,937	23,625	13,540	3,391	6,454	5,403	931	220	165	1,994

LATIN AMERICA

REGIONAL SUMMARY (EXCLUDES MILITARY ASSISTANCE)

Summary of Commodity Imports

(In thousands of dollars)

Imports	Program FY 1955	FY 1956	Proposed FY 1957
Commodities			
Food and Agricultural Imports			
Bread Grains	817	9,000	7,200
Coarse Grains		2,300	2,000
Cotton		2,000	2,000
Dairy Products		700	700
Fats and Oils	1,200	1,500	2,000
Other	100	930	800
Total Food and Agricultural Imports	2,117	16,430	14,700
Industrial Imports			
Petroleum Products	55		
Raw Materials and Semi-Finished Products	715	553	700
Machinery and Vehicles	5,430	4,767	6,600
Air Navigation Aids and Standardization Equipment	1,500		
Miscellaneous and Unclassified	942	275	920
Total Industrial Imports	8,642	5,595	8,220
Total Commodity Import Program	10,759	22,025	22,920

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LATIN AMERICA

Country: ARGENTINA

INDIVIDUAL COUNTRY DATA

Summary of Program by Function

(In thousands of dollars)

Function	Program FY 1955	Program FY 1956	Proposed FY 1957
Technical Cooperation			50
Total Programs			50

(See Regional Narrative Statement)

LATIN AMERICA

Country: ARGENTINA

INDIVIDUAL COUNTRY DATA

Summary by Major Activity Field

(In thousands of dollars)

Program by Fiscal Year	Total Cost	Agriculture and Natural Resources	Industry and Mining	Transportation	Labor	Health and Sanitation	Education	Public Admin.	Community Development, Soc.Welfare and Housing	General and Miscellaneous	Import of Sal. Commod.L/C to be Used for Non-Mil. Activities	Other Costs
Technical Cooperation												
1955												
1956												
1957	50									50		

Summary by Major Cost Components

(In thousands of dollars)

Program by Fiscal Year	Program by Major Cost Components: Total Cost	Grants to Cooperative Services	Supplies and Equipment	U.S. Employed Technicians	Contract Services	Participants	Other Costs	Number of People: Technicians (Close FY) U.S. Employed	Technicians (Close FY) Contract	Participants (Programmed During FY) Contract	Participants (Programmed During FY) Non-Contract
Technical Cooperation											
1955											
1956											
1957	50					50					10

BOLIVIA

BASIC DATA

				Bolivia	U.S.
Population (1955)..... millions		3.2	Caloric intake.....	1,612	3,220
Annual growth..... percent		1.2	% grains & starches.....		26
			Literacy rate.....percent	31	97
Area..... 1,000 sq.mi.		424	Life expectancy.....years		69
Agricultural land..... percent		0.3	Road miles per 1,000 sq.mi.	21	1,030
Agricultural land per capita.....	acres	0.3	Electric power per capita.....KWH per yr.	109	3,780

GROSS NATIONAL PRODUCT

(In 1954 prices)

	Total $ mill	$ per capita
1951.....		
1952.....		
1953.....		
1954.....	209	66
1955(est).....	211	66

Converted at rate of 500 Bolivianos per $

TRADE AND PAYMENTS

	1938	1952	1953	1954	1955(est)
		(millions of US $)			
Exports, f.o.b.....	34	108	84	72	70
Imports, c.i.f.....	29	107	78	75	105
Trade balance.....	5	1	6	-3	-35
Principal exports:					
Tin.....Quantity.....1000 MT	26	33	35	29	27
Value.....Mill.U.S. $	17	85	73	60	56
Tungsten.....Quantity.....1000 MT	2	2	2	3	3
Value.....Mill.U.S. $	2	14	14	14	15
Trade with U.S. (U.S. Customs data):					
Exports to U.S.....	1	56	62	47	42
Imports from U.S.....	5	30	19	31	38
Balance.....	-4	26	43	16	4
Balance of payments					
Balance on goods and services.....		-6	-24	-4	
Net capital transactions.....		2	10	-	
Private.....		-	-3	-	
Official and banking.....		2	13	-	
Government grants.....		1	3	14	
Long-term capital.....		-2	3	-4	
Short-term capital.....		3	7	-10	
Change in gold and exchange reserves....		-10	-2	-12	
Gold and foreign exchange reserves (Dec.31)		33	31	19	

EXTERNAL RESOURCES

(millions of US $)

	1951	1952	1953	1954	1955	Undisbursed 12/31/55
Ex-Im Bank loan disbursements.....	8	3	2	2	3	3
IBRD loan disbursements.....	-	-	-	-	-	-
U.S. private investment (net)						
New direct investment.....						
Reinvested subsidiary earnings.....						
Book value of U.S. direct private investment.....	11	11	10	10		

PRODUCTION

	Unit	Prewar	1952/53	1953/54	1954/55	1955/56(est)
Agricultural production						
Major crops (estimates):						
Corn (shelled)	1,000 MT		85	85	90	95
Potatoes	1,000 MT		130	100	120	120
Beef	1,000 MT		50	50	48	50

	Unit	Prewar	1952	1953	1954	1955(est)
Major industries:						
Tin (exports).....	1,000 MT	26	33	35	29	27
Petroleum, crude.....	1,000 MT	18	68	78	220	267
Cement.....	1,000 MT	19	37	34		
Electricity.....	Mill. KWH	110	337	350	380	356

FINANCES

Central Government Budget - FY ending Dec. 31	1953	1954	1955	1956
		(millions of US dollars)		
Revenue.....[a]	15	27	58	118
Expenditure.....	23	59	120	203
Defense.....	2	3	7	14
Capital outlay.....	-	-	-	n.a.
Other non-defense.....	21	56	113	n.a.
Surplus or deficit (-).....	-8	-32	-62	-85
Defense as percent of total expenditures....	7%	6%	6%	7%
Defense as percent of GNP.....	n.a.	2%	3%	n.a.

Prices	1952	1953	1954	1955(est)
Tin prices-New York.....U.S. $ per lb.	1.20	0.95	0.92	0.95
Cost of living.....index 1948=100	216	438	977	1,760

[a] Includes mine subsidies; excludes Development Corporation funds and ICA counterpart.

BOLIVIA

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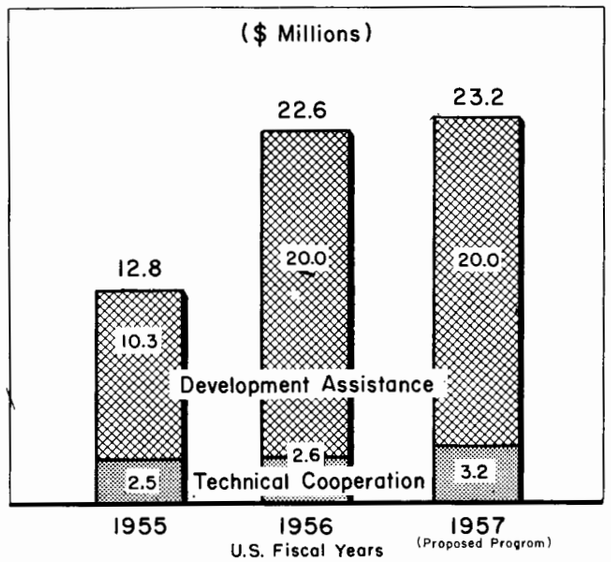
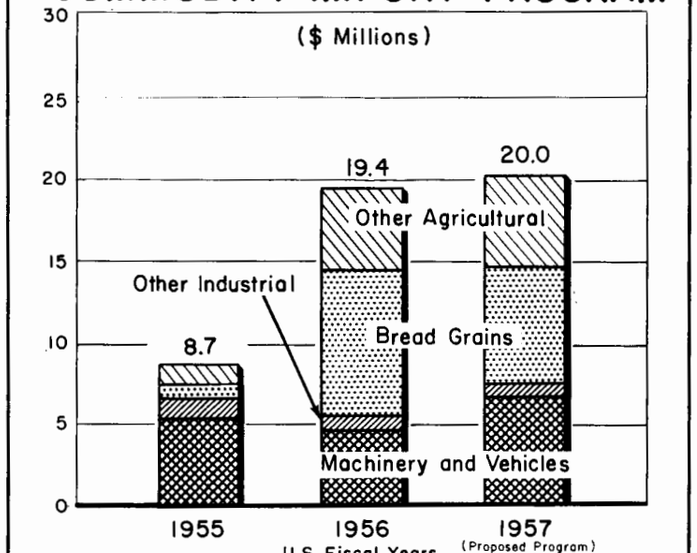
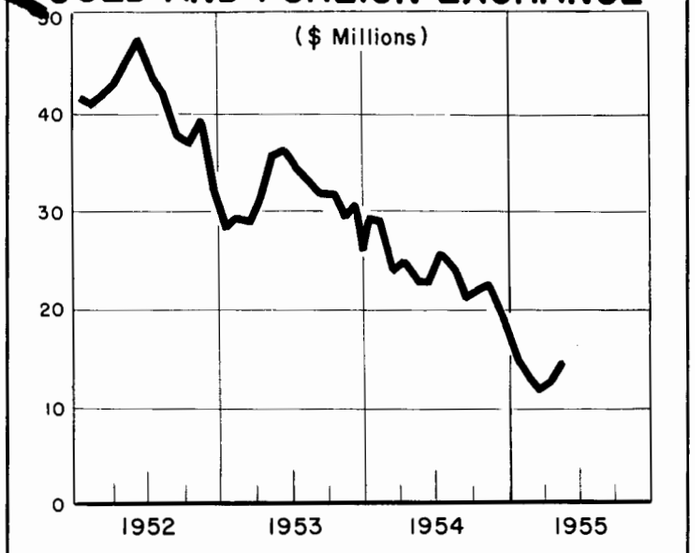
THE PROGRAM



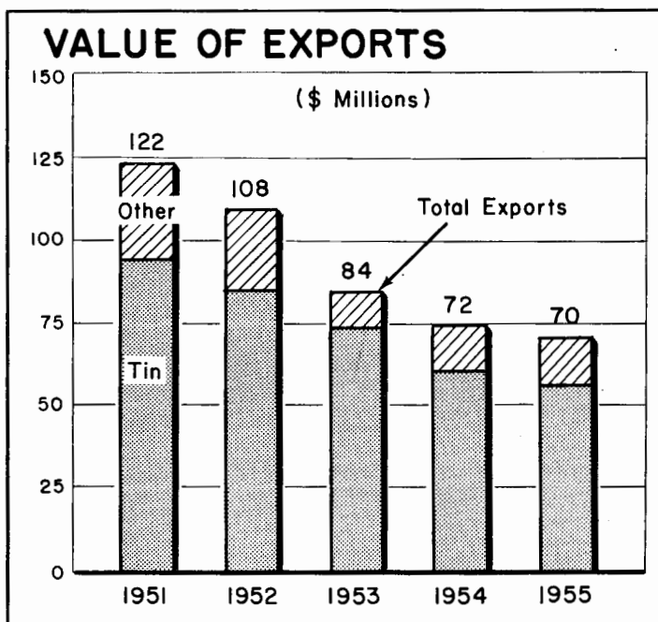
COMMODITY IMPORT PROGRAM



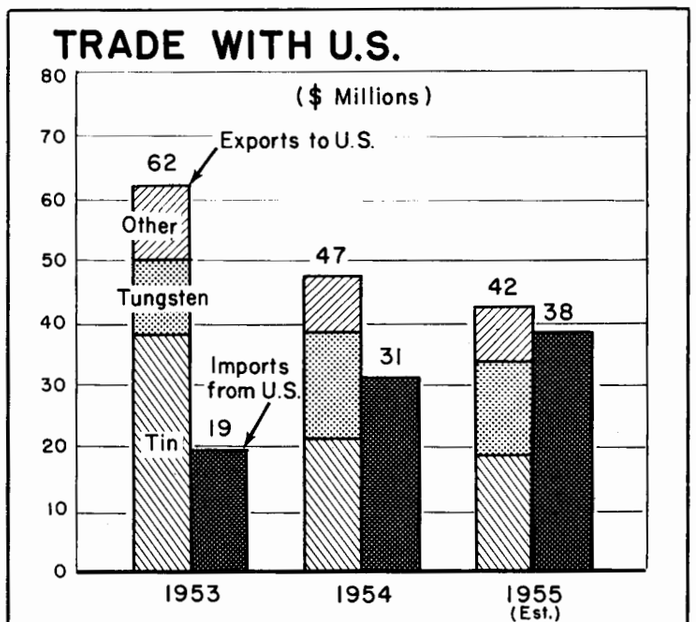
GOLD AND FOREIGN EXCHANGE



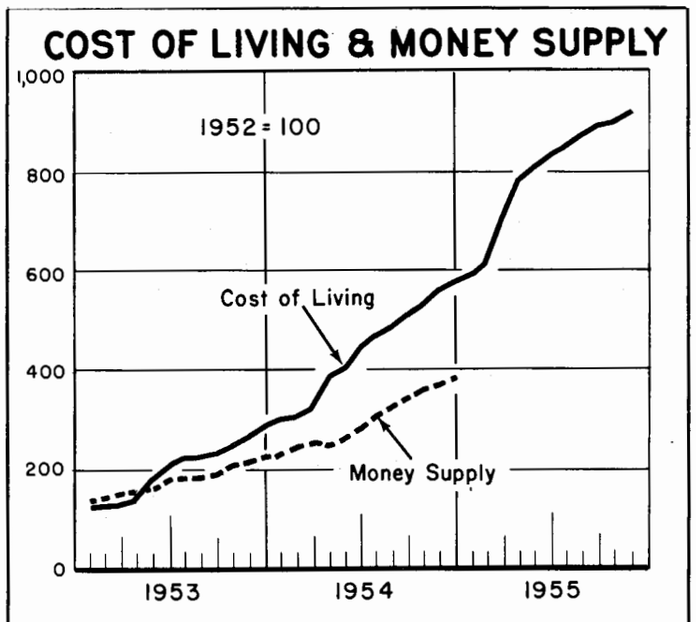
VALUE OF EXPORTS



TRADE WITH U.S.



COST OF LIVING & MONEY SUPPLY



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LATIN AMERICA

Country: BOLIVIA

INDIVIDUAL COUNTRY DATA

Summary of Program by Function

(In thousands of dollars)

Function	Program FY 1955	Program FY 1956	Proposed FY 1957	
Development Assistance	10,293	20,000	20,000	CONFIDENTIAL
Technical Cooperation	2,536	2,619	3,195	
Total Programs	12,829	22,619	23,195	CONFIDENTIAL
MSP Sales Surplus Agricultural Commodities				
1. Sales to This Country	2,117	14,100	12,700	
2. Sales Proceeds Programmed in This Country	2,117	14,100	12,700	CONFIDENTIAL

General Narrative Statement

U.S. INTERESTS

Importance of Bolivia to United States and Western Hemisphere

Bolivia, a landlocked country close to the geographic center of the South American continent, is the main supplier of tin and tungsten, and an important source of other strategic materials on the United States stockpile list. Bolivia has over $10 million of U. S. direct private investment. Its importance to the United States derives from these considerations as well as from the consideration that a breakdown of internal political order, economic collapse, or other such contingencies might lead to a Communist or other totalitarian regime thus endangering United States interests and inter-American security.

Objectives of the Mutual Security Program in Bolivia

1. To assist Bolivia in achieving a sound, diversified self-supporting economy in the shortest possible time.

2. To assist Bolivia in maintaining political stability which will help foster conditions favorable to internal tranquility and progress.

3. To encourage and assist Bolivia in making her maximum contribution to inter-American security and solidarity.

4. To promote an understanding among the Bolivians of the real benefits and advantages of achieving economic progress through peaceful development.

5. To assist in preventing starvation and suffering and to encourage sound development through private investment and savings; to foster an atmosphere in Bolivia favorable to foreign investment.

BASIC ECONOMIC PROBLEMS

United States programs of technical cooperation and development assistance in Bolivia operate within the limitations imposed by the basic economic problems facing the country. These are caused by her almost total dependence upon mineral production and her low state of agricultural development: mineral production and income is declining; there is a serious shortage of technical skills; poor health and lack of education aggravate the low

General Narrative Statement (Continued)

productivity of the labor force; political and economic instability has discouraged private investment; there is a substantial balance of payment deficit; foreign exchange reserves have disappeared; and serious inflation continues. Moreover, past political instability and administrative deficiencies of government have impeded the rate of progress in implementing host government programs.

HOST COUNTRY PROGRAMS

Bolivia has formulated an integrated economic development plan which includes diversification of the economy through increased agricultural production, tending towards self-sufficiency in basic foodstuffs; exploitation and development of the petroleum industry and development of additional mineral resources; integration of the Indian population into the social, political and economic life of the country; encouragement of migration from the highlands to the under-populated lowlands; development of the lowlands part of the country; and improvement of transportation facilities, especially highways and commercial aviation. The Bolivian government believes that if this plan can be implemented successfully and at an adequate pace, foreign investments will be forthcoming in increasing amounts and the country's balance of payments can ultimately be stabilized. The United States is collaborating with the Bolivian government in implementing certain aspects of this plan.

U.S. CONTRIBUTIONS TO HOST COUNTRY PROGRAMS

Emergency Development Assistance

During 1953 and early 1954 the Bolivian economy experienced a critical setback approaching national disaster. With the end of the Korean war, world tin prices fell, and a serious decline in production occurred in the wake of nationalization of the tin mines. As foreign exchange earnings dwindled, the importation of capital goods had to be restricted. Reserves were drawn on to maintain food imports and the threat of starvation appeared imminent. To meet this situation, the United States began in FY 1954 an emergency assistance program under the Mutual Security Program amounting to $4.4 million. This involved shipments of surplus food stocks as well as materials and equipment for development purposes. In addition, $5 million (at market values) worth of surplus food stocks were sent under the Emergency Famine Relief Act, while another $2 million for purchase of agricultural equipment and supplies was provided under the technical assistance provisions of the Mutual Security Act. In FY 1955, a total of $20 million was provided with $10.3 million coming out of Mutual Security Program funds while $9.7 million worth of surplus agricultural commodities were sent under Title II of P.L. 480.

In FY 1956, a total of $20 million is being provided in the form of foods, fiber, industrial and agricultural equipment.

For FY 1957, $20 million is requested to continue provision of foods, fiber and agricultural, industrial and transportation equipment.

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As a result of past assistance economic collapse and political chaos were avoided, and friendship and cooperation between Bolivia and the United States have improved considerably. The present Government has remained in power and has provided the country with political stability and an integrated program for economic development. While results to date have been encouraging, further efforts will be required before the objective is achieved. The United States hopes to terminate its development assistance to Bolivia as soon as the emergency situation becomes less critical. Care will be taken, however, not to jeopardize benefits already achieved under the program.

Technical Cooperation

Tied in closely with Development Assistance, the technical cooperation program is designed to assist Bolivia to utilize effectively her resources, particularly her human resources, in working toward solution of her basic problems and attainment of worthwhile economic and social objectives. This program in the long term contributes to economic development and creates an atmosphere conducive to economic and political stability. By so doing it contributes to U. S. objectives in the country, and hemisphere.

General Narrative Statement (Continued)

During FY 1956 $2.6 million is being provided for the Technical Cooperation Program. In FY 1957, $3.2 million is requested for continuation of existing projects and initiation of new ones specifically directed towards:

1. Assisting Bolivia in increasing agricultural diversification, production and marketing, which is of paramount importance. Helping develop a supervised agriculture credit system to encourage the production of basic foodstuffs.

2. Encouraging orderly development of natural resources and advising on economic policies designed to stimulate production through private enterprise.

3. Assisting in improvement of transportation primarily maintenance of roads and development of civil aviation.

4. Helping raise literacy levels by assisting in improvement of educational facilities and methods in the fields of fundamental education and agriculture, vocational and health education.

5. Promoting better health and sanitation requisite to increased production, particularly in the tropical areas of the country.

6. Encouraging development of small industry through increased local investment.

7. Assisting in creation of a sound mining and petroleum industry, economically profitable to the country and attractive to private capital.

8. Providing continuing advice regarding Bolivian financial and fiscal structures to control inflation, establish workable exchange rates, install sound budgetary procedures and utilize credit efficiently.

9. Assisting in improving training methods and facilities for the public service to increase manpower utilization and encourage development of junior administrators and clerical personnel.

10. Helping develop the key Santa Cruz agricultural area through establishment of a coordinated agricultural, health and education center, and development of a network of farm-to-market roads leading to the recently completed Santa Cruz-Cochabamba highway.

11. Encourage the orderly development along democratic lines of the Bolivian labor movement by furnishing guidance regarding the role of an enlightened and self-disciplined labor force in national economic development.

12. Bringing police officers for training and high-ranking police officials for observation of United States police techniques; survey of police services to determine needs in the fields of traffic control, training, communications, organization, records, transportation, investigation; and assistance in the establishment of national police academies.

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LATIN AMERICA

INDIVIDUAL COUNTRY DATA

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Country: BOLIVIA

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, Soc. Welfare and Housing	General and Miscellaneous	Import of Sal. Commod. L/C to be Used for: Military Activities	Import of Sal. Commod. L/C to be Used for: Non-Mil. Activities	Other Costs
Development Assistance													
1955	10,293											8,682	1,611
1956	20,000	1,525	300	533								17,612	30
1957	20,000	CONFIDENTIAL	2,000	CONFIDENTIAL								18,000	CONFIDENTIAL
Technical Cooperation													
1955	2,536	909	78	172	69	375	410	474	7	42			
1956	2,619	1,044	67	275	81	452	422	217	20	41			
1957	3,195	1,271	425	375	100	416	425	143		40			
Total Programs													
1955	12,829	909	78	172	69	375	410	474	7	42	8,682		1,611
1956	22,619	2,569	367	808	81	452	422	217	20	41	17,612		30
1957	23,195	1,271	2,425	375	100	416	425	143		40	18,000		CONFIDENTIAL

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LATIN AMERICA

INDIVIDUAL COUNTRY DATA

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Country: BOLIVIA

Summary by Major Cost Components

(In thousands of dollars)

Programs by Fiscal Year	Program by Major Cost Components							Number of People			
								Technicians (Close FY)		Participants (Programmed During FY)	
	Total Cost	Grants to Cooperative Services	Supplies and Equipment	U.S. Employed Technicians	Contract Services	Participants	Other Costs	U.S. Employed	Contract	Contract	Non-Contract
Development Assistance											
1955	10,293		8,682				1,611				
1956	20,000		19,425		545		30		26		
1957	20,000		20,000	[redacted]							
Technical Cooperation											
1955	2,536	560		878	591	437	70	55	8		179
1956	2,619	705	23	1,282	20	524	65	77	5	4	124
1957	3,195	710	27	1,319	500	526	113	89	17	4	125
Total Programs											
1955	12,829	560	8,682	878	591	437	1,681	55	8		179
1956	22,619	705	19,448	1,282	565	524	95	77	31	4	124
1957	23,195	710	20,027	1,319	500	526	113	89	17	4	125

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LATIN AMERICA

INDIVIDUAL COUNTRY DATA

Country: BOLIVIA

Summary of Commodity Imports

(In thousands of dollars)

Imports	Program FY 1955	FY 1956	Proposed FY 1957
Commodities			
Food and Agricultural Imports			
Bread Grains	817	9,000	7,200
Cotton		2,000	2,000
Dairy Products		700	700
Fats and Oils	1,200	1,500	2,000
Other	100	930	800
Total Food and Agricultural Imports	2,117	14,130	12,700
Industrial Imports			
Petroleum Products	55		
Raw and Semi-Finished Products	565	553	700
Machinery and Vehicles	5,300	4,467	6,600
Miscellaneous and Unclassified	645	275	
Total Industrial Imports	6,565	5,295	7,300
Total Commodity Import Program	8,682	19,425	20,000

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LATIN AMERICA

Country: BOLIVIA

INDIVIDUAL COUNTRY DATA

Utilization of Local Currency Resulting from MSP Assistance

(In thousands of dollar equivalents)

Dollar Transactions Generating Local Currency		Plan for Utilization of Available Local Currency			
FY 1957 Program	Amount	Purpose of Local Currency Use	Amount Withdrawn FY 1957	Amount Withdrawn After 1957	Total Withdrawn 1957 and After
Import of Saleable Commodities		1. Local Cost of Military Construction Projects			
Surplus Agricultural Commodities Sec.402	12,700	2. Local Cost of Military Activities (Non-construction)			
Other	5,300	3. Local Cost of Economic Development Projects	11,625	5,000	16,625
Total Saleables	18,000	4. Local Cost of Technical Assistance Projects	3,000	1,000	4,000
		5. All Other Local Costs			
Other Local Currency Generating Transactions		Total	14,625	6,000	20,625
Dollar Grants					
Other					
Total					
Deduct U.S. portion of Deposits					
Net Availability Generated from 1957 Program	18,000				
Prior Year Program Availability					
Estimated on Deposit June 30, 1956	2,625				
Anticipated Additional Deposits on Prior Year Programs					
Total Local Currency Availability	20,625				

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BRAZIL

TRADE AND PAYMENTS

	1938	1953	1954	1955
		(millions of US $)		(est)
Exports, f.o.b.	289	1,539	1,562	1,410
Imports, c.i.f.	295	1,319	1,634	1,310
Trade balance	-6	220	-72	100
Principal exports:				
Coffee.....Quantity..... 1,000 MT	1,027	934	655	798
Value.....$ Millions	133	1,088	948	868
Cotton, raw..Quantity..... 1,000 MT	269	140	343	200
Value.....$ Millions	54	102	223	150
Trade with U.S. (US Customs data):				
Exports to U.S.	98	769	682	645
Imports from U.S.	62	297	455	230
Balance	36	472	227	415
Balance of payments:				
Balance on goods and services		70	-276	-95
Net capital transactions		-14	251	110
Change in gold and exchange reserves		77	-69	15
Gold & foreign exch. reserves (Dec. 31)		648	518	533

EXTERNAL RESOURCES

(millions of US $)	1952	1953	1954	1955	Undisbursed 12/31/55
Ex-Im Bank loan disbursements	10.0	336.0	48.1	87.1	85.8
IBRD loan disbursements	20.4	7.5	32.0	14.5	44.2
U.S. Direct Private Investment:					
New direct investment (net)	125	-50	-8		
Reinvested subsidiary earnings	85	38	40		
Book value, end of year	1,013	1,017	1,050		

FINANCES

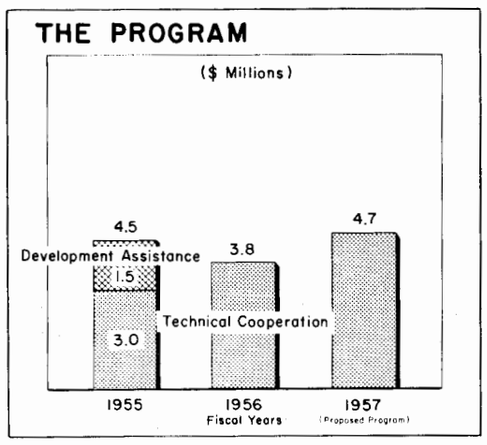
	1951	1952	1953	1954	1955 (est)
Gross National Product *(In 1954 prices)*					
Total..... $ millions	12,753	13,257	13,960	14,952	15,315
Per capita ..... $	240	243	258	262	262
Central Government Budget ($ millions)-FY ending December 31:					
Revenue	741	831	1,002	1,258	1,445
Expenditure	665	769	1,079	1,450	1,532
Percent for defense	31%	33%	28%	25%	22%
Surplus or deficit(-)	76	62	-77	-192	-82
Converted at rate of 37 cruzieros per $					
Prices (index 1953-100)					
Wholesale	79	87	100	130	147
Cost of living	70	82	100	118	139

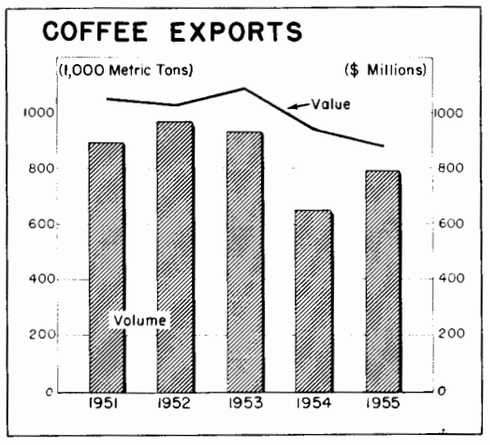
BASIC DATA

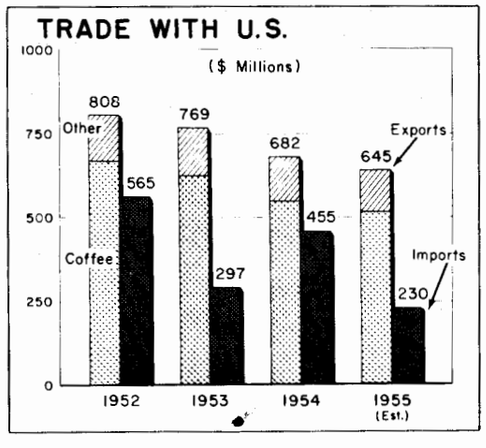
Population (1955)...million	58.5
Annual growth.....percent	2.4
Area..... 1,000 sq.mi.	3,280
Agric. land.....percent	6
Agric. land per capita..... acres	2
Literacy rate.....percent	48
Life expectancy..... years	53
Road miles per 1,000 sq. mi.....	58

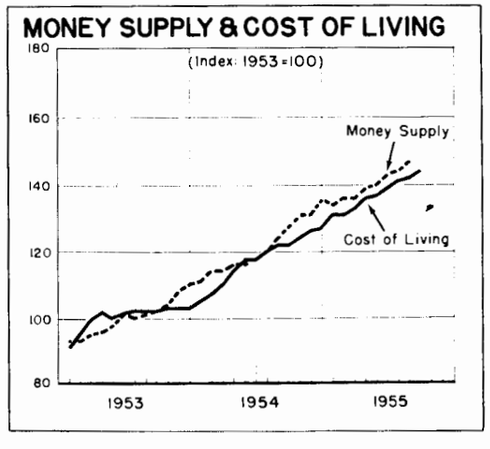
PRODUCTION

	Unit	52/53	53/54	54/55	55/56(est)
Agricultural prod...	1935-39-100	133	142	143	
Major crops:					
Coffee	1,000 MT	1,150	1,140	1,050	1,260
Corn	1,000 MT	5,908	6,985	6,789	6,906
Cotton	1,000 MT	340	319	355	
		1952	1953	1954	1955(est)
Industrial production	1948-100	137	146	156	160
Major industries:					
Electricity	Mill. KWH	9,498	10,578	13,500	14,500
Iron ore (65% metal content)	1,000 MT	1,561	1,547	1,678	2,405









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Country: BRAZIL

INDIVIDUAL COUNTRY DATA

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Summary of Program by Function

(In thousands of dollars)

Function	Program FY 1950/56	FY 1956	Proposed FY 1957
Military Assistance	41,887	1,533	12,958
	FY 1955		
Development Assistance	1,500		
Technical Cooperation	2,956	3,802	4,739
Total Programs	XX	5,335	17,697

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General Narrative Statement

U. S. INTERESTS

Importance of Brazil to United States and Western Hemisphere

Brazil with a population of nearly 60 million, an area larger than that of the United States and with vast resources of strategic materials, has the greatest economic and hemispheric defense potential of any country in Latin America. United States private investment in Brazil exceeds $1 billion. Outstanding principal (December 1955) on Export-Import Bank loans to Brazil was $461 million compared to $436 million for all the rest of Latin America. The United States is Brazil's leading source of imports and normally takes about one-half of Brazil's exports.

Objectives of the Mutual Security Program in Brazil

Major objectives of the Mutual Security Program are to cooperate with Brazil in its efforts to develop and to support a sound economy and to assist the country in making a maximum contribution to hemispheric defense. The Technical Assistance program is directed toward the support of these objectives by assisting Brazil in strengthening and improving its existing public health, education, industrial, agricultural, transportation and administrative institutions and organizations.

Political and economic activities of Russia and its satellites throughout the hemisphere are of major concern to the United States. Despite the historical friendship and performance of Brazil, an apathetic attitude plus failure on the part of the United States to take constructive action could possibly result in substantial successes being obtained by the Communists.

BASIC ECONOMIC PROBLEMS

The Brazilian economy has shown a remarkable rate of growth in the post-war years. Population rose 24 percent while gross product rose 64 percent. However, not all factors

General Narrative Statement (Continued)

of the economy enjoyed the same rate of growth and in some respects it has become badly unbalanced. A too-rapid rate of industrialization has taxed the country's resources. Brazil now faces three serious problems: severe inflation, an unfavorable balance of payments, and a possible decline in world coffee prices.

Industrial output, which soared 68 percent during the post-war period, is now hindered by shortages of oil, electric power and the necessary foreign exchange to import plant equipment and raw materials. Brazil produces less than 2 percent of its petroleum requirements and presently spends 25 percent or about $250 million, of its coffee receipts annually for oil imports.

Inflation: Government deficits, increases in credit, rising wage levels and a 300 percent increase in money supply from 1946-55 have combined to bring about strong inflationary pressures. Indications are that these pressures will continue to afflict Brazil's economy through 1956. Currently Brazil's gold reserves are down to $332.5 million against which $259.6 million have been pledged to service commercial indebtedness. Brazil now faces the problem of financing current imports and repaying outstanding debts from a level of earnings which have been proven inadequate for the past five years.

Decline in Coffee Situation: Recent estimates indicate a worsening coffee situation. The 1956 world exportable production is estimated at 38 million bags, while consumption is estimated at 33 million bags. Any decline in world coffee prices in 1956 could seriously peril the Brazilian economic situation.

HOST COUNTRY PROGRAMS

In February the new Minister of Finance announced his intention to adopt a policy of monetary and fiscal reforms, which would include curtailment of Federal and State government deficits and currency issues, anti-inflationary measures, administrative reforms of railway and merchant marine systems and of encouragement of private investment

U.S. CONTRIBUTIONS TO HOST COUNTRY PROGRAMS

Specific projects in which the U.S. Government is engaged are:

Agriculture: This cooperative program, started in 1954, includes food, livestock, cacao and rubber research and production, education and training, extension and home economics, irrigation and soil conservation, farm credit and improved farm management.

Mining and Industry: Under ten year contracts (1948-58), U.S. Geological Survey and U.S. Bureau of Mines technicians assisting Brazilian geological and mining institutions have already brought over 10 billion dollars worth of ore deposits to the attention of Brazilian and U.S. mining companies. U.S. private investment and mining operations account for about two-thirds of the total U.S. investment.

Transportation: During FY 1955, the U.S. financed $1.5 million air navigational aids for Rio-Sao Paulo-Porto Alegre airlanes. A CAA Mission is supervising installations and will train Brazilians in the use and maintenance of the equipment. This is a pilot navigational aid project.

Health and Sanitation: The Cooperative Health Program initiated in 1942 has developed to the point where all operating responsibility has been turned over to Brazil with only technical consultation when necessary. Current emphasis is (1) on strengthening the State Republic Health Departments for assumption of responsibility for continuation of health projects, and (2) in establishing a national industrial hygiene project.

Education: Under the cooperative industrial education project, begun in 1946, 23 major national vocational schools and a number of state schools are being assisted in making industrial surveys, developing new instructional materials, and improving shop organization and management techniques. Training-Within-Industry in Rio, Sao Paulo, Belo Horizonte and some phases of general secondary education are also part of this cooperative project.

General Narrative Statement (Continued)

Public and Business Administration: Since 1952, U.S. technicians have cooperated with Brazil through government agencies and the Getulio Vargas Foundation, for the purpose of improving Federal, State and municipal government administrative techniques. The first university-level school of business administration was established in Sao Paulo in 1954, under a Michigan State University Contract.

Labor: Interest in the training of labor leaders from Brazil has increased. Labor training activities are for the purpose of bringing Brazilian Ministry of Labor employees, and Labor and trade union leaders to the U.S. to study and observe labor organization, labor union techniques, and labor-management relations. Increased emphasis has been given to this program also as a means of combatting Communist infiltration in labor organizations.

Community Development and Housing: Small self-aided housing and shelter improvement demonstration projects were started in 1953 and 1954 respectively. Similar projects will be related to an area development project initiated in FY 1956, in the State of Parana, including technical cooperation in agriculture, health, education, and public administration. Assistance is also given to community services institutions.

Plans for FY 1957

For FY 1957, $4.7 million is requested to continue technical cooperation activities in the fields described above. The FY 1957 request represents an increase of almost $1 million over the $3.8 million programmed in FY 1956. The additional funds will enable a major increase in the participants planned for training in the U.S. during FY 1957, especially in the field of labor. In addition, new projects in the amount of approximately $0.3 million are planned in the fields of rural education, power resources, and "atoms for peace" training.

MILITARY ASSISTANCE PROGRAM

Program Objectives

SECRET

Under the terms of her Bilateral Agreement with the U.S., Brazil is primarily responsible for the defense of sea communications of Brazil and between Brazil and Trinidad. Her additional responsibility for the defense and maintenance of air communications, including air facilities between Recife and the Brazil-French Guiana frontier is also affirmed. In order to carry out its missions, Brazil has agreed to raise and contribute the following forces necessary for hemispheric defense:

Army: 4AAA Battalions; 1 Regimental Combat Team with Service Support; 1 Battalion Combat Team (airborne).

Navy: 2 Light Cruisers; 9 Destroyers; 2 Anti-Submarine Training Craft; 13 Patrol Craft; 1 Mine Craft.

Air Force: 2 Fighter Squadrons; 2 Light Bomber Squadrons; 2 Reconnaissance Squadrons; 1 Transport Squadron.

The objective of the Military Assistance Program is to assist the Government of Brazil in equipping and training these forces.

FY 1950-56 Programs

As a result of the military aid program, the Brazilian Army has been able to organize and train a Regimental Combat Team and two AA Battalions (90 mm) in accordance with the force goals. One additional AA Battalion is now being brought up to strength and will begin training shortly. Early aid programs for the Brazilian Navy provided spare parts for ships Brazil had previously acquired under lend lease and reimbursable aid. Congressional authority has been requested to loan two submarines to the Brazilian Navy which will be rehabilitated with military assistance funds. The FY 1953 Program supplied the Brazilian Air Force with 25 F-47 aircraft and 5 B-17 aircraft, as well as spare parts, special purpose vehicles, training ammunition, support tools, test equipment, and ground handling equipment. Training was furnished to all three Brazilian services throughout FY 1950-56. The value of equipment and training programmed for the Brazilian armed forces during the period was as follows:

SECRET

Army	-	$26.9 million
Navy	-	7.0 million
Air Force	-	8.0 million
Total	-	41.9 million

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Country: BRAZIL

General Narrative Statement (Continued)

FY 1957 Program

The military assistance program for FY 1957 amounts to $13 million. During FY 1957, it is anticipated that the Brazilian Army will organize the fourth AA Battalion (90 mm) in accordance with the force goals. The Army program for Brazil in FY 1957 will provide for training, remaining equipment, deficiencies for one airborne battalion combat team, spare parts for existing equipment, and training ammunition for U.S. supported forces. The Navy program will provide machinery and electrical spare parts, and training aids; and it is anticipated that the two submarines which were previously funded from the FY 1956 program appropriations will be delivered to the Brazilian Navy. The Air Force FY 1957 program contains spare parts for B-25, T-6, and T-33 aircraft as well as training ammunition, vehicles, weapons and communications spare parts. The total value of the FY 1957 programs for Brazil are indicated below:

Army	-	$ 3.9 million
Navy	-	7.5 million
Air Force	-	1.527 million
Total		$ 13.0 million

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DEPARTMENT OF DEFENSE
MUTUAL DEFENSE ASSISTANCE PROGRAMS AND PERFORMANCE
VALUE BY TYPE OF ASSISTANCE AND DEPARTMENT
FISCAL YEARS 1950-56 AND PROPOSED FISCAL YEAR 1957

(In Thousands of Dollars)

TABLE IB BRAZIL

TYPE OF MILITARY ASSISTANCE AND DEPARTMENT (1)	CURRENT PROGRAM			PERFORMANCE - 30 NOVEMBER 1955	
	PROPOSED FISCAL YEAR 1957 (2)	FISCAL YEAR 1956 (3)	FISCAL YEARS 1950-56 (4)	ACCOMPLISHED (5)	TO BE ACCOMPLISHED OF FY 1950-56 PROGRAMS (6)
I TOTAL FOR COUNTRY CHARGED TO APPROPRIATIONS	$12,958	$ 1,533	$41,887	$33,441	$ 8,446
Army	3,900	1,149	26,928	23,857	3,071
Navy	7,531	192	6,998	5,199	1,799
Air Force	1,527	192	7,961	4,385	3,576
II EQUIPMENT & SUPPLIES - TOTAL	12,259	984	40,188	32,388	7,800
Army	3,760	964	26,251	23,415	2,836
Navy	7,227	20	6,742	5,082	1,660
Air Force	1,272	-	7,195	3,891	3,304
III REPAIR AND REHABILITATION OF EXCESS - TOTAL	-	36	928	737	191
Army	-	36	505	409	96
Navy	-	-	20	-	20
Air Force	-	-	403	328	75
IV TRAINING - TOTAL	699	513	772	316	456
Army	140	149	172	33	139
Navy	304	172	237	117	120
Air Force	255	192	363	166	197
VB OTHER - TOTAL	-	-	-	-	-
Army	-	-	-	-	-
Navy	-	-	-	-	-
Air Force	-	-	-	-	-
VI EXCESS STOCKS AT ACQUISITION COST - TOTAL (NOT CHARGED TO APPROPRIATIONS)	-	80	60,677	60,070	607
Army	-	80	1,486	1,325	161
Navy	-	-	53,610	53,392	218
Air Force	-	-	5,581	5,353	228

DEPARTMENT OF DEFENSE
MUTUAL DEFENSE ASSISTANCE PROGRAMS AND PERFORMANCE - END-ITEMS AND SPARES
QUANTITY AND VALUE BY DEPARTMENT, MAJOR CATEGORIES AND SELECTED ITEMS
FISCAL YEARS 1950-57
(Values in Thousands of Dollars)

TABLE II BRAZIL

DEPARTMENT, CATEGORY AND ITEM	CURRENT PROGRAM						PERFORMANCE 30 NOVEMBER 1955			
	PROPOSED FY 1957		FISCAL YEAR 1956		FISCAL YEARS 1950-56		ACCOMPLISHED		TO BE ACCOMPLISHED OF FY 50-56 PROGRAMS	
	QUANTITY	VALUE	QUANTITY	VALUE	QUANTITY	VALUE	QUANTITY	VALUE	QUANTITY	VALUE
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
TOTAL DEPARTMENT OF DEFENSE		$12,259		$ 984		$40,188		$32,388		$ 7,800
ARMY										
TOTAL		$ 3,760		$ 964		$26,251		$23,415		$ 2,836
TANKS						148		148		
Other Tanks						7		7		
Tank Components & Spare Parts						141		141		
COMBAT VEHICLES		332				2,774		2,528		246
Carrier, Personnel, Half track - M3; Carrier Half track M2, M9					1	12	1	12		
Tractor, HS, 18 Ton, M4 Series					70	1,789	70	1,789		
Other Combat Vehicles		44				888		642		246
Combat Vehicle Components & Spare Parts		288				85		85		
GENERAL PURPOSE SUPPORT VEHICLES		885		223		5,458		5,183		275
Truck, 1/4 Ton, 4x4 (all models)	43	86	45		376	591	331	591	45	
Truck, 3/4 Ton, 4x4, Weapons Carrier	19	71	14	45	188	575	174	530	14	45
Truck, 2-1/2 Ton, 6x6, Cargo, all models	43	257	20	97	505	2,396	485	2,299	20	97
Truck, 4-5-6 Ton, 6x6, Wrecker	1	23	1	26	11	222	7	156	4	66
Truck, 4-5-6 Ton, 6x6, Cargo Prime Mover			1	14	17	234	16	222	1	12
Other General Purpose Support Vehicles		125		5		864		845		19
General Purpose Support Veh Components & Sp Pts		323		36		576		540		36
ARTILLERY		629		146		6,708		6,549		159
Gun, 90mm, AA, w/mount, all models	1	71			68	4,850	68	4,850		
Howitzer, 105mm, M2A1, w/cge or mount	3	45	6	89	25	383	19	294	6	89
Director AA Br No. 11; Contraves, Fr PHF 90					21	958	21	958		
Other Artillery		73		57		374		304		70
Artillery Components & Spare Parts		440				143		143		
WEAPONS		135		23		376		353		23
Carbine, Cal. 30, all models	230	20								
Rifle, U. S., Cal. 30, M1 Series	460	43								
Other Weapons		42		23		316		293		23
Weapon Components & Spare Parts		30				60		60		
AMMUNITION, COMPLETE ROUNDS		1,251		76		6,053		5,848		205
Shell, fixed, HE (M71) w/f MTSQ, 90mm Gun (Thous)	13	549			60	2,276	60	2,276		
Shell, HE M1 w/f 105mm Howitzer M2 (Thous)	15	400	1	33	49	1,206	48	1,173	1	33
Rocket, HE, AT 3.5" M28 Series (Thous)			**	3	**	3			**	3
Other Ammunition		302		40		2,568		2,399		169
RELATED AMMUNITION COMPONENTS, EQUIP & SUPPLIES						7		3		4
ELECTRONICS & COMMUNICATIONS EQUIPMENT		353		84		2,494		2,239		255
Electronics & Communications Equipment		41		84		2,331		2,076		255
Electronics & Communications Equip Components & Sp Pts		312				163		163		
ALL OTHER EQUIPMENT & SUPPLIES		175		412		2,233		564		1,669
NAVY										
TOTAL		$ 7,227		$ 20		$ 6,742		$ 5,082		$ 1,660
SHIPS AND HARBOR CRAFT	2	4,387			9	2,596	9	1,605		991
Warships	2	3,200								
SS (Submarine)	2	3,200								
All Other Warships										
Patrol Vessels					8		8			
DE (Ocean Escort)					8		8			
Auxiliary Vessels					1		1			
All Other Auxiliary Vessels					1		1			

DEPARTMENT OF DEFENSE
MUTUAL DEFENSE ASSISTANCE PROGRAMS AND PERFORMANCE - END-ITEMS AND SPARES
QUANTITY AND VALUE BY DEPARTMENT, MAJOR CATEGORIES AND SELECTED ITEMS
FISCAL YEARS 1950-57
(Values in Thousands of Dollars)

TABLE II BRAZIL (Cont'd)

DEPARTMENT, CATEGORY AND ITEM	CURRENT PROGRAM						PERFORMANCE 30 NOVEMBER 1955			
	PROPOSED FY 1957		FISCAL YEAR 1956		FISCAL YEARS 1950-56		ACCOMPLISHED		TO BE ACCOMPLISHED OF FY 50-56 PROGRAMS	
	QUANTITY	VALUE	QUANTITY	VALUE	QUANTITY	VALUE	QUANTITY	VALUE	QUANTITY	VALUE
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
NAVY (Cont'd)										
SHIPS AND HARBOR CRAFT (Cont'd)										
Ship & Harbor Craft Components & Sp Pts		$1,187				$ 2,596		$ 1,605		$ 991
AIRCRAFT		25			3	225			3	225
All Other Aircraft					3	225			3	225
Aircraft Components & Spare Parts		25								
OTHER NAVAL EQUIPMENT		2,815		20		3,920		3,476		444
Ammunition		1,261				575		568		7
Electronics & Communications Equipment		1,267				1,322		1,190		132
Artillery & Weapons						1,209		1,129		80
Artillery & Weapons Components & Spare Parts						22				22
All Other Equipment & Supplies		286		20		792		589		203
AIR FORCE										
TOTAL		$1,272				$ 7,195		$ 3,891		$ 3,304
AIRCRAFT		518			34	4,624	30	2,969	4	1,655
Bombers					5		5			
All Other Bomber Aircraft					5		5			
Fighters					25		25			
F-47					25		25			
Trainers					4	477			4	477
T-33A					4	477			4	477
Aircraft Components & Spare Parts		518				4,147		2,969		1,178
ALL OTHER AF EQUIPMENT		754				2,571		922		1,649
Ammunition		520				473		240		233
Electronics & Communications Equipment						1,054		228		826
Electronics & Communications Equip Components & Sp Pts		62				335		155		180
All Other Equipment & Supplies		172				709		299		410

** Less than 1,000 rounds.

LATIN AMERICA

Country: BRAZIL

INDIVIDUAL COUNTRY DATA (EXCLUDES MILITARY ASSISTANCE)

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 Administration	Community Development, Social Welfare and Housing	General and Miscellaneous	Import of Sal. Commod. L/C to be Used for Non-Mil. Activities	Other Costs
Development Assistance												
1955	1,500			1,500								
1956												
1957												
Technical Cooperation												
1955	2,956	862	282	90	106	789	358	345	58	66		
1956	3,802	814	279	276	132	793	468	520	245	275		
1957	4,739	1,138	393	237	300	1,017	724	442	154	334		
Total Programs												
1955	4,456	862	282	1,590	106	789	358	345	58	66		
1956	3,802	814	279	276	132	793	468	520	245	275		
1957	4,739	1,138	393	237	300	1,017	724	442	154	334		

LATIN AMERICA

INDIVIDUAL COUNTRY DATA (EXCLUDES MILITARY ASSISTANCE)

Country: BRAZIL

Summary by Major Cost Components

(In thousands of dollars)

Programs by Fiscal Year	Program by Major Cost Components							Number of People			
								Technicians (Close FY)		Participants (Programmed During FY)	
	Total Cost	Grants to Cooperative Services	Supplies and Equipment	U.S. Employed Technicians	Contract Services	Participants	Other Costs	U.S. Employed	Contract	Contract	Non-Contract
Development Assistance											
1955	1,500		1,500								
1956											
1957											
Technical Cooperation											
1955	2,956	750		1,064	176	744	222	82	8	16	235
1956	3,802	235	183	1,593	330	1,073	388	117	17	25	310
1957	4,739	850	120	1,874	250	1,245	400	145	16	30	375
Total Programs											
1955	4,456	750	1,500	1,064	176	744	222	82	8	16	235
1956	3,802	235	183	1,593	330	1,073	388	117	17	25	310
1957	4,739	850	120	1,874	250	1,245	400	145	16	30	375

LATIN AMERICA

Country: BRAZIL

INDIVIDUAL COUNTRY DATA (EXCLUDES MILITARY ASSISTANCE)

Summary of Commodity Imports

(In thousands of dollars)

Imports	Program FY 1955	FY 1956	FY 1957
Commodities			
Industrial Imports			
Air Navigational Aids and Standardization Equipment	1,500		
Total Industrial Imports	1,500		
Total Commodity Import Program	1,500		

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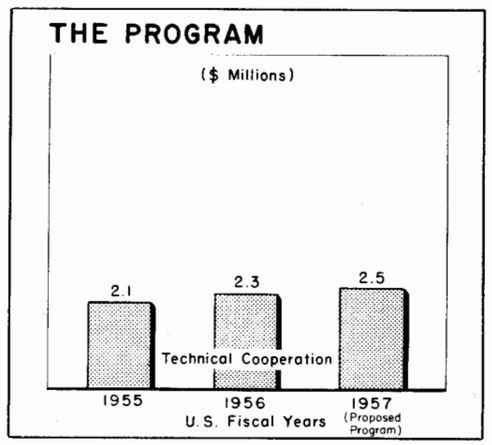
TRADE AND PAYMENTS	1938	1953	1954	1955
		(millions of US $)		(est)
Exports, f.o.b.	131	409	401	435
Imports, c.i.f.	103	335	343	314
Trade balance	28	74	58	121
Principal exports:				
Copper ores & bars...Quantity... 1,000 MT	356	329	323	315
Value.....$ Millions	68	234	240	260
Sodium nitrate.....Quantity... 1,000 MT	1,573	1,236	1,675	1,890
Value.....$ Millions	29	55	62[E]	67
Trade with U.S. (US Customs data):				
Exports to U.S.	28	242	197	182
Imports from U.S.	25	98	74	92
Balance	3	144	123	90
Balance of payments:				
Balance on goods and services		-69	7	53
Net capital transactions		67	-65	-13
Change in gold and exchange reserves		1	-33	40
Gold & foreign exch. reserves (Dec. 31)		95	62	102

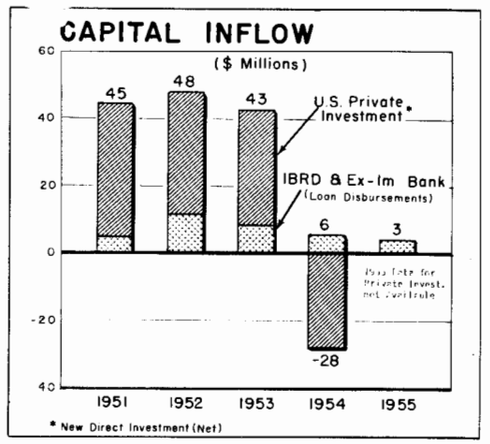
EXTERNAL RESOURCES (millions of US $)	1952	1953	1954	1955	Undisbursed 12/31/55
Ex-Im Bank loan disbursements	6.0	5.0	3.0	0.7	0.6
IBRD loan disbursements	5.1	2.6	2.6	2.7	16.8
U.S. Direct Private Investment:					
New direct investment (net)	37	35	-28		
Reinvested subsidiary earnings	3	8	4		
Book value, end of year	623	657	633		

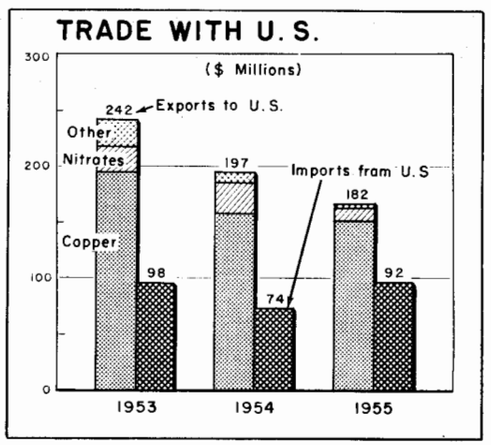
FINANCES	1951	1952	1953	1954	1955 (est)
Gross National Product (*In 1954 prices*)					
Total $ millions	1,800	1,885	1,945	2,000	2,035
Per capita $	291	299	302	305	306
Central Government Budget ($ millions)-FY ending December 31:					
Revenue	87	121	132	219	420
Expenditure	88	135	175	269	452
Percent for defense	17.0%	14.7%	13.6%	17.3%	n.a.
Surplus or deficit(-)	-1	-14	-43	-50	-32
Converted at rate of 300 pesos per $					
Prices (index 1953-100)					
Wholesale	66	81	100	157	280
Cost of living	65	80	100	172	300

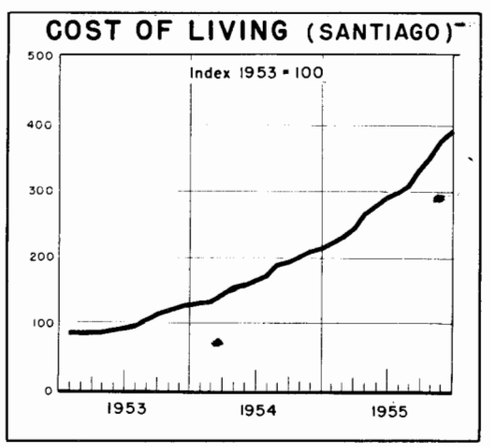
BASIC DATA	
Population (1955)...million	6.6
Annual growth.....percent	1.8
Area..... 1,000 sq.mi.	286
Agric. land.....percent	26
Agric. land per capita..... acres	7
Literacy rate.....percent	74
Life expectancy..... years	39
Road miles per 1,000 sq. mi.....	106

PRODUCTION	Unit	22/23	23/24	24/22	22/26(est)
Agricultural prod.	1935-39-100	136	137	142	
Major crops:					
Meat	1,000 MT	78	81	70	
Wheat	1,000 MT	1,200	955	1,078	935
		1952	1953	1954	1955(est)
Industrial production	1953-100	91	100	104	97
Major Industries:					
Electricity	mill. KWH	1,872	1,992	2,168	2,270
Coal (Incl. lignite)	1,000 MT	2,417	2,336	2,267	2,330
Iron ore (metal cont.)	1,000 MT	1,393	1,723	2,198	1,430
Copper (smelter prod.)	1,000 MT	393	337	332	419









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LATIN AMERICA

INDIVIDUAL COUNTRY DATA

Summary of Program by Function

(In thousands of dollars)

Country: CHILE

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Function	Program FY 1950/56	FY 1956	Proposed FY 1957
Military Assistance	18,232	767	4,323
	FY 1955		
Technical Cooperation	2,106	2,267	2,521
Total Programs	XX	3,034	6,844

General Narrative Statement

U.S. INTERESTS

Importance of Chile to the United States and Western Hemisphere

Chile's importance arises out of its strategic geographic location, its recognized position of political and cultural influence in the hemisphere, and its position as both a supplier of strategic materials and an important market for U.S. exports; also, it is the location of over $600 million of direct U.S. private investment. Of equal importance is the U.S. interest in preventing any deterioration in Chile's economic or political situation which might lead to a communist or other totalitarian regime, thus endangering U.S. interests and inter-American security.

Objectives of the Mutual Security Program in Chile

(1) To assist Chile in maintaining the economic, social, and political stability necessary for sound economic and social development.

(2) To encourage and assist Chile in making her maximum contribution to inter-American security and solidarity.

(3) To encourage and assist Chile in resisting Marxist influences in economic and political institutions and countering communist subversion and propaganda.

(4) To assure continued production and availability of copper and other strategic materials.

(5) To promote an appreciation among Chileans of the real benefits and advantages of achieving economic progress through methods of economic and political freedom rather than through totalitarian techniques.

(6) To encourage Chileans in promoting an atmosphere favorable to foreign investment.

General Narrative Statement (Continued)

BASIC ECONOMIC PROBLEMS

Achievement of U.S. objectives is limited by certain chronic problems. The most critical economic problem of the country is inflation, coupled with a lack of adequate food supplies to feed an expanding population. Chile is one of the most urbanized and non-agrarian countries of Latin America with only 35% of its active population engaged in agriculture, forestries, and fisheries. Relatively greater attention has been given to industrialization over the past 20 years, while agricultural and natural resources development has lagged.

Chile's economic plight is characterized by continuing uncontrolled inflation, and a declining foreign exchange situation. The government has not dealt effectively with problems of national housekeeping, principally because political instability has inhibited firm corrective action in matters of fiscal and economic policy. Political factionalization, with continuously shifting alliances among 20 political parties is at the root of the political immobility. Government intervention in the matter of wages and prices, the creation of increasing obstacles to foreign and domestic investment and trade, and the adoption of increasingly expensive welfare programs have all tended to impede sound national development and have added to the complexity of Chile's problems.

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HOST COUNTRY PROGRAMS

The Chilean Government has undertaken a number of measures to broaden the economic development base. An Eight-Year Development Plan for Agriculture and Transportation was drawn up, based on a survey made in 1951 by the Food and Agriculture Organization of the United Nations. The Chilean Government contracted for the services of an American firm of economic consultants to study and make recommendations concerning the continuing serious financial and economic crisis. Legislation favorable to the copper industry has been enacted, and a projected law would improve treatment of the nitrate industry. Legislation to put into effect some of the recommendations and to stabilize wages and prices has recently been enacted.

Other measures under active consideration include an anti-monopoly law, a 20% reduction in government personnel, a uniform wage scale for the civil service, a gradual termination of subsidies to public utilities, and tax reform. Increased government support to technological education in all fields is being provided, and the government is now anxious to press ahead with a comprehensive exchange reform.

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U.S. CONTRIBUTIONS TO HOST COUNTRY PROGRAMS

The technical cooperation program in Chile is oriented toward assisting Chile to carry out its programs outlined above insofar as they coincide with U.S. objectives. The U.S. Operations Mission has been asked to advise on implementation of the Eight-Year Development Plan. A sizable part of the technical assistance is concentrated in a demonstration area-development in a three-province area, with major attention being given to agricultural and transportation problems. "Plan Chillan", the area development program, has generated great enthusiasm among local residents, business organizations, government and religious groups. Contracts sponsored by the two governments have been drawn up between the University of Concepcion and the University of California calling for the creation of a modern college of agriculture where technicians from all over Chile may come into contact with the spirit and learn the skills that have characterized Plan Chillan and are so badly needed in the rest of the country.

A farm-to-market roads specialist is working in the Chillan area. A civil aviation program furnishing technical advice is operating country-wide. Plans call for limited public administration assistance in key activities such as budget and economic survey. An adviser to the universities on technological planning developed plans for use of technological development funds made available by the Chilean Government, and a follow-up to this aid is in progress. Another university-to-university contract is being negotiated to assist in investigation, teaching and in-service training in planning and execution of resource development. Teams of persons prominent in labor movements are being brought to the United States to study and observe labor

General Narrative Statement (Continued)

union organization and management relationships. Industry officials and employees are being trained to provide better management of all levels of industrial operations. The health program has been, in part, absorbed by Chilean institutions, but assistance is still being rendered in rural health, self-help housing and industrial safety.

For FY 1957, $2,521,000 is requested to continue activities described above. This represents an increase over the $2,267,000 programmed in FY 1956. Almost all of the increase is in agricultural technical assistance.

THE MILITARY ASSISTANCE PROGRAM

A Bilateral Military Agreement was signed in Santiago, Chile, on 9 April 1952. Under its terms Chile has the primary responsibility for defending its own sea communications and has agreed to raise and contribute the following forces for assigned missions in accordance with hemispheric defense plans:

Army:	1 Reconnaissance Squadron Mechanized
Navy:	2 Light Cruisers and 2 Patrol Craft (PC/SC)
Air Force:	1 Fighter Squadron and 2 Light Bomber Squadrons

FY 1950-56 Program

The Army program for Chile during FY 1950-56 provided for tanks, combat vehicles, general support vehicles, artillery, weapons, ammunition and electronics and communication equipment. The U.S. supported forces are the only modern or semi-modern units in the Chilean Army. Under the Navy FY 1950-56 program, training ammunition, electronics and communication equipment have been provided for, and a nucleus of Chilean instructor personnel has been trained in U.S. Naval schools. The Air Force program for FY 1950-56 has supplied the Chilean Air Force with 10 B-26 (24 programmed) and 17 F-47 aircraft as well as aircraft support vehicles and ammunition. The entire combat potential of the Chilean Air Force is contained within the U.S. supported forces, activated as a result of this program. All three branches of the Chilean armed forces received training assistance. The value of equipment and training programmed for the Chilean armed forces during FY 1950-56 totaled $18.2 million.

FY 1957 Program

The total value of the three Service programs for Chile during FY 1957 will be $4.3 million. For FY 1957 the Army program provides for formal training and a minimum amount of maintenance equipment for the force in being.

Two destroyers of the Chilean Navy will be overhauled with these funds. Other items include 2 turbo generators for modernizing existing vessels and spare parts for machinery, electronics, and electrical ordnance equipment.

The Air Force program will provide spare parts for B-26, B-25, T-33, and T-6 aircraft; also training ammunition, formal training, communication, weapon, and vehicle maintenance equipment.

DEPARTMENT OF DEFENSE
MUTUAL DEFENSE ASSISTANCE PROGRAMS AND PERFORMANCE
VALUE BY TYPE OF ASSISTANCE AND DEPARTMENT
FISCAL YEARS 1950-56 AND PROPOSED FISCAL YEAR 1957

(In Thousands of Dollars)

TABLE IB CHILE

TYPE OF MILITARY ASSISTANCE AND DEPARTMENT (1)	CURRENT PROGRAM			PERFORMANCE - 30 NOVEMBER 1955	
	PROPOSED FISCAL YEAR 1957 (2)	FISCAL YEAR 1956 (3)	FISCAL YEARS 1950-56 (4)	ACCOMPLISHED (5)	TO BE ACCOMPLISHED OF FY 1950-56 PROGRAMS (6)
I TOTAL FOR COUNTRY CHARGED TO APPROPRIATIONS	$4,323	$767	$18,232	$12,128	$6,104
Army	159	209	6,244	5,715	529
Navy	2,240	446	4,478	3,140	1,338
Air Force	1,924	112	7,510	3,273	4,237
II EQUIPMENT & SUPPLIES - TOTAL	3,399	91	16,617	10,887	5,730
Army	52	-	5,729	5,404	325
Navy	1,616	91	4,055	2,732	1,323
Air Force	1,731	-	6,833	2,751	4,082
III REPAIR AND REHABILITATION OF EXCESS - TOTAL	-	-	730	624	106
Army	-	-	272	237	35
Navy	-	-	-	-	-
Air Force	-	-	458	387	71
IV TRAINING - TOTAL	924	676	885	617	268
Army	107	209	243	74	169
Navy	624	355	423	408	15
Air Force	193	112	219	135	84
VB OTHER - TOTAL	-	-	-	-	-
Army	-	-	-	-	-
Navy	-	-	-	-	-
Air Force	-	-	-	-	-
VI EXCESS STOCKS AT ACQUISITION COST - TOTAL (NOT CHARGED TO APPROPRIATIONS)	-	-	9,364	5,442	3,922
Army	-	-	834	834	-
Navy	-	-	-	-	-
Air Force	-	-	8,530	4,608	3,922

DEPARTMENT OF DEFENSE
MUTUAL DEFENSE ASSISTANCE PROGRAMS AND PERFORMANCE - END-ITEMS AND SPARES
QUANTITY AND VALUE BY DEPARTMENT, MAJOR CATEGORIES AND SELECTED ITEMS
FISCAL YEARS 1950-57
(Values in Thousands of Dollars)

TABLE II CHILE

DEPARTMENT, CATEGORY AND ITEM (1)	CURRENT PROGRAM						PERFORMANCE 30 NOVEMBER 1955			
	PROPOSED FY 1957		FISCAL YEAR 1956		FISCAL YEARS 1950-56		ACCOMPLISHED		TO BE ACCOMPLISHED OF FY 50-56 PROGRAMS	
	QUANTITY (2)	VALUE (3)	QUANTITY (4)	VALUE (5)	QUANTITY (6)	VALUE (7)	QUANTITY (8)	VALUE (9)	QUANTITY (10)	VALUE (11)
TOTAL DEPARTMENT OF DEFENSE		$ 3,399		$ 91		$16,617		$10,887		$ 5,730
ARMY										
TOTAL		$ 52		$		$ 5,729		$ 5,404		$ 325
TANKS		52				1,526		1,526		
Tank, Light, M24 (T41E1)					21	1,416	21	1,416		
Other Tanks						17		17		
Tank Components & Spare Parts		52				93		93		
COMBAT VEHICLES						636		636		
Carrier, Personnel, Half track - M3; Carrier Half track M2, M9					26	315	26	315		
Other Combat Vehicles						286		286		
Combat Vehicle Components & Spare Parts						35		35		
GENERAL PURPOSE SUPPORT VEHICLES						394		394		
Truck, 1/4 Ton, 4x4 (all models)					99	177	99	177		
Truck, 3/4 Ton, 4x4, Weapons Carrier					7	22	7	22		
Truck, 2-1/2 Ton, 6x6, Cargo, all models					22	94	22	94		
Truck, 4-5-6 Ton, 6x6, Wrecker					1	24	1	24		
Other General Purpose Support Vehicles						35		35		
General Purpose Support Veh Components & Sp Pts						42		42		
ARTILLERY						153		153		
Howitzer, 105mm, M2A1, w/cge or mount					6	93	6	93		
Other Artillery						49		49		
Artillery Components & Spare Parts						11		11		
WEAPONS						114		114		
Carbine, Cal. 30, all models					377	24	377	24		
Rifle, U. S., Cal. 30, M1 Series					219	18	219	18		
Other Weapons						61		61		
Weapon Components & Spare Parts						11		11		
AMMUNITION, COMPLETE ROUNDS						2,020		1,998		22
Cartridge, Cal. 30, all types (Thous)					1,791	172	1,791	172		
Cartridge, Cal. 50, all types (Thous)					533	165	533	165		
Shell, HE M1 w/f 105mm Howitzer M2 (Thous)					16	419	16	419		
Other Ammunition						1,264		1,242		22
ELECTRONICS & COMMUNICATIONS EQUIPMENT						568		572		- 4
Electronics & Communications Equipment						498		502		- 4
Electronics & Communications Equip Components & Sp Pts						70		70		
ALL OTHER EQUIPMENT & SUPPLIES						318		11		307
NAVY										
TOTAL		$ 1,616		$ 91		$ 4,055		$ 2,732		$ 1,323
SHIPS AND HARBOR CRAFT		1,161				534		293		241
Warships		900								
DD (Destroyer)		900 a								
Ship & Harbor Craft Components & Sp Pts		261				534		293		241
OTHER NAVAL EQUIPMENT		455		91		3,521		2,440		1,081
Ammunition		240				806		529		277
Electronics & Communications Equipment						941		635		306
Electronics & Communications Equip Components & Sp Pts		17								
Artillery & Weapons						222		221		1
Artillery & Weapons Components & Spare Parts		100				1				1
All Other Equipment & Supplies		99		91		1,551		1,055		496

DEPARTMENT OF DEFENSE
MUTUAL DEFENSE ASSISTANCE PROGRAMS AND PERFORMANCE - END-ITEMS AND SPARES
QUANTITY AND VALUE BY DEPARTMENT, MAJOR CATEGORIES AND SELECTED ITEMS
FISCAL YEARS 1950-57
(Values in Thousands of Dollars)

TABLE II CHILE (Cont'd)

DEPARTMENT, CATEGORY AND ITEM	CURRENT PROGRAM						PERFORMANCE 30 NOVEMBER 1955			
	PROPOSED FY 1957		FISCAL YEAR 1956		FISCAL YEARS 1950-56		ACCOMPLISHED		TO BE ACCOMPLISHED OF FY 50-56 PROGRAMS	
	QUANTITY (2)	VALUE (3)	QUANTITY (4)	VALUE (5)	QUANTITY (6)	VALUE (7)	QUANTITY (8)	VALUE (9)	QUANTITY (10)	VALUE (11)
(1)										
AIR FORCE										
TOTAL		$ 1,731				$ 6,833		$ 2,751		$ 4,082
AIRCRAFT		458			45	4,647	28	2,118	17	2,529
Bombers					24		10		14	
B-26					24		10		14	
Fighters					17		18		- 1	
F-47					17		18		- 1	
Trainers					4	477			4	477
T-33A					4	477			4	477
Aircraft Components & Spare Parts		458				4,170		2,118		2,052
ALL OTHER AF EQUIPMENT		1,273				2,186		633		1,553
Ammunition		846				378		241		137
Electronics & Communications Equipment						896		68		828
Electronics & Communications Equip Components & Sp Pts		48				216		28		188
All Other Equipment & Supplies		379				696		296		400

a/ Overhauls

LATIN AMERICA

Country: CHILE

INDIVIDUAL COUNTRY DATA (EXCLUDES MILITARY ASSISTANCE)

Summary by Major Activity Field

(In thousands of dollars)

Program by Fiscal Year	Total Cost	Agriculture and Natural Resources	Industry and Mining	Transportation	Labor	Health and Sanitation	Education	Public Admin.	Community Development, Soc. Welfare and Housing	General and Miscellaneous	Import of Sal. Commod. L/C to be Used for Non-Mil. Activities	Other Costs
Technical Cooperation												
1955	2,106	850	332	99	23	296		348	133	25		
1956	2,267	933	412	143	163	272		233	69	42		
1957	2,521	1,061	500	190	150	220		240	60	100		

Summary by Major Cost Components

(In thousands of dollars)

Program by Fiscal Year	Program by Major Cost Components							Number of People			
								Technicians (Close FY)		Participants (Programmed During FY)	
	Total Cost	Grants to Cooperative Services	Supplies and Equipment	U.S. Employed Technicians	Contract Services	Participants	Other Costs	U.S. Employed	Contract	Contract	Non-Contract
Technical Cooperation											
1955	2,106	890	34	423	364	339	56	30	3		107
1956	2,267	695	64	498	269	626	115	35	9		146
1957	2,521	650	60	585	354	693	179	39	12		163

COLOMBIA

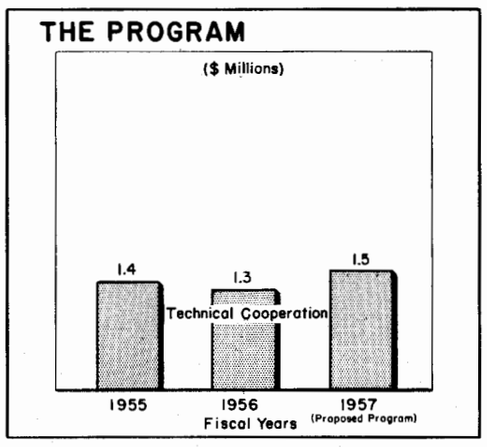
TRADE AND PAYMENTS	1938	1953	1954	1955
		(millions of US $)		(est)
Exports, f.o.b.	81	596	657	570
Imports, c.i.f.	89	547	672	670
Trade balance	-8	49	-15	-100
Principal exports:				
Coffee.....Quantity..... 1,000 MT	238	398	345	352
Value.....$ millions	50	490	550	465
Petroleum.....Quantity..... 1,000 MT	2,599	4,608	3,524	3,500
Value.....$ millions	21	76	76	60
Trade with U.S. (US Customs data):				
Exports to U.S.	49	466	507	425
Imports from U.S.	41	285	342	325
Balance	8	181	165	100
Balance of payments:				
Balance on goods and services		-13	-86	-160
Net capital transactions		33	160	51
Change in gold and exchange reserves		37	82	-109
Gold & foreign exch. reserves (Dec. 31)		196	278	169

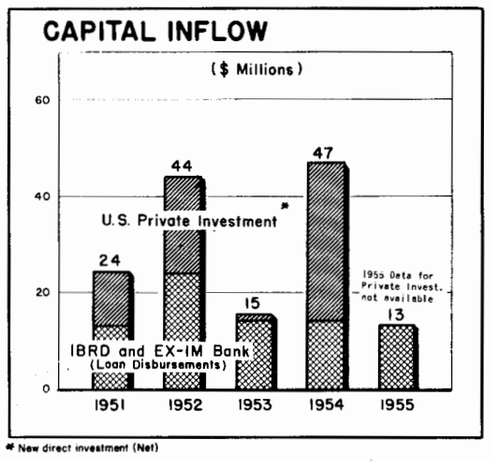
EXTERNAL RESOURCES (millions of US $)	1952	1953	1954	1955	Undisbursed 12/31/55
Ex-Im Bank loan disbursements	12.0	5.0	6.0	0.1	2.8
IBRD loan disbursements	12.3	9.1	8.1	12.8	42.0
U.S. Direct Private Investment:					
New direct investment (net)	20	1	33		
Reinvested subsidiary earnings	7	1	-3		
Book value, end of year	234	235	263		

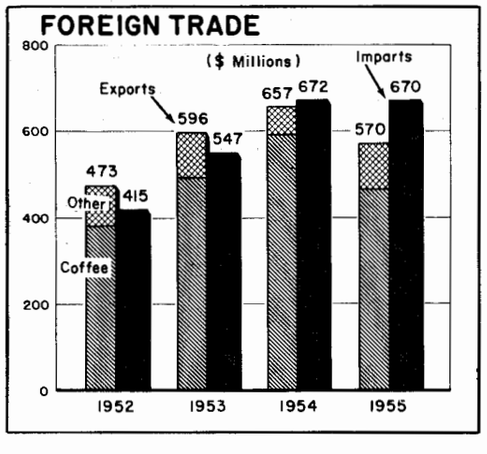
FINANCES	1951	1952	1953	1954	1955 (est)
Gross National Product (*In 1954 prices*)					
Total..... $ millions	3,310	3,460	3,720	3,960	4,180
Per capita ..... $	287	292	307	320	330
Central Government Budget ($ millions)-FY ending December 31:					
Revenue	266	261	295	409	502
Expenditure	275	278	345	521	517
Percent for defense	16[a]	26	29	24	19
Surplus or deficit(-)	-9	-17	-50	-112	-15
Converted at rate of 2.51 pesos per $					
Prices					
Wholesale.....(Index 1952 = 100)	-	100	106	113	115
Cost of living..(Index 1948 = 100)	140	137	147	160	145

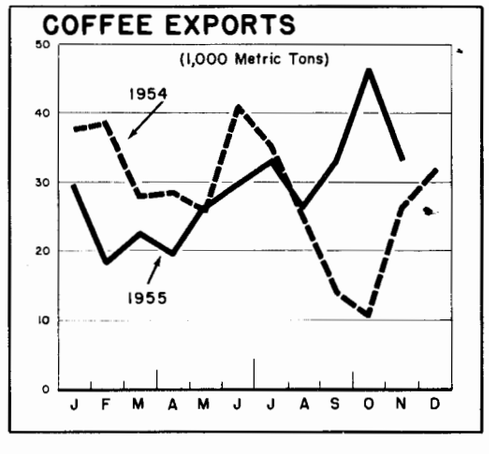
BASIC DATA	
Population (1955)...million	12.7
Annual growth.....percent	2.2
Area..... 1,000 sq.mi.	440
Agric. land.....percent	36
Agric. land per capita..... acres	8
Literacy rate.....percent	56
Life expectancy..... years	46
Road miles per 1,000 sq. mi.....	243

PRODUCTION	Unit	52/53	53/54	54/55	55/56(est)
Agricultural prod... 1935-39-100		148	159	163	-
Major crops:					
Coffee.....	1,000 MT	384	404	411	432
Corn.....	1,000 MT	770	770	820	-
Sugar,centrifugal,raw.	1,000 MT	198	228	276[b]	304[b]
		1952	1953	1954	1955(est)
Major industries:					
Petroleum, crude.....	1,000 MT	5,350	5,450	5,531	4,064
Electricity.....	Mill.KWH	840	962	1,087	1,176









a Does not include police expenditure for 1951
b Calendar years

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LATIN AMERICA

INDIVIDUAL COUNTRY DATA

Country: COLOMBIA

Summary of Program by Function

(In thousands of dollars)

Function	Program FY 1950/56	Program FY 1956	Proposed FY 1957	
Military Assistance	15,029	610	2,245	~~CONFIDENTIAL~~
	FY 1955			
Technical Cooperation	1,359	1,318	1,536	
Total Programs	XX	1,928	3,781	~~CONFIDENTIAL~~

General Narrative Statement

U.S. INTERESTS

Importance of Colombia to United States and Western Hemisphere

Colombia's importance to the U.S. derives from her strategic position in relation to the Panama Canal as well as her military capabilities for hemispheric defense. In addition, Colombia's importance is reflected by the fact that an estimated 77 percent of Colombia's exports are sent to the U.S. and 50 percent of her imports come from this country. U.S. direct private investments in Colombia total more than $263 million.

Objectives of Mutual Security Program in Colombia

The objectives of the Mutual Security program in Colombia are to assist in achieving a sound, diversified economic development; to encourage the promotion of an atmosphere favorable to the private investment of domestic and foreign capital; and to assist Colombia in making a maximum contribution to hemispheric defense.

BASIC ECONOMIC PROBLEMS

Colombia's short-term economic problems arise primarily out of her one-crop economy with more than 80 percent of her foreign exchange earnings coming from coffee exports. Coffee prices, which dropped sharply late in 1954, resulted in greatly reduced foreign exchange receipts. These, in turn led to the imposition of stringent import controls.

Colombia's long-term economic problems, although related to the vulnerabilities of a one-crop economy, stem more perhaps from an inadequate transportation system, electric power shortage, relatively inefficient agriculture, a high rate of population growth, and generally low standards of nutrition, housing, health and education.

Although more than 66 percent of the population is engaged in agriculture, Colombia imports many products which could be produced domestically at competitive costs. Secondary industry

General Narrative Statement (Continued)

has developed rapidly in the past several years drawing labor from rural areas. Agricultural production has failed to keep pace with the demands of the growing secondary industry and increasing urban population. Inflated food prices have resulted.

HOST COUNTRY PROGRAMS

The Colombian Government has a sound approach to the utilization of technical assistance. In 1949-50 the International Bank for Reconstruction and Development (IBRD) made a study of the economy of Colombia and prepared a development program. That program has been partially followed. The Colombian government has a national planning commission. There are also additional agencies which plan and execute development schemes in various fields of activity such as power development, agricultural development, housing, irrigation, etc. In cooperation with IBRD plans have been developed for increasing road and railroad facilities, and with the aid of loans from IBRD considerable construction has been carried out.

U.S. CONTRIBUTIONS TO HOST COUNTRY PROGRAMS

U.S. Technical Cooperation Program

The major United States technical cooperation program in Colombia is in the field of agriculture and is carried out through three means: (1) a joint cooperative service which includes activities aimed at raising agricultural productivity through demonstrating United States extension methods and philosophy, instructing on the use and care of farm machinery, teaching improved methods of farming generally and encouraging the diversification of agricultural production by assisting in a national campaign to increase cacao production; (2) a contract with Michigan State University with the objective of improving the teaching of agriculture in the two national agricultural colleges; (3) a project of assisting the Cauca Valley Corporation to improve the agricultural extension services in the Departments of Valle, Cauca and Caldas.

The second-largest technical cooperation program in Colombia is in the field of health and sanitation. Projects are presently being carried out, aimed at (1) attacking some of the debilitating diseases which plague Colombia such as malaria, yaws, and goiter; (2) advising on the establishment of improved water supply and sewage disposal systems and other public health facilities; (3) coordinating health education information campaigns; (4) advising on nursing education; (5) assisting in the establishment of a government industrial hygiene program; and (6) assisting the National University in improving its medical education curriculum, methods and facilities (implemented through a contract financed from FY 1955 funds).

In addition to these major activities, the United States is contributing to the development efforts of the Colombian Government in the fields of (a) coal mine technology by aiding the Colombian Industrial Development Institute in developing the coal resources of the Cauca Valley; (b) power resources development; (c) river navigation by assisting the government in formulating a shipping and navigation code; (d) airport design and engineering; (e) education by assisting in primary, secondary and vocational education programs of the Colombian government as well as advising on curricula development of three national universities; and (f) housing, by assisting the Colombian national housing agency in its planning and in implementation of a program of low cost housing.

Plans for FY 1957

For FY 1957, $1.5 million is requested to continue technical cooperation activities in the fields described above. The FY 1957 request represents an increase of $0.2 million over the $1.318 million programmed in FY 1956. The additional funds will enable an increase in the number of participants planned for training in the United States during FY 1957. In addition new projects are planned in the fields of highway transportation general education and peaceful uses of atomic energy.

SECRET
Narrative or figures on this page, encircled in heavy pencil, are classified SECRET or CONFIDENTIAL as indicated. Material not circled is Unclassified.

Country: COLOMBIA

General Narrative Statement (Continued)

MILITARY ASSISTANCE PROGRAM

The Bilateral Military Assistance Agreement between Colombia and the United States was signed in April 1952. Ancillary to the agreement is a secret plan of the Governments of Colombia and the United States for their common defense. This plan recognizes Colombia's primary responsibility to defend its coastal sea communications and the air approaches to Colombia. In order to carry out its mission, Colombia agreed to raise, train, and contribute the following forces to hemispheric defense: Army - 1 Anti-aircraft Battalion (AW) and 1 Infantry Battalion; Navy - 2 Destroyers (DD) and 3 Patrol Craft (PC/SC); Air Force - 1 Fighter Squadron and 1 Light Bomber Squadron.

FY 1950-56 Program

The FY 1950-56 Army program when deliveries are completed, will have satisfied all unit materiel requirements. The Navy program will result in 100 percent completion of equippage for the planned forces. The Air Force program, up to and including FY 1956, provided for equipment for 68 percent of the planned FY 1957 supported combat units. Under the Army program combat vehicles, general purpose supply vehicles, artillery, ammunition, and electronics and communication equipment were delivered to the Colombian Army prior to November 30, 1955. The Navy as of that date had received guns, ammunition and communication and electronic equipment. One 40-mm twin mount with ancillary ammunition was programmed during this period but has not yet been delivered. The Air Force program for the period furnished 7 B-26 aircraft, 14 F-47 aircraft, trailers, trucks, ammunition, rockets and bombs, and communication equipment. T-33 aircraft were programmed in the FY 1950-56 program but remained undelivered. All three branches of the Colombian armed forces received training assistance under this program. The value of equipment and training programmed for the Colombian armed forces during FY 1950-56 was as follows: Army - $4.8 million; Navy $4.4 million; Air Force - $5.8 million.

FY 1957 Program

During FY 1957 it is desired to program $2.2 million for training, spare parts, and training ammunition for the Colombian army. The Navy program as planned will provide spare parts, guns and anti-submarine training ammunition, and formal training. Here again the principal emphasis will be on training. The Air Force program during FY 1957 is planned to furnish aircraft maintenance for planes already delivered, communication, weapon and vehicle maintenance, training ammunition and formal training. The total value of the requested program for FY 1957 for the Colombian armed forces is as follows: Army - $.4 million; Navy - $.4 million; Air Force - $1.4 million.

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DEPARTMENT OF DEFENSE
MUTUAL DEFENSE ASSISTANCE PROGRAMS AND PERFORMANCE
VALUE BY TYPE OF ASSISTANCE AND DEPARTMENT
FISCAL YEARS 1950-56 AND PROPOSED FISCAL YEAR 1957

(In Thousands of Dollars)

TABLE IB COLOMBIA

TYPE OF MILITARY ASSISTANCE AND DEPARTMENT (1)	CURRENT PROGRAM			PERFORMANCE - 30 NOVEMBER 1955	
	PROPOSED FISCAL YEAR 1957 (2)	FISCAL YEAR 1956 (3)	FISCAL YEARS 1950-56 (4)	ACCOMPLISHED (5)	TO BE ACCOMPLISHED OF FY 1950-56 PROGRAMS (6)
I TOTAL FOR COUNTRY CHARGED TO APPROPRIATIONS	$2,245	$610	$15,029	$9,385	$5,644
Army	399	227	4,782	3,910	872
Navy	389	253	4,368	3,147	1,221
Air Force	1,457	130	5,879	2,328	3,551
II EQUIPMENT & SUPPLIES - TOTAL	1,371	140	13,645	8,470	5,175
Army	156	-	4,471	3,816	655
Navy	216	140	4,061	2,901	1,160
Air Force	999	-	5,113	1,753	3,360
III REPAIR AND REHABILITATION OF EXCESS - TOTAL	-	-	366	281	85
Army	-	-	-	-	-
Navy	-	-	-	-	-
Air Force	-	-	366	281	85
IV TRAINING - TOTAL	874	470	1,018	634	384
Army	243	227	311	94	217
Navy	173	113	307	246	61
Air Force	458	130	400	294	106
VB OTHER - TOTAL	-	-	-	-	-
Army	-	-	-	-	-
Navy	-	-	-	-	-
Air Force	-	-	-	-	-
VI EXCESS STOCKS AT ACQUISITION COST - TOTAL (NOT CHARGED TO APPROPRIATIONS)	-	-	5,500	3,604	1,896
Army	-	-	49	43	6
Navy	-	-	-	-	-
Air Force	-	-	5,451	3,561	1,890

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DEPARTMENT OF DEFENSE
MUTUAL DEFENSE ASSISTANCE PROGRAMS AND PERFORMANCE - END-ITEMS AND SPARES
QUANTITY AND VALUE BY DEPARTMENT, MAJOR CATEGORIES AND SELECTED ITEMS
FISCAL YEARS 1950-57
(Values in Thousands of Dollars)

TABLE II COLOMBIA

DEPARTMENT, CATEGORY AND ITEM (1)	CURRENT PROGRAM						PERFORMANCE 30 NOVEMBER 1955			
	PROPOSED FY 1957		FISCAL YEAR 1956		FISCAL YEARS 1950-56		ACCOMPLISHED		TO BE ACCOMPLISHED OF FY 50-56 PROGRAMS	
	QUANTITY (2)	VALUE (3)	QUANTITY (4)	VALUE (5)	QUANTITY (6)	VALUE (7)	QUANTITY (8)	VALUE (9)	QUANTITY (10)	VALUE (11)
TOTAL DEPARTMENT OF DEFENSE		$ 1,371		$ 140		$13,645		$ 8,470		$ 5,175
ARMY										
TOTAL		$ 156				$ 4,471		$ 3,816		$ 655
COMBAT VEHICLES						309		308		1
Other Combat Vehicles						299		298		1
Combat Vehicle Components & Spare Parts						10		10		
GENERAL PURPOSE SUPPORT VEHICLES		96				935		754		181
Truck, 1/4 Ton, 4x4 (all models)	3	6			66	119	25	46	41	73
Truck, 3/4 Ton, 4x4, Weapons Carrier	1	4			29	93	29	93		
Truck, 2-1/2 Ton, 6x6, Cargo, all models	1	6			110	513	99	451	11	62
Truck, 4-5-6 Ton, 6x6, Wrecker					1	12	1	12		
Other General Purpose Support Vehicles						105		59		46
General Purpose Support Veh Components & Spare Parts		80				93		93		
ARTILLERY						1,092		1,034		58
Gun, Auto, 40mm, M-1, w/crg					32	811	32	811		
Other Artillery						183		125		58
Artillery Components & Spare Parts						98		98		
WEAPONS						182		40		142
Carbine, Cal. 30, all models					391	33			391	33
Rifle, U. S., Cal. 30, M1 Series					527	53			527	53
Other Weapons						91		35		56
Weapon Components & Spare Parts						5		5		
AMMUNITION, COMPLETE ROUNDS		60				1,318		1,219		99
Cartridge, Cal. 30, all types, (Thous)	234	22								
Cartridge, Cal. 50, all types, (Thous)					1,700	532	1,699	531	1	1
Cartridge, HE-T SD Mk. 2 w/f, 40mm Gun (Thous)					76	520	64	422	12	98
Rocket, HE, AT 3.5" M28 Series (Thous)	1	7								
Other Ammunition		31				266		266		
RELATED AMMUNITION COMPONENTS, EQUIP & SUPPLIES						2		2		
ELECTRONICS & COMMUNICATIONS EQUIPMENT						427		381		46
Electronics & Communications Equipment						405		359		46
Electronics & Communications Equip Components & Sp Pts						22		22		
ALL OTHER EQUIPMENT & SUPPLIES						206		78		128
NAVY										
TOTAL		$ 216		$ 140		$ 4,061		$ 2,901		$ 1,160
SHIPS & HARBOR CRAFT		12				586		474		112
Ship & Harbor Craft Components & Spare Parts		12				586		474		112
AIRCRAFT						1				1
Aircraft Components & Spare Parts						1				1
OTHER NAVAL EQUIPMENT		204		140		3,474		2,427		1,047
Ammunition		186				367		136		231
Electronics & Communications Equipment						272		246		26
Electronics & Communications Equipment Components & Sp Pts		6								
Artillery & Weapons						2,162		1,634		528
Artillery & Weapons Components & Spare Parts		12								
All Other Equipment & Supplies				140		673		411		262

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TABLE II COLOMBIA (Cont'd)

DEPARTMENT OF DEFENSE
MUTUAL DEFENSE ASSISTANCE PROGRAMS AND PERFORMANCE - END-ITEMS AND SPARES
QUANTITY AND VALUE BY DEPARTMENT, MAJOR CATEGORIES AND SELECTED ITEMS
FISCAL YEARS 1950-57
(Values in Thousands of Dollars)

DEPARTMENT, CATEGORY AND ITEM (1)	CURRENT PROGRAM						PERFORMANCE 30 NOVEMBER 1955			
	PROPOSED FY 1957		FISCAL YEAR 1956		FISCAL YEARS 1950-56		ACCOMPLISHED		TO BE ACCOMPLISHED OF FY 50-56 PROGRAMS	
	QUANTITY (2)	VALUE (3)	QUANTITY (4)	VALUE (5)	QUANTITY (6)	VALUE (7)	QUANTITY (8)	VALUE (9)	QUANTITY (10)	VALUE (11)
AIR FORCE										
TOTAL		$ 999				$ 5,113		$ 1,753		$ 3,360
AIRCRAFT		273			32	3,238	21	1,187	11	2,051
Bombers					14		7		7	
B-26					14		7		7	
Fighters					14		14			
F-47					14		14			
Trainers					4	477			4	477
T-33A					4	477			4	477
Aircraft Components & Spare Parts		273				2,761		1,187		1,574
ALL OTHER AF EQUIPMENT		726				1,875		566		1,309
Ammunition		551				522		139		383
Electronics & Communications Equipment						500		51		449
Electronics & Communications Equipment Components & Sp Pts		23				123		24		99
All Other Equipment & Supplies		152				730		352		378

INDIVIDUAL COUNTRY DATA (EXCLUDES MILITARY ASSISTANCE)

Summary by Major Activity Field

(In thousands of dollars)

Program by Fiscal Year	Total Cost	Agriculture and Natural Resources	Industry and Mining	Trans-portation	Labor	Health and Sanita-tion	Educa-tion	Public Admin.	Community Development, Soc.Welfare and Housing	General and Miscel-laneous	Import of Sal. Commod. L/C to be Used for Non-Mil.Activities	Other Costs
Technical Cooperation												
1955	1,359	584	31	46	8	415	150	10	108	7		
1956	1,318	697	85	80	20	305	55	20		56		
1957	1,536	744	80	107	10	326	126	32	5	106		

Summary by Major Cost Components

(In thousands of dollars)

Program by Fiscal Year	Total Cost	Grants to Cooperative Services	Supplies and Equipment	U.S. Employed Technicians	Contract Services	Partici-pants	Other Costs	Number of People: Technicians (Close FY) U.S. Employed	Technicians (Close FY) Contract	Participants (Programmed During FY) Contract	Participants (Programmed During FY) Non-Contract
Technical Cooperation											
1955	1,359	380		301	450	119	109	25	11	6	44
1956	1,318	366	36	577		225	114	36	17	2	78
1957	1,536	350	31	675	75	285	120	42	17		100

COSTA RICA

TRADE AND PAYMENTS

		1938	1953	1954	1955
			(millions of US $)		(est)
Exports, f.o.b.		15	80	81	86
Imports, c.i.f.		13	74	81	84
Trade balance		2	6	-	2
Principal exports:					
Bananas....Quantity	1,000 MT	96	356	355	370
Value	$ millions	3	36	33	35
Coffee.....Quantity	1,000 MT	21	28	23	28
Value	$ millions	1	34	35	34
Trade with U.S. (US Customs data):					
Exports to U.S.		4	35	33	35
Imports from U.S.		5	38	40	43
Balance		-1	-3	-7	-8
Balance of payments:					
Balance on goods and services			-2	-	-2
Net capital transactions			5	-	7
Change in gold and exchange reserves			3	-1	5
Gold & foreign exch. reserves (Dec. 31)			21	20	25

EXTERNAL RESOURCES

(millions of US $)	1952	1953	1954	1955	Undisbursed 12/31/55
Ex-Im Bank loan disbursements	-	-	-	3.8	10.3
IBRD loan disbursements	-	-	-	-	-
U.S. Direct Private Investment:					
New direct investment (net)	-	-	2		
Reinvested subsidiary earnings	-	-	1		
Book value, end of year	61	61	64		

FINANCES

	1951	1952	1953	1954	1955 (est)
Gross National Product (In 1954 prices)					
Total $ millions	247	261	261	276	292
Per capita $	299	307	296	302	307
Central Government Budget ($ millions)-FY ending December 31:					
Revenue	28.5	33.7	38.7	42.1	49.4
Expenditure	25.0	29.4	39.5	43.6	52.9
Percent for defense	6.8%	5.9%	4.5%	4.3%	3.7%
Surplus or deficit(-)	3.5	4.3	-0.8	-1.5	-3.5
Converted at rate of 5.615 colones per $					
Prices (index 1948-100)					
Home and Import Goods	115	104	99	104	107
Cost of living	127	122	122	126	130

BASIC DATA

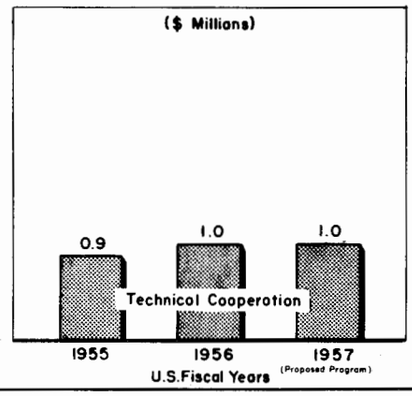
Population (1955)...million	1.0
Annual growth.....percent	3.9
Area..... 1,000 sq.mi.	20
Agric. land.....percent	19
Agric. land per capita..... acres	3
Literacy rate.....percent	79
Life expectancy..... years	56
Road miles per 1,000 sq. mi.	232

PRODUCTION

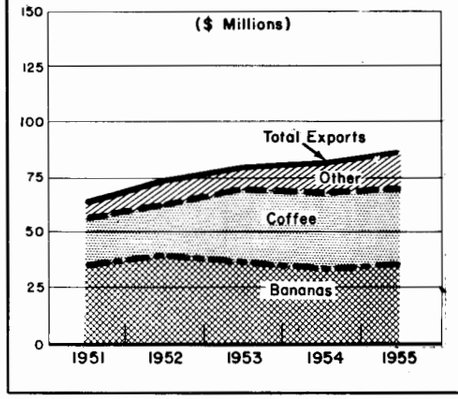
	Unit	52/53	53/54	54/55	55/56(est)
Agricultural prod... 1935-39-100		241	239	255	
Major crops:					
Coffee	1,000 MT	33	24	34	21
Rice (rough)	1,000 MT	41	29	32	
Sugar, cent., raw	1,000 MT	31	34	32	32

Major industries:
textiles, soap, leather goods, lumber, liquor

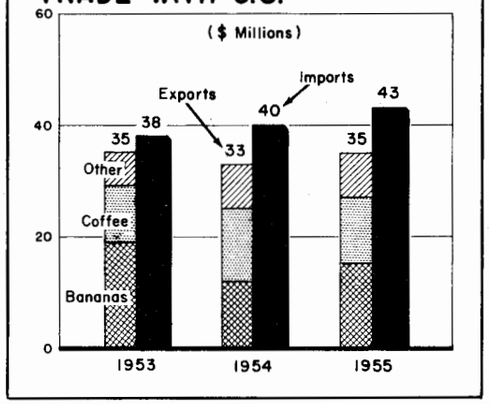
THE PROGRAM



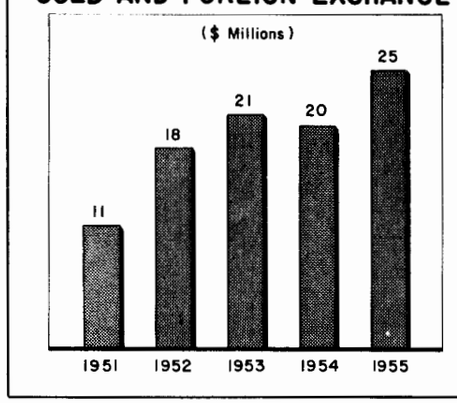
EXPORTS BY COMMODITY



TRADE WITH U.S.



GOLD AND FOREIGN EXCHANGE



INDIVIDUAL COUNTRY DATA

Summary of Program by Function

(In thousands of dollars)

Function	Program FY 1955	Program FY 1956	Proposed FY 1957
Technical Cooperation	926	971	1,026
Total Program	926	971	1,026

General Narrative Statement

U.S. INTERESTS

Importance of Costa Rica to U.S. and Western Hemisphere

Costa Rica has a unique tradition of democratic institutions in Central America and has long demonstrated friendship and support of United States policies. Because of the country's proximity to the Panama Canal and the political, economic and strategic interdependence of the Central American states, it is essential to the United States that political and economic stability be maintained and that friendly relations among the countries continue.

Costa Rica's relationships with her neighbors and with other Latin American countries have recently been strained and difficult. The United States wishes to discourage such controversies and stress concentration on national and regional development.

Objectives of Mutual Security Program in Costa Rica

The Mutual Security Program is intended to help maintain the present attitude of friendship with the United States through a technical assistance program similar in scope to that in neighboring countries. It is the United States objective to secure a prosperous economy through the development of productive enterprises which will attract private capital, both domestic and foreign, and to raise general living conditions through improved education and public health. Expansion and diversification of agriculture will continue to receive close attention since land and timber are Costa Rica's only recognized natural resources.

BASIC ECONOMIC PROBLEMS

The economy of Costa Rica is based on agriculture with major earnings, both domestic and foreign, dependent on coffee, and bananas. The recent decline in the price of coffee, unsettled conditions resulting from floods and strikes in banana areas point up the need for diversification of agriculture production.

Major factors limiting the developing of these resources are the lack of an adequate transportation system making it impossible to open new lands for cultivation and to exploit forest resources. Another limiting factor is the low

General Narrative Statement (Continued)

productivity of the labor force owing to malnutrition and a need for improved health conditions.

HOST COUNTRY PROGRAMS

Costa Rica does not have an official economic planning body nor an integrated plan for the achievment of economic objectives. An attempt was made this past year to establish such a group but failed when proposed legislation was not submitted to the legislature. The present government has placed increased stress on the need for bettering the conditions of its citizens and has worked on programs designed to improve such things as community health, social security, and low-cost housing.

U.S. CONTRIBUTIONS TO HOST COUNTRY PROGRAMS

In the absence of coordinated economic planning by the Government of Costa Rica the Technical Cooperation program has been developed and carried forward in fields most necessary to sound economic progress. Major accomplishments have occurred in agriculture. A country-wide agricultural extension service with trained county agents has been developed and recently transferred to the Ministry of Agriculture for responsibility of operation.

Consultant services are scheduled to continue to the extension service but program emphasis is being shifted to research to develop new material for use in the extension program. Export crops that will produce dollar exchange, coffee, cacao and rubber will receive major attention. The development of new and improved pasture crops is an essential component of an expanded livestock program. Last year the Mediterranean Fruit Fly was discovered in Costa Rica and a technical study is being made of this menace to citrus production to devise appropriate control measures. An agricultural mechanization project which stresses demonstrating mechanized methods of land development is to be continued.

The health and sanitation program has made its major contribution in environmental sanitation, particularly in small town water supplies. Water supply activity is shifting from demonstration projects to technical consultation with the expanded local agencies that have taken over the responsibility of design and construction. Stress will also be given to the training of personnel with attention to operating and supervisory positions. A community sewage disposal project on a demonstration basis is planned. Technical assistance to the hospital authorities in the planning, administration and operation of a coordinated national public hospital system with training of key personnel is an important part of planned activities.

Technical assistance has been extended and will continue in public administration including the specific fields of budget, accounting, organization and methods, personnel practices, general administration, management, and municipal government administration. Assistance will be given to the Ministry of Education in organizing and operating a department of vocational education. Also, through a contract arrangement with the University of Florida, technical guidance to the National University in teacher training is being programmed.

Consultation will continue in civil aviation directed toward safety and efficiency in air transport along with assistance in the development of a national network of farm-to-market roads. Aid to the National Housing Institute will be continued on general policies, aided self-help housing, materials and community planning, and training and assistance in the broad field of industrial development. Training will be offered to government officials and labor leaders in modern labor techniques and practices. For FY 1957 a total of $1,026,000 is being requested for a continuation of the above described activities. This represents an increase from the $971,000 programmed in 1956 and results principally from enlarging the program in education.

LATIN AMERICA

Country: COSTA RICA

INDIVIDUAL COUNTRY DATA

Summary by Major Activity Field

(In thousands of dollars)

Program by Fiscal Year	Total Cost	Agriculture and Natural Resources	Industry and Mining	Transportation	Labor	Health and Sanitation	Education	Public Admin.	Community Development, Soc.Welfare and Housing	General and Miscellaneous	Import of Sal. Commod. L/C to be Used for Non-Mil. Activities	Other Costs
Technical Cooperation												
1955	926	322	34	35	30	237	113	105	11	39		
1956	971	352	41	92	21	204	33	116	55	57		
1957	1,026	367	42	66	21	209	101	117	43	60		

Summary by Major Cost Components

(In thousands of dollars)

Program by Fiscal Year	Program by Major Cost Components							Number of People			
								Technicians (Close FY)		Participants (Programmed During FY)	
	Total Cost	Grants Cooperative Services	Supplies and Equipment	U.S. Employed Technicians	Contract Services	Participants	Other Costs	U.S. Employed	Contract	Contract	Non-Contract
Technical Cooperation											
1955	926	240	31	310	155	150	40	23	1		62
1956	971	175	22	458	60	217	39	32	10		77
1957	1,026	190	20	461	90	227	38	32	13		79

CUBA

TRADE AND PAYMENTS	1938	1953	1954	1955
		(millions of US $)		(est)
Exports, f.o.b.	143	669	539	555
Imports, c.i.f.	119	529	527	545
Trade balance	24	140	12	10
Principal exports:				
Sugar.....Quantity..... 1,000 MT	2,323	5,516	4,300	4,510
Value.....$ millions	82	502	466	480
Tobacco.....Quantity..... 1,000 MT	13	16	19	20
Value.....$ millions	10	42	41	42
Trade with U.S. (US Customs data):				
Exports to U.S.	106	431	401	390
Imports from U.S.	76	426	430	450
Balance	30	5	-29	-60
Balance of payments:				
Balance on goods and services		101	-5	-6
Net capital transactions		-14	44	87
Change in gold and exchange reserves		21	-37	81
Gold & foreign exch. reserves (Dec. 31)		522	485	566

EXTERNAL RESOURCES (millions of US $)	1952	1953	1954	1955	Undisbursed 12/31/55
Ex-Im Bank loan disbursements	4	6	2	2	8
IBRD loan disbursements	-	-	-	-	-
U.S. Direct Private Investment:					
New direct investment (net)	5	-5	26		
Reinvested subsidiary earnings	9	3	1		
Book value, end of year	686	686	713		

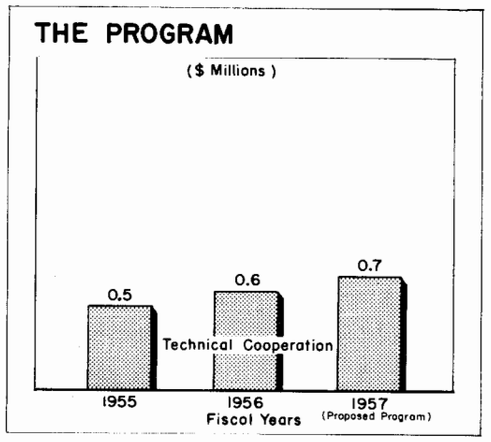
FINANCES	1951	1952	1953	1954	1955 (est)
Gross National Product (*In 1954 prices*)					
Total..... $ millions	2,185	2,190	1,970	2,050	2,180
Per capita ..... $	390	385	339	347	361
Central Government Budget ($ millions)-FY ending June 30:					
Revenue	286	327	309	265	303
Expenditure	271	325	341	304	329
Percent for defense	15.0%	14.8%	17.6%	18.1%	17.1%
Surplus or deficit(-)	15	2	-32	-39	-26
Converted at rate of one peso equals one dollar					
Prices (index 1948-100)					
Wholesale		Not	Available		
Cost of living	93	94	91	88	89

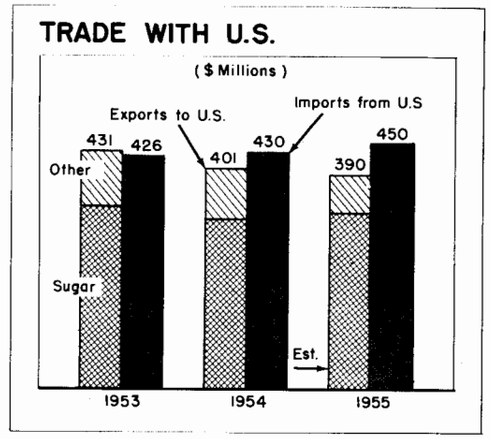
BASIC DATA

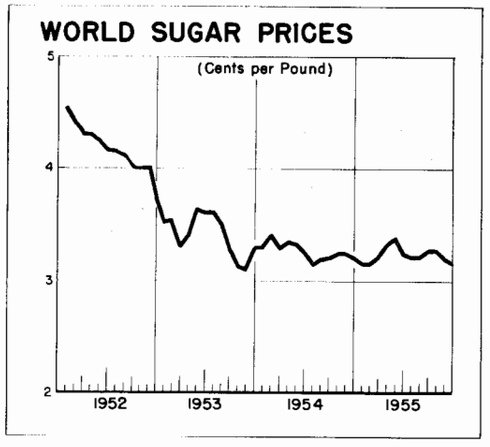
Population (1955)...million	6.0
Annual growth.....percent	2.1
Area..... 1,000 sq.mi.	44
Agric. land.....percent	51
Agric. land per capita..... acres	2
Literacy rate.....percent	76
Life expectancy..... years	n.a.
Road miles per 1,000 sq. mi.....	49

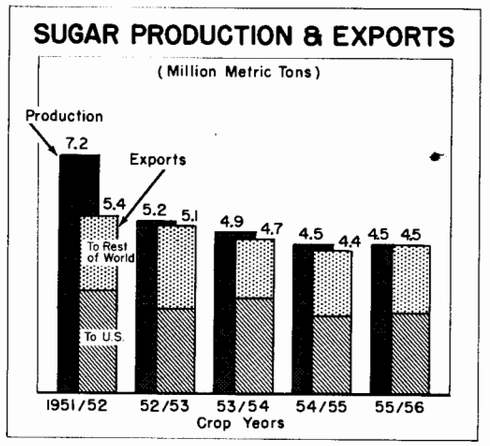
PRODUCTION	Unit	52/53	53/54	54/55	55/56(est)
Agricultural prod... 1935-39-100		172	176	158	
Major crops:					
Sugar,centrifugal,raw	1,000 MT	5,159	4,891	4,530	4,536
Corn	1,000 MT	152	168	175	
Rice	1,000 MT	126	170	170	168

		1952	1953	1954	1955(est)
Major industries:					
Electricity	Mill. KWH	918	1,014	1,092	1,209
Chromite	1,000 MT	62	62	66	85









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LATIN AMERICA

INDIVIDUAL COUNTRY DATA

Country: CUBA

Summary of Program by Function

(In thousands of dollars)

Function	Program FY 1950/56	FY 1956	Proposed FY 1957	
Military Assistance	9,111	668	6,003	CONFIDENTIAL
	FY 1955			
Technical Cooperation	521	571	690	
Total Programs	XX	1,239	6,693	CONFIDENTIAL

General Narrative Statement

U.S. INTERESTS

Importance of Cuba to the United States and the Western Hemisphere

Cuba's geographic importance to the United States arises from her proximity to our southern shore; it lies athwart the Atlantic entrance to the Gulf of Mexico and the Caribbean Sea. Economically, her important resources of strategic minerals, the magnitude of U.S.-Cuban bilateral trade and United States direct private investment indicate the need for our continuing interest in the young Republic's prosperity. A viable Cuban economy upon which stable government may be based is in the United States economic and political interest. Important psychological and historical ties relative to our role in Cuba's independence are an additional consideration.

Objectives of the Mutual Security Program in Cuba

The basic objective of the Mutual Security Program in Cuba is to assist that country's drive for a better balanced, more stable and diversified economy, and to provide military aid to promote the defense of the Western Hemisphere.

ECONOMIC BASIC PROBLEMS

Cuba's economic problems result primarily from its over-dependence on sugar production, yet there is considerable reluctance to face up to the need for diversification of agriculture. Certain other aspects of agriculture, the processing of

General Narrative Statement (Continued)

agricultural products, animal industry, and mining offer limited possibilities, but the lingering concept of the over-all importance of sugar tends to retard the needed swing to these other sources of wealth. There is a strong tendency on the part of private capital investment to move into the traditional channels of land, building, sugar, and ventures producing a quick return. With the presence of inflation, real estate continues to be a most attractive area for investment.

HOST GOVERNMENT PROGRAMS

Although Cuba does not have a single overall plan for economic development, a number of official and quasi-official organizations have been established with authority to plan or carry out activities related to development. The chief planning body for the Government is the National Economic Council through which all plans and programs for economic development are funneled. The National Planning Board has been specializing largely in urban and housing planning and resource development. However, the program of the Agricultural and Industrial Development Bank provides for the development of agricultural cooperatives and supervised credit, stimulation of diversified agricultural production and provision of loans and technical assistance to industry and its mining and hydro-electric power enterprises. The Economic and Social Development Bank is carrying out a four-year program concentrating on public works, railroad rehabilitation and capital equipment for agricultural and mineral production. The National Finance Agency loans money for "self-liquidating projects in the public interest", which have included loans for municipal improvements. Public works are the principal interest of the National Economic Development Commission and the National Executive Commission of Urban and Rural Association.

U.S. CONTRIBUTIONS TO HOST COUNTRY PROGRAMS

Technical Cooperation

The U.S. technical cooperation program is contributing advice and training in support of Cuban and U.S. objectives. To assist in reaching the mutually desirable objectives in Cuba, the U.S. is furnishing an agricultural field party which provides demonstration, training, and advice on problems of agricultural diversification. Complementing the other activities to achieve more diversification of agriculture, consultative assistance is being given to the University Central (Santa Clara) in research, extension, production and marketing of agricultural products. In mining and industry, the U.S. has provided specialists relative to the problems of locating, developing and utilization of Cuba's mineral resources, as well as advice on industrial management and processing of Cuba's natural resources, both agricultural and mineral. In the education field, vocational courses for aircraft mechanics have been initiated, thus affording a basis for an increased Cuban role in air transportation. Labor teams are being brought to the U.S. for a wider appreciation of labor's role and contribution in a modern economy, and public administration specialists are assisting Cubans with administrative tools to carry out programs affecting the national economy.

During FY-1957 a total of $690,000 is being requested for continuation of the above-mentioned activities. This represents an increase from the $571,000 programmed in FY-1956 reflecting the new assistance in civil aviation and full year costs for the Santa Clara agricultural education project.

THE MILITARY ASSISTANCE PROGRAM

A Bilateral Military Assistance Agreement between Cuba and the U.S. was signed on March 7, 1952 in Havana, Cuba. In a secret plan subsidiary to the bilateral agreement, Cuba's primary responsibility of defending its coastal sea communications were confirmed. Cuba has agreed to raise and contribute the following forces: Army - 1 Infantry Battalion. Navy - 5 Patrol Craft - 1 Patrol Reconnaisance Squadron. Air Force - 1 Transport Squadron - 1 Light Bomber Squadron - 1 Fighter Bomber Squadron.

Cuba has also cooperated by translating, printing, binding and publishing U.S. training manuals and technical publications for all Spanish speaking countries which are subjects

General Narrative Statement (Continued)

of our military assistance programs. Although this project was relatively minor and Cuba was paid the amounts necessary to cover the materials which went into the publication, no reimbursement was made for the salaries of Naval personnel or utilities and facilities which were required to complete the project.

1950-56 Program

There was no Army materiel program for Cuba prior to FY-1956; consequently no Army equipment was delivered to the Cuban army before 30 November 1955, the date of the last report available. The FY 1950-56 Navy program for Cuba completed approximately 80% of the planned equipment for the Cuban naval forces. Weapons, ammunition, electronics and communication equipment were delivered under this program. Also programmed, but still undelivered, are 2 40-mm guns and 8 depth charge projectiles.

The Air Force program for the Cuban Air Force during FY 1950-56 resulted in the delivery of 5 C-47 aircraft, 5 fuel service trailers, and a quarter of a million rounds of 50 caliber machine gun ammunition. T-33A aircraft, trucks, bombs and rockets, and communication equipment were also programmed and remained undelivered as of 30 November 1955.

All three branches of the Cuban armed forces received training assistance under the FY 1950-56 program. The value of the FY 1950-56 program by service is indicated below: Army - $.6 million. Navy - $2.2 million. Air Force - $6.3 million.

Proposed Program

During the FY 1957, for which $6.0 million is requested, it is desired to provide the Cuban Army with training, remaining equipment deficiencies for one infantry battalion, spare parts and training ammunition. The Navy program, as planned, will furnish Cuba with 6 PBY's, machinery, ordnance, and electronic spare parts, 8 TBM-3S aircraft under the attrition replacement program and electronics and weapons for the Cuban Navy's modernization program.

The Air Force Program for the coming fiscal year provides for spare parts for B-26, C-47, T-33 and T-6 aircraft as well as weapons, communication and vehicle maintenance, plus formal training and training ammunition. The value of the desired programs of the Cuban armed forces in FY 1957 is as follows: Army - $.23 million. Navy - $4.4 million. Air Force - $1.372 million.

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DEPARTMENT OF DEFENSE
MUTUAL DEFENSE ASSISTANCE PROGRAMS AND PERFORMANCE
VALUE BY TYPE OF ASSISTANCE AND DEPARTMENT
FISCAL YEARS 1950-56 AND PROPOSED FISCAL YEAR 1957

(In Thousands of Dollars)

TABLE IB CUBA

TYPE OF MILITARY ASSISTANCE AND DEPARTMENT (1)	CURRENT PROGRAM			PERFORMANCE - 30 NOVEMBER 1955	
	PROPOSED FISCAL YEAR 1957 (2)	FISCAL YEAR 1956 (3)	FISCAL YEARS 1950-56 (4)	ACCOMPLISHED (5)	TO BE ACCOMPLISHED OF FY 1950-56 PROGRAMS (6)
I TOTAL FOR COUNTRY CHARGED TO APPROPRIATIONS	$6,003	$668	$9,111	$2,936	$6,175
Army	233	559	559	10	549
Navy	4,398	46	2,231	1,632	599
Air Force	1,372	63	6,321	1,294	5,027
II EQUIPMENT & SUPPLIES - TOTAL	5,752	489	7,960	2,069	5,891
Army	140	464	464	-	464
Navy	4,366	25	1,428	899	529
Air Force	1,246	-	6,068	1,170	4,898
III REPAIR AND REHABILITATION OF EXCESS - TOTAL	-	36	113	8	105
Army	-	36	36	-	36
Navy	-	-	4	4	-
Air Force	-	-	73	4	69
IV TRAINING - TOTAL	251	143	1,039	859	180
Army	93	59	59	10	49
Navy	32	21	800	729	71
Air Force	126	63	180	120	60
VB OTHER - TOTAL	-	-	-	-	-
Army	-	-	-	-	-
Navy	-	-	-	-	-
Air Force	-	-	-	-	-
VI EXCESS STOCKS AT ACQUISITION COST - TOTAL (NOT CHARGED TO APPROPRIATIONS)	-	79	4,100	130	3,970
Army	-	79	79	-	79
Navy	-	-	-	-	-
Air Force	-	-	4,021	130	3,891

TABLE II CUBA

DEPARTMENT OF DEFENSE
MUTUAL DEFENSE ASSISTANCE PROGRAMS AND PERFORMANCE - END-ITEMS AND SPARES
QUANTITY AND VALUE BY DEPARTMENT, MAJOR CATEGORIES AND SELECTED ITEMS
FISCAL YEARS 1950-57
(Values in Thousands of Dollars)

DEPARTMENT, CATEGORY AND ITEM (1)	CURRENT PROGRAM						PERFORMANCE 30 NOVEMBER 1955			
	PROPOSED FY 1957		FISCAL YEAR 1956		FISCAL YEARS 1950-56		ACCOMPLISHED		TO BE ACCOMPLISHED OF FY 50-56 PROGRAMS	
	QUANTITY (2)	VALUE (3)	QUANTITY (4)	VALUE (5)	QUANTITY (6)	VALUE (7)	QUANTITY (8)	VALUE (9)	QUANTITY (10)	VALUE (11)
TOTAL DEPARTMENT OF DEFENSE		$ 5,752		$ 489		$ 7,960		$ 2,069		$ 5,891
ARMY										
TOTAL		$ 140		$ 464		$ 464				$ 464
GENERAL PURPOSE SUPPORT VEHICLES		65		106		106				106
Truck, 1/4 Ton, 4x4 (all models)	9	18	44	*	44	*			44	*
Truck, 3/4 Ton, 4x4, Weapons Carrier			4	13	4	13			4	13
Truck, 2-1/2 Ton, 6x6, Cargo, all models	5	30	8	45	8	45			8	45
Other General Purpose Support Vehicles		2		13		13				13
General Purpose Support Veh Components & Spare Parts		15		35		35				35
ARTILLERY		5		28		28				28
Other Artillery		3		26		26				26
Artillery Components & Spare Parts		2		2		2				2
WEAPONS		21		111		111				111
Carbine, Cal. 30, all models	15	1	121	11	121	11			121	11
Rifle, U. S., Cal. 30, M1 Series	48	5	429	39	429	39			429	39
Other Weapons		7		35		35				35
Weapon Components & Spare Parts		8		26		26				26
AMMUNITION, COMPLETE ROUNDS		38		182		182				182
Cartridge, Cal. 30, all types, (Thous)	206	21	730	81	730	81			730	81
Cartridge, Cal. 50, all types, (Thous)	2	1	10	3	10	3			10	3
Rocket, HE, AT 3.5" M28 Series (Thous)			3	41	3	41			3	41
Other Ammunition		16		57		57				57
ELECTRONICS & COMMUNICATIONS EQUIPMENT		11		29		29				29
Electronics & Communications Equipment		8		25		25				25
Electronics & Communications Equip Components & Sp Pts		3		4		4				4
ALL OTHER EQUIPMENT & SUPPLIES				8		8				8
NAVY										
TOTAL		$ 4,366		$ 25		$ 1,428		$ 899		$ 529
SHIPS AND HARBOR CRAFT		156				259		187		72
Ship & Harbor Craft Components & Spare Parts		156				259		187		72
AIRCRAFT	6	2,250				315		101		213
Attack (Carrier Type)	6	889								
TBM-3E, 3W, 3S	6	889								
Aircraft Components & Spare Parts		1,361				315		101		213
OTHER NAVAL EQUIPMENT		1,960		25		854		611		243
Ammunition		110				236		236		
Electronics & Communications Equipment		101				127		89		38
Electronics & Communications Equipment Components & Sp Pts		25				6				6
Artillery & Weapons		852				140		82		58
Artillery & Weapons Components & Spare Parts		348				1		1		
All Other Equipment & Supplies		524		25		345		203		142
AIR FORCE										
TOTAL		$ 1,246				$ 6,068		$ 1,170		$ 4,898
AIRCRAFT		357			25	3,791	5	754	20	3,037
Bombers					16				16	
B-26					16				16	
Transports					5	517	5	451		66
C-47					5	517	5	451		66

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DEPARTMENT OF DEFENSE
MUTUAL DEFENSE ASSISTANCE PROGRAMS AND PERFORMANCE - END-ITEMS AND SPARES
QUANTITY AND VALUE BY DEPARTMENT, MAJOR CATEGORIES AND SELECTED ITEMS
FISCAL YEARS 1950-57
(Values in Thousands of Dollars)

TABLE II CUBA (Cont'd)

DEPARTMENT, CATEGORY AND ITEM	CURRENT PROGRAM						PERFORMANCE 30 NOVEMBER 1955			
	PROPOSED FY 1957		FISCAL YEAR 1956		FISCAL YEARS 1950-56		ACCOMPLISHED		TO BE ACCOMPLISHED OF FY 50-56 PROGRAMS	
	QUANTITY	VALUE	QUANTITY	VALUE	QUANTITY	VALUE	QUANTITY	VALUE	QUANTITY	VALUE
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
AIR FORCE (Cont'd)										
AIRCRAFT (Cont'd)										
Trainers		$			4	$ 477		$	4	$ 477
T-33A					4	477			4	477
Aircraft Components & Spare Parts		357				2,797		302		2,495
ALL OTHER AF EQUIPMENT		889				2,277		416		1,861
Ammunition		654				502		103		399
Electronics & Communications Equipment						998		134		864
Electronics & Communications Equipment Components & Sp Pts		55				24		*		24
All Other Equipment & Supplies		180				753		179		574

* Less than $500.

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INDIVIDUAL COUNTRY DATA (EXCLUDES MILITARY ASSISTANCE)

Summary by Major Activity Field

(In thousands of dollars)

Program by Fiscal Year	Total Cost	Agriculture and Natural Resources	Industry and Mining	Transportation	Labor	Health and Sanitation	Education	Public Administration	Community Development, Social Welfare and Housing	General and Miscellaneous	Import of Sal. Commod. L/C to be Used for Non-Mil. Activities	Other Costs
Technical Cooperation												
1955	521	178	69	6	92		100	46	4	26		
1956	571	156	48	25	46		182	100		14		
1957	690	183	53	75	40		248	76		15		

Summary by Major Cost Components

(In thousands of dollars)

Program by Fiscal Year	Program by Major Cost Components							Number of People			
								Technicians (Close FY)		Participants (Programmed During FY)	
	Total Cost	Grants to Cooperative Services	Supplies and Equipment	U.S. Employed Technicians	Contract Services	Participants	Other Costs	U.S. Employed	Contract	Contract	Non-Contract
Technical Cooperation											
1955	521		5	205	121	162	28	15	5		69
1956	571		10	265	100	154	42	18	5		67
1957	690		22	282	100	239	47	18	5		81

DOMINICAN REPUBLIC

TRADE AND PAYMENTS	1938	1953	1954	1955
		(millions of US $)		(est)
Exports, f.o.b.	15	105	120	115
Imports, c.i.f.	13	99	94	108
Trade balance	2	6	26	7
Principal exports:				
Sugar.....Quantity.....1,000 MT	404	548	491	480
Value.....$ millions	7	43	35	34
Coffee.....Quantity.....1,000 MT	8	20	24	30
Value.....$ millions	1	22	31	30
Trade with U.S. (US Customs data):				
Exports to U.S.	6	52	72	60
Imports from U.S.	6	47	52	59
Balance	-	5	20	1
Balance of payments:				
Balance on goods and services		3	23	5
Net capital transactions		-15	5	-9
Change in gold and exchange reserves		-4	16	-4
Gold & foreign exch. reserves (Dec. 31)		39	55	51

EXTERNAL RESOURCES (millions of US $)	1952	1953	1954	1955	Undisbursed 12/31/55
Ex-Im Bank loan disbursements	-	-	-	-	-
IBRD loan disbursements	-	-	-		-
U.S. Direct Private Investment:					
New direct investment (net)	-7	-6	8		
Reinvested subsidiary earnings	7	5	5		
Book value, end of year	123	120	133		

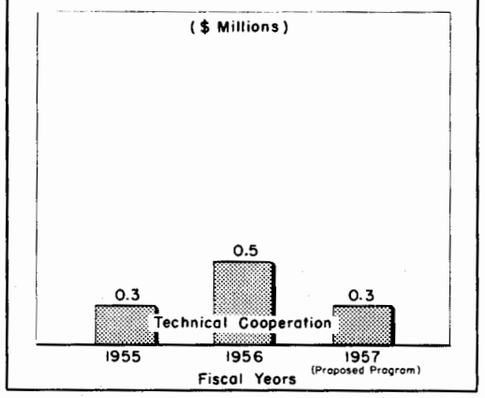
FINANCES	1951	1952	1953	1954	1955 (est)
Gross National Product (In 1954 prices)					
Total..... $ millions	361	398	427	471	494
Per capita ..... $	165	178	186	201	205
Central Government Budget ($ millions)-FY ending December 31:					
Revenue	90	95	89	97	108
Expenditure	102	128	89	96	106
Percent for defense	n.a.	n.a.	24.9%	21.1%	21.8%
Surplus or deficit(-)	-12	-33	-	1	2
Converted at rate of 1 peso per $					
Prices (index 1948-100)					
Wholesale	92	94	94	89	90
Cost of living	105	106	104	102	102

BASIC DATA	
Population (1955)...million	2.4
Annual growth.....percent	2.4
Area..... 1,000 sq.mi.	19
Agric. land.....percent	26
Agric. land per capita..... acres	1.3
Literacy rate.....percent	40
Life expectancy..... years	n.a.
Road miles per 1,000 sq. mi.....	106

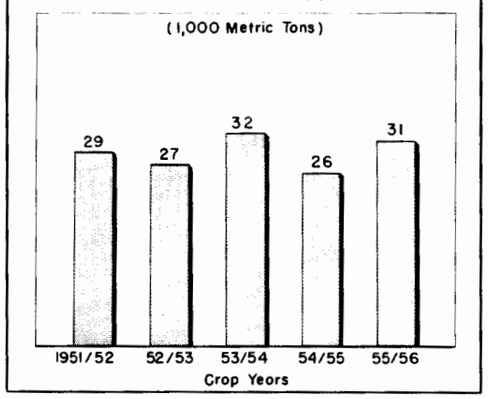
PRODUCTION	Unit	52/53	53/54	54/55	55/56(est)
Agricultural prod... 1935-39-100		133	135	145	
Major crops:					
Sugar,centrifugal,raw	1,000 MT	606	634	611	658
Rice (rough)	1,000 MT	73	74	78	
Cacao beans	1,000 MT	38	33	36	34
Coffee	1,000 MT	27	32P	26	31

Major industries:
sugar refining, meat processing, textiles, furniture, construction materials

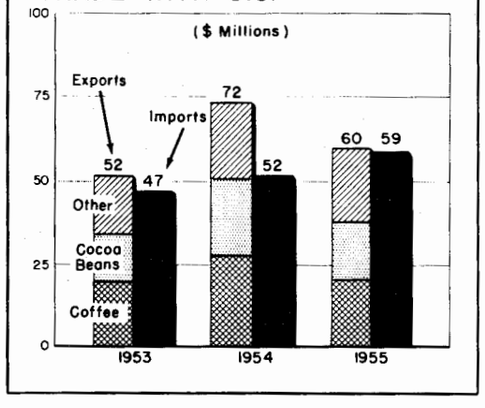
THE PROGRAM



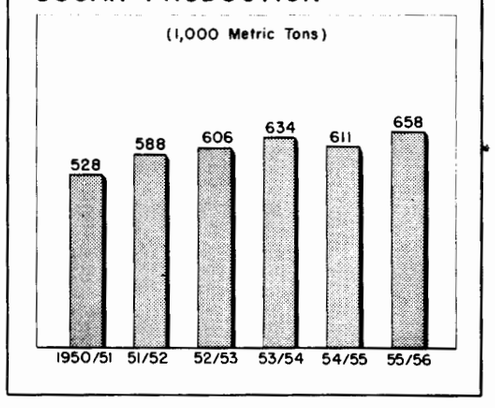
COFFEE PRODUCTION



TRADE WITH U.S.



SUGAR PRODUCTION



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LATIN AMERICA

INDIVIDUAL COUNTRY DATA

Country: DOMINICAN REPUBLIC

Summary of Program by Function

(In thousands of dollars)

Function	Program FY 1950/56	FY 1956	Proposed FY 1957
Military Assistance	3,883	106	1,365
	FY 1955		
Technical Cooperation	336	485	330
Total Programs	XX	591	1,695

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General Narrative Statement

U.S. INTERESTS

Importance of Dominican Republic to the United States and Western Hemisphere

The Dominican Republic's importance derives from its extensive trade relations with the U. S. and its capability for contributing to hemispheric defense. It is also important to the U. S. that the Dominican Republic avoid economic and political instability which might be conducive to Communist activity.

Objectives of the Mutual Security Program in Dominican Republic

The basic objectives of the Mutual Security program is to preserve the present satisfactory level of relationships between the two countries by cooperating with Dominican efforts to increase and diversify its production and to raise the education and health levels of its people. The military program continues to work toward training Dominican Air and Navy forces to contribute to hemispheric defense.

BASIC ECONOMIC PROBLEMS

The Dominican Republic's economic needs are to increase and diversify its production and to raise the living standards of its people. Even though new industries have been developed during recent years and a large public works program is underway the country's economy is still basically agricultural and its foreign exchange earnings are overly dependent on fluctuations in the price of sugar and coffee on the world market.

HOST COUNTRY PROGRAMS RELATED TO MAJOR ECONOMIC PROBLEMS

Although the Dominican Government has no long-range integrated plan for economic development, it is carrying out a number of agricultural, educational and industrial development programs designed to increase its agricultural production, reduce illiteracy, raise its health level, increase its foreign exchange, and to determine the economic feasibility of using its surface water resources for irrigation and power.

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U.S. CONTRIBUTIONS TO HOST COUNTRY PROGRAMS

Program in FY 1956

The U.S. technical cooperation program is aiding the Dominican Republic in diversifying its agriculture, raising the educational level of its people, training auxiliary nurses and evaluating its surface water resources. The program in the field of agriculture is being terminated in the third quarter of 1956, after limited operation since FY 1952, on the basis of a decision by the Dominican Government that it is in a position to proceed without further technical help from the U. S.

Program in FY 1957

In FY 1957 a total of $330,000 is being requested for continuation of technical cooperation in the Dominican Republic. The decrease from the $485,000 programmed in FY 1956 represents the savings effected by elimination of the agricultural program. This cooperation is designed to improve the national program in education ($205,000), and health ($81,000) with emphasis on the development of education centers and the establishment of a Public Health program.

MILITARY ASSISTANCE PROGRAM

Historical Background

The Bilateral Military Assistance Agreement between the Dominican Republic and the United States was signed on the 6th of March 1953. It was the eighth agreement of its kind to be concluded by the United States with another American Republic.

Contributions to the U. S. Objectives

Subsidiary to the agreement was a secret plan which affirmed Dominican Republic's primary responsibility for defending its coastal sea communications and which contained a Dominican agreement to raise, train, and contribute the following forces:

Navy	- 2 Destroyers (DD) - 8 Patrol Craft
Air Force	- 1 Fighter Squadron

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1950-56 Program

As a result of military assistance deliveries the Dominican Air Force has made notable progress and is now capable of utilizing all equipment programmed to maximum advantage. The FY 1950-56 Air Force program provided for spare parts and supporting material for 92% of the planned 1957 supported combat units in the Dominican Air Force. In addition, this program furnishes 5 fuel service trailers, general purpose bombs, and 1500 rockets. T-33 aircraft, crash fire trucks, additional ammunition and rockets, and communication equipment were included in this program but remained undelivered as of 30 November 1955. The Navy program provides for supplying the Dominican Navy with guns, weapons, ammunition, and electronics and communication equipment. The general equipping of the planned naval forces for the Dominican Republic is virtually complete. Both the Navy and the Air Force received training assistance under this program. The value of equipment and training programmed for the Dominican Navy and Air Force during FY 1950-56 was as follows:

Navy	- $1.2 million
Air Force	- $2.7 million

FY 1957 Program

The FY 1957 program, which totals $1.4 million, anticipates supplying the Dominican Navy with machinery and electronic spare parts, training ammunition, training aids, formal training and electronic equipment.

The Air Force program during FY 1957 plans to furnish spare parts for T-33 aircraft, training ammunition, communication, weapons and vehicle maintenance, as well as a limited amount of formal training. The value of the requested program for the Dominican armed forces during FY 1957 is as follows:

Air Force	- $0.5 million
Navy	- $0.9 million

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DEPARTMENT OF DEFENSE
MUTUAL DEFENSE ASSISTANCE PROGRAMS AND PERFORMANCE
VALUE BY TYPE OF ASSISTANCE AND DEPARTMENT
FISCAL YEARS 1950-56 AND PROPOSED FISCAL YEAR 1957

(In Thousands of Dollars)

TABLE IB DOMINICAN REPUBLIC

TYPE OF MILITARY ASSISTANCE AND DEPARTMENT (1)	CURRENT PROGRAM			PERFORMANCE - 30 NOVEMBER 1955	
	PROPOSED FISCAL YEAR 1957 (2)	FISCAL YEAR 1956 (3)	FISCAL YEARS 1950-56 (4)	ACCOMPLISHED (5)	TO BE ACCOMPLISHED OF FY 1950-56 PROGRAMS (6)
I TOTAL FOR COUNTRY CHARGED TO APPROPRIATIONS	$1,365	$106	$3,883	$2,139	$1,744
Army	-	-	-	-	-
Navy	858	56	1,155	780	375
Air Force	507	50	2,728	1,359	1,369
II EQUIPMENT & SUPPLIES - TOTAL	1,115	15	3,700	2,074	1,626
Army	-	-	-	-	-
Navy	780	15	1,099	759	340
Air Force	335	-	2,601	1,315	1,286
III REPAIR AND REHABILITATION OF EXCESS - TOTAL	-	-	37	2	35
Army	-	-	-	-	-
Navy	-	-	-	-	-
Air Force	-	-	37	2	35
IV TRAINING - TOTAL	250	91	146	63	83
Army	-	-	-	-	-
Navy	78	41	56	21	35
Air Force	172	50	90	42	48
VB OTHER - TOTAL	-	-	-	-	-
Army	-	-	-	-	-
Navy	-	-	-	-	-
Air Force	-	-	-	-	-
VI EXCESS STOCKS AT ACQUISITION COST - TOTAL (NOT CHARGED TO APPROPRIATIONS)	22	-	1,237	455	781
Army	-	-	-	-	-
Navy	22	-	267	186	80
Air Force	-	-	970	269	701

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DEPARTMENT OF DEFENSE
MUTUAL DEFENSE ASSISTANCE PROGRAMS AND PERFORMANCE - END-ITEMS AND SPARES
QUANTITY AND VALUE BY DEPARTMENT, MAJOR CATEGORIES AND SELECTED ITEMS
FISCAL YEARS 1950-57
(Values in Thousands of Dollars)

TABLE II DOMINICAN REPUBLIC

DEPARTMENT, CATEGORY AND ITEM	CURRENT PROGRAM						PERFORMANCE 30 NOVEMBER 1955			
	PROPOSED FY 1957		FISCAL YEAR 1956		FISCAL YEARS 1950-56		ACCOMPLISHED		TO BE ACCOMPLISHED OF FY 50-56 PROGRAMS	
	QUANTITY	VALUE	QUANTITY	VALUE	QUANTITY	VALUE	QUANTITY	VALUE	QUANTITY	VALUE
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
TOTAL DEPARTMENT OF DEFENSE		$ 1,115		$ 15		$ 3,700		$ 2,074		$ 1,626
NAVY										
TOTAL		$ 780		$ 15		$ 1,099		$ 759		$ 340
SHIPS & HARBOR CRAFT		700				79		5		74
Ship & Harbor Craft Components & Sp Pts		700				79		5		74
OTHER NAVAL EQUIPMENT		80		15		1,020		754		266
Ammunition		60				150		88		62
Electronics & Communications Equipment						367		228		139
Artillery & Weapons						346		323		23
Artillery & Weapons Components & Spare Parts						2				2
All Other Equipment & Supplies		20		15		155		114		41
AIR FORCE										
TOTAL		$ 335				$ 2,601		$ 1,315		$ 1,286
AIRCRAFT		7			4	1,208		1,005	4	203
Trainers					4	477			4	477
T-33A					4	477			4	477
Aircraft Components & Spare Parts		7				731		1,005		- 274
ALL OTHER AF EQUIPMENT		328				1,393		310		1,083
Ammunition		257				278		198		80
Electronics & Communications Equipment						709		4		705
Electronics & Communications Equip Components & Sp Pts		35				123		1		122
All Other Equipment & Supplies		36				283		107		176

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LATIN AMERICA

Country: DOMINICAN REPUBLIC

INDIVIDUAL COUNTRY DATA (EXCLUDES MILITARY ASSISTANCE)

Summary by Major Activity Field

(In thousands of dollars)

Program by Fiscal Year	Total Cost	Agriculture and Natural Resources	Industry and Mining	Transportation	Labor	Health and Sanitation	Education	Public Admin.	Community Development, Soc. Welfare and Housing	General and Miscellaneous	Import of Sal. Commod. L/C to be Used for Non-Mil. Activities	Other Costs
Technical Cooperation												
1955	336	142	10	1		13	112			58		
1956	485	159	19	28		38	182	21		38		
1957	330		10			81	205			34		

Summary by Major Cost Components

(In thousands of dollars)

Program by Fiscal Year	Program by Major Cost Components							Number of People			
								Technicians (Close FY)		Participants (Programmed During FY)	
	Total Cost	Grants to Cooperative Services	Supplies and Equipment	U.S. Employed Technicians	Contract Services	Participants	Other Costs	U.S. Employed	Contract	Contract	Non-Contract
Technical Cooperation											
1955	336	100	11	171		23	31	12			20
1956	485	50	7	262		86	80	12			35
1957	330	50	2	205		50	23	14			25

ECUADOR

TRADE AND PAYMENTS	1938	1953	1954	1955
		(millions of US $)		(est)
Exports, f.o.b.	10	88	116	110
Imports, c.i.f.	12	75	120	110
Trade balance	-2	13	-4	-
Principal exports:				
Bananas.....Quantity.... 1,000 MT	n.a.	405	482	615
Value.....$ millions	1	37	45	58
Cacao.....Quantity.... 1,000 MT	19	23	31	25
Value.....$ millions	3	15	35	19
Trade with U.S. (US Customs data):				
Exports to U.S.	3	45	61	60
Imports from U.S.	3	42	48	50
Balance	-	3	13	10
Balance of payments:				
Balance on goods and services		1	-13	-11
Net capital transactions		6	10	8
Change in gold and exchange reserves		-5	-	-3
Gold & foreign exch. reserves (Dec. 31)*		39	39	36

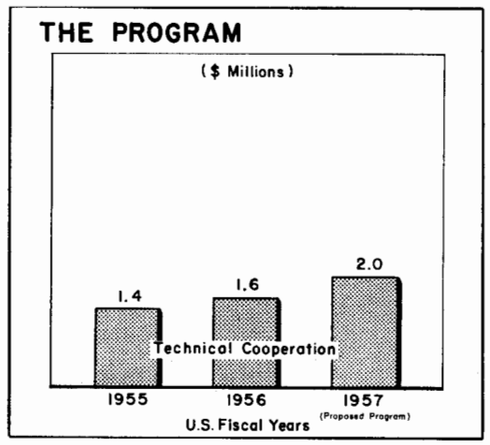
*Central Bank Only

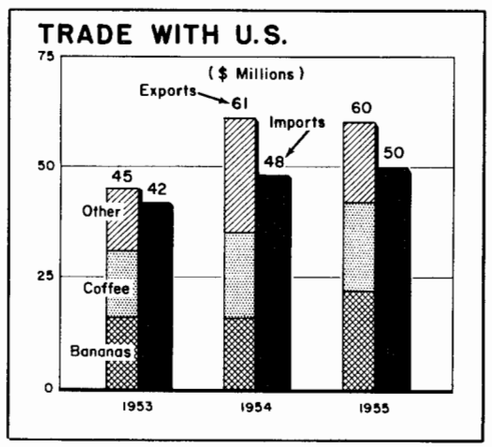
EXTERNAL RESOURCES (millions of US $)	1952	1953	1954	1955	Undisbursed 12/31/55
Ex-Im Bank loan disbursements	3.0	1.0	4.0	5.6	6.5
IBRD loan disbursements	-	-	0.2	1.2	7.1
U.S. Direct Private Investment:					
New direct investment (net)	-	-	-		
Reinvested subsidiary earnings	-	-	-		
Book value, end of year	14	17	20		

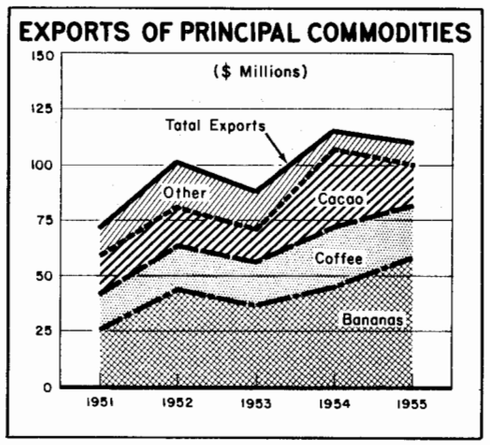
FINANCES	1951	1952	1953	1954	1955 (est)
Gross National Product *(In 1954 prices)*					
Total..... $ millions	540	590	618	678	746
Per capita ..... $	166	176	178	190	204
Central Government Budget ($ millions)-FY ending December 31:					
Revenue	29.2	33.5	41.7	45.9	73.3
Expenditure	29.2	35.3	44.0	53.4	81.2
Percent for defense	n.a.	19.6%	19.9%	23.8%	19.5%
Surplus or deficit(-)	-	-1.8	-2.3	-7.5	-7.9
Converted at rate of 15 sucres per $					
Prices					
Exports (Index 1953=100)	93	97	100	122	106
Cost of living (Index 1948=100)	109	112	112	116	120

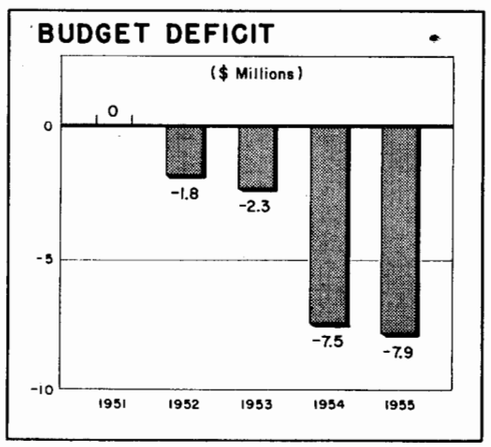
BASIC DATA	
Population (1955)...million	3.7
Annual growth.....percent	3.0
Area..... 1,000 sq.mi.	105
Agric. land.....percent	17
Agric. land per capita..... acres	3
Literacy rate.....percent	56
Life expectancy..... years	n.a.
Road miles per 1,000 sq. mi.	57

PRODUCTION	Unit	52/53	53/54	54/55	55/56(est)
Agricultural prod... 1935-39-100		209	211	221	
Major crops:					
Rice (rough).....	1,000 MT	159	113	118	
Sugar, Centrif.,raw..	1,000 MT	58	56	53	69
Coffee.....	1,000 MT	23	20	25	21
		1952	1953	1954	1955(est)
Major industries:					
Petroleum, crude.....	1,000 MT	374	391	415	462









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LATIN AMERICA

INDIVIDUAL COUNTRY DATA

Country: ECUADOR

Summary of Program by Function

(In thousands of dollars)

Function	Program FY 1950/56	FY 1956	Proposed FY 1957	
Military Assistance	8,213	547	1,320	CONFIDENTIAL
	FY 1955			
Technical Cooperation	1,351	1,588	1,993	
Total Program	XX	2,135	3,313	CONFIDENTIAL

General Narrative Statement

U.S. INTERESTS

Importance of Ecuador to United States and Western Hemisphere

Ecuador's importance to the United States relates to her strategic position on the southern defense perimeter of the Panama Canal, her trade with the United States amounting to about an estimated $110 million in 1955 and the fact that there is about $20 million of direct United States private investment in the country. Moreover, any deterioration of internal political order or economic collapse could lead to a Communist or other totalitarian regime, thus endangering United States interests and inter-American security.

Objectives of Mutual Security Program in Ecuador

The United States is interested in helping Ecuador to foster the continued growth of democratic institutions as a necessary element of stable government and continued economic development; to achieve peaceful settlement of border problems; to accelerate development of the rich coastal river basins; to further diversify the country's economy; to broaden the base of agricultural production; to improve transportation facilities; to increase power facilities; to raise productivity; to promote a free economy; to contribute to hemispheric defense; and to increase the efficiency of national institutions in the utilization of public funds.

BASIC ECONOMIC PROBLEMS

Basic problems which Ecuador faces in further economic development include low educational standards and a high rate of illiteracy among her population, a large part of it living outside the money economy of the country; shortage of skilled and semi-skilled workers; low productivity due to poor educational and health conditions; shortage of financial and trained human resources required to develop rich agricultural lands now in an unused state; lack of transportation facilities, especially farm-to-market roads; inadequate power facilities; lack of mineral resources; maldistribution of tax burden; compartmentalization

General Narrative Statement (Continued)

of tax receipts and general inefficiency in the utilization of public funds.

Because of the lower prices of coffee and cacao in the international market, Ecuador had a deficit balance of payments on current account toward the close of 1955, and its foreign exchange reserves have decreased markedly from the December 1954 level. Also, banana diseases which are making inroads on banana production and the extreme fluctuations in coffee prices are both of immediate concern to Ecuador's continued prosperity. In addition, Ecuador has made heavy expenditures for military equipment in the last two years; these have considerably weakened the government's fiscal position.

HOST COUNTRY PROGRAMS

Since 1948, the Ecuadoran economy has experienced a steady rate of growth after a period of more than 20 years of almost complete stagnation. This change can be attributed to a more stable political situation coupled with expanded production and good prices for its major export crops, bananas, cacao and coffee. The government's National Development Bank has fostered this expansion by providing credit facilities for increased cultivation of major exports, especially bananas. This, together with the Government's policy which favors the importation of capital goods, rather than consumer goods, is providing Ecuador with the necessary base for long range economic development.

In addition, the government has embarked on an ambitious ten-year highway program costing $50 million to be financed mostly from taxes on gasoline. It is also completing a railroad from Quito to a new seaport in northern Ecuador and has obtained loans both from the International Bank for Reconstruction and Development (IBRD) and the Export-Import Bank for road development.

The encouragement of increased production for exports and the road and railroad development are doing much to develop the coastal river basins, to provide new lands for the growing population, and to bring greater segments of the population into the money economy. Airport development is also being carried out in Quito and Guayaquil with a loan from the Export-Import Bank; and a loan request is pending with IBRD for port development at Guayaquil.

In 1954 the government set up a National Economic Planning Board which is charged with providing a long-range national development plan and establishing development priorities.

U.S. CONTRIBUTIONS TO HOST COUNTRY PROGRAMS

The United States Technical Cooperation program in Ecuador is primarily concerned with strengthening Ecuadoran Government institutions to provide the necessary facilities for further economic development. It is doing this in:

(1) Agriculture, through the Joint Agricultural Cooperative Service which is concentrating on developing national extension and research facilities which can help Ecuadoran agriculture to continue to increase production of both food crops for national consumption and of export crops. An expanded research program for banana disease control was recently approved and a farm mechanization program has been initiated.

(2) Health, through the Joint Health Program which has helped to eradicate malaria from some of the mountain valleys enabling farmers to get their lands back into production; the program continues to help provide basic health facilities such as potable water and sewer systems on a country-wide basis; it also is providing technical consultants in public health nursing and hospital administration.

(3) Education, through the Joint Education Program which is building up rural teacher training institutions to increase literacy and improve the basic education of the people.

General Narrative Statement (Continued)

(4) Economic Planning, by furnishing three consultants to the technical staff of the National Planning Board to participate with Ecuadoran and United Nations technicians in drawing up long range economic development plans.

(5) Civil Aeronautics, by providing the technical assistance which helped the Ecuadoran Government to draw up its airport development plans and by continuing to advise on civil aviation. During FY 1957, it is also planned to provide consultants in highway construction and maintenance.

(6) Public Administration, by providing consultants in postal management, taxes, municipal finance and budgeting, and bank regulation.

As compared with FY 1956 in which $1,588,000 was approved, in FY 1957 $1,993,000 is being requested to continue the above-mentioned activities as well as new funds to help the Ecuadoran Government with an area development plan in the economically depressed "Panama Hat" provinces, and to continue supporting handicrafts and small industry projects.

MILITARY ASSISTANCE PROGRAM

SECRET

A Bilateral Military Assistance Agreement between the Government of Ecuador and the United States was concluded on February 20, 1952. Subsidiary to this agreement is a secret plan under which Ecuador's primary responsibility for defending its coastal sea communications is recognized. In order to carry out its responsibilities, the Government of Ecuador agreed to raise, train, and contribute the following forces: Army - one Anti-Aircraft Battalion (AW); Navy - 1 Patrol Craft; Air Force - 1 Fighter Squadron. SECRET

The Army program during FY 1950-56 supplied the Ecuadoran Army with combat vehicles, general purpose support vehicles, artillery, weapons, ammunition, and electronics and communication equipment. The Navy program during this period delivered guns, weapons, electronics and communication equipment. The Air Force program for FY 1950-56 provided the Ecuadoran Air Force with 11 F-47 and 7 T-6 aircraft as well as trailers, trucks, ammunition, bombs and rockets, and communication equipment. All three branches of the Ecuadoran armed forces received training during this period of the program.

The requested FY 1957 program for all three services in the Ecuador armed forces is $1.3 million. The Army program is planning to furnish training, spare parts and training ammunition. The Navy program during the coming fiscal year will furnish the Ecuadoran Navy with weapons, machinery and ordnance for the Ecuadoran Navy's modernization program and will deliver electronic test equipment, generators, and machinery for base facilities. The Air Force program as planned will provide spare parts for T-33 and T-6 aircraft as well as weapons and vehicle maintenance, training ammunition, and formal training.

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DEPARTMENT OF DEFENSE
MUTUAL DEFENSE ASSISTANCE PROGRAMS AND PERFORMANCE
VALUE BY TYPE OF ASSISTANCE AND DEPARTMENT
FISCAL YEARS 1950-56 AND PROPOSED FISCAL YEAR 1957

(In Thousands of Dollars)

TABLE IB ECUADOR

TYPE OF MILITARY ASSISTANCE AND DEPARTMENT (1)	CURRENT PROGRAM			PERFORMANCE - 30 NOVEMBER 1955	
	PROPOSED FISCAL YEAR 1957 (2)	FISCAL YEAR 1956 (3)	FISCAL YEARS 1950-56 (4)	ACCOMPLISHED (5)	TO BE ACCOMPLISHED OF FY 1950-56 PROGRAMS (6)
I TOTAL FOR COUNTRY CHARGED TO APPROPRIATIONS	$ 1,320	$ 547	$ 8,213	$ 5,486	$ 2,727
Army	264	328	3,161	2,737	424
Navy	458	143	1,132	663	469
Air Force	598	76	3,920	2,086	1,834
II EQUIPMENT & SUPPLIES - TOTAL	880	85	7,365	5,082	2,283
Army	86	-	2,714	2,598	116
Navy	363	85	983	594	389
Air Force	431	-	3,668	1,890	1,778
III REPAIR AND REHABILITATION OF EXCESS - TOTAL	-	-	110	96	14
Army	-	-	-	-	-
Navy	-	-	-	-	-
Air Force	-	-	110	96	14
IV TRAINING - TOTAL	440	462	738	308	431
Army	178	328	447	139	308
Navy	95	58	149	69	80
Air Force	167	76	142	100	43
VB OTHER - TOTAL	-	-	-	-	-
Army	-	-	-	-	-
Navy	-	-	-	-	-
Air Force	-	-	-	-	-
VI EXCESS STOCKS AT ACQUISITION COST - TOTAL (NOT CHARGED TO APPROPRIATIONS)	-	-	1,968	1,335	633
Army	-	-	29	29	-
Navy	-	-	-	-	-
Air Force	-	-	1,939	1,306	633

DEPARTMENT OF DEFENSE
MUTUAL DEFENSE ASSISTANCE PROGRAMS AND PERFORMANCE - END-ITEMS AND SPARES
QUANTITY AND VALUE BY DEPARTMENT, MAJOR CATEGORIES AND SELECTED ITEMS
FISCAL YEARS 1950-57
(Values in Thousands of Dollars)

TABLE II ECUADOR

DEPARTMENT, CATEGORY AND ITEM (1)	CURRENT PROGRAM						PERFORMANCE 30 NOVEMBER 1955			
	PROPOSED FY 1957		FISCAL YEAR 1956		FISCAL YEARS 1950-56		ACCOMPLISHED		TO BE ACCOMPLISHED OF FY 50-56 PROGRAMS	
	QUANTITY (2)	VALUE (3)	QUANTITY (4)	VALUE (5)	QUANTITY (6)	VALUE (7)	QUANTITY (8)	VALUE (9)	QUANTITY (10)	VALUE (11)
TOTAL DEPARTMENT OF DEFENSE		$ 880		$ 85		$ 7,365		$ 5,082		$ 2,283
ARMY										
TOTAL		$ 86				$ 2,714		$ 2,598		$ 116
COMBAT VEHICLES		5				275		275		
Other Combat Vehicles						264		264		
Combat Vehicle Components & Spare Parts		5				11		11		
GENERAL PURPOSE SUPPORT VEHICLES		12				223		223		
Truck, 1/4 Ton, 4x4 (all models)					10	18	10	18		
Truck, 3/4 Ton, 4x4, Weapons Carrier					5	15	5	15		
Truck, 2-1/2 Ton, 6x6, Cargo, all models					24	115	24	115		
Truck, 4-5-6 Ton, 6x6, Wrecker					1	12	1	12		
Other General Purpose Support Vehicles						27		27		
General Purpose Support Veh Components & Sp Pts		12				36		36		
ARTILLERY		20				758		758		
Gun, Auto, 40mm, M-1, w/crg					24	608	24	608		
Other Artillery						77		77		
Artillery Components & Spare Parts		20				73		73		
WEAPONS		2				65		65		
Carbine, Cal. 30, all models					546	35	546	35		
Other Weapons						23		23		
Weapon Components & Spare Parts		2				7		7		
AMMUNITION, COMPLETE ROUNDS		30				872		866		6
Cartridge, Cal. 30, all types, (Thous)	80	3			470	30	366	26	104	4
Cartridge, Cal. 50, all types, (Thous)	35	12			1,440	478	1,440	478		
Cartridge, HE-T SD Mk. 2 w/f, 40mm Gun (Thous)	3	15			40	273	40	273		
Other Ammunition						91		89		2
ELECTRONICS & COMMUNICATIONS EQUIPMENT		14				300		299		1
Electronics & Communications Equipment						283		282		1
Electronics & Communications Equip Components & Sp Pts		14				17		17		
ALL OTHER EQUIPMENT & SUPPLIES		3				221		112		109
NAVY										
TOTAL		$ 363		$ 85		$ 983		$ 594		$ 389
SHIPS & HARBOR CRAFT		71				339		199		140
Ship & Harbor Craft Components & Sp Pts		71				339		199		140
OTHER NAVAL EQUIPMENT		292		85		644		395		249
Ammunition		3				25				25
Electronics & Communications Equipment		22				163		58		105
Artillery & Weapons		142				80		79		1
Artillery & Weapons Components & Spare Parts		4				2				2
All Other Equipment & Supplies		121		85		373		258		115
AIR FORCE										
TOTAL		$ 431				$ 3,668		$ 1,890		$ 1,778
AIRCRAFT		79			22	1,752	18	1,536	4	216
Fighters					11		11			
F-47					11		11			
Trainers					11	569	7	173	4	396
T-33A					4	477			4	477
Harvard MK IV & T6					7	92	7	173		-81
Aircraft Components & Spare Parts		79				1,183		1,363		-180

DEPARTMENT OF DEFENSE
MUTUAL DEFENSE ASSISTANCE PROGRAMS AND PERFORMANCE - END-ITEMS AND SPARES
QUANTITY AND VALUE BY DEPARTMENT, MAJOR CATEGORIES AND SELECTED ITEMS
FISCAL YEARS 1950-57
(Values in Thousands of Dollars)

TABLE II ECUADOR (Cont'd)

DEPARTMENT, CATEGORY AND ITEM	CURRENT PROGRAM						PERFORMANCE 30 NOVEMBER 1955			
	PROPOSED FY 1957		FISCAL YEAR 1956		FISCAL YEARS 1950-56		ACCOMPLISHED		TO BE ACCOMPLISHED OF FY 50-56 PROGRAMS	
	QUANTITY	VALUE	QUANTITY	VALUE	QUANTITY	VALUE	QUANTITY	VALUE	QUANTITY	VALUE
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
AIR FORCE (Cont'd)										
ALL OTHER AF EQUIPMENT		$ 352				$ 1,916		$ 354		$ 1,562
Ammunition		257				201		113		88
Electronics & Communications Equipment						1,203		56		1,147
Electronics & Communications Equipment Components & Sp Pts		56				47		8		39
All Other Equipment & Supplies		39				465		177		288

LATIN AMERICA

Country: ECUADOR

INDIVIDUAL COUNTRY DATA (EXCLUDES MILITARY ASSISTANCE)

Summary by Major Activity Field

(In thousands of dollars)

Program by Fiscal Year	Total Cost	Agriculture and Natural Resources	Industry and Mining	Trans-portation	Labor	Health and Sanitation	Education	Public Admin.	Community Development, Soc.Welfare and Housing	General and Miscellaneous	Import of Sal. Commod. L/C to be Used for Non-Mil.Activities	Other Costs
Technical Cooperation												
1955	1,351	507	131	86	3	393	190	35		6		
1956	1,588	608	160	85	10	385	245	70		25		
1957	1,993	640	190	81	15	385	330	90		262*		

Summary by Major Cost Components

(In thousands of dollars)

Program by Fiscal Year	Total Cost	Program by Major Cost Components						Number of People			
		Grants to Cooperative Services	Supplies and Equipment	U.S. Employed Technicians	Contract Services	Partici-pants	Other Costs	Technicians (Close FY) U.S. Employed	Technicians (Close FY) Contract	Participants (Programmed During FY) Contract	Participants (Programmed During FY) Non-Contract
Technical Cooperation											
1955	1,351	500		514	50	98	189	41	2		45
1956	1,588	545	28	688	26	125	176	51	5		38
1957	1,993	840	31	793	25	143	161	57	6		48

* Includes $200 thousand for Area Development.

EL SALVADOR

TRADE AND PAYMENTS	1938	1953	1954	1955
		(millions of US $)		(est)
Exports, f.o.b.	10	89	105	118
Imports, c.i.f.	9	72	87	94
Trade balance	1	17	18	24
Principal exports:				
Coffee.....Quantity.....1,000 MT	54	66	62	80
Value..... $ millions	10	77	92	100
Trade with U.S. (US Customs data):				
Exports to U.S.	6	65	61	67
Imports from U.S.	4	37	41	46
Balance	2	28	20	21
Balance of payments:				
Balance on goods and services		9	11	15
Net capital transactions		-1	-1	-15
Change in gold and exchange reserves		*	3	-7
Gold & foreign exch. reserves (Dec. 31)		46	49	42

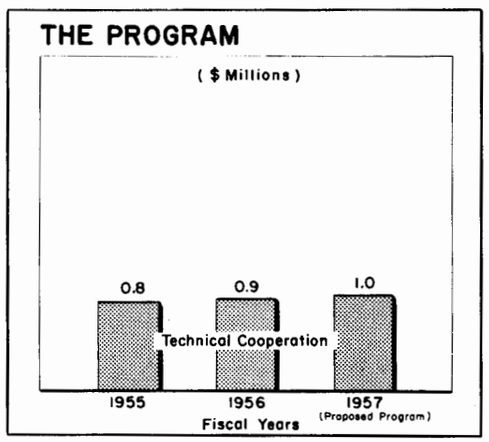
EXTERNAL RESOURCES (millions of US $)	1952	1953	1954	1955	Undisbursed 12/31/55
Ex-Im Bank loan disbursements	-	-	-	-	-
IBRD loan disbursements	4.2	4.3	0.6	0.4	10.7
U.S. Direct Private Investment:					
New direct investment (net)					
Reinvested subsidiary earnings					
Book value, end of year	21	22	23		

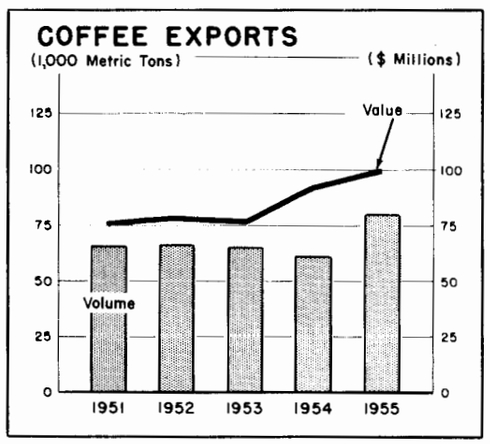
FINANCES	1951	1952	1953	1954	1955 (est)
Gross National Product (*In 1954 prices*)					
Total..... $ millions	405	425	480	510	530
Per capita ..... $	211	214	234	240	244
Central Government Budget ($ millions)-FY ending December 31:					
Revenue	47.0	51.1	56.1	66.1	62.2
Expenditure	48.6	52.5	49.6	60.8	65.1
Percent for defense	9.8%	9.7%	12.0%	8.6%	10.3%
Surplus or deficit(-)	-1.6	-1.4	6.5	5.3	-2.9
Converted at rate of 2.50 colones per $					
Prices					
Wholesale (Index 1948=100)	144	136	146	176	151
Cost of living (Index 1953=100)	95	94	100	104	105(5 mos.)

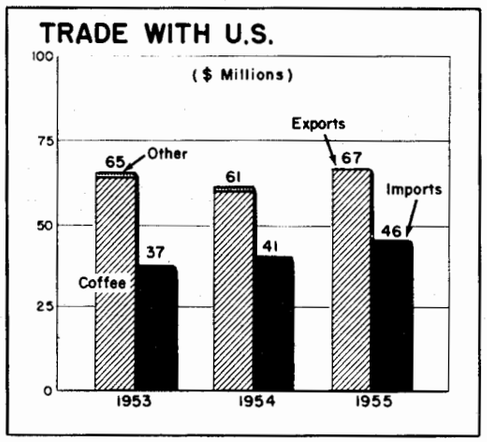
BASIC DATA	
Population (1955)...million	2.2
Annual growth.....percent	3.3
Area..... 1,000 sq.mi.	8
Agric. land.....percent	37
Agric. land per capita..... acres	1.2
Literacy rate.....percent	43
Life expectancy..... years	51
Road miles per 1,000 sq. mi.	490

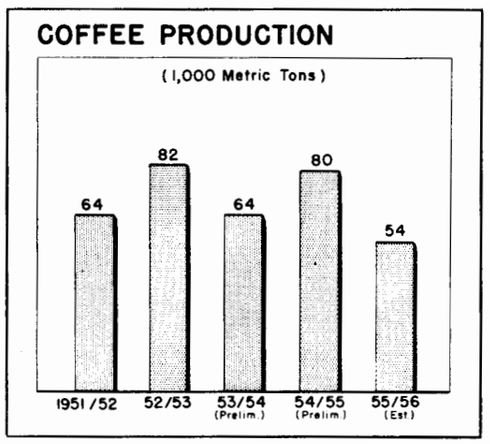
PRODUCTION	Unit	52/53	53/54	54/55	55/56(est)
Agricultural prod... 1935-39=100		148	139	158	
Major crops:					
Coffee	1,000 MT	82	64	80	54
Rice	1,000 MT	27	34	34	
Sugar, centrif.,raw	1,000 MT	29	33	33	33

	1952	1953	1954	1955(est)
Major industries: building materials, sugar refining, food and bakery products, furniture, clothing				









INDIVIDUAL COUNTRY DATA

Summary of Program by Function

(In thousands of dollars)

Function	Program FY 1955	Program FY 1956	Proposed FY 1957
Technical Cooperation	847	927	1,005
Total Country Program	847	927	1,005

General Narrative Statement

U.S. INTERESTS

Importance of El Salvador to U.S. and Western Hemisphere

El Salvador is important to the U.S. because of its proximity, its copartnership in hemisphere affairs and its trade ties with this country. The U.S. takes 80 percent of Salvador's exports and supplies 60 percent of its imports. Salvador is experiencing increasing internal economic and social pressures. It is important to the U.S. and the hemisphere that the Salvadoran people achieve satisfactory and orderly progress toward their legitimate aspirations so as to forestall conditions which would invite Communist exploitation.

Objectives of Mutual Security Program in El Salvador

The Mutual Security Program in El Salvador has as its basic objective maintaining and strengthening the good relations which now exist between the two countries by assisting the Salvadoran Government to plan and promote the economic development of the country and to raise the standards of living.

BASIC ECONOMIC PROBLEMS

El Salvador has substantially a one-crop economy with 90 percent of her exports consisting of coffeee. The present market price of coffeee is adequate to ensure a relatively high level of economic activity. El Salvador has pursued a cautious monetary policy and has been able to maintain a free exchange and a stable currency. A favorable balance of trade has been maintained for years.

High coffee prices, plus a good crop made the 1954-55 coffee crop season a very profitable one. An anticipated decline in prices and production during the present season is expected to reduce the country's foreign exchange earnings.

Despite certain favorable short run factors, El Salvador faces many serious long-term problems. One of her basic problems is over-population. The population density of 263 per square mile is second only to Haiti in Latin America. The per capital Gross National Product is $240. Living standards are generally low.

The country's economy is primarily agricultural, but poor conservation methods have resulted in exhaustion and erosion of the soil. Lack of modern industrial and business

General Narrative Statement (Continued)

techniques limit the use of productive resources and discourage investment. Skill and supervisory labor is in short supply and the earning power of unskilled labor is low. Educational facilities are inadequate and the lack of trained professional, technical and administrative personnel constitute a serious handicap to economic development. Primitive sanitary facilities, inadequate diet and clothing, and a shortage of trained medical workers are conducive to the prevalence of disease which contributes to low productivity.

HOST COUNTRY PROGRAMS

The Salvadoran Government is in the process of developing a long-range plan of economic and social development. The program embraces improvements in banking and financial operations and services, stimulation of industrialization and expansion and diversification of agriculture. In September 1955 the Salvadoran Government created a production development institute to plan and carry out economic development programs.

In the recent past, El Salvador has financed its major projects through the International Bank for Reconstruction and Development. Two sizable loans have been obtained from that agency since 1949; the first in the amount of $12,545,000 was approved in that year for electric power development, and the second loan of $11,100,000, approved in October 1954, was for a coastal highway construction project.

U.S. CONTRIBUTIONS TO HOST COUNTRY PROGRAMS

The United States Technical Cooperation program in El Salvador for FY 1956 involved activities in the following fields:

Agriculture and Natural Resources: This program is designed to assist El Salvador in research on the development of improved varieties and techniques of increasing production of basic food crops as well as such export crops as coffee and henequen. Related to these objectives are programs in insect and disease control of crops and livestock; soil and water conservation and land use; and agricultural vocational education and training.

Industry: This program is carried out through a joint Industrial and Productivity Center and is designed to advise small and medium industries on the improvement of operating methods, including production, management and marketing techniques. It also advises on the development of new industries and assists in the training of executive, technical and supervisory personnel.

Labor: This program involves assisting the Salvadoran Government in establishing and administering an integrated program of furnishing the principal technical labor services required by a growing secondary industry.

Health and Sanitation: The program in this field works through a Servicio and aims at assisting the Salvadoran Government to improve the country's health and sanitary facilities and programs.

Education: The program in this field of activity is devoted to assisting the Salvadoran Government (1) in the organization and administration of vocational education programs, (2) in the development of agricultural education programs in the primary and secondary school system, (3) in the training of teachers of the English language, and (4) in the development of an industrial arts education program.

Public Administration: This field involves assistance to the Salvadoran Government in two types of activity. In the first place, an economic advisor is provided to assist the Ministry of Development in planning for economic development in developing the statistics necessary for such planning. Secondly, assistance is provided in the broad field of government organization for public administration.

In FY 1957, a total of $1,005,000 is being requested for the continuation of the above mentioned activities in addition to a new project costing $50,000 providing assistance in the field of medical education. This represents an increase from the $927,000 programmed in FY 1956.

LATIN AMERICA

Country: EL SALVADOR

INDIVIDUAL COUNTRY DATA

Summary by Major Activity Field

(In thousands of dollars)

Program 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 Miscellaneous
Technical Cooperation										
1955	847	291	171		42	172	104	53	13	1
1956	927	349	142		90	166	108	53		19
1957	1,005	324	142		92	249	105	62		31

Summary by Major Cost Components

(In thousands of dollars)

Program by Fiscal Year	Program by Major Cost Components							Number of People			
								Technicians (Close FY)		Participants (Programmed During FY)	
	Total Cost	Grants to Cooperative Services	Supplies and Equipment	U.S. Employed Technicians	Contract Services	Participants	Other, Costs	U.S. Employed	Contract	Non-Contract	Contract
Technical Cooperation											
1955	847	206		482	14	111	34	36	2	50	
1956	927	167		583		120	57	41		43	
1957	1,005	162		615	65	120	43	43	4	43	

GUATEMALA

BASIC DATA

		Guatemala	U.S.
Population (1955)..... millions	3.2	Caloric intake.....	3,220
Annual growth..... percent	3.2	% grains & starches.....	26
		Literacy rate.....percent	35	97
Area..... 1,000 sq.mi.	42	Life expectancy.....years	37	69
Agricultural land..... percent	18	Road miles per 1,000 sq.mi.	193	1,030
Agricultural land per capita..... acres	1.5	Electric power per capita .....KWH per yr.	31	3,780

GROSS NATIONAL PRODUCT

(In 1954 prices)

	Total $ mill	$ per capita
1951.....	533	194
1952.....	580	195
1953.....	567	186
1954.....	569	181
1955(est).....	580	179

Converted at rate of 1 quetzal per $

TRADE AND PAYMENTS

		1938	1952	1953	1954	1955(est)
		(millions of US $)				
Exports, f.o.b.....		24	95	100	110	105
Imports, c.i.f.....		21	76	80	86	103
Trade balance.....		3	19	20	24	2
Principal exports:						
Coffee.....Quantity.....	1,000 MT	49	61	55	52	60
Value.....	Mill. U.S. $	12	72	68	74	70
Bananas .....Quantity	Mill. Stems		3.8	7.1	6.9	4.9
Value	Mill. U.S. $		12	24	26	19
Trade with U.S. (U.S. Customs data):						
Exports to U.S.....		10	64	63	66	65
Imports from U.S.....		7	40	44	48	56
Balance.....		3	24	19	18	9
Balance of payments						
Balance on goods and services.....			16	3	1	-17
Net capital transactions.....			-15	-5	-2	32
Private.....			-16	-3	-3	
Official and banking.....			1	-2	1	
Government grants.....			-	-	-	
Long-term capital.....			-	2	-	
Short-term capital.....			1	-4	1	
Change in gold and exchange reserves....			3	-2	-3	15
Gold and foreign exchange reserves (Dec.31)			45	43	40	55

EXTERNAL RESOURCES

(millions of US $)

	1951	1952	1953	1954	1955	Undisbursed 12/31/55
Ex-Im Bank loan disbursements.....	-	-	-	-	0.5	2.1
IBRD loan disbursements.....	-	-	-	-	0.7	17.5
U.S. private investment (net)						
New direct investment.....	-1	1	n.a.	-		
Reinvested subsidiary earnings.....	1	1	n.a.	-		
Book value of U.S. direct private investment.....	106	108	107	n.a.		

PRODUCTION

	Unit	Prewar	1952/53	1953/54	1954/55	1955/56(est)
Agricultural production.....	1935-39=100		142	140	143	
Major crops:						
Coffee.....	1,000 MT	60	69	68	61	59
Corn.....	1,000 MT	399	437	483	460	470

	Unit	Prewar	1952	1953	1954	1955(est)
Industrial production.....	1948=100		110	108	108	112
Major industries:						
Electricity.....	Mill.KWH	27	85	90	94	100

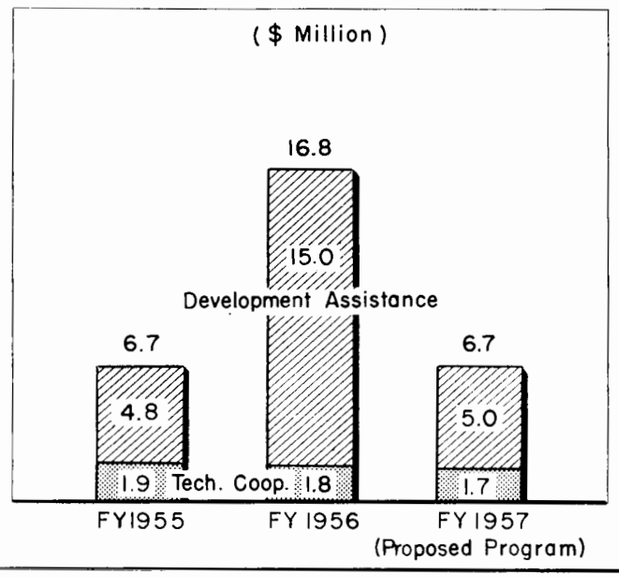
FINANCES

Central Government Budget - FY ending June 30	1953	1954	1955	1956 Est.
	(millions of US dollars)			
Revenue (Excludes counterpart releases and U.S. local currency grants.....	62	65	76	66
Expenditure.....	67	73	76	107
Defense..(Excludes national police).....	6	7	7	9
Capital outlay.....	-	23	22	51
Other non-defense.....	61	43	47	47
Surplus or deficit (-) before counterpart etc..	-5	-8	-	-41
Counterpart releases and US loc.curr.grants....	-	-	5	25
Net surplus or deficit (-).....	-5	-8	5	-16
Defense as percent of total expenditures.....	9%	9%	10%	8%
Defense as percent of GNP.....	1%	1%	1%	n.a.

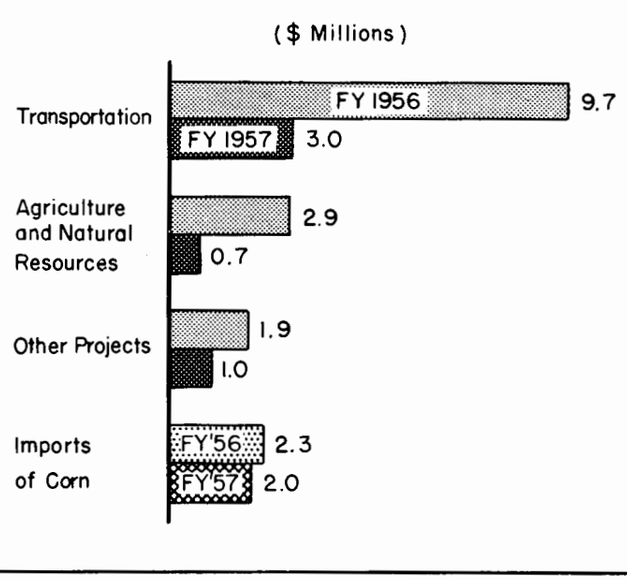
Prices (index 1948=100)	1951	1952	1953	1954	1955(est)
Wholesale		112	112	118	114
Cost of living		117	121	124	127

GUATEMALA

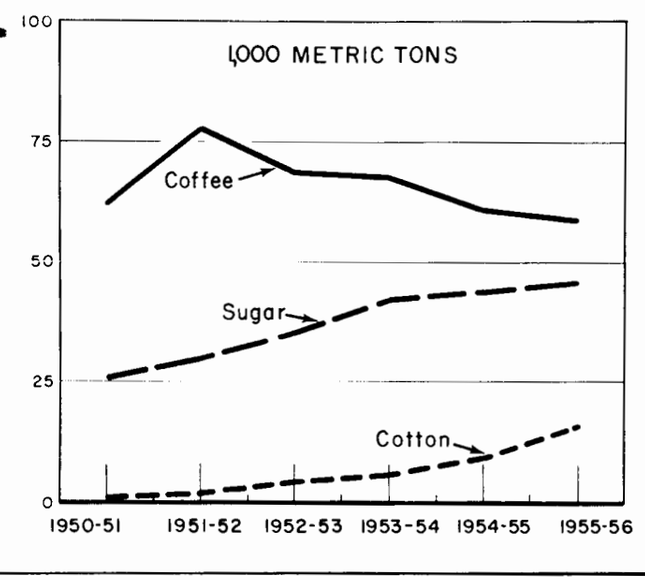
THE PROGRAM



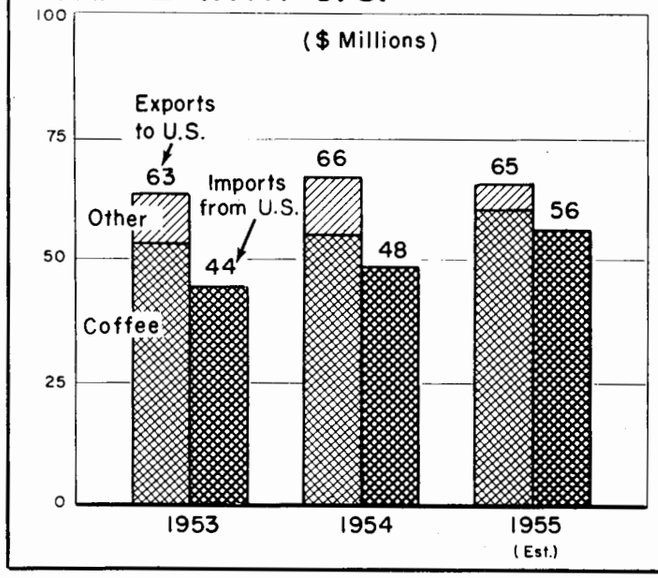
PROGRAM BY ACTIVITY



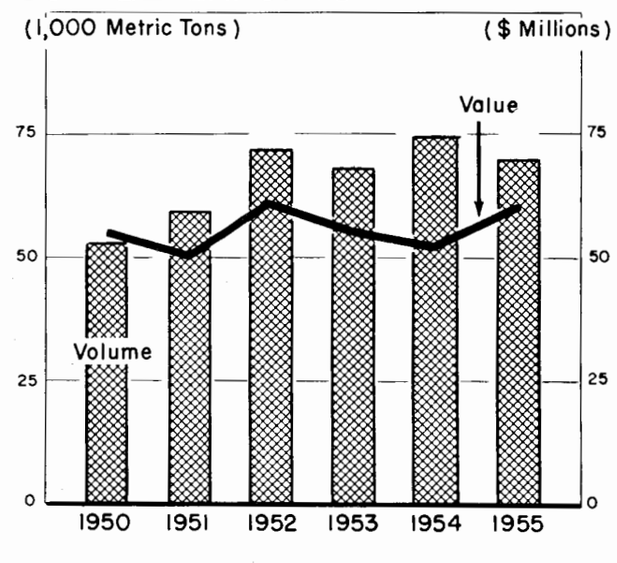
AGRICULTURE PRODUCTION



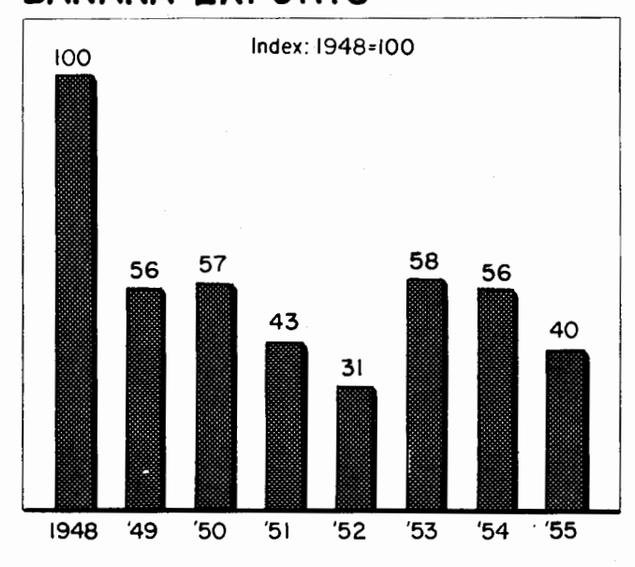
TRADE WITH U.S.



COFFEE EXPORTS



BANANA EXPORTS



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LATIN AMERICA

INDIVIDUAL COUNTRY DATA

Country: GUATEMALA

Summary of Program by Function

(In thousands of dollars)

Function	Program FY 1950/56	Program FY 1956	Proposed FY 1957
Military Assistance	548	548	248
	FY 1955		
Development Assistance	4,800	15,000	5,000
Technical Cooperation	1,862	1,791	1,730
Total Programs	XX	17,339	6,978
MSP Sales Surplus Agricultural Commodities			
1. Sales to this Country		2,300	2,000
2. Sales Proceeds Programmed in this Country		2,300	2,000

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General Narrative Statement

U.S. INTERESTS

Importance of Guatemala to United States and Western Hemisphere

Guatemala presents the special case of a government struggling to repair the political, economic and social damage inflicted on the country by the first pro-Communist government to gain a foothold in the Western Hemisphere. Guatemala's reconstruction efforts are being attentively watched by her neighbors and people throughout the world as an acid test of competing methods of achieving economic and social progress. Therefore, it emerges as a matter of critical necessity for United States to assist Guatemala in its endeavors toward this end.

In addition to the political and strategic importance of Guatemala to the United States, Guatemala sends an estimated 75 percent of her exports to the United States and receives 64 percent of her imports from this country. Guatemala is currently striving to recreate a more favorable climate for foreign private investment.

Objectives of the Mutual Security Program in Guatemala

The aim of the Mutual Security Program in Guatemala is to help prevent the resurgence of a Communist regime which would be a threat to the peace and security of the hemisphere and to help Guatemala consolidate its victory over Communism by making the country a practical demonstration of the superiority of the democratic system over the Soviet approach to economic and social progress. Through mutual cooperation, we seek to bolster the sovereignty and independence of the country so that it can effectively contribute to inter-American

General Narrative Statement (Continued)

solidarity and hemispheric defense.

BASIC ECONOMIC PROBLEMS

Guatemala's economic problems of an immediate nature are almost directly related to the local political situation. Major factors impeding a return to the normal economic situation are:

(1) continuing effects of the loss of business confidence which occurred under the previous pro-Communist regime;

(2) the consequent lag in repatriation of an estimated $50 million of Guatemalan flight capital;

(3) the inheritance of an extremely complicated and potentially explosive land reform program from the deposed Communist government;

(4) the inheritance of an empty treasury and a backlog of unpaid government obligations;

(5) a shortage of capable and experienced public administrators of anti-Communist orientation;

(6) unemployment, although not as serious as a year ago.

In addition, Guatemala shares those basic economic problems common to the Central American region including:

(1) a predominantly one-crop agricultural economy (about 70 percent of foreign exchange derived from coffee exports) characterized by inefficient production, lack of diversification, and inadequate research, training and credit facilities;

(2) inadequate surface communications;

(3) inadequate power and telecommunication facilities;

(4) a grave scarcity of trained personnel in trades and professions;

(5) a very low literacy rate, with a weak and inadequate public education system;

(6) a large Indian population, not yet assimilated into the economy of the country;

(7) poor health conditions resulting in inefficient and unproductive labor.

HOST COUNTRY PROGRAMS

Guatemala has established a National Planning Council which is charged with formulating a long-term development plan. An International Bank for Reconstruction and Development (IBRD) mission in Guatemala prepared in 1951 a report on Guatemalan economic development, which has served as one of the bases for the Government's new Five Year Plan. Major fields of emphasis to date have been in heavy capital investment projects including highways, ports, telecommunications and area development as related to land reform and agriculture. The first project under the Investment Guaranty Agreement has been approved. The Guatemalan Government has adopted a completely new petroleum code and regulations, which are expected to provide a favorable basis for foreign capital participation in the search for and development of possible oil resources.

U.S. CONTRIBUTIONS TO HOST COUNTRY PROGRAMS

Emergency Development Assistance

The Development Assistance Program is aimed at immediate emergency problems. It includes financial assistance in the completion of priority projects in a basic national highway system approved by the National Planning Council. In addition to emergency United States aid, IBRD has loaned Guatemala $18.2 million for these projects. Highway projects are urgently needed in the development of the country; at the same time they relieve unemployment and demonstrate the government's ability to accomplish major improvements on which the Communist regime had wasted large sums of money. The United States is contributing on a 50-50 basis to the completion of the Roosevelt Hospital which the

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Country: GUATEMALA

General Narrative Statement (Continued)

Communists had failed to finish and which Guatemala feels must be placed in operation for prestige purposes as well as because of the extreme need for the hospital itself.

A Rural Development project is being undertaken to bring order and progress out of the chaotic agrarian reform program of the Communists. A planned area development program is being initiated to settle farmers on plots of government land which can be developed to produce a suitable living. Technical assistance in the development of extension and credit facilities needed for success of the project are being provided. A demonstration project, making agricultural machinery available for small farmers and grain storage facilities on a decentralized basis, is designed to provide distribution of modern agricultural tools. Self-help housing activities to demonstrate the "aided-self-help" technique and to serve one of Guatemala's expressed high priority needs, are also included in the development assistance program.

Although under present conditions no major new activities are contemplated in the continuation of the development assistance program in Guatemala in FY 1957, continuation of the above projects is of extreme importance in her program of recovery.

For FY 1957, $5,000,000 is requested to continue activities described above. This represents a decrease from the $15,000,000 programmed in FY 1956, and is contingent upon accomplishments resulting from funds previously authorized as well as continuance of the present degree of stability within the country.

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Technical Cooperation

The technical assistance program is directed toward the principal problems common to most under-developed areas in specified fields.

Agriculture & Natural Resources: Major emphasis is placed on the agriculture program which includes assistance in the development of a country-wide extension service, expansion and improvement of training facilities, and research for crop improvement and diversification. The contract with the International Development Service to provide technical assistance in establishing and administering programs of regional planning, land development, land settlement, and supervised credit will continue during FY 1957.

Industry & Mining: Assistance will be given in such fields as increasing productivity in existing small industries and encouraging the establishment of new industries. Training programs will be continued in both Transportation and Labor fields.

Health & Sanitation: In the health field all work has been directed toward completing construction and equipping the Roosevelt Hospital, together with assistance to the Government in placing the hospital in operation. The first unit, a maternity wing, was opened for patients in December. A general public health program starting with work in environmental sanitation is planned in FY 1957.

Education: This program is designed to counteract ten years of pro-Communist domination of the education system; to help reduce illiteracy and develop greater citizen participation in government and community activities; to improve and extend the training of rural teachers; to assist in reorganization of secondary education, making it more practical and useful; and to develop an industrial arts training program. A successful education program has considerable political importance in view of the intensive activities in the education field perpetuated by the Communists.

Public Administration: A contract with a United States consultant firm to furnish experienced and specialized technical consultation training and assistance to Guatemala in economic development, public finance, and public administration related to these fields is scheduled to continue.

Civil Police Administration in Guatemala is inadequate due to lack of modern methods and training facilities. A survey of the situation is being made and further assistance will depend on the findings and related requests from the Government of Guatemala. Training in this field will be continued.

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For FY 1957, $1,730,000 is requested to continue activities described above. This represents a decrease from the $1,791,000 programmed in FY 1956. As the program is now underway, a slight decrease has been made in overall costs.

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Country: GUATEMALA

General Narrative Statement (Continued)

MILITARY ASSISTANCE PROGRAM

A Bilateral Military Assistance Agreement was signed on June 18, 1955 between the United States and Guatemala. A subsidiary agreement to the Bilateral Agreement is a secret military plan which delineates the mission of each country in hemispheric defense. Under this plan Guatemala's primary responsibility to defend sea communications within its territorial waters was recognized. In addition, Guatemala has agreed to raise, train and contribute one infantry battalion for hemispheric defense.

Program for FY 1957

Only one military aid program (Army) is contemplated for the Republic of Guatemala in FY 1957. This program is in the amount of $248,000. The major item will be training ($100,000) with approximately $60,000 for equipment for the infantry battalion and about $80,000 for spare parts and training ammunition.

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DEPARTMENT OF DEFENSE
MUTUAL DEFENSE ASSISTANCE PROGRAMS AND PERFORMANCE
VALUE BY TYPE OF ASSISTANCE AND DEPARTMENT
FISCAL YEARS 1950-56 AND PROPOSED FISCAL YEAR 1957

(In Thousands of Dollars)

TABLE IB GUATEMALA

TYPE OF MILITARY ASSISTANCE AND DEPARTMENT (1)	CURRENT PROGRAM			PERFORMANCE - 30 NOVEMBER 1955	
	PROPOSED FISCAL YEAR 1957 (2)	FISCAL YEAR 1956 (3)	FISCAL YEARS 1950-56 (4)	ACCOMPLISHED (5)	TO BE ACCOMPLISHED OF FY 1950-56 PROGRAMS (6)
I TOTAL FOR COUNTRY CHARGED TO APPROPRIATIONS	$ 248	$ 548	$ 548	$ 12	$ 536
Army	248	548	548	12	536
Navy	-	-	-	-	-
Air Force	-	-	-	-	-
II EQUIPMENT & SUPPLIES - TOTAL	142	477	477	-	477
Army	142	477	477	-	477
Navy	-	-	-	-	-
Air Force	-	-	-	-	-
III REPAIR AND REHABILITATION OF EXCESS - TOTAL	-	23	23	-	23
Army	-	23	23	-	23
Navy	-	-	-	-	-
Air Force	-	-	-	-	-
IV TRAINING - TOTAL	106	48	48	12	36
Army	106	48	48	12	36
Navy	-	-	-	-	-
Air Force	-	-	-	-	-
VB OTHER - TOTAL	-	-	-	-	-
Army	-	-	-	-	-
Navy	-	-	-	-	-
Air Force	-	-	-	-	-
VI EXCESS STOCKS AT ACQUISITION COST - TOTAL (NOT CHARGED TO APPROPRIATIONS)	-	50	50	-	50
Army	-	50	50	-	50
Navy	-	-	-	-	-
Air Force	-	-	-	-	-

TABLE II GUATEMALA

DEPARTMENT OF DEFENSE
MUTUAL DEFENSE ASSISTANCE PROGRAMS AND PERFORMANCE - END-ITEMS AND SPARES
QUANTITY AND VALUE BY DEPARTMENT, MAJOR CATEGORIES AND SELECTED ITEMS
FISCAL YEARS 1950-57
(Values in Thousands of Dollars)

DEPARTMENT, CATEGORY AND ITEM (1)	CURRENT PROGRAM						PERFORMANCE 30 NOVEMBER 1955			
	PROPOSED FY 1957		FISCAL YEAR 1956		FISCAL YEARS 1950-56		ACCOMPLISHED		TO BE ACCOMPLISHED OF FY 50-56 PROGRAMS	
	QUANTITY (2)	VALUE (3)	QUANTITY (4)	VALUE (5)	QUANTITY (6)	VALUE (7)	QUANTITY (8)	VALUE (9)	QUANTITY (10)	VALUE (11)
TOTAL DEPARTMENT OF DEFENSE		$ 142		$ 477		$ 477		$		$ 477
ARMY										
TOTAL		$ 142		$ 477		$ 477				$ 477
GENERAL PURPOSE SUPPORT VEHICLES		65		85		85				85
Truck, 1/4 Ton, 4x4 (all models)	9	18	38	*	38	*			38	*
Truck, 3/4 Ton, 4x4, Weapons Carrier			6	19	6	19			6	19
Truck, 2-1/2 Ton, 6x6, Cargo, all models	5	30	5	28	5	28			5	28
Other General Purpose Support Vehicles		2		14		14				14
General Purpose Support Veh Components & Sp Pts		15		24		24				24
ARTILLERY		6		39		39				39
Other Artillery		3		33		33				33
Artillery Components & Spare Parts		3		6		6				6
WEAPONS		20		98		98				98
Carbine, Cal. 30, all models	15	1	91	8	91	8			91	8
Rifle, U. S., Cal. 30, M1 Series	48	5	379	34	379	34			379	34
Other Weapons		7		44		44				44
Weapon Components & Spare Parts		7		12		12				12
AMMUNITION, COMPLETE ROUNDS		38		158		158				158
Cartridge, Cal. 30, all types, (Thous)	206	21	564	42	564	42			564	42
Cartridge, Cal. 50, all types, (Thous)	2	1	12	4	12	4			12	4
Shell, HE M1 w/f 105mm Howitzer M2 (Thous)			**	12	**	12			**	12
Other Ammunition		16		100		100				100
RELATED AMMUNITION COMPONENTS, EQUIP & SUPPLIES				1		1				1
ELECTRONICS & COMMUNICATIONS EQUIPMENT		10		33		33				33
Electronics & Communications Equipment		8		26		26				26
Electronics & Communications Equip Components & Sp Pts		2		7		7				7
ALL OTHER EQUIPMENT & SUPPLIES		3		64		64				64

* Less than $500.
** Less than 1,000 rounds.

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LATIN AMERICA

Country: GUATEMALA

INDIVIDUAL COUNTRY DATA (EXCLUDES MILITARY ASSISTANCE)

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, Soc.Welfare and Housing	General and Miscellaneous	Import of Sal. Commod. L/C to be used for Non-Mil. Activities	Other Costs
Development Assistance												
1955	4,800			3,675		960						165[a/]
1956	15,000	2,135		9,661		140			764		2,300	
1957	5,000			3,000							2,000	CONFIDENTIAL
Technical Cooperation												
1955	1,862	884	29	38	33	89	309	435		45		
1956	1,791	805	74	42	20	343	300	61	79	67		
1957	1,730	680	68	30	15	340	320	140	70	67		
Total Programs												
1955	6,662	884	29	3,713	33	1,049	309	435		45		165
1956	16,791	2,940	74	9,703	20	483	300	61	843	67	2,300	
1957	6,730	680	68	3,030	15	340	320	140	70	67	2,000	CONFIDENTIAL

a/ Includes 30 thousand for relief supplies and 135 thousand for ocean transportation costs.

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LATIN AMERICA

Country: GUATEMALA

INDIVIDUAL COUNTRY DATA (EXCLUDES MILITARY ASSISTANCE)

Summary by Major Cost Components

(In thousands of dollars)

Programs by Fiscal Year	Program by Major Cost Components							Number of People			
								Technicians (Close FY)		Participants (Programmed During FY)	
	Total Cost	Grants to Cooperative Services	Supplies and Equipment	U.S. Employed Technicians	Contract Services	Partic-ipants	Other Costs	U.S. Employed	Contract	Contract	Non-Contract
Development Assistance											
1955	4,800	960	250				3,590				
1956	15,000	140	2,300				12,560				
1957	5,000		2,000				3,000				
Technical Cooperation											
1955	1,862	325		235	823	320	159	24	9		181
1956	1,791	430		616	173	387	185	42	25		143
1957	1,730	400		668	250	258	154	48	30		116
Total Programs											
1955	6,662	1,285	250	235	823	320	3,749	24	9		181
1956	16,791	570	2,300	616	173	387	12,745	42	25		143
1957	6,730	400	2,000	668	250	258	3,154	48	30		116

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Country: GUATEMALA

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INDIVIDUAL COUNTRY DATA (EXCLUDES MILITARY ASSISTANCE)

Summary of Commodity Imports

(In thousands of dollars)

Imports	Program FY 1955	FY 1956	FY 1957
Commodities			
Food and Agricultural Imports			
Coarse Grains		2,300	2,000
Total Food and Agricultural Imports		2,300	2,000
Industrial Imports			
Raw and Semi-Finished Products	150		
Machinery and Vehicles	100		
Total Industrial Imports	250		
Total Commodity Import Program	250	2,300	2,000

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LATIN AMERICA

Country: GUATEMALA

INDIVIDUAL COUNTRY DATA

Utilization of Local Currency Resulting from MSP Assistance

(In thousands of dollar equivalents)

Dollar Transactions Generating Local Currency FY 1957 Program	Amount
Import of Saleable Commodities	
Surplus Agricultural Commodities	
Section 402	2,000
Other	
Total Saleables	2,000
Other Local Currency Generating Transactions	
Dollar Grants (Exchange Transaction)	3,000
Other	
Total	3,000
Deduct U.S. Portion of Deposits	
Net Availability from FY 1957 Program	5,000
Prior Year Program Availability	
Estimated on Deposit June 30, 1956	
Anticipated Additional Deposits on Prior Year Programs	2,000
Total Local Currency Availability	7,000

Plan for Utilization of Available Local Currency Purpose of Local Currency Use	Amount Withdrawn FY 1957	Amount Withdrawn After 1957	Total Withdrawn 1957 and After
1. Local Cost of Military Construction Projects			
2. Local Cost of Military Activities (Non-Construction)			
3. Local Cost of Economic Development Projects.	5,000	2,000	7,000
4. Local Cost of Technical Assistance Projects			
5. All Other Local Costs			
Total	5,000	2,000	7,000

HAITI

TRADE AND PAYMENTS	1952	1953	1954	1955
		(millions of US $)		(est)
Exports, f.o.b.	7	38	55	35
Imports, c.i.f.	8	44	48	38
Trade balance	-1	-6	7	-3
Principal exports:				
Coffee.....Quantity..... 1,000 MT	25	23	32	23
Value.....$ millions	3	25	44	27
Sisal.....Quantity..... 1,000 MT	7	20	24	32
Value.....$ millions	1	5	5	5
Trade with U.S. (US Customs data):				
Exports to U.S.	3	17	25	17
Imports from U.S.	4	29	36	32
Balance	-1	-12	-11	-15
Balance of payments:(FY ending September 30)				
Balance on goods and services		-14	9	-4
Net capital transactions		12	4	1
Change in gold and exchange reserves		4	-10	3
Gold & foreign exch. reserves (Dec. 31)	not available			

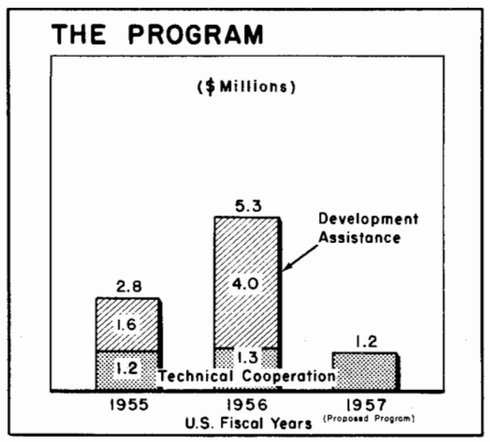
EXTERNAL RESOURCES (millions of US $)	1952	1953	1954	1955	Undisbursed 12/31/55
Ex-Im Bank loan disbursements	-	2	7	10	7
IBRD loan disbursements	-	-	-	-	-
U.S. Direct Private Investment:					
New direct investment (net)	-	-	-	-	-
Reinvested subsidiary earnings	-	-	-	-	
Book value, end of year	15	15	16		

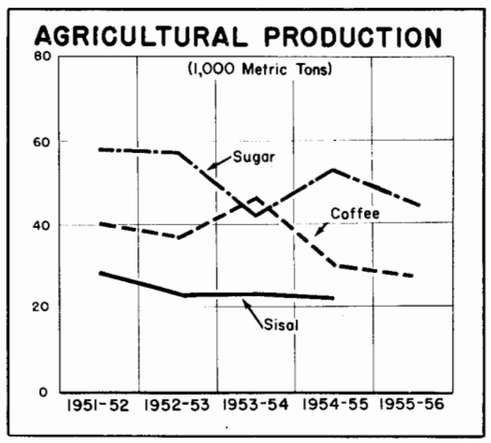
FINANCES	1951	1952	1953	1954	1955 (est)
Gross National Product (*In 1954 prices*)					
Total..... $ millions	n.a.	n.a.	n.a.	320	260
Per capita ..... $	n.a.	n.a.	n.a.	94	75
Central Government Budget ($ millions)-FY ending September 30:					
Revenue	25.0	29.3	29.7	35.7	27.2
Expenditure	24.3	32.0	30.4	35.0	37.9
Percent for defense (incl. police)	16.0%	13.6%	17.4%	20.6%	18.9%
Surplus or deficit(-)	0.7	-2.7	-0.7	0.7	-10.7
Converted at rate of 5 gourdes per $					
Prices					
Wholesale	Not Available				
Cost of living (1953 = 100)	101	108	100	101	112

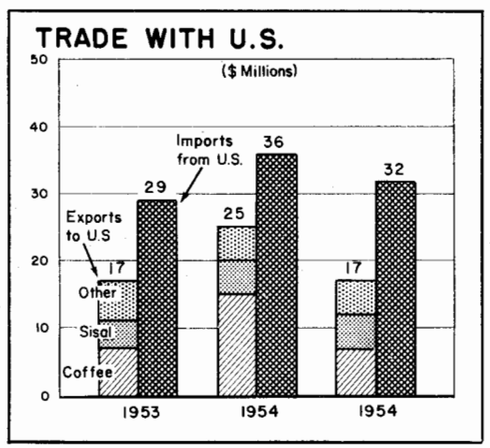
BASIC DATA	
Population (1955)...million	3.4
Annual growth.....percent	0.8
Area..... 1,000 sq.mi.	11
Agric. land.....percent	16
Agric. land per capita..... acres	0.4
Literacy rate.....percent	10
Life expectancy..... years	n.a.
Road miles per 1,000 sq. mi.....	169

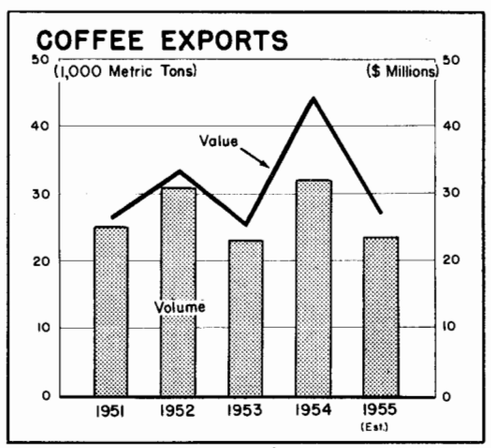
PRODUCTION	Unit	52/53	53/54	54/55	55/56(est)
Agricultural prod... 1935-39-100		137	140	113	
Major crops:					
Sugar,centrifugal,raw	1,000 MT	57	42	53	45
Coffee	1,000 MT	37	46	30	27
Sisal	1,000 MT	23	23	22	

	1952	1953	1954	1955(est.)
Major industries:				
handicraft; textiles, saw milling; construction materials				









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LATIN AMERICA

INDIVIDUAL COUNTRY DATA

Country: HAITI

Summary of Program by Function

(In thousands of dollars)

Function	Program FY 1950/56	FY 1956	Proposed FY 1957
Military Assistance	1,301	1,276	653
	FY 1955		
Development Assistance	1,590	4,000	
Technical Cooperation	1,238	1,356	1,152
Total Programs	XX	6,632	1,805

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General Narrative Statement

U.S. INTERESTS

Importance of Haiti to the United States and Western Hemishpere

Haiti's importance derives from its strategic position astride the approaches to the Panama Canal. It is the second oldest independent republic of the hemisphere. 70 percent of its imports and 50 percent of its exports are with this country. Over population and underdevelopment could make Haiti fertile ground for Communist activity.

Objectives of the Mutual Security Program in Haiti

Our objectives are to maintain Haiti's economy through its development programs; to improve living standards in order that Haiti may become a more stable and effective democracy; to make Haiti self-sufficient in basic food stuffs insofar as tropical agriculture permits; to furnish technical assistance in the fields of transportation, public health and education; and to assist Haiti in contributing to hemispheric defense.

BASIC ECONOMIC PROBLEMS

Low per capita income, overpopulation, declining agricultural resources, illiteracy and malnutrition, failure of the Haitians to adopt effective measures of their own, and a lack of understanding among the Haitian public of the country's real needs constitute the principal problems affecting Mutual Security Programs in this country.

HOST COUNTRY PROGRAMS

The over-all problems confronting Haiti were aggravated by the 1954 hurricane which caused great devastation. To solve these problems the government devised a plan for reconstruction and economic rehabilitation. This plan placed major emphasis on repair of the devastated areas, but included several long range development projects. The U.S. will participate in certain selected parts of this plan.

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General Narrative Statement (Continued)

U.S. CONTRIBUTIONS TO HOST COUNTRY PROGRAMS

Programs in FY 1956

Haiti is receiving emergency development funds ($4 million) to aid in basic reconstruction and rehabilitation of its access roads and irrigation systems, development of its Artibonite Valley, together with technical cooperation projects ($1.356 million) principally in the fields of agriculture, health, and education which support Haiti's program in these fields. The programs contribute to solution of Haiti's basic problems and assist her in utilizing her limited resources to overcome the effects of the 1954 hurricane disaster.

Programs in FY 1957

In FY 1957, a total of $1,152,000 is being requested for continuation of technical cooperation in Haiti. This cooperation is designed to improve the national program in agriculture and land irrigation ($476,800), and to continue programs in education ($225,000) and health ($343,000) with emphasis on the development of rural health and education centers.

THE MILITARY ASSISTANCE PROGRAM

Historical Background

The Bilateral Military Agreement between Haiti and the United States was signed the 28th of January 1955. Subsidiary to this agreement was a secret plan in which Haiti's principal mission of the defense of her coastal maritime communications was affirmed. In support of this mission, Haiti agreed to provide personnel to operate three patrol craft.

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FY 1950-56 Program

Military aid programs in prior fiscal years have not furnished Haiti with Army or Air Force equipment. The Navy program has provided patrol craft components and spare parts. However, training aids which were programmed during this period remain undelivered. While there was no Air Force materiel program in FY 1950-56, the U.S. Air Force did provide some air training. The cost of material and training programs for Haiti during FY 1950-56 is as follows: Navy - $1.28 million; Air Force - $0.02 million (training only).

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Anticipated Accomplishments for FY 1957

Only one materiel program is contemplated for Haiti in FY 1957. This is the Navy program. It envisages furnishing the Haitian Navy with one coast guard patrol boat, patrol craft spares, and gun and anti-submarine warfare ammunition. The amount of this program is $644,000 and included in it is $27,000 for formal training.

The Air Force again plans to have a training program for Haiti in FY 1957 but no materiel program. The Air Force program will provide Haiti with formal training in the amount of $9,000.

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DEPARTMENT OF DEFENSE
MUTUAL DEFENSE ASSISTANCE PROGRAMS AND PERFORMANCE
VALUE BY TYPE OF ASSISTANCE AND DEPARTMENT
FISCAL YEARS 1950-56 AND PROPOSED FISCAL YEAR 1957

(In Thousands of Dollars)

TABLE IB HAITI

TYPE OF MILITARY ASSISTANCE AND DEPARTMENT (1)	CURRENT PROGRAM			PERFORMANCE - 30 NOVEMBER 1955	
	PROPOSED FISCAL YEAR 1957 (2)	FISCAL YEAR 1956 (3)	FISCAL YEARS 1950-56 (4)	ACCOMPLISHED (5)	TO BE ACCOMPLISHED OF FY 1950-56 PROGRAMS (6)
I TOTAL FOR COUNTRY CHARGED TO APPROPRIATIONS	$ 653	$ 1,276	$ 1,301	$ 3	$ 1,298
Army	-	-	-	-	-
Navy	644	1,254	1,279	-	1,279
Air Force	9	22	22	3	19
II EQUIPMENT & SUPPLIES - TOTAL	617	1,210	1,236	-	1,236
Army	-	-	-	-	-
Navy	617	1,210	1,236	-	1,236
Air Force	-	-	-	-	-
III REPAIR AND REHABILITATION OF EXCESS - TOTAL	-	-	-	-	-
Army	-	-	-	-	-
Navy	-	-	-	-	-
Air Force	-	-	-	-	-
IV TRAINING - TOTAL	36	65	65	3	62
Army	-	-	-	-	-
Navy	27	43	43	-	43
Air Force	9	22	22	3	19
VB OTHER - TOTAL	-	-	-	-	-
Army	-	-	-	-	-
Navy	-	-	-	-	-
Air Force	-	-	-	-	-
VI EXCESS STOCKS AT ACQUISITION COST - TOTAL (NOT CHARGED TO APPROPRIATIONS)	-	109	109	-	109
Army	-	-	-	-	-
Navy	-	109	109	-	109
Air Force	-	-	-	-	-

DEPARTMENT OF DEFENSE
MUTUAL DEFENSE ASSISTANCE PROGRAMS AND PERFORMANCE - END-ITEMS AND SPARES
QUANTITY AND VALUE BY DEPARTMENT, MAJOR CATEGORIES AND SELECTED ITEMS
FISCAL YEARS 1950-57
(Values in Thousands of Dollars)

TABLE II HAITI

DEPARTMENT, CATEGORY AND ITEM	CURRENT PROGRAM						PERFORMANCE 30 NOVEMBER 1955			
	PROPOSED FY 1957		FISCAL YEAR 1956		FISCAL YEARS 1950-56		ACCOMPLISHED		TO BE ACCOMPLISHED OF FY 50-56 PROGRAMS	
	QUANTITY	VALUE	QUANTITY	VALUE	QUANTITY	VALUE	QUANTITY	VALUE	QUANTITY	VALUE
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
TOTAL DEPARTMENT OF DEFENSE		$ 617		$ 1,210		$ 1,236		$		$ 1,236
NAVY										
TOTAL		$ 617		$ 1,210		$ 1,236		$		$ 1,236
SHIPS AND HARBOR CRAFT	1	612	2	1,200	2	1,200			2	1,200
All Other Ships & Harbor Craft	1	600	2	1,200	2	1,200			2	1,200
Ship & Harbor Craft Components & Sp Pts		12								
OTHER NAVAL EQUIPMENT		5		10		36				36
Ammunition		5								
All Other Equipment & Supplies				10		36				36

INDIVIDUAL COUNTRY DATA (EXCLUDES MILITARY ASSISTANCE)

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, Soc.Welfare and Housing	General and Miscellaneous	Imports of Sal. Commod. L/C to be used for Non-Mil. Activities	Other Costs
Development Assistance												
1955	1,590	425		325								840
1956	4,000	3,474		526								
1957												
Technical Cooperation												
1955	1,238	714			5	273	156	12	30	48		
1956	1,356	635			26	343	226	10		116		
1957	1,152	476				343	225	30		78		
Total Programs												
1955	2,828	1,139		325	5	273	156	12	30	48		840
1956	5,356	4,109		526	26	343	226	10		116		
1957	1,152	476				343	225	30		78		

LATIN AMERICA

Country: HAITI

INDIVIDUAL COUNTRY DATA (EXCLUDES MILITARY ASSISTANCE)

Summary by Major Cost Components

(In thousands of dollars)

Programs by Fiscal Year	Program by Major Cost Components							Number of People			
								Technicians (Close FY)		Participants (Programmed During FY)	
	Total Cost	Grants to Cooperative Services	Supplies and Equipment	U.S. Employed Technicians	Contract Services	Participants	Other Costs	U.S. Employed	Contract	Contract	Non-Contract
Development Assistance											
1955	1,590		327				1,263				
1956	4,000		300				3,700				
1957											
Technical Cooperation											
1955	1,238	456	145	450	29	48	110	36	1		27
1956	1,356	302	160	445	25	134	290	35			34
1957	1,152	278	180	447		152	95	35			39
Total Programs											
1955	2,828	456	472	450	29	48	1,373	36	1		27
1956	5,356	302	460	445	25	134	3,990	35			35
1957	1,152	278	180	447		152	95	35			29

LATIN AMERICA

Country: HAITI

INDIVIDUAL COUNTRY DATA (EXCLUDES MILITARY ASSISTANCE)

Summary of Commodity Imports

(In thousands of dollars)

Imports	Program FY 1955	FY 1956	FY 1957
Industrial Imports			
Machinery and Vehicles	30	300	-
Miscellaneous and Unclassified (Seeds, hand tools, medicines)	297	-	-
Total Industrial Imports	327	300	-
Total Commodity Import Program	327	300	-

HONDURAS

TRADE AND PAYMENTS	1938	1953	1954	1955
		(millions of US $)		(est)
Exports, f.o.b.	11	67	60	50
Imports, c.i.f.	12	62	59	67
Trade balance	-1	5	1	-17
Principal exports:	1939			
Bananas.....Quantity..... 1,000 MT	305	280	209	177
Value.....$ millions	6	41	34	29
Coffee.....Quantity..... 1,000 MT	2	11	10	11
Value.....$ millions	-	12	14	12
Trade with U.S. (US Customs data):	1938			
Exports to U.S.	6	30	27	21
Imports from U.S.	6	36	33	34
Balance	-	-6	-6	-13
Balance of payments:				
Balance on goods and services		-2	-3	-17
Net capital transactions		5	5	13
Change in gold and exchange reserves		1	2	-4
Gold & foreign exch. reserves (Dec. 31)		24	26	22

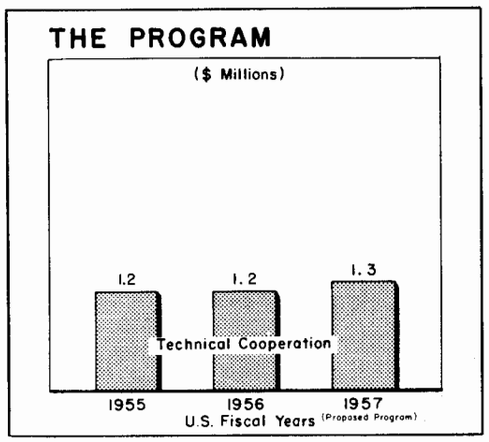
EXTERNAL RESOURCES (millions of US $)	1952	1953	1954	1955	Undisbursed 12/31/55
Ex-Im Bank loan disbursements	-	-	-	-	
IBRD loan disbursements	-	-	-	-	
U.S. Direct Private Investment:					
New direct investment (net)	2	-	1		
Reinvested subsidiary earnings	1	1	2		
Book value, end of year	81	82	85		

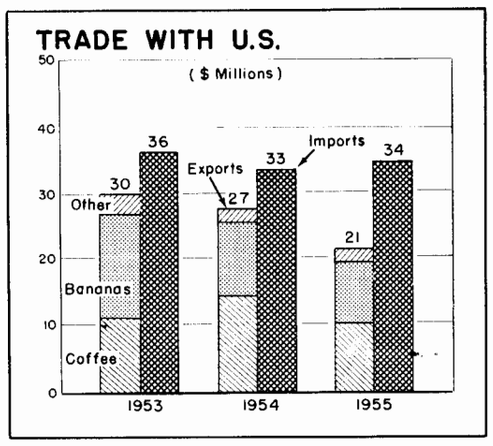
FINANCES	1951	1952	1953	1954	1955 (est)
Gross National Product *(In 1954 prices)*					
Total..... $ millions	251	264	264	230	228
Per capita ..... $	171	174	168	143	137
Central Government Budget ($ millions)-FY ending December 31:					
Revenue	18.5	21.0	25.3	23.5	22.1
Expenditure	16.4	20.3	24.7	27.4	24.0
Percent for defense (ex. police)	18.3%	16.7%	12.1%	9.9%	10.4%
Surplus or deficit(-)	2.1	0.7	0.6	-3.9	-1.9
Converted at rate of 2 lempiras per $					
Prices (index 1948-100)					
Wholesale	Not Available				
Cost of living	120	117	120	127	138

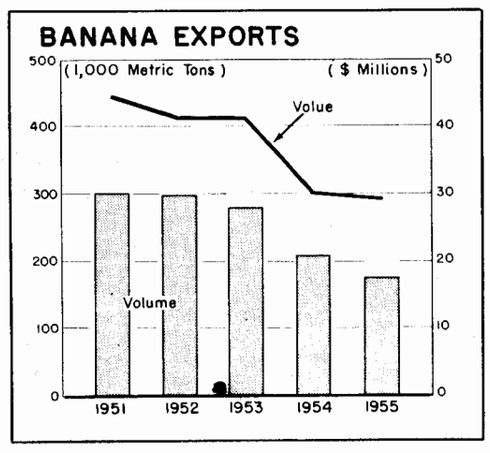
BASIC DATA	
Population (1955)...million	1.7
Annual growth.....percent	3.2
Area..... 1,000 sq.mi.	43
Agric. land.....percent	18
Agric. land per capita..... acres	3
Literacy rate.....percent	35
Life expectancy..... years	n.a.
Road miles per 1,000 sq. mi.....	22

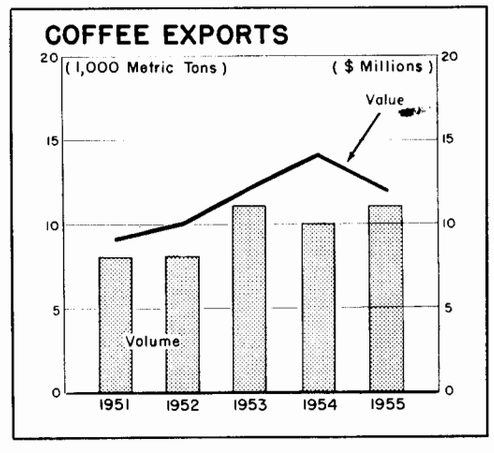
PRODUCTION Unit	52/53	53/54	54/55	55/56(est)
Agricultural prod... 1935-39-100	152	154	156	
Major crops:				
Corn..... 1,000 MT	191	184	159	202
Coffee..... 1,000 MT	12	15	13	15
	1952	1953	1954	1955(est)

Major industries:
construction, lumber products, soap, textiles









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LATIN AMERICA

Country: HONDURAS

INDIVIDUAL COUNTRY DATA

Summary of Program by Function

(In thousands of dollars)

Function	Program FY 1950/56	FY 1956	Proposed FY 1957
Military Assistance	565	59	91
	FY 1955		
Development Assistance	24		
Technical Cooperation	1,181	1,190	1,290
Total Programs	XX	1,249	1,381

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General Narrative Statement

U.S. INTERESTS

Importance of Honduras to U.S. and Western Hemisphere

Honduras, situated midway in the Central American area occupies an important position both politically and economically in Central America. Communism, if it developed here, would be a threat not only to Honduras but to the entire area; and on the other hand strident nationalism would be an economic obstacle. Honduras has maintained a friendly and cooperative attitude toward United States foreign policy objectives on a worldwide basis. The bulk of its export and import trade is with the United States and the climate for investment of private capital in Honduras is favorable.

Objectives of Mutual Security Program in Honduras

The basic objectives of the Mutual Security Program in Honduras are to encourage and assist in sound economic development, as well as in the evolution of democratic institutions and political stability; to aid the Honduran Government in its efforts to improve fiscal and administrative policies; and to foster and protect legitimate United States commercial and investment interests, and to assist Honduras to contribute effectively to hemispheric defense.

BASIC ECONOMIC PROBLEMS

Honduras has a predominantly agricultural economy which has remained fairly stable over the years despite an unstable political pattern. The foundations of the economy rest securely with the production and export of bananas, coffee, and lumber. Although only about 18 percent of the land is devoted to agriculture, half of the land is privately owned while the rest is either nationalized or community land. Imports and exports have increased in recent years, with foreign assets

General Narrative Statement (Continued)

remaining firm. Prices have remained fairly stable, and government revenues have been bolstered by income from registry of commercial ships.

During 1955, floods and a long strike of fruit workers resulted in certain economic dislocations, the effects of which are just beginning to subside. The Honduran standard of living is low, 65 percent of the populace is illiterate, and per capita caloric intake is substandard.

Honduras' basic economic needs are to promote agricultural diversification and greater agricultural efficiency, through improved extension and research activities. Development of private industry is needed. Adequate educational and health facilities are lacking and standards must be raised. The development of proved resources and improvement in transportation facilities are prerequisites to further economic progress.

HOST COUNTRY PROGRAMS

Honduras has been slow in developing an over-all plan for economic development, but within the past year there has been coordinated study devoted to this objective. Until recently Honduran policy has been to avoid debt and develop only within the limited scope of a balanced budget. However, recent events have pointed to the need for economic expansion beyond the limits of annual income. A special study group was appointed this past year to develop a five year plan for economic development, and the International Bank for Reconstruction and Development (IBRD) answered a request by Honduras by sending a representative there to assist in the planning. A National Economic Council has been established, and a 5-year plan has been announced which calls for an expenditure of approximately $164 million. This plan contemplates public investment in road construction, agricultural development, increased electric power potential, housing, schools, hospitals and other public facilities. The plan is new and requires much detailed study and elaboration but a start has been made, and a United States consultant firm has been employed to work with the various branches of the government to develop and coordinate economic planning. The IBRD recently authorized a loan of $4.2 million for economic development primarily in highway construction.

U.S. CONTRIBUTIONS TO HOST COUNTRY PROGRAMS

It is felt that the Technical Cooperation program of the United States to Honduras, which has been active only since 1950 has had much to do with the awakened interest of that country in economic development. The U.S. program is aimed first and foremost at agriculture and has been largely responsible for the development of agricultural research, extension and training. Projects completed and transferred to the recently created Ministry of Agriculture are a Forestry Division, a National Livestock Center, a grasshopper control program and an agricultural machinery pool. Agriculturalists are being developed who can assist effectively in the development of new agricultural areas as contemplated in the Five-Year Plan.

Agriculture and Natural Resources: Emphasis will continue in the development and operation of an Extension Service, which includes training of effective personnel. More concentrated effort will be made through the Extension Service to increase production of basic foods including livestock, and to further the development of land and water resources.

Industry and Mining: A consultant to survey the potential coal resources of the country has been requested by the Honduran Government. If the results of this survey are favorable, it is felt this may be the first step in an important industrial development.

Transportation: One of the greatest obstacles to the economic development of Honduras is the lack of transportation. Emphsis will continue to be placed on training personnel and developing the effectiveness of the civil aviation training center. To help provide a foundation for the expanded program of highway construction under the Five-Year Plan, improvement of technical laboratory facilities and methods is planned together with assistance in equipment maintenance services.

General Narrative Statement (Continued)

Labor: Newly-formed labor unions are considered to be key points for attempted communist domination; therefore, the training of selected labor leaders will continue.

Health and Sanitation: Increasing emphasis will be placed on health education, nursing training, sanitation inspection and malaria eradication. Development of sanitary water systems will continue as will assistance to the Ministry of Health in providing health and medical facilities.

Education: This program assists the Honduran Government in providing more and better education for an increasing number of its people. Needs of rural education are so great that additional in-service training has been requested together with further aid in the rural normal schools. Particular interest in vocational education includes night schools for adult training and branches of the Industrial Trade School in outlying districts.

Public Administration: Work will continue in the fields of Census, and Tariff and Customs. Trained government administrators are few in number and additional training grants are planned.

For FY 1957, $1,290,000 is requested to continue activities described above. This represents an increase from the $1,190,000 programmed in FY 1956. A general revision of program costs is reflected with the largest increase in the field of agriculture.

MILITARY ASSISTANCE PROGRAM

A Bilateral Military Assistance Agreement was signed on May 19, 1954 in Tegucigalpa, Honduras, between the Government of the United States and the Republic of Honduras. Ancillary to the Bilateral Agreement is a secret Military plan under which Honduras' primary responsibility for defending her sea communications within her territorial waters was recognized. Honduras has agreed to raise, train and contribute one infantry battalion.

SECRET

FY 1950-56 Program

During this period the Army program furnished general purpose supply vehicles, artillery, weapons, ammunition, and electronics and communications equipment totalling $547,712. The initial Army Program is virtually complete. No major equipment deficiencies exist.

The United States Air Force provided $16,969 for training of Honduran Air Force students in the United States during this period.

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FY 1957 Program

A total of $91,000 has been programmed for military assistance in FY 1957. The Army Program contemplates furnishing spare parts and maintenance equipment for the infantry battalion in the amount of $45,000. In addition, formal training in the amount of $41,000 will also be provided. The Air Force will furnish a small amount of training ($5,000) to the Honduran Air Force.

SECRET

DEPARTMENT OF DEFENSE
MUTUAL DEFENSE ASSISTANCE PROGRAMS AND PERFORMANCE
VALUE BY TYPE OF ASSISTANCE AND DEPARTMENT
FISCAL YEARS 1950-56 AND PROPOSED FISCAL YEAR 1957

(In Thousands of Dollars)

TABLE IB HONDURAS

TYPE OF MILITARY ASSISTANCE AND DEPARTMENT (1)	CURRENT PROGRAM			PERFORMANCE - 30 NOVEMBER 1955	
	PROPOSED FISCAL YEAR 1957 (2)	FISCAL YEAR 1956 (3)	FISCAL YEARS 1950-56 (4)	ACCOMPLISHED (5)	TO BE ACCOMPLISHED OF FY 1950-56 PROGRAMS (6)
I TOTAL FOR COUNTRY CHARGED TO APPROPRIATIONS	$ 91	$ 59	$ 565	$ 484	$ 81
Army	86	47	548	475	73
Navy	-	-	-	-	-
Air Force	5	12	17	9	8
II EQUIPMENT & SUPPLIES - TOTAL	45	-	495	456	39
Army	45	-	495	456	39
Navy	-	-	-	-	-
Air Force	-	-	-	-	-
III REPAIR AND REHABILITATION OF EXCESS - TOTAL	-	-	-	-	-
Army	-	-	-	-	-
Navy	-	-	-	-	-
Air Force	-	-	-	-	-
IV TRAINING - TOTAL	46	59	70	28	42
Army	41	47	53	19	34
Navy	-	-	-	-	-
Air Force	5	12	17	9	8
VB OTHER - TOTAL	-	-	-	-	-
Army	-	-	-	-	-
Navy	-	-	-	-	-
Air Force	-	-	-	-	-
VI EXCESS STOCKS AT ACQUISITION COST - TOTAL (NOT CHARGED TO APPROPRIATIONS)	-	-	-	-	-
Army	-	-	-	-	-
Navy	-	-	-	-	-
Air Force	-	-	-	-	-

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DEPARTMENT OF DEFENSE
MUTUAL DEFENSE ASSISTANCE PROGRAMS AND PERFORMANCE - END-ITEMS AND SPARES
QUANTITY AND VALUE BY DEPARTMENT, MAJOR CATEGORIES AND SELECTED ITEMS
FISCAL YEARS 1950-57
(Values in Thousands of Dollars)

TABLE II HONDURAS

DEPARTMENT, CATEGORY AND ITEM (1)	CURRENT PROGRAM						PERFORMANCE 30 NOVEMBER 1955			
	PROPOSED FY 1957		FISCAL YEAR 1956		FISCAL YEARS 1950-56		ACCOMPLISHED		TO BE ACCOMPLISHED OF FY 50-56 PROGRAMS	
	QUANTITY (2)	VALUE (3)	QUANTITY (4)	VALUE (5)	QUANTITY (6)	VALUE (7)	QUANTITY (8)	VALUE (9)	QUANTITY (10)	VALUE (11)
TOTAL DEPARTMENT OF DEFENSE		$ 45				$ 495		$ 456		$ 39
ARMY										
TOTAL		$ 45				$ 495		$ 456		$ 39
GENERAL PURPOSE SUPPORT VEHICLES		12				112		111		1
Truck, 1/4 Ton, 4x4 (all models)	1	2			28	50	28	50		
Truck, 3/4 Ton, 4x4, Weapons Carrier					6	18	6	18		
Truck, 2-1/2 Ton, 6x6, Cargo, all models					5	21	5	21		
Other General Purpose Support Vehicles						12		11		1
General Purpose Support Veh Components & Sp Pts		10				11		11		
ARTILLERY		4				35		35		
Other Artillery						32		32		
Artillery Components & Spare Parts		4				3		3		
WEAPONS		10				84		84		
Carbine, Cal. 30, all models					91	7	91	7		
Rifle, U. S., Cal. 30, M1 Series					402	38	402	38		
Other Weapons		2				36		36		
Weapon Components & Spare Parts		8				3		3		
AMMUNITION, COMPLETE ROUNDS		5				120		120		
Cartridge, Cal. 30, all types, (Thous)	39	4			518	46	523	46	-5	
Cartridge, Cal. 50, all types, (Thous)					8	2	8	2		
Rocket, HE, AT 3.5" M28 Series (Thous)					1	18	1	18		
Other Ammunition		1				54		54		
RELATED AMMUNITION COMPONENTS, EQUIP & SUPPLIES						*				*
ELECTRONICS & COMMUNICATIONS EQUIPMENT		6				42		42		
Electronics & Communications Equipment		2				32		32		
Electronics & Communications Equip Components & Sp Pts		4				10		10		
ALL OTHER EQUIPMENT & SUPPLIES		8				102		64		38

* Less than $500.

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LATIN AMERICA

Country: HONDURAS

INDIVIDUAL COUNTRY DATA (EXCLUDES MILITARY ASSISTANCE)

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, Soc.Welfare and Housing	General and Miscellaneous	Import of Sal. Commod. L/C to be used for Non-Mil. Activities	Other Costs
Development Assistance												
1955	24[a/]											24[a/]
1956												
1957												
Technical Cooperation												
1955	1,181	485		125	59	201	258	53				
1956	1,190	323	11	201	18	160	396	81				
1957	1,290	427	11	161	35	197	368	91				
Total Programs												
1955	1,205	485		125	59	201	258	53				24[a/]
1956	1,190	323	11	201	18	160	396	81				
1957	1,290	427	11	161	35	197	368	91				

a/ Transportation costs on items for disaster relief.

INDIVIDUAL COUNTRY DATA (EXCLUDES MILITARY ASSISTANCE)

Summary by Major Cost Components

(In thousands of dollars)

Programs by Fiscal Year	Program by Major Cost Components							Number of People			
								Technicians (Close FY)		Participants (Programmed During FY)	
	Total Cost	Grants to Cooperative Services	Supplies and Equipment	U.S. Employed Technicians	Contract Services	Partic-ipants	Other Costs	U.S. Employed	Contract	Contract	Non-Contract
Development Assistance											
1955	24[a/]						24[a/]				
1956											
1957											
Technical Cooperation											
1955	1,181	400	104	291	105	215	66	21			74
1956	1,190	250	43	640		175	82	39	3	2	56
1957	1,290	400	17	641		191	41	43	3	4	60
Total Programs											
1955	1,205	400	104	291	105	215	90	21			74
1956	1,190	250	43	640		175	82	39	3	2	56
1957	1,290	400	17	641		191	41	43	3	4	60

a/ Transportation costs on items for disaster relief.

MEXICO

TRADE AND PAYMENTS		1938	1953	1954	1955
			(millions of US $)		(est)
Exports, f.o.b.		147	536	563	693
Imports, c.i.f.		114	807	789	790
Trade balance		33	-271	-226	-97
Principal exports:					
Cotton, raw ... Quantity	1,000 MT	22	235	259	335
Value	$ millions	4	129	147	185
Coffee beans ... Quantity	1,000 MT	35	74	69	85
Value	$ millions	6	66	71	75
Trade with U.S. (US Customs data):					
Exports to U.S.		49	354	328	390
Imports from U.S.		62	645	634	690
Balance		-13	-291	-306	-300
Balance of payments:					
Balance on goods and services			-107	-27	90
Net capital transactions			44	5	124
Change in gold and exchange reserves			-34	-13	223
Gold & foreign exch. reserves (Dec. 31)			238	225	448

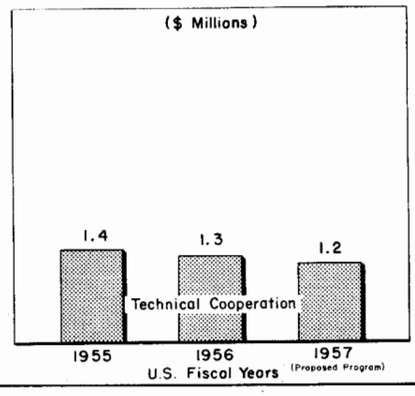
EXTERNAL RESOURCES (millions of US $)	1952	1953	1954	1955	Undisbursed 12/31/55
Ex-Im Bank loan disbursements	40.0	23.0	37.0	4.5	64.8
IBRD loan disbursements	17.1	11.6	8.3	32.9	40.7
U.S. Direct Private Investment:					
New direct investment (net)	-10	3	15		
Reinvested subsidiary earnings	29	17	-6		
Book value, end of year	490	514	523		

FINANCES		1951	1952	1953	1954	1955 (est)
Gross National Product (*In 1954 prices*)						
Total	$ millions	4,867	4,793	4,728	5,315	5,548
Per capita	$	183	176	169	184	187
Central Government Budget ($ millions)-FY ending December 31:						
Revenue		397	488	402	338	407
Expenditure		400	517	439	386	455
Percent for defense		8%	7%	9%	13%	12%
Surplus or deficit(-)		-3	-29	-37	-48	-48
Converted at rate of 12.5 pesos per $						
Prices						
Wholesale	(1953=100)	98	102	100	109	124
Cost of living	(1948=100)	126	144	141	148	172

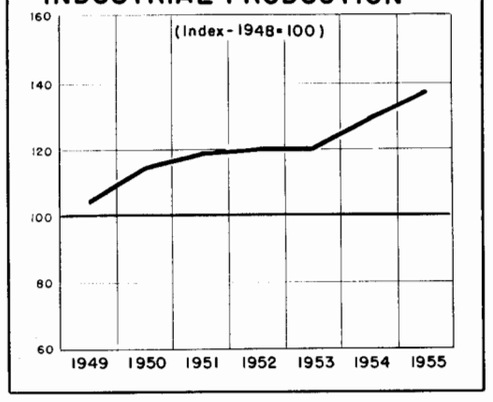
BASIC DATA	
Population (1955)...million	29.6
Annual growth.....percent	2.8
Area..... 1,000 sq.mi.	760
Agric. land.....percent	57
Agric. land per capita..... acres	9
Literacy rate.....percent	55
Life expectancy..... years	38
Road miles per 1,000 sq. mi.....	154

PRODUCTION	Unit	52/53	53/54	54/55	55/56(est)
Agricultural prod... 1935-39-100		194	206	224	
Major crops:					
Corn	1,000 MT	3,202	3,200	4,000	4,000
Cotton	1,000 MT	272	263	396	465
Coffee	1,000 MT	88	85	96	84
		1952	1953	1954	1955(est)
Industrial production...1948=100		120	120	129	137
Major industries:					
Petroleum, crude	1,000 MT	11,013	10,365	11,960	13,180
Electricity	Mill. KWH	5,336	5,702	6,192	7,000

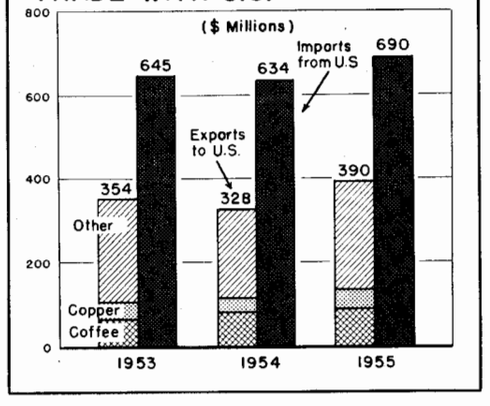
THE PROGRAM



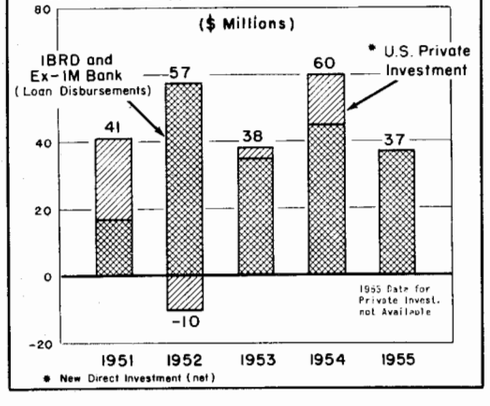
INDUSTRIAL PRODUCTION



TRADE WITH U.S.



CAPITAL INFLOW



LATIN AMERICA

INDIVIDUAL COUNTRY DATA

Country: MEXICO

Summary of Program by Function

(In thousands of dollars)

Function	Program FY 1955	Program FY 1956	Program Proposed FY 1957
Technical Cooperation	1,385	1,288	1,185
Total Program	1,385	1,288	1,185

General Narrative Statement

U S. INTERESTS

Importance of Mexico to the United States and Western Hemisphere

Mexico's political and economic stability necessary to its own welfare, is also of deep concern to the United States because of its location on our southern border and because of the great diversity of the mutual interests of the two countries, including extensive private investment and important trade relations. The maintenance of a high degree of cooperation between the United States and Mexico is essential to the well-being of both nations.

Objectives of the Mutual Security Program in Mexico

The basic objective of the Mutual Security Program in Mexico is to collaborate with the Government in its efforts to raise the standard of living through increasing the facilities and providing the conditions for the balanced development of its human and physical resources. This policy includes supporting Mexico's expansion of the private sector of the economy, thereby enhancing the climate for private investment both domestic and foreign.

BASIC ECONOMIC PROBLEMS

Mexico's basic problems stem in part from her rapidly expanding population and the need to develop further her resources so as to accelerate economic growth. Mexico continues to need foreign and domestic capital for its extensive development plans in public works and natural resources. Mexico must increase agricultural production through improved farming methods, and by greater mechanization of agriculture. Enough food to feed its population is not yet produced. Education and health programs must be expanded to improve the quality of the large but untrained supply of labor. Although a marked advance has taken place in industrial development many industrial enterprises are relatively inefficient. Transportation and communications are inadequate and need to be expanded to provide for a balanced growth and development.

HOST COUNTRY PROGRAMS

While Mexico has no over-all development plan for diversification and development of the country's resources, a number of means have been used to foster the country's economic development. Among these are laws providing that a minimum percentage of the national budget be spent for agricultural development, and tariff laws designed to promote local industry. The government has recognized the importance of promoting a better balance between industry and agriculture, and has attempted to stimulate production of consumer products formerly imported. In addition, the government is making efforts to extend health and social services to rural areas, combat illiteracy, promote vocational education, and improve transport and power facilities. A government corporation, Financiera

General Narrative Statement (Continued) Country: MEXICO

Nacional, has been set up to provide financial support in the development of industry through direct participation in private enterprises. In addition, tax benefits are used to stimulate new industrial activities.

U. S. CONTRIBUTIONS TO HOST COUNTRY PROGRAMS

The Technical Cooperation program in Mexico is designed to provide technical training and advice in key sectors of the economy. The Industrial Productivity Center, a private organization of manufacturers and employers with which Mexican labor is collaborating is receiving advice from U.S. technicians and consultants and training of participants in Mexico and the U.S. A joint industry-education project has been initiated to increase the availability of technical competence, improve the facilities for vocational and industrial training. Industrial research is fostered through the assistance of U.S. research specialists supplied through contract. U.S. private industrial and educational institutions are being utilized, together with U.S. Government technicians, to carry out the program.

Labor teams are also being sent to the United States for a wider appreciation of labor's role and contribution in a modern economy. Consultant services are being provided to the Mexican Government in expanding and improving its public health program as well as in the field of minerals extension, geologic survey and mapping. As the Mexican development efforts supported by contributions of U.S. technical aid result in increased output and higher living standards, U.S. trade and investment opportunities in the country will be enhanced and Mexico will continue to be one of the best trading partners of the United States.

For FY 1957, $1,185,000 is requested to continue the activities described above. This represents a decrease from the $1,288,000 programmed in FY 1956.

INDIVIDUAL COUNTRY DATA

Summary by Major Activity Field

(In thousands of dollars)

Program by Fiscal Year	Total Cost	Agriculture and Natural Resources	Industry and Mining	Transportation	Labor	Health and Sanitation	Education	Public Administration	Community Development, Social Welfare and Housing	General and Miscellaneous	Import of Sal. Commod. L/C to be Used for Non-Mil. Activities	Other Costs
Technical Cooperation												
1955	1,385	154	461	9	53	291	357	27	14	19		
1956	1,288	60	530		122	348	75	22		131		
1957	1,185	30	500		110	290	180	25		50		

Summary by Major Cost Components

(In thousands of dollars)

Program by Fiscal Year	Program by Major Cost Components: Total Cost	Grants to Cooperative Services	Supplies and Equipment	U.S. Employed Technicians	Contract Services	Participants	Other Costs	Number of People: Technicians (Close FY) U.S. Employed	Technicians (Close FY) Contract	Participants (Programmed During FY) Contract	Participants (Programmed During FY) Non-Contract
Technical Cooperation											
1955	1,385	175		372	301	463	74	32	19		278
1956	1,288	100	47	365	40	614	122	28	10		323
1957	1,185	100	45	335	160	505	40	26	15		276

NICARAGUA

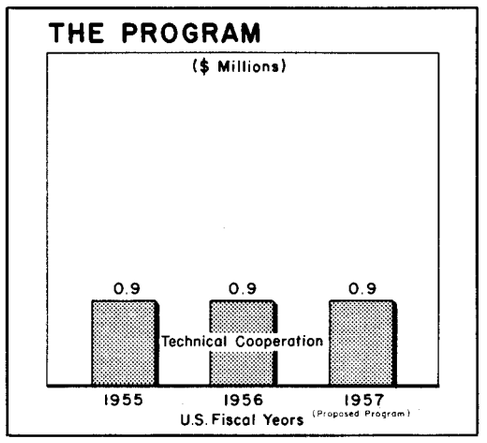
TRADE AND PAYMENTS		1938	1953	1954	1955
			(millions of US $)		(est)
Exports, f.o.b.		4	46	55	67
Imports, c.i.f.		6	51	68	69
Trade balance		-2	-5	-13	-2
Principal exports:					
Coffee	Quantity.... 1,000 MT	14	19	14	18
	Value.....$millions	2	21	25	26
Cotton	Quantity.... 1,000 MT	1	13	22	35
	Value.....$millions	-	8	17	27
Trade with U.S. (US Customs data):					
Exports to U.S.		2	25	26	26
Imports from U.S.		3	26	37	40
Balance		-1	-1	-11	-14
Balance of payments:					
Balance on goods and services			-3	-12	-2
Net capital transactions			7	15	1
Change in gold and exchange reserves			1	-2	-1
Gold & foreign exch. reserves (Dec. 31)			17	15	14

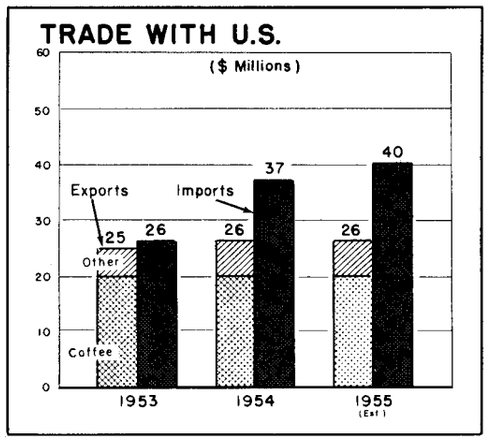
EXTERNAL RESOURCES (millions of US $)	1952	1953	1954	1955	Undisbursed 12/31/55
Ex-Im Bank loan disbursements	0.4	0.1	-	-	0.3
IBRD loan disbursements	2.7	0.6	2.4	1.1	11.3
U.S. Direct Private Investment:					
New direct investment (net)	-	-	-		
Reinvested subsidiary earnings	-	-	-		
Book value, end of year	10	9	n.a.		

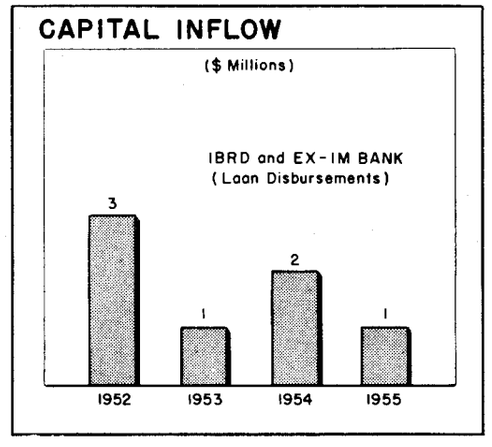
FINANCES	1951	1952	1953	1954	1955 (est)
Gross National Product *(In 1954 prices)*					
Total $ millions	n.a.	n.a.	n.a.	300	315
Per capita $	n.a.	n.a.	n.a.	250	254
Central Government Budget ($ millions)-FY ending June 30:					
Revenue	14.0	18.1	24.2	28.5	32.8
Expenditure	12.1	17.2	21.9	25.4	31.9
Percent for defense (ex. police)	14.0%	12.4%	11.2%	8.9%	15.8%
Surplus or deficit(-)	1.9	0.9	2.3	3.1	0.9
Converted at rate of 7 cordobas per $					
Prices (index 1948-100)					
Wholesale	147	146	161	176	210
Cost of living	137	138	155	167	195

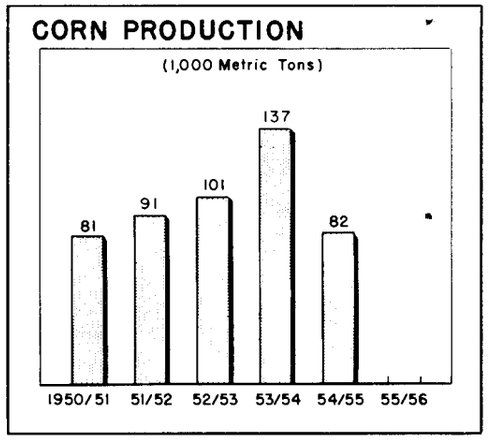
BASIC DATA	
Population (1955)...million	1.2
Annual growth.....percent	3.1
Area..... 1,000 sq.mi.	57
Agric. land.....percent	6
Agric. land per capita..... acres	2
Literacy rate.....percent	40
Life expectancy..... years	n.a.
Road miles per 1,000 sq. mi.....	82

PRODUCTION	Unit	52/53	53/54	54/55	55/56(est)
Agricultural prod...	1935-39-100	218	260	257	
Major crops:					
Coffee	1,000 MT	22	20	20	21
Corn	1,000 MT	101	137	82	
Cotton	1,000 MT	12	24	45	54
		1952	1953	1954	1955(est)
Major industries:					
Electricity	Mill.KWH	30	34	42	47









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LATIN AMERICA

INDIVIDUAL COUNTRY DATA

Country: NICARAGUA

Summary of Program by Function

(In thousands of dollars)

Function	FY 1950/56	Program FY 1956	Proposed FY 1957
Military Assistance	722	171	345
	FY 1955		
Technical Cooperation	902	873	919
Total Programs	XX	1,044	1,264

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General Narrative Statement

U.S. INTERESTS

Importance of Nicaragua to United States and Western Hemisphere

Nicaragua's importance derives from its strategic proximity to the Panama Canal, its extensive trade relations with the United States and its capability for contributing to hemisphere defense. It is also important to the United States that Nicaragua avoid economic and political instability which might be conducive to Communist activity.

Objectives of Mutual Security Program in Nicaragua

The basic objective of the U.S. in Nicaragua is to preserve the present satisfactory level of relationship between the two countries by cooperating with Nicaraguan efforts to develop the economy and raise living standards. The technical cooperation program is devoted to that end and also aims at encouraging the promotion of an atmosphere favorable to private investment of both domestic and foreign capital.

BASIC ECONOMIC PROBLEMS

Nicaragua's economy was for many years in a state of decline. However, beginning in 1949 favorable export prices and improved official economic policies combined to usher in a period of rapid economic development. Although significant progress in development has been made, Nicaragua still faces numerous obstacles.

Agricultural efficiency continues low and production is inadequately diversified. Only 6% of the land is under cultivation. Road, railroad and port facilities are inadequate. The development of secondary industries is limited by a shortage of electric power. The present level of education is inadequate to support a growing economy. Health and sanitary conditions are bad.

HOST COUNTRY PROGRAMS

An International Bank for Reconstruction and Development (IBRD) mission made a study of Nicaragua in 1951-52 and prepared a

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General Narrative Statement (Continued)

five-year development program to be followed by the Nicaraguan Government.

That plan has been the basis of the Government's efforts toward development since that time. The IBRD plan placed general emphasis on the need for improving health, education, transportation, agriculture, industry and power. One of the specific recommendations made by the IBRD Mission was that a National Development Institute be established to plan and execute development projects. The suggested Institute was established in January, 1954. Its programs have been largely in ghe field of agriculture, but it has also developed projects in the fields of secondary industry and power. Since 1951 the IBRD has loaned Nicaragua a total of $18,200,000 for various economic development programs.

U.S. CONTRIBUTIONS TO HOST COUNTRY PROGRAMS

United States Technical Cooperation program in Nicaragua involves activities in the following fields:

Agriculture and Natural Resources: The purpose of the agricultural program is to establish, within the Ministry of Agriculture, the technical services organizations necessary to guide the agricultural development of the country. This involves assisting the Nicaraguans (1) to establish effective agricultural experimental and demonstration stations, (2) to operate a sucessful extension service, and (3) to establish and operate a National School of Agriculture.

Health and Sanitation: The program in this field is directed primarily toward assisting the Ministry of Public Works in operating a program of constructing urban water supply and sewage disposal systems.

Education: The program in education is directed toward assisting the Nicaraguan Government (1) to establish a system of vocational-industrial education through the operation of a national trade school in Managua; (2) to develop a system of industrial arts and homemaking education in the major centers of the republic; (3) to reorganize the rural elementary school system through the development of a pilot normal school; and (4) to revise the rural school curriculum.

Power Development: The United States is providing assistance to the Nicaraguan Government in the analysis and development of the hydro-electric potential of the country.

Transportation: Projects in this field involve United States assistance in the fields of civil aviation and public roads.

Public Administration: Activities in this field are limited to training of Nicaraguans in the fields of public organization and management.

Municipal Planning: One of the specific recommendations made by the IBRD report was that municipal administration and finances be strengthened. The Nicaraguan Government created an Office of Urban Planning. The United States is providing technical advice in the organization and planning of this office.

For FY 1957, $919,000 is requested to continue activities described above. This represents an increase from the $873,000 programmed in FY 1956. It includes funds for a new cooperative project for the improvement of public health facilities.

MILITARY ASSISTANCE PROGRAM

The United States and Nicaragua concluded a Bilateral Military Assistance Agreement in April, 1954. In accordance with the terms of the Bilateral Agreement the Government of Nicaragua agreed to raise, train, and contribute one infantry battalion to the defense of the hemisphere.

FY 1950-56 Program

The only materiel program provided for the Nicaraguan armed forces during FY 1950-56 was the Army program. It delivered general purpose support vehicles, artillery, weapons, ammunition and electronics and communication equipment. Some ammunition remained to be

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LATIN AMERICA

General Narrative Statement (Continued)

FY 1957 Program

Country: NICARAGUA

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delivered from this program as of 30 November 1955. In addition to the materiel program, both the Army and the Air Force had training programs for the respective Nicaraguan services during this period. The value of the materiel and training programs furnished Nicaragua during FY 1950-56 was as follows: Army - $0.66 million; Air Force (Training only) - $0.06 million.

In FY 1957 the Army program contemplates providing the Nicaraguan Army with training in the amount of $130,000, spare parts for the infantry battalion, and training ammunition. The total value of the program as planned is $296,000. The Air Force desires once again to program formal training in the amount of $49,000 for the Nicaraguan Air Force although there will be no Air Force materiel programmed during the coming fiscal year.

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DEPARTMENT OF DEFENSE
MUTUAL DEFENSE ASSISTANCE PROGRAMS AND PERFORMANCE
VALUE BY TYPE OF ASSISTANCE AND DEPARTMENT
FISCAL YEARS 1950-56 AND PROPOSED FISCAL YEAR 1957

(In Thousands of Dollars)

TABLE IB NICARAGUA

TYPE OF MILITARY ASSISTANCE AND DEPARTMENT (1)	CURRENT PROGRAM			PERFORMANCE - 30 NOVEMBER 1955	
	PROPOSED FISCAL YEAR 1957 (2)	FISCAL YEAR 1956 (3)	FISCAL YEARS 1950-56 (4)	ACCOMPLISHED (5)	TO BE ACCOMPLISHED OF FY 1950-56 PROGRAMS (6)
I TOTAL FOR COUNTRY CHARGED TO APPROPRIATIONS	$ 345	$ 171	$ 722	$ 564	$ 158
Army	296	148	661	509	152
Navy	-	-	-	-	-
Air Force	49	23	61	55	6
II EQUIPMENT & SUPPLIES - TOTAL	166	-	482	442	40
Army	166	-	482	442	40
Navy	-	-	-	-	-
Air Force	-	-	-	-	-
III REPAIR AND REHABILITATION OF EXCESS - TOTAL	-	-	-	-	-
Army	-	-	-	-	-
Navy	-	-	-	-	-
Air Force	-	-	-	-	-
IV TRAINING - TOTAL	179	171	240	122	118
Army	130	148	179	67	112
Navy	-	-	-	-	-
Air Force	49	23	61	55	6
VB OTHER - TOTAL	-	-	-	-	-
Army	-	-	-	-	-
Navy	-	-	-	-	-
Air Force	-	-	-	-	-
VI EXCESS STOCKS AT ACQUISITION COST - TOTAL (NOT CHARGED TO APPROPRIATIONS)	-	-	31	-	31
Army	-	-	31	-	31
Navy	-	-	-	-	-
Air Force	-	-	-	-	-

DEPARTMENT OF DEFENSE
MUTUAL DEFENSE ASSISTANCE PROGRAMS AND PERFORMANCE - END-ITEMS AND SPARES
QUANTITY AND VALUE BY DEPARTMENT, MAJOR CATEGORIES AND SELECTED ITEMS
FISCAL YEARS 1950-57
(Values in Thousands of Dollars)

TABLE II NICARAGUA

DEPARTMENT, CATEGORY AND ITEM (1)	CURRENT PROGRAM						PERFORMANCE 30 NOVEMBER 1955			
	PROPOSED FY 1957		FISCAL YEAR 1956		FISCAL YEARS 1950-56		ACCOMPLISHED		TO BE ACCOMPLISHED OF FY 50-56 PROGRAMS	
	QUANTITY (2)	VALUE (3)	QUANTITY (4)	VALUE (5)	QUANTITY (6)	VALUE (7)	QUANTITY (8)	VALUE (9)	QUANTITY (10)	VALUE (11)
TOTAL DEPARTMENT OF DEFENSE		$ 166				$ 482		$ 442		$ 40
ARMY										
TOTAL		$ 166				$ 482		$ 442		$ 40
GENERAL PURPOSE SUPPORT VEHICLES		18				112		112		
Truck, 1/4 Ton, 4x4 (all models)					28	50	28	50		
Truck, 3/4 Ton, 4x4, Weapons Carrier					6	18	6	18		
Truck, 2-1/2 Ton, 6x6, Cargo, all models					5	21	5	21		
Other General Purpose Support Vehicles		8				12		12		
General Purpose Support Veh Components & Sp Pts		10				11		11		
ARTILLERY		3				35		36		-1
Other Artillery						32		33		-1
Artillery Components & Spare Parts		3				3		3		
WEAPONS		13				85		84		1
Carbine, Cal. 30, all models	8	1			91	7	91	7		
Rifle, U. S., Cal. 30, M1 Series					402	38	402	38		
Other Weapons		6				37		36		1
Weapon Components & Spare Parts		6				3		3		
AMMUNITION, COMPLETE ROUNDS		120				120		120		
Cartridge, Cal. 30, all types, (Thous)	281	26			518	46	523	46	-5	
Cartridge, Cal. 50, all types, (Thous)	9	3			8	2	8	2		
Rocket, HE, AT 3.5" M28 Series (Thous)					1	18	1	18		
Other Ammunition		91				54		54		
RELATED AMMUNITION COMPONENTS, EQUIP & SUPPLIES						*				*
ELECTRONICS & COMMUNICATIONS EQUIPMENT		6				42		42		
Electronics & Communications Equipment		3				32		32		
Electronics & Communications Equip Components & Sp Pts		3				10		10		
ALL OTHER EQUIPMENT & SUPPLIES		6				88		48		40

* Less than $500.

LATIN AMERICA

Country: NICARAGUA

INDIVIDUAL COUNTRY DATA (EXCLUDES MILITARY ASSISTANCE)

Summary by Major Activity Field

(In thousands of dollars)

Program by Fiscal Year	Total Cost	Agriculture and Natural Resources	Industry and Mining	Transportation	Labor	Health and Sanitation	Education	Public Administration	Community Development Social Welfare and Housing	General and Miscellaneous
Technical Cooperation										
1955	902	346	18	19	7	116	363	13	20	
1956	873	415	32	49		139	191	8	35	4
1957	919	418	42	60		142	194	20	43	

Summary by Major Cost Components

(In thousands of dollars)

Program by Fiscal Year	Program by Major Cost Components							Number of People			
	Total Cost	Grants to Cooperative Services	Supplies and Equipment	U.S. Employed Technicians	Contract Services	Participants	Other Costs	Technicians (Close FY) U.S. Employed	Technicians (Close FY) Contract	Participants (Programmed During FY) Contract	Participants (Programmed During FY) Non-Contract
Technical Cooperation											
1955	902	200		331	241	118	12	23	3		31
1956	873	200	15	450	45	130	33	29	5	1	30
1957	919	200		511	40	130	38	34	6	1	30

PANAMA

TRADE AND PAYMENTS	1938	1953	1954	1955
		(millions of US $)		(est)
Exports, f.o.b.[a]		40	60	75
Imports, c.i.f.[a]		91	106	119
Trade balance		-51	-46	-44
Principal exports:				
Bananas ..... Quantity.. 1,000 MT		234	350	400
Value....$ million[a]		16	22	26
Shrimp and Fish ..... Quantity.. 1,000 MT		2	2	2
Value....$ millions		2	2	2
Trade with U.S. (US Customs data):				
Exports to U.S.	3	17	18	21
Imports from U.S.	10	83	100	81
Balance	-7	-66	-82	-60
Balance of payments:				
Balance on goods and services		-14	-10	-8
Net capital transactions		-2	n.a.	n.a.
Change in gold and exchange reserves		-	-4	-
Gold & foreign exch. reserves (Dec. 31)		52	48	48

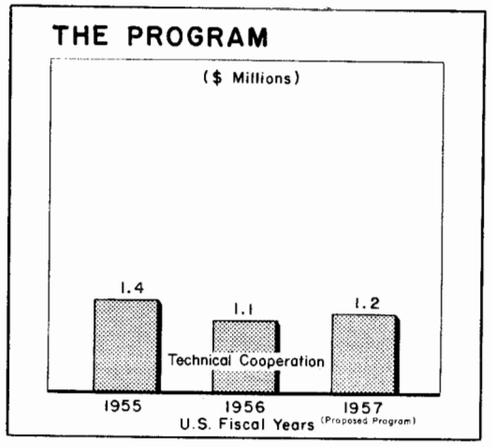
EXTERNAL RESOURCES (millions of US $)	1952	1953	1954	1955	Undisbursed 12/31/55
Ex-Im Bank loan disbursements	2.0	-	-	-	-
IBRD loan disbursements	-	-	0.3	1.3	5.8
U.S. Direct Private Investment:					
New direct investment (net)	-48	-15	13		
Reinvested subsidiary earnings	58	-29	13		
Book value, end of year	383	407	433		

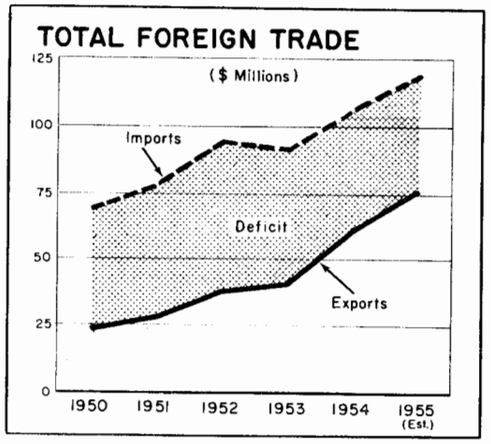
FINANCES	1951	1952	1953	1954	1955 (est)
Gross National Product (*In 1954 prices*)					
Total ..... $ millions	310	320	295	305	320
Per capita ..... $	379	381	342	345	350
Central Government Budget ($ millions)-FY ending December 31:					
Revenue	32	36	43	43	44
Expenditure	39	48	49	49	46
Percent for defense	-	-	-	-	-
Surplus or deficit(-)	-7	-12	-6	-6	-2
Converted at rate of 1 balboa equals one dollar					
Prices (index 1948-100)					
Wholesale	Not Available				
Cost of living	94	95	95	94	94

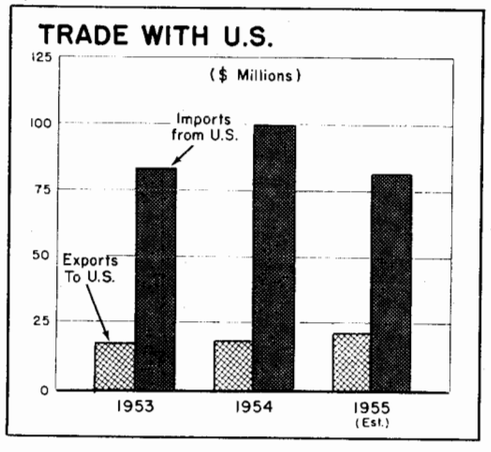
a Exports include adjustment for undervaluation of bananas. Both exports and imports include the Colon Free Zone.

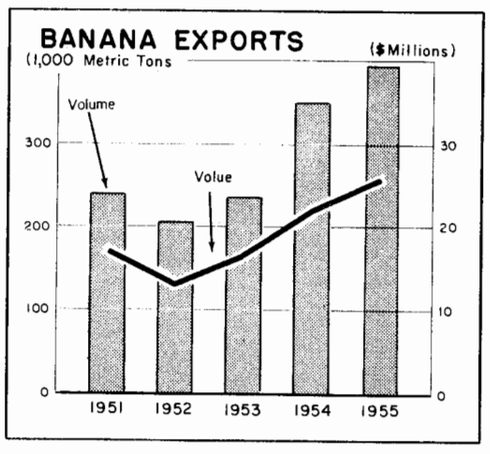
BASIC DATA	
Population (1955)...million	0.9
Annual growth.....percent	2.7
Area..... 1,000 sq.mi.	29
Agric. land.....percent	3
Agric. land per capita..... acres	0.6
Literacy rate.....percent	72
Life expectancy..... years	52
Road miles per 1,000 sq. mi.....	48

PRODUCTION	Unit	52/53	53/54	54/55	55/56(est)
Agricultural prod... 1935-39-100		200	213	214	
Major crops:					
Rice, rough	1,000 MT	93	111	95	
Bananas(See principal exports)					
		1952	1953	1954	1955(est)
Major industries:					
Electricity	Mill.KWH	94	101	106	113









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LATIN AMERICA

Country: PANAMA

INDIVIDUAL COUNTRY DATA

Summary of Program by Function

(In thousands of dollars)

Function	Program FY 1955	FY 1956	Proposed FY 1957
Technical Cooperation	1,357	1,110	1,195
Total Program	1,357	1,110	1,195

General Narrative Statement

U.S. INTERESTS

Importance of Panama to U.S. and Western Hemisphere

The primary importance of Panama to the United States is its location astride the Panama Canal, the continued operation, maintenance and defense of which are of vital concern to the U.S. It is imperative that a sympathetic government and population and a completely non-subversive, skilled, loyal labor force exist in Panama surrounding the Canal. It is further important that Panama as a sovereign nation support the regional and world policies of the U.S. Any failure of internal political and economic conditions in Panama would create a serious situation detrimental to U.S. and free world interests.

Objectives of Mutual Security Program in Panama

Program objectives in Panama are to assure full Panamanian cooperation in all matters pertaining to the Canal and its defense, to encourage in all appropriate ways the development and maintenance of democratic political institutions, a prosperous economy, and an attitude of friendship and cooperation with the U.S. based on mutual understanding and respect.

BASIC ECONOMIC PROBLEMS

Panama is an importer nation, dependent in large part upon foreign exchange earnings from the Canal Zone to balance its trade deficit. It needs a wider economic base to raise the general living standards of its people. Despite the fact that an improved and expanded agriculture offers the greatest opportunity for strengthening the Panamanian economy, agricultural productivity and efficiency remains low. Other problems which must be dealt with are the following: (1) weakness of institutions responsible for economic planning and economic development, (2) scarcity of necessary technical, organizational and administrative skills, (3) inadequate transportation facilities, (4) low productivity, (5) reluctance of private capital to invest in local productive enterprises, (6) unemployment and underemployment, and (7) poor health and sanitary conditions.

A new treaty between the U.S. and Panama raises the annual U.S. payment to Panama from $430,000 to $1,930,000, cedes over a period of years about $25,000,000 in real property to Panama, and gives to Panama greater commercial opportunities in the Canal Zone market.

HOST COUNTRY PROGRAMS

In the absence of planned economic policies directed toward the development of the country's resources, only haphazard and piecemeal development has been achieved. Under the guidance of International Bank for Reconstruction and Development (IBRD) experts, Panama has set up an Institute of Economic Development to provide necessary coordinated planning. A Five Year Plan of Economic Development has been prepared with

General Narrative Statement (Continued)

the assistance of IBRD, U.N., and U.S. Operations Mission representatives. Panama has secured from the IBRD three loans totalling $7,390,000; consisting of $1,200,000 in the general field of agricultural development, $290,000 for grain storage facilities and $5,900,000 for highway rehabilitation.

U.S. CONTRIBUTIONS TO HOST COUNTRY PROGRAMS

The FY 1956 authorized level of the Technical Cooperation Program for Panama is $1,110,000.

Agriculture: About half the total effort in the technical cooperation program has been in agriculture. Primary consideration is being given to increased production of basic foods, to agricultural research, education and extension and to training of technicians. Special attention is being given to the development of export crops such as coffee and cacao, to food crops, and livestock production.

Additional assistance is being extended in farm mechanization, seed certification, grain storage, agricultural credit and farm cooperatives.

The University of Arkansas is supplying contract technicians in the fields of agricultural education, research and extension.

Industry: A small industry program is directed toward the development of processing industries which will complement the expanding agricultural production, develop local production of certain products and reduce unemployment. A recently completed survey identified a number of potential new small industries.

Transportation: Assistance in this field is limited to civil aviation and more specifically to assisting the Panamanian Government in the development of a civil aviation program for the country as a whole and training personnel in appropriate fields.

Health and Sanitation: This is a joint cooperative program in which major attention has been given to tuberculosis control. A country-wide vaccination program has been completed and a mass X-Ray program is now in progress. Consulting services are being furnished in nursing education, hospital administration, health education and sanitary engineering.

Education: A cooperative service program in education is now being carried out, involving the establishment of a national system of vocational education training, with modern curriculum teaching methods and equipment. This cooperative service is also conducting a program of rural elementary education which includes teacher training and the development of teaching materials. Pre-service and in-service training is being stressed to improve primary teaching and to upgrade instruction in agriculture, home economics and handicrafts.

Public Administration: This project is being implemented by contract with the University of Tennessee. It has included assistance to the National University in curriculum organization, seminars for government administrators and special help in archives and records management and the development of a civil service system for all government employees.

Community Development: Consultant assistance is provided in community development and organization.

In FY 1957, a total of $1,195,000 is being requested for the continuation of the above described activities. This represents an increase from the amount programmed in FY 1956 and is accounted for by the need for an extension of the Arkansas Contract in FY 1957.

LATIN AMERICA

Country: PANAMA

INDIVIDUAL COUNTRY DATA

Summary by Major Activity Field

(In thousands of dollars)

Program by Fiscal Year	Total Cost	Agriculture and Natural Resources	Industry and Mining	Transportation	Labor	Health and Sanitation	Education	Public Administration	Community Development Social Welfare and Housing	General and Miscellaneous
Technical Cooperation										
1955	1,357	505	42	24	2	204	259	254	58	9
1956	1,110	379	79	22		231	348	13	38	
1957	1,195	475	39	25		215	370	20	38	13

Summary by Major Cost Components

(In thousands of dollars)

Program by Fiscal Year	Program by Major Cost Components							Number of People			
								Technicians (Close FY)		Participants (Programmed During FY)	
	Total Cost	Grants to Cooperative Services	Supplies and Equipment	U.S. Employed Technicians	Contract Services	Participants	Other Costs	U.S. Employed	Contract	Contract	Non-Contract
Technical Cooperation											
1955	1,357	285		445	424	128	75	37	9		44
1956	1,110	235	39	591		147	98	44	12		42
1957	1,195	230	31	578	125	151	80	44	12		43

PARAGUAY

TRADE AND PAYMENTS	1938	1953	1954	1955
		(millions of US $)		(est)
Exports, f.o.b.	7	25[E]	34	38
Imports, c.i.f.	9	28	37	33
Trade balance	-2	-3	-3	5
Principal exports:				
Cotton.....Quantity...1,000 MT	n.a.	16	12	14
Value....$ millions	2	9	7	8
Quebracho.....Quantity..1,000 MT	n.a.	32	21	24
Value....$ millions	6	4	4	5
Trade with U.S. (US Customs data):				
Exports to U.S.	1	6	5	5
Imports from U.S.	1	7	7	5
Balance	-	-1	-2	-
Balance of payments:				
Balance on goods and services		1	-5	-1
Net capital transactions		-1	-1	
Change in gold and exchange reserves		-4	-6	
Gold & foreign exch. reserves (Dec. 31)		21	15	17 (July)

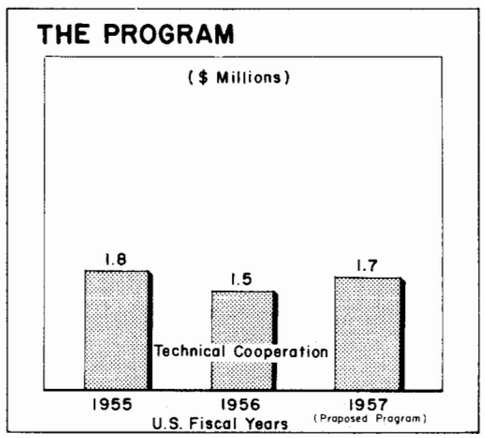
BASIC DATA	
Population (1955)...million	1.6
Annual growth.....percent	2.3
Area..... 1,000 sq.mi.	157
Agric. land.....percent	4
Agric. land per capita..... acres	3
Literacy rate.....percent	68
Life expectancy..... years	n.a.
Road miles per 1,000 sq. mi.	29

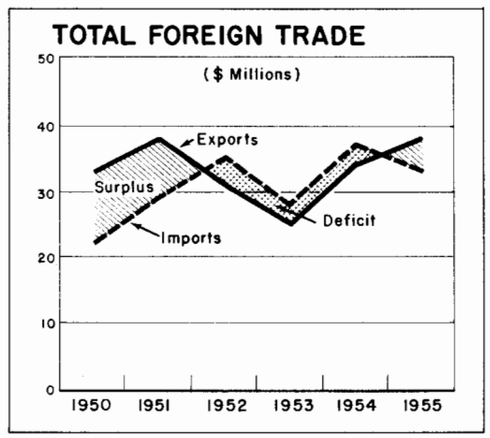
PRODUCTION	Unit	52/53	53/54	54/55	55/56(est)
Agricultural prod... 1935-39-100		121	121	126	
Major crops:					
Cotton	1,000 MT	12	13	13	
Rice, rough	1,000 MT	19	20	25	
Sugar, centr. raw	1,000 MT	23	15	17	14
		1952	1953	1954	1955(est)

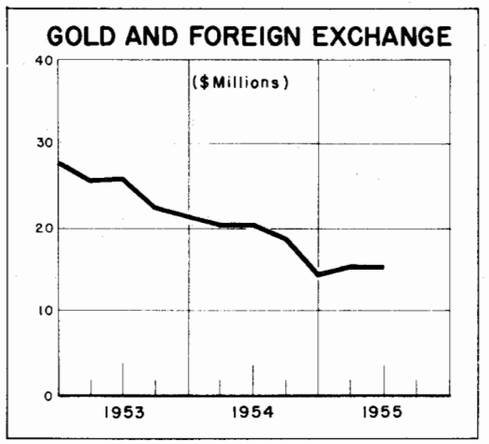
Major industries:
processing raw materials for export, construction, flour milling, textiles

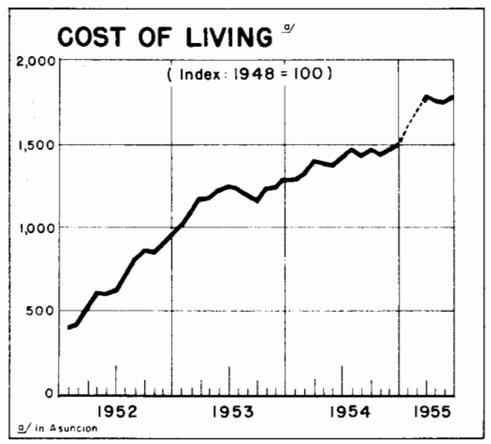
EXTERNAL RESOURCES (millions of US $)	1952	1953	1954	1955	Undisbursed 12/31/55
Ex-Im Bank loan disbursements	-	-	-	-	7.7
IBRD loan disbursements	-	1.5	0.2	0.2	3.1
U.S. Direct Private Investment:					
New direct investment (net)	-	-	-		
Reinvested subsidiary earnings	-	-	-		
Book value, end of year	10	9	n.a.		

FINANCES	1951	1952	1953	1954	1955
Gross National Product (*In 1954 prices*)					(est)
Total..... $ millions	n.a.	n.a.	n.a.	165	168
Per capita ..... $	-	-	-	108	108
Central Government Budget ($ millions)-FY ending December 31:					
Revenue	2.1	3.4	7.2	10.6	16.2
Expenditure	2.0	3.7	6.7	9.9	16.2
Percent for defense(ex Nt'l Police)	35 %	32 %	36 %	35 %	31 %
Surplus or deficit(-)	0.1	-0.3	0.5	0.7	-
Converted at rate of 60 guaranies per $					
Prices (index 1948-100)					
Wholesale	266	680	876	1,070	1,270
Cost of living	316	687	1,180	1,410	1,680









INDIVIDUAL COUNTRY DATA

Summary of Program by Function

(In thousands of dollars)

Function	Program FY 1955	FY 1956	Proposed FY 1957
Technical Cooperation	1,799	1,533	1,684
Total Program	1,799	1,533	1,684

General Narrative Statement

U.S. INTERESTS

Importance of Paraguay to the United States and Western Hemisphere

Landlocked Paraguay's economic and political importance to the United States and to the Western Hemisphere neighborhood is generally related to her location at the crossroads of the southern intercontinental air lanes and surface ways, to the part she plays in the various hemispheric and international organizations (traditionally a loyal supporter of U.S. positions) and to her relatively small contributions to international trade.

Objectives of the Mutual Security Program in Paraguay

Our basic objectives in Paraguay are (1) to help that country toward economic and political stability by cooperating with her efforts to diversify her economy and advance toward sound development; (2) to support these efforts with a technical assistance program adapted to the needs of Paraguay and directed to solving her basic problems; (3) to assist Paraguay in the development of transportation and communication facilities, in opening up new lands for food production, providing for more efficient governmental administration, improving health and educational standards and facilities and to raise the level of worker productivity.

BASIC ECONOMIC PROBLEMS

Paraguay's very serious economic problems of the past eight years have stemmed from financial distortions, inflation, and exchange difficulties which followed the 1947 civil war and from the economic pressures of its chief trading partner, Argentina, during those years.

An under-populated country with 1 1/2 million people, it is extremely undeveloped agriculturally and industrially. Major problems which hamper Paraguay's economic development: (1) lack of adequate transportation and communication facilities and of electric power, (2) need for political tranquility and stability, (3) need for increased efficiency in governmental administration and for de-control of the economy, (4) limited amount of public and private capital available for development, (5) low productivity of workers due to illiteracy and backward technology, (6) scarcity of skilled labor, both agricultural and industrial, (7) mounting inflation plus pressure generated by expansion of public and private credit and retarded production, the results of which have been sharp increases in money supply and cost of living, (8) dependence upon few agricultural and forest products for foreign exchange with which to pay for essential imports, causing economy to be extremely sensitive to demand and price fluctuation in world markets.

General Narrative Statement (Continued)

Monetary, economic and fiscal policies have had a retarding rather than a stimulating effect on economy as a whole.

HOST COUNTRY PROGRAMS

The beginnings of overall economic planning in Paraguay were made in 1948 with the setting up, under the President, of a National Council for Economic Coordination. In 1952 the Council created the Economic Development Planning Commission which set forth, in 1953, an Economic Stabilization and Development Program. The eight-point program called for reforms in the exchange control system; efforts to balance the government's budget; stimulation of primary production, manufacturers, and exports; restrictions of bank credit; rationalization of price controls; and reforms in the administration of government. Some reforms were effected that year but little has been accomplished since then.

The present government, within the limitations of funds and administrative and technical personnel, is attempting to move forward in developing the economy of the country. With its limited funds augmented by three loans totaling $12.7 million from the International Bank for Reconstruction and Development (IBRD) and the Export-Import Bank, the government has recently undertaken a series of development projects and public improvements. These include several highway projects, expansion of operations of domestic airlines, rehabilitation and enlargement of the Asuncion international airport and the construction of a central waterworks system in Asuncion. They are steps in the right direction, but it is clear that substantial private foreign investments will be necessary if Paraguay is to become a strong and stable member of the Inter-American community. This will require an improvement in the investment climate. Paraguay recently requested advice from the International Monetary Fund to help solve pressing fiscal and foreign exchange problems. A mission has returned from studying the present situation, and Paraguay has requested a long-term IMF advisor who will assist and advise them in working out basic monetary and fiscal problems.

U.S. CONTRIBUTIONS TO HOST COUNTRY PROGRAMS

The Technical Cooperation program, now in its 13th year, has been centered around the development of better health, education and agriculture. Emphasis is now being shifted towards the difficult problems in transportation and communications, governmental administration, and collaborating in improving economic and fiscal policies. Assistance in these problems is designed to expand Paraguay's access to foreign markets, to open up the idle lands of the country, to improve production of lands now under cultivation, to expand and diversify production in order to increase the gross national product and thus the taxable base of the economy. The technical assistance program amounted to $1,533,000 in FY 1956.

Education: Because of the high rate of illiteracy, major emphasis during the past two years has been placed on assistance in the field of education. Rural education is concerned with developing a functional curriculum for rural schools, helping to establish an improved teacher training system. Vocational education, a joint program supported by the industrial leaders of Paraguay, has established Paraguay's only civilian industrial school. This provides instruction in ten trades and has an enrollment of 325 students.

Agriculture and Natural Resources: The joint agriculture program aims to increase food production for local consumption; to produce a greater volume and variety of products for export; to assist in the formulation of a nucleus of trained professional agricultural technicians among the Paraguayans. Activities are in crop development, livestock improvement, forestry, agricultural economics, and agricultural extension.

Transportation: Lack of adequate transportation facilities is considered to be one of the primary obstacles to economic advancement. Major emphasis is being placed on: (1) development of an internal road network, including opening the Chaco; (2) development of air communications and airport facilities serving national and international carriers; (3) development of year-round navigation on the Paraguay and Upper Parana rivers.

General Narrative Statement (Continued)

Health and Sanitation: This program is to develop a nation-wide program of public health, to apply modern techniques for prevention and control of disease. Its demonstration projects in environmental sanitation, preventive medicine and health education have emphasized nursing education, training public health personnel, and standardization of good health practices. Mature projects are being transferred to the host government so that priority can be given to newer programs.

Public Administration: Technicians assist (1) in improvement of governmental organization and management techniques; and (2) to develop administrative skills in various Ministries through on-the-job demonstration or instruction and through training of selected Paraguayans in the United States and Puerto Rico.

In trade and investment, United States assistance is aimed at helping the Government of Paraguay and private business groups in their efforts to encourage private investment, both foreign and domestic to develop the country's industrial potential. To enhance further the attraction of outside capital, the United States Government and the Government of Paraguay signed an Investment Guaranty Program Agreement on October 28, 1955.

For FY 1957, $1,684,000 is requested to continue activities described above. This represents an increase from the $1,533,000 programmed in FY 1956. The additional funds will permit greater assistance to Ministry of Public Works in its program of maintaining existing highways and opening up new roads.

LATIN AMERICA

Country: PARAGUAY

INDIVIDUAL COUNTRY DATA

Summary by Major Activity Field

(In thousands of dollars)

Program by Fiscal Year	Total Cost	Agriculture and Natural Resources	Industry and Mining	Transportation	Labor	Health and Sanitation	Education	Public Administration	Community Development Social Welfare and Housing	General and Miscellaneous
Technical Cooperation										
1955	1,799	459	4	142		419	472	152	7	144
1956	1,533	422		189		293	389	137		103
1957	1,684	395		341		355	347	179		67

Summary by Major Cost Components

(In thousands of dollars)

Program by Fiscal Year	Program by Major Cost Components							Number of People			
								Technicians (Close FY)		Participants (Programmed During FY)	
	Total Cost	Grants to Cooperative Services	Supplies and Equipment	U.S. Employed Technicians	Contract Services	Participants	Other Costs	U.S. Employed	Contract	Contract	Non-Contract
Technical Cooperation											
1955	1,799	585	174	508	150	303	79	33			72
1956	1,533	425	58	621	7	297	125	39	2		54
1957	1,684	487	47	668	98	294	90	43	3		51

PERU

TRADE AND PAYMENTS		1938	1953	1954	1955
			(millions of US $)		(est)
Exports, f.o.b.		68	219	245	255
Imports, c.i.f.		58	293	250	290
Trade balance		10	-74	-5	-35
Principal exports:					
Cotton	Quantity..... 1,000 MT	77	88	83	76
	Value.....$ millions	14	65	64	57
Sugar	Quantity..... 1,000 MT	249	408	422	454
	Value.....$ millions	6	35	33	35
Trade with U.S. (US Customs data):					
Exports to U.S.		13	87	96	105
Imports from U.S.		17	119	97	113
Balance		-4	-32	-1	-8
Balance of payments:					
Balance on goods and services			-71	-18	-52
Net capital transactions			63	23	50
Change in gold and exchange reserves			- 5	4	- 2
Gold & foreign exch. reserves (Dec. 31)			64	68	66

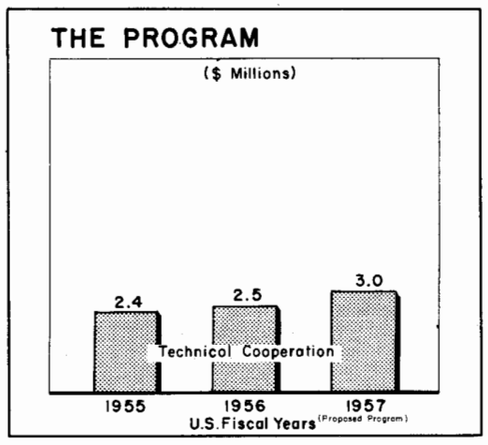
EXTERNAL RESOURCES (millions of US $)	1952	1953	1954	1955	Undisbursed 12/31/55
Ex-Im Bank loan disbursements	6.0	10.0	-	0.1	108.4
IBRD loan disbursements	0.7	1.7	1.5	8.0	24.1
U.S. Direct Private Investment:					
New direct investment (net)	28	30	-13		
Reinvested subsidiary earnings	6	-1	-		
Book value, end of year	230	268	255		

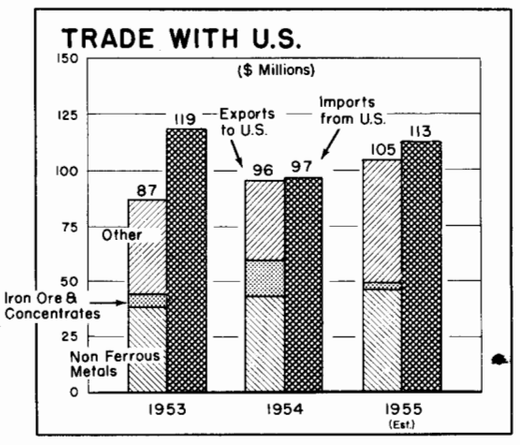
FINANCES	1951	1952	1953	1954	1955 (est)
Gross National Product (In 1954 prices)					
Total..... $ millions	1,170	1,218	1,209	1,270	1,315
Per capita ..... $	135	137	134	138	140
Central Government Budget ($ millions)-FY ending					
Revenue	125	138	143	168	177
Expenditure	115	137	157	166	177
Percent for defense(Ex. Nat'l Police)	23%	20%	21%	21%	19%
Surplus or deficit(-)	10	1	-14	2	-
Converted at rate of 19 soles per $					
Prices (index 1953-100)					
Wholesale	94	99	100	110	119
Cost of living	86	92	100	105	110

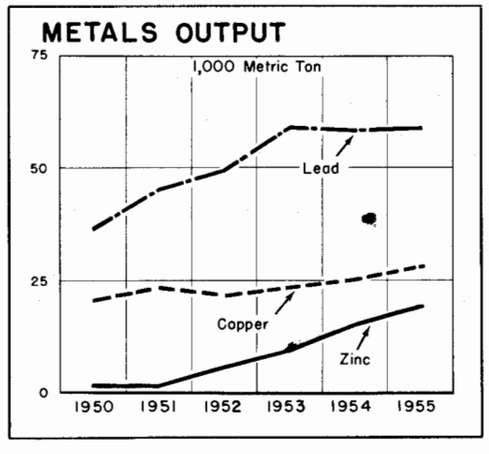
BASIC DATA

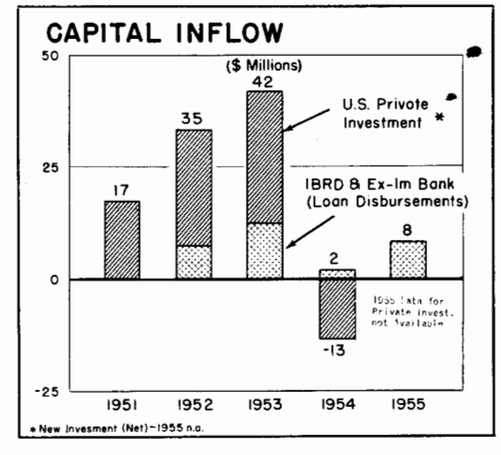
Population (1955)...million	9.4
Annual growth.....percent	2.0
Area..... 1,000 sq.mi.	482
Agric. land.....percent	13
Agric. land per capita..... acres	5
Literacy rate.....percent	42
Life expectancy..... years	39
Road miles per 1,000 sq. mi.....	46

PRODUCTION	Unit	52/53	53/54	54/55	55/56(est)
Agricultural prod...	1935-39-100	157	156	162	
Major crops:					
Cotton.....	1,000 MT	98	103	111	108
Sugar, cent.,raw..	1,000 MT	612	624	658	689
Rice (rough).....	1,000 MT	283	251	211	
		1952	1953	1954	1955(est)
Major industries:					
Petroleum, crude..	1,000 MT	2,184	2,112	2,272	2,291
Lead, refined.....	1,000 MT	49	59	58	59









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Country: PERU

LATIN AMERICA

INDIVIDUAL COUNTRY DATA

Summary of Program by Function

(In thousands of dollars)

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Function	Program FY 1950/56	FY 1956	Proposed FY 1957
Military Assistance	13,263	665	2,585
	FY 1955		
Technical Cooperation	2,416	2,469	2,996
Total Programs	XX	3,134	5,581

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General Narrative Statement

U.S. INTERESTS

Importance of Peru to United States and Western Hemisphere

Peru, with a population of over nine million, is the fourth largest country in South America. Her importance to the United States derives, among other factors, from her abundant mineral resources, which supply 33 percent of United States requirements for bismuth, 20 percent of vanadium and substantial amounts of other strategic meterials for the United States stockpile. In addition, Peru carried on about a $100 million annual trade each way with the United States in 1954. An estimated 40 percent of her exports go to the United States and 50 percent of her imports originate in this country. There is more than $250 million of United States direct private investment in the country and the favorable investment climate existing there seems to be attracting additional United States investment particularly in the field of mineral extraction. Peru has a long record of cultural and political leadership in Latin America and has extended her firm support to the United States in international forums. Her size, population, and location give her important capability for contributing to hemispheric defense.

Objectives of the Mutual Security Program in Peru

The United States is interested not only in continuing good relations and close cooperation with the Government of Peru and its people but also in assisting Peru to increase food production; improve and expand the transportation and communication facilities and expand industrial production; to strengthen government institutions; to promote a free and diversified economy; to expand international and domestic trade; increase production for export of strategic materials; to contribute to hemispheric defense; and continue to increase purchases from U.S. exporters.

General Narrative Statement (Continued)

BASIC ECONOMIC PROBLEMS

Although Peru is primarily agricultural with over 60 percent of its population depending for a livelihood upon agriculture, and its export earnings being derived mainly from agricultural products, it is a net importer of food. In addition to agriculture, Peru has always been a substantial minerals producer and in recent years has been increasing its industrial output.

Basic problems which Peru faces in furthering economic development, and to the solution of which United States technical assistance can make a contribution, include a large population which is mostly illiterate and which has not been integrated into its economy; a high rate of population increase; limited amounts of arable land in the most heavily populated areas; 60 percent of its land area with a high production potential located east of the Andes Mountains in the Amazon basin connected to the main population centers on the Pacific Coast only by air routes and a single highway; a deficit in the production of high protein agricultural produce; and a lack of farm-to-market roads. In addition, Peru has the problem of providing for the orderly transfer of power from the present mild dictatorship to a successor government with elections scheduled for June 3, 1956.

In conformity with Peru's established policy of carrying out its major development through private investment, United States activities in the country are directed toward aiding the Peruvian Government to create and strengthen government institutions which can provide a base from which private enterprise can operate and to carry out functions which will foster further economic development and growth.

HOST COUNTRY PROGRAMS

The Peruvian Government in recent years has taken many major steps to free the country from restrictive controls which previously tended to hamper private investment and slow down the rate of development. It has also carried out development activities in the public sector which will provide the facilities necessary for greater private economic participation.

Although Peru does not have an agency charged with the responsibility of formulating economic development plans, it has established general development goals. A United States private economic mission hired and paid for by the Peruvian Government helped the country to formulate one of the most liberal and forward-looking economic development policies in Latin America designed to encourage private investment and keep government controls and restrictions to a minimum.

In the last three or five years inflationary pressures have been present which may tend to threaten the continued orderly economic development of the country; recent reports indicate that the sharp rise in the foreign debt level may cause troublesome budgetary and balance of payments problems during the next several years.

U.S. CONTRIBUTIONS TO HOST COUNTRY PROGRAMS

The United States Technical Cooperation program is designed to help Peru in its efforts to develop its resources through increased private investment and free enterprise, and our continued willingness to provide technical assistance where and when needed serves as an indicator to Peru of our approval of her efforts to solve her own problems. The United States program up to the present has proved very successful as illustrated by:

(1) The activities of the joint U.S.- Peruvian Agricultural Program which through its machinery pool operations has demonstrated the effectiveness of increased machinery use and has spurred Peru on to greatly increased imports of United States agricultural equipment; its agricultural specialists' services which among other things have been responsible for the large increase in the use of United States manufactured insecticides and fungicides; and its agricultural extension service which is

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Country: PERU

General Narrative Statement (Continued)

providing farmers on all levels with expert guidance and advice and which is partly responsible for a substantial increase in land under cultivation and increased food production on land already under cultivation.

(2) The activities of the Joint Health Program which: helped the Peruvian Government rid the Chimbote area of malaria and provided the necessary health facilities to make it Peru's newest industrial center; established health posts and health services in the vast Peruvian Amazon, now the site of major explorations for petroleum; and which helped Peru become a Latin American leader in industrial hygiene.

(3) The activities of the Joint Employment Service which is helping the Peruvian Government to provide a mechanism to properly place people in the jobs which are created by economic development.

(4) The activities of the Joint Education Program which has aided Peru in establishing training facilities in industrial arts and has helped to bring the highland Indian into the economic community.

(5) The activities of United States consultants in the fields of records management and census techniques who are helping increase the efficiency of the Peruvian Government agencies so they can better serve economic development.

(6) University contracts in agricultural research, sanitary engineering, textile engineering and chemistry instrumentation.

As compared with FY 1956 in which $2,469,000 was approved, in FY 1957 a total of $2,996,000 is being requested to continue the above mentioned activities as well as to provide funds for: (1) Expansion of activities started in FY 1956 for a Joint Rural Development Program aimed at providing engineering facilities to small farmers for irrigation and road building, (2) continued Geological Survey work, (3) an expanded program for training Peruvian technicians in the United States, (4) a continuation of work in Agricultural Research and Sanitary Engineering through contracts with the University of North Carolina.

MILITARY ASSISTANCE PROGRAM

Historical Background: A Bilateral Military Assistance Agreement was signed between Peru and the United States in 1952. Under the terms of the agreement, the Government of Peru agreed to raise, train and contribute to hemispheric defense the following forces: Army - 1 AA Battalion (AW); Navy - 6 Patrol Craft, 2 Submarines (SS), 4 Anti-Submarine Warfare Training Submarines (OSS); Air Force - 2 Fighter Squadrons, 1 Light Bomber Squadron.

SECRET

The Army program during FY 1950-56 furnished the Peruvian Army with combat vehicles, general purpose support vehicles, artillery weapons, ammunition rounds, and electronics and communication equipment. The Navy program during this period provided the Peruvian Navy with guns, ammunition, communication and electronics equipment. Under the FY 1950-56 Air Force program, 8 B-26's and 12 F-47's were delivered, as well as trailers, bombs and rockets, T-33 aircraft, trucks, cartridges, bombs, rockets, and communication equipment remain to be delivered from this program as of November 30, 1955. All three branches of the Peruvian armed forces received training from the United States during the past fiscal years.

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FY 1957 Program

The Army program for FY 1957 provides Peru with ordnance spare parts and tools for the U.S.-supported AA battalion, as well as training and training ammunition. The Navy program in FY 1957 is designed to supply the Peruvian Navy with engineering, electronic, and ordnance spare parts, as well as training ammunition, formal training, and electronic equipment and engines for the Peruvian Navy's organization program. The Air Force program will furnish spare parts for B-26, B-25, F-86, T-33, and T-6 aircraft, as well as communications, weapons, and vehicle maintenance. In this program $800,000 will be for training ammunition. Formal training in the amount of $224,000 will be provided. The total value of the materiel and training program requested for the armed forces of Peru during FY 1957 is $2.6 million.

SECRET

DEPARTMENT OF DEFENSE
MUTUAL DEFENSE ASSISTANCE PROGRAMS AND PERFORMANCE
VALUE BY TYPE OF ASSISTANCE AND DEPARTMENT
FISCAL YEARS 1950-56 AND PROPOSED FISCAL YEAR 1957

(In Thousands of Dollars)

TABLE IB PERU

TYPE OF MILITARY ASSISTANCE AND DEPARTMENT (1)	CURRENT PROGRAM			PERFORMANCE - 30 NOVEMBER 1955	
	PROPOSED FISCAL YEAR 1957 (2)	FISCAL YEAR 1956 (3)	FISCAL YEARS 1950-56 (4)	ACCOMPLISHED (5)	TO BE ACCOMPLISHED OF FY 1950-56 PROGRAMS (6)
I TOTAL FOR COUNTRY CHARGED TO APPROPRIATIONS	$ 2,585	$ 665	$13,263	$ 9,234	$ 4,029
Army	446	223	3,827	3,538	289
Navy	314	241	3,130	2,325	805
Air Force	1,825	201	6,306	3,371	2,935
II EQUIPMENT & SUPPLIES - TOTAL	2,113	225	12,141	8,525	3,616
Army	315	-	3,559	3,426	133
Navy	197	225	3,030	2,219	811
Air Force	1,601	-	5,552	2,880	2,672
III REPAIR AND REHABILITATION OF EXCESS - TOTAL	-	-	366	286	80
Army	-	-	-	-	-
Navy	-	-	-	-	-
Air Force	-	-	366	286	80
IV TRAINING - TOTAL	472	440	756	423	332
Army	131	223	268	112	156
Navy	117	16	100	106	-6
Air Force	224	201	388	205	182
VB OTHER - TOTAL	-	-	-	-	-
Army	-	-	-	-	-
Navy	-	-	-	-	-
Air Force	-	-	-	-	-
VI EXCESS STOCKS AT ACQUISITION COST - TOTAL (NOT CHARGED TO APPROPRIATIONS)	-	-	4,988	3,829	1,159
Army	-	-	26	26	-
Navy	-	-	-	-	-
Air Force	-	-	4,962	3,803	1,159

DEPARTMENT OF DEFENSE
MUTUAL DEFENSE ASSISTANCE PROGRAMS AND PERFORMANCE - END-ITEMS AND SPARES
QUANTITY AND VALUE BY DEPARTMENT, MAJOR CATEGORIES AND SELECTED ITEMS
FISCAL YEARS 1950-57
(Values in Thousands of Dollars)

TABLE II PERU

DEPARTMENT, CATEGORY AND ITEM (1)	CURRENT PROGRAM						PERFORMANCE 30 NOVEMBER 1955			
	PROPOSED FY 1957		FISCAL YEAR 1956		FISCAL YEARS 1950-56		ACCOMPLISHED		TO BE ACCOMPLISHED OF FY 50-56 PROGRAMS	
	QUANTITY (2)	VALUE (3)	QUANTITY (4)	VALUE (5)	QUANTITY (6)	VALUE (7)	QUANTITY (8)	VALUE (9)	QUANTITY (10)	VALUE (11)
TOTAL DEPARTMENT OF DEFENSE		$ 2,113		$ 225		$12,141		$ 8,525		$ 3,616
ARMY										
TOTAL		$ 315				$ 3,559		$ 3,426		$ 133
COMBAT VEHICLES						307		307		
Other Combat Vehicles						299		299		
Combat Vehicle Components & Spare Parts						8		8		
GENERAL PURPOSE SUPPORT VEHICLES						382		382		
Truck, 1/4 Ton, 4x4 (all models)					25	46	25	46		
Truck, 3/4 Ton, 4x4, Weapons Carrier					17	54	17	54		
Truck, 2-1/2 Ton, 6x6, Cargo, all models					42	205	42	205		
Truck, 4-5-6 Ton, 6x6, Wrecker					1	12	1	12		
Other General Purpose Support Vehicles						36		36		
General Purpose Support Veh Components & Sp Pts						29		29		
ARTILLERY		62				1,032		1,032		
Gun, Auto, 40mm, M-1, w/crg					32	811	32	811		
Other Artillery						116		116		
Artillery Components & Spare Parts		62				105		105		
WEAPONS						83		83		
Carbine, Cal. 30, all models					811	55	811	55		
Other Weapons						20		20		
Weapon Components & Spare Parts						8		8		
AMMUNITION, COMPLETE ROUNDS		253				1,187		1,187		
Cartridge, Cal. 30, all types, (Thous)	130	6			864	41	864	41		
Cartridge, Cal. 50, all types, (Thous)	388	133			1,748	579	1,748	579		
Cartridge, HE-T SD Mk. 2 w/f, 40mm Gun (Thous)	20	114			75	484	75	484		
Other Ammunition						83		83		
RELATED AMMUNITION COMPONENTS, EQUIP & SUPPLIES						2		2		
ELECTRONICS & COMMUNICATIONS EQUIPMENT						371		364		7
Electronics & Communications Equipment						343		336		7
Electronics & Communications Equip Components & Sp Pts						28		28		
ALL OTHER EQUIPMENT & SUPPLIES						195		69		126
NAVY										
TOTAL		$ 197		$ 225		$ 3,030		$ 2,219		$ 811
SHIPS & HARBOR CRAFT		78				461		260		201
All Other Ships & Harbor Craft						65		65		
Ship & Harbor Craft Components & Sp Pts		78				396		195		201
OTHER NAVAL EQUIPMENT		119		225		2,569		1,959		610
Ammunition		71				1,017		1,017		
Electronics & Communications Equipment		48				230		201		29
Artillery & Weapons						447		365		82
Artillery & Weapons Components & Spare Parts						15				15
All Other Equipment & Supplies				225		860		377		483
AIR FORCE										
TOTAL		$ 1,601				$ 5,552		$ 2,880		$ 2,672
AIRCRAFT		489			26	1,945	20	2,155	6	-210
Bombers					10		8		2	
B-26					10		8		2	
Fighters					12		12			
F-47					12		12			

TABLE II PERU (Cont'd)

DEPARTMENT OF DEFENSE
MUTUAL DEFENSE ASSISTANCE PROGRAMS AND PERFORMANCE - END-ITEMS AND SPARES
QUANTITY AND VALUE BY DEPARTMENT, MAJOR CATEGORIES AND SELECTED ITEMS
FISCAL YEARS 1950-57
(Values in Thousands of Dollars)

DEPARTMENT, CATEGORY AND ITEM	CURRENT PROGRAM						PERFORMANCE 30 NOVEMBER 1955			
	PROPOSED FY 1957		FISCAL YEAR 1956		FISCAL YEARS 1950-56		ACCOMPLISHED		TO BE ACCOMPLISHED OF FY 50-56 PROGRAMS	
	QUANTITY (2)	VALUE (3)	QUANTITY (4)	VALUE (5)	QUANTITY (6)	VALUE (7)	QUANTITY (8)	VALUE (9)	QUANTITY (10)	VALUE (11)
(1)										
AIR FORCE (Cont'd)										
AIRCRAFT (Cont'd)										
Trainers		$			4	$ 477		$	4	$ 477
T-33A					4	477			4	477
Aircraft Components & Spare Parts		489				1,468		2,155		-687
ALL OTHER AF EQUIPMENT		1,112				3,607		725		2,882
Ammunition		815				737		86		651
Electronics & Communications Equipment						1,632		223		1,409
Electronics & Communications Equipment Components & Sp Pts		82				289		15		274
All Other Equipment & Supplies		215				949		401		548

INDIVIDUAL COUNTRY DATA (EXCLUDES MILITARY ASSISTANCE)

Summary by Major Activity Field

(In thousands of dollars)

Program by Fiscal Year	Total Cost	Agriculture and Natural Resources	Industry and Mining	Trans-portation	Labor	Health and Sanitation	Education	Public Administration	Community Development, Social Welfare and Housing	General and Miscellaneous
Technical Cooperation										
1955	2,416	824	239	28	44	507	497	23		254
1956	2,469	937	145	30	70	567	383	36		301
1957	2,996	1,403	121	3	90	575	409	109		286

Summary by Major Cost Components

(In thousands of dollars)

Program by Fiscal Year	Program by Major Cost Components							Number of People			
								Technicians (Close FY)		Participants (Programmed During FY)	
	Total Cost	Grants to Cooperative Services	Supplies and Equipment	U.S. Employed Technicians	Contract Services	Partici-pants	Other Costs	U.S. Employed	Contract	Contract	Non-Contract
Technical Cooperation											
1955	2,416	880		773	303	276	184	54	9		80
1956	2,469	885		937	30	380	237	61	10	6	125
1957	2,996	915		993	440	426	222	68	10	6	138

URUGUAY

TRADE AND PAYMENTS		1938	1953	1954	1955
			(millions of US $)		(est)
Exports, f.o.b.		62	270	249	155
Imports, c.i.f.		62	193	272	235
Trade balance		-	77	-23	-80
Principal exports:					
Wool	Quantity ... 1,000 MT	53	92	65	50
	Value ... $ millions	27	165	125	76
Meat	Quantity ... 1,000 MT	129	79	82	22
	Value ... $ millions	16	44	46	8
Trade with U.S. (US Customs data):					
Exports to U.S.		5	53	31	13
Imports from U.S.		5	25	43	41
Balance		-	28	-12	-28
Balance of payments:					
Balance on goods and services			71	-30[E]	-87
Net capital transactions			-37		
Change in gold and exchange reserves			32		
Gold & foreign exch. reserves (Dec. 31)		67	234	178	130

Central Bank Only

EXTERNAL RESOURCES (millions of US $)	1952	1953	1954	1955	Undisbursed 12/31/55
Ex-Im Bank loan disbursements	2.0	-	-	-	2.7
IBRD loan disbursements	3.4	11.0	12.3	1.2	6.6
U.S. Direct Private Investment:					
New direct investment (net)	1	-3	-2		
Reinvested subsidiary earnings	3	6	2		
Book value, end of year	71	74	73		

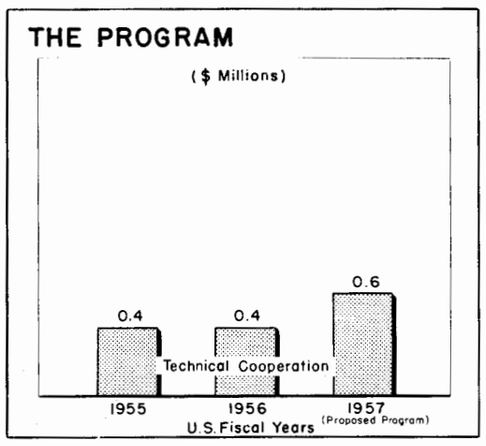
FINANCES	1951	1952	1953	1954	1955 (est)
Gross National Product (In 1954 prices)					
Total ... $ millions	n.a.	1,320	1,360	1,470	1,500
Per capita ... $	n.a.	532	539	567	569
Central Government Budget ($ millions)-FY ending December 31:					
Revenue	216	189	197	254	
Expenditure	253	225	246	287	
Percent for defense	n.a.	n.a.	n.a.	9 %	
Surplus or deficit(-)	-37	-36	-49	-33	
Converted at rate of 2 pesos per $					
Prices (index 1953=100)					
Wholesale	Not Available				
Cost of living	82	94	100	112	121

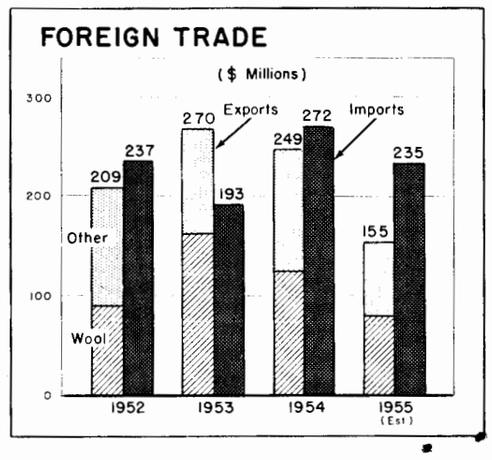
BASIC DATA	
Population (1955)...million	2.6
Annual growth.....percent	1.8
Area..... 1,000 sq.mi.	72
Agric. land.....percent	86
Agric. land per capita..... acres	17
Literacy rate.....percent	85
Life expectancy..... years	n.a.
Road miles per 1,000 sq. mi.....	90

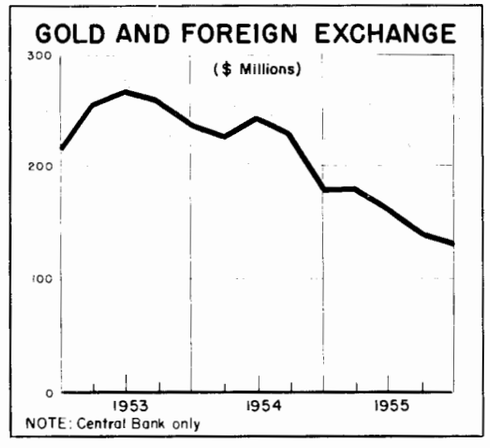
PRODUCTION	Unit	52/53	53/54	54/55	55/56(est)
Agricultural prod.....	1948=100	132	141	146	
Major crops:					
Wheat.....	1,000 MT	463	816	832	900
Corn.....	1,000 MT	208	212	184	
Wool.....	1,000 MT	86	92	90	92

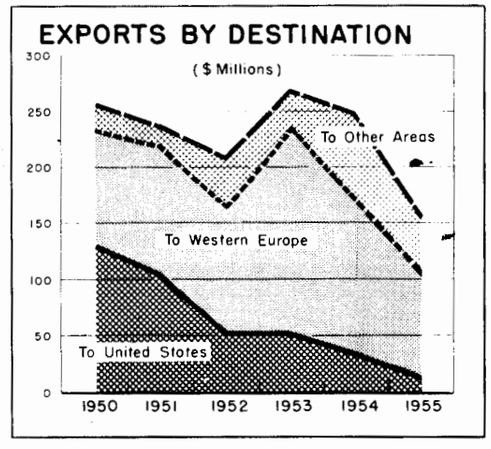
	1952	1953	1954	1955(est)
Major industries:				

stone quarrying, meat packing, tanning









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LATIN AMERICA

INDIVIDUAL COUNTRY DATA

Country: URUGUAY

Summary of Program by Function

(In thousands of dollars)

Function	Program FY 1950/56	FY 1956	Proposed FY 1957
Military Assistance	11,119	590	1,564
	FY 1955		
Technical Cooperation	389	391	619
Total Programs	XX	981	2,183

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General Narrative Statement

U.S. INTERESTS

Importance of Uruguay to the United States and Western Hemisphere

Uruguay's importance to the United States stems (1) from her long record of genuine democracy and political stability; (2) from the fact that this record has given Uruguay a degree of political influence among all Latin America states out of all proportion to her size and population; (3) from the traditional loyal support she has given to U. S. positions in the United Nations and The Organization of American States; (4) from the consequent need to preserve her economic and political stability, and her effective friendship for the United States, from any deterioration which might lead to a hostile regime; and (5) from her capability for contributing to hemispheric defense.

The United States has commercial interests in Uruguay involving a $41 million level of imports from the United States while that country sent $13 million in exports to the United States. U. S. direct private investments in Uruguay amounted to $73 million in 1954.

Objectives of the Mutual Security Program in Uruguay

The basic objectives of the Mutual Security Program in Uruguay are (1) to assist that country in its efforts to maintain economic and political stability through a maximum use of her human and material resources through (a) more efficient governmental administrative services, (b) improved health standards and facilities, and (c) expanded worker productivity; (2) to encourage an appreciation of the advantages of a national economy based upon free enterprise rather than upon Marxist techniques; (3) to help maintain the traditionally close relations between Uruguay and the U. S. through encouraging a further improvement in the climate for domestic and foreign investment and trade; and (4) to assist Uruguay in contributing effectively to hemispheric defense.

General Narrative Statement (Continued)

Uruguay's economy is basically agricultural. Economic development, financed by exports of pastoral products such as wool and meat - had by 1951 advanced further than in most other Latin American countries. The past few years, however, have seen a slackening of this pace due to the shortage of cattle and the increased use in foreign markets of wool substitutes.

Today, the Uruguayan economy is experiencing increased difficulties. Danger signs are (1) a lower per capita output and sharply increased production costs, making exports without government financial aid almost impossible; (2) a sharp decline in exports resulting in unfavorable trade and payments balances in 1954 and 1955; (3) a mounting government debt; (4) insufficient revenues and continuing deficits; (5) a decline in commercial and industrial activity; (6) a sharp decline in cattle stock and meat production, historically a mainstay of the economy; (7) growing unemployment; (8) an accelerating inflationary spiral.

The gap between what Uruguay requires to support its standard of living and what it produces is widening. To fill this gap, the nation has been drawing increasingly upon its reserves, but this can provide only a temporary remedy. The principal solution for Uruguay's economic ills will have to be found mainly in a more efficient and expanded production.

HOST COUNTRY PROGRAMS

At the present time, no long range economic development program exists in Uruguay. However, there are signs that increased governmental study is being given to such fundamental questions as the desirability of an income tax to replace the cumbersome tax collection system at present, as well as methods of utilizing foreign loans to increase the country's production.

In August, 1955, the International Bank for Reconstruction and Development (IBRD) authorized a loan of $5.5 million which will help to stabilize the existing supply of electric power. In addition, the government has applied to the IBRD for several loans for purposes of increasing productivity. These include one for pastoral development aimed at increased livestock production; another for railway rehabilitation, needed to improve efficiency of transport and a third for the improvement of the port of Montevideo. A fourth loan application has been made for the purpose of draining and reclaiming extensive coastal swamp areas in Eastern Uruguay to bring new land into production.

U.S. CONTRIBUTIONS TO HOST COUNTRY PROGRAMS

Uruguay has the capacity from its own resources, foreign private investment and loans from the IBRD and the Export-Import Bank to finance the needed capital development of the economy, but assistance is required to develop both technical skills and planning competence essential to the formulation of sound development programs and projects.

Among the continuing fields of activity, health and sanitation efforts are being oriented toward assisting the Uruguayan Ministry of Public Health in the development of a complete and modern system of Public Health Services in the country. Increased emphasis will be placed on environmental sanitation, health education and training programs.

Public administration efforts are being concentrated on providing for a comprehensive program for increasing technical competence in planning, personnel management and public finance - the latter aimed at stemming inflationary pressure.

During FY 1957, a total of $619,000 is being requested to continue activities mentioned above. The major new program emphasis planned for FY 1957 is directed toward improving productivity in the medium and small industries of Uruguay and encouraging productive increases in domestic and foreign private investment. In addition, engineering services will be supplied, upon request, to assist in the study and survey of the land reclamation project in the Department of Rocha where the government is making efforts to place additional lands into production.

SECRET

Narrative or figures on this page, encircled in heavy pencil, are classified SECRET or CONFIDENTIAL as indicated. Material not circled is Unclassified.

General Narrative Statement (Continued)

For 1957, $619,000 is requested to continue activities described above. This represents an increase from the $391,000 programmed in FY 1956. The additional funds will be used to launch the industrial productivity program and to provide engineering services for the Rocha land reclamation project.

MILITARY ASSISTANCE PROGRAM

Historical Background: The Bilateral Military Assistance Agreement between Uruguay and the United States was signed June 30, 1952. Ancillary to the agreement is a secret military plan outlining United States and Uruguay's respective roles in hemispheric defense. The basic task assigned to Uruguay under this plan was the primary responsibility for defense of its coastal sea communications. For its tasks, Uruguay agreed to organize, train, and contribute the following forces: Army, 1 Anti-aircraft Battalion (AW); Navy, 2 Patrol Craft, 1 Composite Reconnaissance Squadron; Air Force, 1 Fighter Squadron, 1 Light Bomber Squadron.

SECRET

Although materiel was programmed in FY 1952 and FY 1953 to support the AAA Battalion, the Government of Uruguay failed to provide local currency necessary for administrative operation of the Army Section of the Military Assistance Advisory Group. Consequently, the Army portion of the program was not authorized for implementation. When, ultimately, agreement of the Uruguayan Government was secured on this matter, an Army mission went to Uruguay and after a brief survey reported the Uruguayan Army unable to handle the programmed equipment before the third quarter of 1957. As a result, the Army materiel portion of the program has not been implemented.

The Navy materiel program during this period provided for the overhaul of two destroyer escorts. In addition,

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The Department of Defense on January 27, 1956, authorized the United States Navy to redistribute from the United Kingdom to Uruguay two corrugated metal hangars and aircraft components and maintenance spare parts. Under the FY 1950-1956 program, the Uruguayan Air Force received 10 T-6 training aircraft as well as cartridges, rockets and communication equipment. The value of the FY 1950-1956 materiel and training program for Uruguay was as follows: Army, $3 million; Navy, $4 million; Air Force, $4 million.

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FY 1957 Program

The Army program for Uruguay in FY 1957 provides spare parts and training ammunition in the amount of $120,000. The Navy program for the coming fiscal year is designed to furnish the Uruguayan Navy with machinery, ordnance, electronics, and aircraft spare parts, training ammunition, training aids, ordnance equipment for the Uruguayan Navy's modernization program, and airfield vehicles for their base facilities. The Air Force program as planned will supply the Uruguayan Air Force with spare parts for 13 B-25, 4 T-33, 18 T-6 and 2 H-13 aircraft as well as weapons, vehicle and communication and electronics spare parts, plus formal training and training ammunition. The value of the program which is being requested for the Uruguayan armed forces is as follows: Army, $.17 million; Navy, $.3 million; Air Force, $1.1 million.

CONFIDENTIAL

DEPARTMENT OF DEFENSE
MUTUAL DEFENSE ASSISTANCE PROGRAMS AND PERFORMANCE
VALUE BY TYPE OF ASSISTANCE AND DEPARTMENT
FISCAL YEARS 1950-56 AND PROPOSED FISCAL YEAR 1957

(In Thousands of Dollars)

TABLE IB URUGUAY

TYPE OF MILITARY ASSISTANCE AND DEPARTMENT (1)	CURRENT PROGRAM			PERFORMANCE - 30 NOVEMBER 1955	
	PROPOSED FISCAL YEAR 1957 (2)	FISCAL YEAR 1956 (3)	FISCAL YEARS 1950-56 (4)	ACCOMPLISHED (5)	TO BE ACCOMPLISHED OF FY 1950-56 PROGRAMS (6)
I TOTAL FOR COUNTRY CHARGED TO APPROPRIATIONS	$ 1,564	$ 590	$11,119	$ 2,592	$ 8,527
Army	170	4	3,164	4	3,160
Navy	263	573 [a]	3,673	1,000	2,673
Air Force	1,131	13	4,282	1,588	2,694
II EQUIPMENT & SUPPLIES - TOTAL	1,384	26	10,530	2,555	7,975
Army	170	-	3,160	-	3,160
Navy	221	26	3,120	976	2,144
Air Force	993	-	4,250	1,579	2,671
III REPAIR AND REHABILITATION OF EXCESS - TOTAL	-	300	325	3	322
Army	-	-	-	-	-
Navy	-	300 [a]	306	-	306
Air Force	-	-	19	3	16
IV TRAINING - TOTAL	180	264	264	34	229
Army	-	4	4	4	*
Navy	42	247	247	24	223
Air Force	138	13	13	6	6
VB OTHER - TOTAL	-	-	-	-	-
Army	-	-	-	-	-
Navy	-	-	-	-	-
Air Force	-	-	-	-	-
VI EXCESS STOCKS AT ACQUISITION COST - TOTAL (NOT CHARGED TO APPROPRIATIONS)	-	-	884	47	837
Army	-	-	-	-	-
Navy	-	-	681	-	681
Air Force	-	-	203	47	156

*Less than $500.
a/ Includes $300 lump sum transfer from FY 1950-55 program for funding in FY 1956.

DEPARTMENT OF DEFENSE
MUTUAL DEFENSE ASSISTANCE PROGRAMS AND PERFORMANCE - END-ITEMS AND SPARES
QUANTITY AND VALUE BY DEPARTMENT, MAJOR CATEGORIES AND SELECTED ITEMS
FISCAL YEARS 1950-57
(Values in Thousands of Dollars)

TABLE II URUGUAY

DEPARTMENT, CATEGORY AND ITEM (1)	CURRENT PROGRAM						PERFORMANCE 30 NOVEMBER 1955			
	PROPOSED FY 1957		FISCAL YEAR 1956		FISCAL YEARS 1950-56		ACCOMPLISHED		TO BE ACCOMPLISHED OF FY 50-56 PROGRAMS	
	QUANTITY (2)	VALUE (3)	QUANTITY (4)	VALUE (5)	QUANTITY (6)	VALUE (7)	QUANTITY (8)	VALUE (9)	QUANTITY (10)	VALUE (11)
TOTAL DEPARTMENT OF DEFENSE		$ 1,384		$ 26		$10,530		$ 2,555		$ 7,975
ARMY										
TOTAL		$ 170				$ 3,160				$ 3,160
COMBAT VEHICLES		22				303				303
Other Combat Vehicles						303				303
Combat Vehicle Components & Spare Parts		22								
GENERAL PURPOSE SUPPORT VEHICLES		30				352				352
Truck, 1/4 Ton, 4x4 (all models)					25	45			25	45
Truck, 3/4 Ton, 4x4, Weapons Carrier					17	54			17	54
Truck, 2-1/2 Ton, 6x6, Cargo, all models					42	203			42	203
Truck, 4-5-6 Ton, 6x6, Wrecker					1	13			1	13
Other General Purpose Support Vehicles						37				37
General Purpose Support Veh Components & Sp Pts		30								
ARTILLERY		10				982				982
Gun, Auto, 40mm, M-1, w/crg					32	811			32	811
Other Artillery						171				171
Artillery Components & Spare Parts		10								
WEAPONS		5				78				78
Carbine, Cal. 30, all models					811	52			811	52
Other Weapons						26				26
Weapon Components & Spare Parts		5								
AMMUNITION, COMPLETE ROUNDS		85				1,077				1,077
Cartridge, Cal. 30, all types, (Thous)	40	2			542	38			542	38
Cartridge, Cal. 50, all types, (Thous)	70	24			1,467	566			1,467	566
Cartridge, HE-T SD Mk. 2 w/f, 40mm Gun (Thous)	10	59			47	299			47	299
Other Ammunition						174				174
ELECTRONICS & COMMUNICATIONS EQUIPMENT		12				221				221
Electronics & Communications Equipment						221				221
Electronics & Communications Equip Components & Sp Pts		12								
ALL OTHER EQUIPMENT & SUPPLIES		6				147				147
NAVY										
TOTAL		$ 221		$ 26		$ 3,120		$ 976		$ 2,144
SHIPS AND HARBOR CRAFT		5				1,594		951		643
Patrol Vessels						925		925		
DE (Ocean Escort)						925a		925		
All Other Ships & Harbor Craft						460				460
Ship & Harbor Craft Components & Sp Pts		5				209		26		183
AIRCRAFT		21			6	945			6	945
Patrol					3				3	
All Other Patrol Aircraft					3				3	
All Other Aircraft					3				3	
Aircraft Components & Spare Parts		21				945				945
OTHER NAVAL EQUIPMENT		195		26		581		25		556
Ammunition		121				182				182
Electronics & Communications Equipment						99		9		90
Electronics & Communications Equipment Components & Sp Pts		3				71		8		63
Artillery & Weapons		30				53		7		46
Artillery & Weapons Components & Spare Parts		2								
All Other Equipment & Supplies		40		26		177				177

DEPARTMENT OF DEFENSE
MUTUAL DEFENSE ASSISTANCE PROGRAMS AND PERFORMANCE - END-ITEMS AND SPARES
QUANTITY AND VALUE BY DEPARTMENT, MAJOR CATEGORIES AND SELECTED ITEMS
FISCAL YEARS 1950-57
(Values in Thousands of Dollars)

TABLE II URUGUAY (Cont'd)

DEPARTMENT, CATEGORY AND ITEM (1)	CURRENT PROGRAM						PERFORMANCE 30 NOVEMBER 1955			
	PROPOSED FY 1957		FISCAL YEAR 1956		FISCAL YEARS 1950-56		ACCOMPLISHED		TO BE ACCOMPLISHED OF FY 50-56 PROGRAMS	
	QUANTITY (2)	VALUE (3)	QUANTITY (4)	VALUE (5)	QUANTITY (6)	VALUE (7)	QUANTITY (8)	VALUE (9)	QUANTITY (10)	VALUE (11)
AIR FORCE										
TOTAL		$ 993		$		$ 4,250		$ 1,579		$ 2,671
AIRCRAFT		295			14	2,618	10	1,323	4	1,295
Trainers					14	608	10	247	4	361
T-33A					4	477			4	477
Harvard MK IV & T6					10	131	10	247		-116
Aircraft Components & Spare Parts		295				2,009		1,076		933
ALL OTHER AF EQUIPMENT		698				1,632		256		1,376
Ammunition		551				438		39		399
Electronics & Communications Equipment						727		68		659
Electronics & Communications Equip Components & Sp Pts		37				144		14		130
All Other Equipment & Supplies		110				323		135		188

a/ Overhaul.

LATIN AMERICA

Country: URUGUAY

INDIVIDUAL COUNTRY DATA (EXCLUDES MILITARY ASSISTANCE)

Summary by Major Activity Field

(In thousands of dollars)

Program 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 Miscellaneous
Technical Cooperation										
1955	389	8	79	14	56	142		90		
1956	391		3	4	75	194		114		1
1957	619	60	150		32	206		121		50

Summary by Major Cost Components

(In thousands of dollars)

Program by Fiscal Year	Programs by Major Cost Components							Number of People			
								Technicians (Close FY)		Participants (Programmed During FY)	
	Total Cost	Grants to Cooperative Services	Supplies and Equipment	U.S. Employed Technicians	Contract Services	Participants	Other Costs	U.S. Employed	Contract	Contract	Non-Contract
Technical Cooperation											
1955	389		26	110		235	18	5			44
1956	391		50	127		185	29	8	1		42
1957	619	50	52	219	10	249	39	13	1		55

VENEZUELA

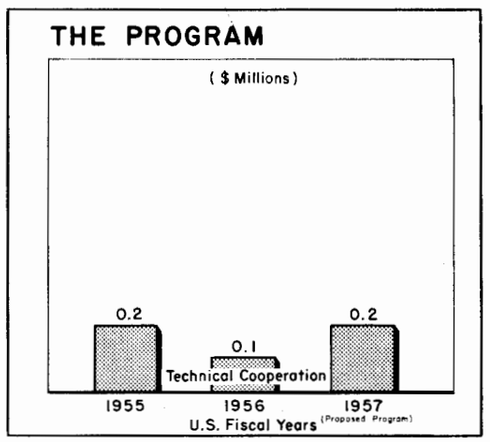
TRADE AND PAYMENTS		1938	1953	1954	1955 (est)
			(millions of US $)		
Exports, f.o.b.		181	1,445	1,690	1,870
Imports, c.i.f.		107	913	1,010	1,080
Trade balance		74	532	680	790
Principal exports:					
Petroleum & products	Quantity.. 1,000 MT	26,225	89,107	95,247	105,000
	Value....$ millions	162	1,366	1,606	1,775
Coffee	Quantity.. 1,000 MT	36	45	26	35
	Value....$ millions	8	47	36	40
Trade with U.S. (US Customs data):					
Exports to U.S.		20	440	504	590
Imports from U.S.		52	513	534	545
Balance		-32	-73	-30	45
Balance of payments:					
Balance on goods and services			57	72	150
Net capital transactions			97	30	25
Change in gold and exchange reserves			45	1	75
Gold & foreign exch. reserves (Dec. 31)			497	498	573

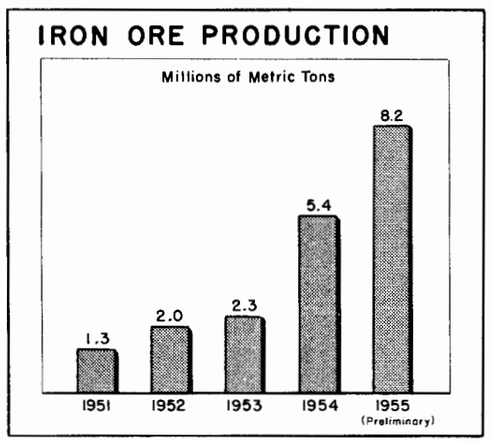
EXTERNAL RESOURCES (millions of US $)	1952	1953	1954	1955	Undisbursed 12/31/55
Ex-Im Bank loan disbursements	5.0	3.0	-	-	5.4
IBRD loan disbursements	-	-	-	-	-
U.S. Direct Private Investment:					
New direct investment (net)	115	93	53		
Reinvested subsidiary earnings	73	34	37		
Book value, end of year	1,184	1,308	1,399		

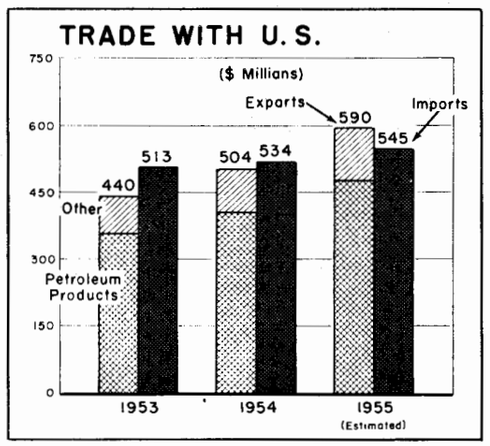
FINANCES		1951	1952	1953	1954	1955 (est)
Gross National Product (In 1954 prices)						
Total	$ millions	3,634	3,598	3,688	4,020	4,400
Per capita	$	709	681	678	717	762
Central Government Budget ($ millions)-FY ending June 30:						
Revenue		635	686	707	794	844
Expenditure		644	707	682	706	835
Percent for defense (ex. police)		8.8%	9.0%	9.3%	8.8%	9.4%
Surplus or deficit(-)		-9	-21	25	88	9
Converted at rate of 335 bolivares per $						
Prices						
Wholesale(caracas)(index 1953=100)		102	103	100	103	104
Cost of living....(index 1948=100)		117	119	117	118	118

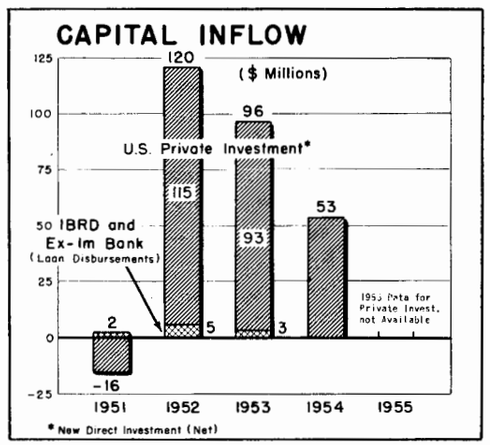
BASIC DATA	
Population (1955)...million	5.8
Annual growth.....percent	3.0
Area..... 1,000 sq.mi.	352
Agric. land.....percent	18
Agric. land per capita..... acres	7
Literacy rate.....percent	49
Life expectancy..... years	n.a.
Road miles per 1,000 sq. mi.....	30

PRODUCTION	Unit	52/53	53/54	54/55	55/56(est)
Agricultural prod... 1935-39-100		158	152	161	
Major crops:					
Sugar	1,000 MT	73	100	118	145
Rice (rough)	1,000 MT	50	58	98	68
Coffee	1,000 MT	57	39	50	48
		1952	1953	1954	1955(est)
Major industries:					
Petroleum	1,000 MT	97,004	94,651	101,184	114,972
Electricity	1,000 MT	720	841	979	1,110
Iron Ore	1,000 MT	1,973	2,296	5,388	8,200









INDIVIDUAL COUNTRY DATA

Summary of Program by Function

(In thousands of dollars)

Function	Program FY 1955	FY 1956	Proposed FY 1957
Technical Cooperation	195	144	225
Total Program	195	144	225

General Narrative Statement

U.S. INTERESTS

Importance of Venezuela to the United States

Venezuela's importance to the United States relates primarily to her vast petroleum and mineral resources, her extensive trade relations with the U.S. which average over $500 million annually each way, and the U.S. direct private investment in the country, which amounted to $1.4 billion in 1954. In addition, continuing economic prosperity in this strategically located country contributes to hemisphere defense.

Objectives of the Mutual Security Program in Venezuela

Our basic objectives in Venezuela are to promote vital U.S. economic, political and strategic interests and compatible Venezuelan interests, by cooperating in local efforts to broaden the economic base of the economy, expand and diversify agricultural production, foster private industrial development, and improve standards of health, education and literacy.

BASIC ECONOMIC PROBLEMS

The basis of the booming Venezuelan economy is primarily its great petroleum resources, large reserves of high-grade iron ore and other minerals, and its growing manufacturing industries. The utilization of these resources has resulted in a highly favorable balance of payments situation, and has rewarded that sector of the economy connected with or affected by minerals extraction and processing. While the entire economy of the country and many of its citizens have also benefitted indirectly, it is true that outside this sector there are numerous conditions characteristic of an undeveloped economy.

While the country is still primarily agricultural, good agricultural land is not plentiful and erosion, rain and drought extremes, and uneven topography limit the range and output of crops that can be grown in most areas. The literacy rate is calculated at 43%, and health standards are low in the rural areas where inadequate potable water supplies result in intestinal diseases. The agricultural labor supply consists largely of tenant farm workers on large estates and a high percentage of the population live on a subsistence basis on the land outside the money economy. The combination of high cost industrial labor and high tariff protection, among other causes, has produced a very high level of prices.

General Narrative Statement (Continued)

Country: VENEZUELA

HOST GOVERNMENT PROGRAMS

In order to broaden the base of the economy Venezuela's Ministry of Development and a number of official commissions and boards are involved in planning and implementing economic development programs. Basic facilities such as power and transportation are being rapidly expanded to prevent them from becoming bottlenecks to industrial or agricultural production. The Government, concerned about the country's dependence on outside sources of food and other consumer soft goods, has encouraged mechanization of the agricultural sector and has subsidized it and parts of the industrial sector through tariff protection. An important objective of Venezuela's development effort is the establishment of an integrated iron and steel industry for which natural resources appear to be adequate. Petrochemistry is another basic industry which is in the process of development.

U.S. CONTRIBUTIONS TO HOST COUNTRY PROGRAMS

As a part of the U.S. Technical Cooperation program, the Health and Sanitation Field Party is making a distinct contribution to announced Venezuelan objectives in the field of public health in terms of supplying technicians and training in water supply construction, vital statistics, and industrial hygiene. These projects contribute to higher efficiency and production through providing improved health conditions, allowing Venezuelans to benefit by the new educational and work opportunities afforded. Venezuela has enthusiastically contributed to the financing of projects in ever-increasing amounts, the proportion of Venezuelan to U.S. cash contribution to joint projects now being in excess of 54 to 1. In addition, private U.S. export capital is providing Venezuela with increased technical and managerial knowledge. Venezuela also receives some technical assistance from the UN, although her requests for specialists greatly exceed the number of technicians assigned there by that organization.

The U.S. technical cooperation program for FY 1957 calls for a total obligation of $225,000, of which $50,000 is earmarked for training in the peaceful uses of atomic energy, and provision is made for an additional technician in health education and for the minimal cash grant to the cooperative Venezuelan U.S. fund to carry out agreed public health projects. This represents an increase from the $144,000 programmed in FY 1956 which did not provide the above projects.

LATIN AMERICA

Country: VENEZUELA

INDIVIDUAL COUNTRY DATA

Summary by Major Activity Field

(In thousands of dollars)

Program by Fiscal Year	Total Cost	Agriculture and Natural Resources	Industry and Mining	Transportation	Labor	Health and Sanitation	Education	Public Admin.	Community Development, Soc.Welfare and Housing	General and Miscellaneous	Import of Sal. Commod. L/C to be used for Non-Mil. Activities	Other Costs
Technical Cooperation												
1955	195					195						
1956	144					124		20				
1957	225					175				50		

Summary by Major Cost Components

(In thousands of dollars)

Program by Fiscal Year	Program by Major Cost Components							Number of People			
								Technicians (Close FY)		Participants (Programmed During FY)	
	Total Cost	Grants to Cooperative Services	Supplies and Equipment	U.S. Employed Technicians	Contract Services	Participants	Other Costs	U.S. Employed	Contract	Contract	Non-Contract
Technical Cooperation											
1955	195	50		140			5	7			
1956	144		2	120		16	6	6			4
1957	225	25		133		60	7	7			15

General Narrative Statement (Continued)

achieving individual aspirations.

BASIC ECONOMIC PROBLEMS

Basic problems of the island territories are: overpopulation; unemployment; dependence for livelihood on a single crop, primarily sugarcane; inadequate production of foodstuffs for local consumption; lack of natural resources for industrial development; need to supplement agricultural production with small industry, crafts and commerce; lack of technical skills and training facilities; and malnutrition and poor housing.

Problems of the mainland territories are: need for agricultural diversification and the opening up of new agricultural lands for production and settlement; shortage of skilled manpower and training facilities; poor housing and health conditions; and need to improve transportation facilities and to develop interior areas.

Despite the substantial amount of funds contributed by the metropolitan countries in support of the territories' development programs, progress is seriously hampered by the lack of skilled technicians and workers.

HOST GOVERNMENT PROGRAMS

The individual territories have formulated long range economic development plans which are supported by funds from the metropolitan governments. The Ten Year Development Plan of Surinam amounts to $62 million, two-thirds being supplied by the Netherlands Government. The program places emphasis on agriculture, transportation, communications, health, education and housing.

In the British territories, the programs are supported by grants and loans of the Colonial Development and Welfare Organization. The development program of British Guiana shows expenditures of $5.3 million in 1954 and $9.5 in 1955. The development budget for calendar year 1956 amounts to $14.5 million. This program places emphasis on drainage, irrigation, land settlement, transportation and housing.

U.S. CONTRIBUTIONS TO HOST COUNTRY PROGRAMS

United States technical cooperation programs are currently in operation pursuant to individual agreements with Surinam, British Guiana and Jamaica. In FY 1956, a program agreement with Barbados-Windward-Leeward Islands is in the final stages of negotiation. These agreements run through FY 1959 or FY 1960 subject to the annual availability of funds from both parties. In support of these programs vocational training in Puerto Rico is provided under a contract with the Puerto Rican Government.

The program activities are principally in the fields of agriculture, health, vocational education and aided self-help housing - the fields in which U.S. technicians have demonstrated special technical competence not normally available from the metropolitan countries. The U.S. technical cooperation programs consist almost entirely of advice and assistance from U.S. technicians and training of local technicians on projects designed to support the territories' long range economic development programs.

For FY 1957, $812,000 is requested to continue activities described above. This represents an increase from the $569,000 programmed in FY 1956 and provides for continuation of programs in British Guiana and Surinam and for the normal development of programs recently begun in Jamaica and in the Barbados-Windward-Leeward Islands.

Surinam: The U.S. program, in operation since 1954, is carried out through a Cooperative Service. U.S. agricultural technicians are assisting in the fields of agricultural extension, home economics, horticulture, marketing and farm youth work. In addition, assistance has been extended in health and sanitation, vocational education, aided self-help housing and forest products development. Fourteen participants from Surinam are completing their vocational training in Puerto Rico. Technical advice

General Narrative Statement (Continued)

is being given for airport construction and on machine shop methods. The FY 1957 program provides for a continuation of the above mentioned activities as well as the provision of a technical advisor on the roads program.

British Guiana: British Guiana, with a population of 480,000 concentrated near the coastal regions, was the scene in 1953 of serious political unrest, occasioned by the British Government's suspension of the constitution to avoid rioting and disorder when a pro-Communist regime abused its power won in a free election. Realizing the urgent need for rapid social and economic improvement Great Britain made available sizeable amounts in support of the $25 million Two-Year Intensive Development Program, and London is now considering raising this program to $60 million.

A major part of U.S. program is being implemented under a contract with The University of Maryland whose technicians are working in the fields of agriculture, reclamation, transportation, and aided self-help housing. In addition, U.S. technicians are training local technicians and advising in geological work, highway construction, maintenance and repairs, health and sanitation, and community development.

Jamaica: Since the first U.S. technicians arrived in June 1955, projects in the field of agriculture, including extension, farm credit, engineering, and vocational education have been initiated and are being tied into the implementation of the new Jamaican Agricultural Development Scheme. An industry technician is programmed and the sanitary engineer has already succeeded in establishing a sanitary engineering unit in the Ministry of Health to train Jamaicans in carrying out an island-wide sanitary program.

Barbados, Windward and Leeward Islands: These island governments are now struggling to overcome their extremely depressed social and economic levels. Great Britain is supporting these development programs with funds and technical assistance. The U.S. technical cooperation program provides for assistance in agriculture and housing. The housing segment merely brings into the program the continued operations of the aided self-help housing team operating on a regional basis. The agricultural program is designed to increase local food production and improve marketing arrangements and includes four U.S. agricultural technicians (agricultural economist, extension specialist, vegetable horticulturist, soils specialist).

INDIVIDUAL COUNTRY DATA

Summary by Major Activity Field

(In thousands of dollars)

Program 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 Miscellaneous
Technical Cooperation										
1955	693	6	10	5					70	602
1956	569	142	19	9	15	92	49	2	121	120
1957	812	249	41	14		150	63		141	154

Summary by Major Cost Components

(In thousands of dollars)

Program by Fiscal Year	Programs by Major Cost Components							Number of People			
								Technicians (Close FY)		Participants (Programmed During FY)	
	Total Cost	Grants to Cooperative Services	Supplies and Equipment	U.S. Employed Technicians	Contract Services	Participants	Other Costs	U.S. Employed	Contract	Contract	Non-Contract
Technical Cooperation											
1955	693	50		213	375	38	17	15	13		22
1956	569	50	20	317		87	95	22	25		32
1957	812	50	10	517		95	140	29	22		27

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Summary of Program by Function

(In thousands of dollars)

Function	Program FY 1950/56	FY 1956	Proposed FY 1957
Military Assistance 1/	7,863	1,294	1,846
	FY 1955		
Development Assistance 2/			2,000
Technical Cooperation - Regional Projects	1,321	1,144	1,458
Total Regional Program	XX	2,438	5,304

1/ Explained in non-regional section of this presentation.
2/ See Regional Narrative Statement for explanation of this item.

General Narrative Statement

U.S. INTERESTS

Technical cooperation is extended to cooperating countries to support country programs whose objectives are compatible with U.S. objectives. However, in certain instances, overall U.S. objectives may be broader than those of individual country programs in cooperating countries. Regional projects are designed in these instances to increase the overall effectiveness and impact of U.S. efforts related to cooperative programs in Latin America. Certain specialized or short term requirements for servicing individual country programs can be met more efficiently by regional projects.

TECHNICAL COOPERATION

Through regional projects, technicians are made available on a temporary basis to provide specialized technical advice and services to individual country programs in situations where full time technicians are not required within the country program but are necessary for the successful conduct of such programs. Research, training, or other facilities are provided involving services by contract or otherwise in those instances where they can be of greater benefit on a multi-country basis, and where it is not feasible to provide them on an individual country basis.

In the field of agriculture and natural resources, the U.S. contract with the Inter-American Institute of Agricultural Sciences in Turrialba, Costa Rica, provides technical services for country programs in dissemination of agricultural information and in the training of Latin American participants. Provision is being made to continue the regional rubber research station in Turrialba to service the needs of cooperative rubber development programs. The

General Narrative Statement (Continued)

continuation of the U.S. contract with the National Academy of Science will provide for preparation, publication and distribution of technical data for use of plant breeders in cooperating countries.

In the field of industry, provision is made by a regional project for the translation of technical films and publications into Spanish. In transportation, the Regional Civil Aviation Assistance Group, stationed in Panama, works in conjunction with U.S. Missions, and continues to assist in the standardization and development of civil and commercial air transportation in Latin America.

In the field of health and sanitation, continuation of the U.S. contract with the University of Puerto Rico will provide graduate training to professional public health workers, Regional technicians are continuing to provide specialized assistance to country programs in public health. Provision is made for a field trial of new drugs recently made available for the control of tuberculosis to determine their applicability or potential usefulness world-wide.

In the field of public administration, regional technicians are providing specialized advice to country programs in organization and methods, procurement, and census cartography.

In cooperation with the Latin American Center for Monetary Studies, a regional organization for Latin American central bank technician training, research and information, a new project is planned to assist Latin American central banks in acquiring the knowledge and skill to enable them to become effective monetary authorities in the promotion and expansion of private investment.

Provision is made for continuation of vocational training in Puerto Rico for participants from the Caribbean area, for specialized technicians and for rural demonstration projects in the Overseas Territories, and for participation in Caribbean Commission technical projects. Other activities provide country programs with overall support in mass communication techniques to strengthen all technical cooperation efforts in Latin America.

For FY 1957, $1.5 million is requested to provide for activities described above. This represents an increase of $300 thousand over the $1.2 million programmed in FY 1956. The additional funds will enable new projects in health and monetary studies to be undertaken and will provide for re-financing of vocational training contract with Puerto Rico.

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UNDISTRIBUTED BY COUNTRY (EXCLUDES MILITARY ASSISTANCE)

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, Soc. Welfare and Housing	General and Miscellaneous	Import of Sal. Commod. L/C to be Used for Non-Mil.Activities	Other Costs
Development Assistance												
1955												
1956												
1957	2,000							2,000				
Technical Cooperation												
1955	1,321	182		162		93		27	33	824*		
1956	1,144	429	44	170	25	344	56	55		21		
1957	1,458	327	44	170	22	498	300	36		61		
Total Programs												
1955	1,321	182		162		93		27	33	824		
1956	1,144	429	44	170	25	344	56	55		21		
1957	3,458	327	44	170	22	498	300	2,036		61		

*Includes contractual items in FY 1955; shown by activity in FY 1956 and FY 1957.

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Summary by Major Cost Components

(In thousands of dollars)

Programs by Fiscal Year	Program by Major Cost Components							Number of People			
								Technicians (Close FY)		Participants (Programmed During FY)	
	Total Cost	Grants to Cooperative Services	Supplies and Equipment	U.S. Employed Technicians	Contract Services	Participants	Other Costs	U.S. Employed	Contract	Contract	Non-Contract
Development Assistance											
1955											
1956											
1957	2,000		920	515		335	230	33			87
Technical Cooperation											
1955	1,321		7	561	585		168	31	18	75	
1956	1,144			494	475	28	147	27	32	110	6
1957	1,458		10	506	809	30	103	29	28	120	8
Total Programs											
1955	1,321		7	561	585		168	31	18	75	
1956	1,144			494	475	28	147	27	32	110	6
1957	3,458		930	1,021	809	365	333	62	28	120	95

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Summary of Commodity Imports

(In thousands of dollars)

Imports	Program FY 1955	FY 1956	Proposed FY 1957
Commodities			
Industrial Imports			
Miscellaneous and Unclassified		920	
Total Industrial Imports		920	
Total Commodity Import Program		920	

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REGIONAL AND UNDISTRIBUTED

INDIVIDUAL COUNTRY DATA

Utilization of Local Currency Resulting from MSP Assistance

(In thousands of dollar equivalents)

Dollar Transactions Generating Local Currency		Plan for Utilization of Available Local Currency			
FY 1957 Program	Amount	Purpose of Local Currency Use	Amount Withdrawn FY 1957	Amount Withdrawn After 1957	Total Withdrawn 1957 and After
Import of Saleable Commodities		1. Local Cost of Military Construction Projects			
Surplus Agricultural Commodities Sec. 402		2. Local Cost of Military Activities (Non-construction)			
Other		3. Local Cost of Economic Development Projects			
Total Saleables		4. Local Cost of Technical Assistance Projects			
		5. All Other Local Costs	180		180
		Total	180		180
Other Local Currency Generating Transactions					
Dollar Grants					
Other (local currency purchases)	180				
Total					
Deduct U.S. portion of Deposits					
Net Availability Generated from 1957 Program	180				
Prior Year Program Availability					
Estimated on Deposit June 30, 1956					
Anticipated Additional Deposits on Prior Year Programs					
Total Local Currency Availability	180				

LATIN AMERICA

ORGANIZATION OF AMERICAN STATES - TECHNICAL COOPERATION

Comparative Summary of U.S. Contributions from Fiscal Year Appropriations

(In thousands of dollars)

	Program		
	FY 1955	FY 1956	Proposed FY 1957
OAS - Technical Cooperation	1,136	1,200	1,500

Comparative Summary of U.S. Contributions to Calendar Year Programs

(In thousands of dollars)

	CY 1955	CY 1956	Proposed CY 1957
OAS - Technical Cooperation	1,136	1,200	1,500

General Narrative Statement

The Organization of American States - Technical Cooperation Program provides an opportunity on a multilateral basis for all the Latin American countries together with the United States 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 facilities and provide followships 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 assume positions utilizing this training or in some cases to assist in organizing similar training programs at home. The calendar year 1956 program consist of 7 such projects.

The Inter-American Training Center for Economic and Financial Statistics, attached to the University of Chile in Santiago, is an example of a functioning OAS project. Because of lack of personnel with specialized training, the Latin American nations have not been sufficiently able to translate their basic statistical information (in fields such as foreign trade, industry, and money and banking) into derived statistics which they could use in the improvement of their economies. Since 1953 the program has each year financed one-year training courses for nationals from each of the American Republics in methods of deriving and utilizing economic and financial statistics. The Chilean Government has provided a building, pays the salaries of local employees, and furnishes

General Narrative Statement (Continued)

other supplies and services. Plans are being made to train a Chilean faculty so that the University of Chile can assume responsibility for the Center after 1957, its scheduled expiration date under OAS auspices.

The Inter-American Economic and Social Council of the Organization of American States 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 Institite 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 total contributions. Based on the increased interest of other governments in the program and its increasing effectiveness, the United States increased its pledges in 1955 and 1956 to $1,500,000, also subject to the proviso that the United States contribution would not exceed 70 percent of total contributions. In 1955, for the first time, pledges were received from all 21 member states of the OAS. The pledges for 1955 totaled $1,623,803, of which the United States pledge amounted to $1,135,768. All pledges for 1956 have not yet been received but the total is expected to be about the same as the amount pledged for 1955.

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 1956 these contributions by the host countries are expected to amount to about $200,000, which is in addition to an estimated $2,000,000 already being provided in land, facilities and buildings.

In view of the effectiveness and popularity of the program, it is proposed that the United States should again in 1957 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.

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ORGANIZATION OF AMERICAN STATES - TECHNICAL COOPERATION PROGRAM

Summary of Approved Programs by Projects

Title of Project	Cooperating Agency	Host Governments	CY 1955	CY 1956	Proposed CY 1957 a/
Inter-American Training Center for Economic and Financial Statistics	Inter-American Statistical Institute	Chile	$ 161,159	$ 174,960	
Inter-American Housing Center	Pan American Union	Colombia	215,285	223,395	
Inter-American Rural Normal School	Pan American Union	Venezuela	173,330	195,050	
Inter-American Training Center for the Evaluation of Natural Resources	Pan American Institute of Geography and History	Brazil	145,264	155,290	
Workshops on the Administration of Children's Services	American International Institute for the Protection of Childhood	Uruguay	32,366	32,366	
Technical Education for the Improvement of Agriculture and Rural Life	Inter-American Institute of Agricultural Sciences	Cuba Peru Uruguay	469,842	475,000	
Pan American Aftosa Center	Pan American Sanitary Bureau	Brazil	180,481	27[illegible]276	
Subtotal, Projects			$1,377,727	$1,530,337	
Administration			$ 77,939	83,423	
Total Program			$1,455,666	$1,613,760	$2,143,000 a/
Proposed U.S. Contribution at 70 percent					$1,500,000

a/ The program for calendar year 1957 has not yet been considered by the Coordinating Committee. It is estimated that most of the projects in operation in 1956 will be continued in 1957 and some new projects will be added. It is further estimated that increased contributions from governments will result in a larger program in 1957.

MUTUAL SECURITY PROGRAM

TABLE OF CONTENTS

VOLUME IV - NON-REGIONAL PROGRAMS

Page No.

NON-REGIONAL PROGRAMS

Comparative Summary of Program by Function 175

MILITARY ASSISTANCE

New Weapons 177
Infrastructure 179
International Military Headquarters 183
Mutual Weapons Development Program 185
Foreign Military Facilities Assistance Program 189
Administrative Expenses (Title I, Chapter 1) and Sec. 124 193
Military Assistance Special Projects 195
Military Assistance Special Justification Statements 197

Page No.

NON-MILITARY ASSISTANCE

United Nations Expanded Program of Technical Assistance (UNTA) 211
Special Presidential Fund 217
Migrants, Refugees and Escapees 225
Intergovernmental Committee for European Migration (ICEM) 229
United Nations Refugee Fund 233
Escapee Program 239
United Nations Children's Fund 243
Ocean Freight - Voluntary Relief Shipments . . . 249
Ocean Freight - Surplus Agricultural Commodities 251
Control Act Expenses (MDAC) 255
Administration Other than Defense, Sec. 411. . . 257
Foreign Reactor Projects 261
Inter-Regional Expenses 263
Special Program, Other Than Military 265
Investment Guaranty 267

Previous Page Blank

NON-REGIONAL PROGRAM

Comparative Summary of Programs by Function

(In thousands of dollars)

Activity	Program FY 1950/56	FY 1956	Proposed FY 1957
Non-Regional Programs and Special Justification Statements			
Military Assistance - Non-Regional			
New Weapons			334,553
Infrastructure	521,206	122,000	75,000
International Military Headquarters	22,355	3,500	5,300
Mutual Weapons Development Program	76,462	36,000	58,000
Foreign Military Facilities Assistance Program	84,804	20,000	35,000
Administrative Expenses (Military)	136,449	22,744	25,000
Special Projects	358,824	151,652	32,400
Total Military Assistance	1,200,100	355,896	565,253
	FY 1955		
Technical Cooperation			
UN Expanded Program of Technical Assistance	16,458	23,000	15,500
Interregional Expenses	7,555	10,000	10,800
Total Technical Cooperation	24,013	33,000	26,300
Other Programs			
Special Presidential Fund		100,000	100,000
Migrants, Refugees and Excapees:			
Intergovernmental Committee for European Migration	10,500	12,500	12,500
United Nations Refugee Fund		1,200	2,300
Escapee Program	5,697	6,000	7,000
Children's Welfare	12,500	14,500	10,000
Ocean Freight - Voluntary Relief Shipments	1,487	2,000	1,400
Ocean Freight - Surplus Agricultural Commodities	8,295	16,000	14,000
Control Act Expenses	1,075	1,175	1,175
Administrative Expenses, Section 411, Mutual Security Act	32,496	34,950	35,250
Foreign Reactor Projects			5,950
Special Programs Other Than Military	25,306		
Total	97,356	188,325	189,575
Less: Portion of Special Presidential Fund required to complete financing of programs reflected in other sections of this presentation		-47,816	
Total Other Programs	97,356	140,509	189,575
Total Non-Regional Programs	XX	529,405	781,128

Previous Page Blank

NON-REGIONAL PROGRAM

MILITARY ASSISTANCE

New Weapons Program

(In thousands of dollars)

Activity	Program FY 1957	FY 1956	FY 1950-56
New Weapons	334,553		

This item is discussed in the Military Assistance introductory statement and in the paper on NATO. Further testimony will be offered orally.

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NON-REGIONAL PROGRAM

MILITARY ASSISTANCE

Infrastructure

(In thousands of dollars)

Activity	Program FY 1957	Program FY 1956	Program FY 1950-56
Infrastructure	75,000	122,000	521,206

General Narrative Statement

Infrastructure is the term used for the fixed military facilities needed to support combat operations by the integrated NATO forces under the Supreme Allied Commander Europe and Supreme Allied Commander Atlantic. These facilities include airfields, naval bases, war headquarters, telecommunications systems, electric warning systems, and fuel distribution systems.

The infrastructure program is subjected to a strict screening process designed to limit it to essential projects. The supreme commanders send estimates of their minimum infrastructure requirements to the Standing Group, which screens them from the strategic standpoint. The North Atlantic Council further reviews the proposed projects in an effort to insure maximum economy, maximum use of existing military and civilian facilities, and austerity of construction standards.

Construction is the responsibility of the nation in whose territory the project is located. The responsible nation, however, may not let contracts without prior approval of the Infrastructure Payments and Progress Committee of the North Atlantic Council. Detailed engineering cost estimates must be submitted in order to obtain authorization to let contracts. Even after approval by the Payments and Progress Committee, the projects are inspected by teams representing the NATO military commander, the NATO International Staff/Secretariat, and the nations concerned. An International Board of Auditors, on which the United States is represented, audits all infrastructure accounts.

Cost of the Program

The NATO nations share the cost of the infrastructure program in accordance with percentages fixed by the North Atlantic Council. The percentage of the cost borne by the United States has varied from one annual program, or "slice", to another, as shown below:

Annual Programs	U.S. Percentage Net of Taxes
1950 - Slice I	
1951 - Slice II	41.82
1952 - Slice III	38.40
1953 - Slice IV-A	38.79
1953 - Slice IV-B	38.62
1954 - Slice V	39.89
1955 - Slice VI	39.81
1956 - Slice VII	39.72

The exact percentage paid by the United States in any one year is a composite percentage. This is because the payments made in a given fiscal year are not confined to a single slice but usually involve projects covering several years. The percentage applied to each project is that of the slice under which the project was programmed. Upon completion of all seven slices, including the first one, the percentage of the aggregate cost paid by the United States should approximate 39 percent.

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General Narrative Statement (Continued)

Prior to 1953, each annual infrastructure program was prepared and financed as a separate slice. In order to avoid long and difficult annual cost-sharing negotiations, the North Atlantic Council agreed, in April 1953, on an infrastructure program, with a maximum cost of $700 million to be initiated during the three-year period 1954 through 1956. Based on the agreed percentage, the U.S. share was $300 million for the three years.

This maximum of $700 million, when added to the approximately $1.3 billion approved for the earlier years, will bring the total cost of the NATO infrastructure programs through 1956 to approximately $2 billion. Of this overall total, the U.S. contribution will not exceed $780 million. In the Mutual Security Act of 1954, Section 104(a), Congress has already authorized a contribution up to $780 million by the United States toward the cost of the NATO infrastructure program.

Progress to date includes Council approval of 6 annual increments totalling approximately $1.8 billion, of which the U.S. share is approximately $701.5 million.

Of the 197 airfields in the program, approximately 142 were in sufficiently advanced stages of construction in December 1955 to permit use in an emergency. Of this number, approximately 125 airfields are now 99 percent complete.

Of the total petroleum pipeline and storage program approximately 50 percent is now under contract. 1700 miles of pipeline has been completed and storage space has been provided for 135 million barrels of fuel.

Communications projects are moving ahead rapidly; approximately 70 percent of the total communication program is completed.

FY 1957 Estimate

The estimate of funds required from the United States for infrastructure in FY 1957 was made after consultation with the NATO International Staff/Secretariat and examination of an overall list of projects approved by the North Atlantic Council. This estimate covers the amounts needed from the United States to pay the cost of projects for which funds are to be obligated during FY 1957.

It is estimated that during FY 1957 the United States should be prepared to obligate $105 million for the infrastructure program, plus $17 million for forward financing, or a total of $122 million. Forward financing is desirable because it permits obligation of funds for approved projects which are not presently included in the estimates of FY 1957 obligations but which may have to be started in FY 1957. It is currently estimated that $47 million of unobligated funds will be available from FY 1956 infrastructure funds appropriations at the end of FY 1956. This would leave a net requirement of $75 million in new obligational authority for FY 1957.

The following table gives a recapitulation of actual U.S. contributions to the infrastructure program for fiscal years 1952 through 1955 and authorized contributions, through FY 1958 and after.

U.S. Contribution to NATO Infrastructure
(In Millions of Dollars)

FY	Authorized	Appropriated	Obligated	Expended
1952	169.0 (51.0 a/)	169.0 (51.0 a/)	169.0 (51.0 a/)	15.7
1953	140.0	140.0 b/	140.0	82.7 (51.0 a/)
1954	150.0	153.9 c/	114.9	104.6
1955	321.0	100.0 c/	64.3	80.9
Total gross appropriated		562.9		
Less lapsed appropriation		74.7		
Net appropriation thru FY 1955		488.2	488.2	283.9
1956		122.0	92.0 Est	92.7 Est
Total thru FY 1956		610.2	580.2	376.6
1957		75.0 Request	105.0 Est	153.3 Est
1958 and after		94.8 Est	94.8 Est	250.1 Est
Total	780.0	780.0	780.0	780.0

a/ $51.0 million utilized for U.S. national construction.

b/ Appropriated to Department of Defense under Military Construction, Foreign Countries.

c/ Of this amount $39.0 million was reappropriated from FY 1954 to FY 1955. The new appropriation requested for FY 1955 was reduced from $123.7 million to $100.0 million, thereby making $139.0 million actually available for FY 1955.

Future Fund Requirements

When Congress authorized the three-year program for 1954-56, it was thought that this would complete the infrastructure program. But additional requirements have been created because of changes in strategic concepts occasioned by developments in nuclear warfare, the need for increased air defense in Europe, and the accession of the Federal Republic of West Germany to NATO. The Department of Defense informed Congress of these additional requirements in last year's presentation. In October 1955, the NATO ministers were advised of a new three-year infrastructure program. Although this program is still in the preliminary stages of development, it is estimated that the initial cost of this program will be approximately $1 billion and will include funds for the following:

(1) SACLANT's supplementary 1956 program for which there were no funds available;

(2) completion of base development in forward areas in accordance with new strategic plans;

(3) dispersal of air force units to survive the initial phases of a nuclear war;

(4) German airfield requirements for end-1957 forces;

(5) support for the buildup of German forces;

(6) air defense early warning system requirements;

(7) forward anti-submarine defense;

(8) modernization of communications; and

(9) facilities in support of improved equipment.

During the current calendar year, U.S. agencies will review the proposed infrastructure programs, and U.S. representatives to NATO will negotiate this country's contribution toward the cost

General Narrative Statement (Continued)

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of the new three-year program. Commitments resulting from these negotiations will, of course, be subject to later Congressional approval. It is estimated tentatively that the U. S. contribution to the infrastructure program for the next three years will total approximately $350 million over and above the $780 million already authorized by Congress.

It should be emphasized that no authority for this future program is being requested at this time.

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NON-REGIONAL PROGRAM

MILITARY ASSISTANCE

International Military Headquarters

(In thousands of dollars)

Activity	Program FY 1957	FY 1956	FY 1950/56
International Military Headquarters	5,300	3,500	22,355

General Narrative Statement

The international military headquarters and agencies of the North Atlantic Treaty Organization are supported by funds contributed by member countries. The most important of these headquarters and agencies are:

North Atlantic Council
NATO International Staff Secretariat
Military Committee
Standing Group
Supreme Headquarters, Allied Powers Europe
Supreme Allied Commander Atlantic
Channel Command
Canada-U.S. Regional Planning Group

Under the terms of a mutual cost-sharing formula, the United States contributes 24.2 percent to the operational, maintenance and capital costs of these agencies and their subordinate international organizations. The United States and other member nations also provide military personnel and equipment for these international agencies and headquarters.

Each international command, subordinate command, and military agency prepares a budget in accordance with the format and criteria set by the appropriate supreme command and the NATO Military Budget Committee. The latter committee, consisting of representatives from each NATO government wishing to participate, gives each budget an intensive and detailed examination, usually at the headquarters involved, and forwards its recommended estimate to the North Atlantic Council for final approval.

In an effort to secure approval of all international budgets by the council before the beginning of the budget year on 1 January, the budget committee frequently defers budget items for more detailed study or more adequate justification, and acts on the items as time permits. The Council has given the committee authority to take final action on supplemental estimates if unanimous agreement can be reached on the deferred items.

The U.S. civilians assigned to international military headquarters and agencies are actually employed by the U.S. military services and are paid the salary and allowances of their civil service grades. But NATO has an international pay scale which is generally lower than that of the U.S. Civil Service. Accordingly, in its contribution to the NATO international budget, the United States takes credit only for the amounts the U.S. civilians would have received if they were paid under the international pay scale. The U.S. military services are reimbursed from Military Assistance funds for all compensation received by these U.S. civilians.

General Narrative Statement (Continued)

As host country, the United States supports the Standing Group from Military Assistance funds. The support includes administrative personnel, office space, office supplies, communications, and other facilities.

Funds required to meet the U.S. contribution to NATO international military headquarters and agencies for FY 1957 are estimated at $5,300,000.

United States Contributions	Mutual Security Appropriations		
NATO Intl. Mil. Hdqtrs.	FY 1955	FY 1956	FY 1957
U.S. contributions to Supreme Headquarters Armed Forces Europe (SHAPE), Supreme Allied Commander Atlantic (SACLANT), and subordinate command & military agencies	$4,937,144	$3,200,000	$4,990,000
Standing Group	293,257	300,000	310,000
Total contributions	5,230,401	3,500,000 1/	5,300,000

1/ Reflects the utilization of credits due the U.S. as a result of the liquidation of the NATO Military Headquarters Working Fund.

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NON-REGIONAL PROGRAM

MILITARY ASSISTANCE

Mutual Weapons Development Program

(In thousands of dollars)

Activity	Program FY 1957	FY 1956	FY 1950/56
Mutual Weapons Development Program	58,000	36,000	76,462

General Narrative Statement

The United States has taken the lead in accelerating the development of advanced types of non-nuclear weapons among our allies. Recognizing the importance of such a policy to the security of the United States and its allies, Congress established the Mutual Weapons Development Program (MWDP) in FY 1954 as part of the Mutual Security Program. This program was continued in FY 1955 and FY 1956 and gives promise of bearing large dividends for the U.S. investment. Already under development are modern weapons and equipment especially adapted to the needs of our allies, and in some cases the types developed may prove suitable for use of the United States. Accumulating evidence supports the hope that the development of advanced weapons by friendly nations can contribute to offsetting the growing threat posed by the availability of technologically advanced military equipment to the USSR and its satellites. It is in the U.S. interest that the valuable scientific and technological resources of our allies are fully utilized.

Some 21 FY 1954 and FY 1955 MWD projects have been or will be completed by June 1956. $8.237 million of U.S. funds have been obligated to support these projects whereas the countries involved contributed $18.163 million. Since FY 1954 one project has been terminated to which $280,000 of U.S. funds had been committed; three other projects involving $6.66 million of U.S. money are currently under consideration for termination. These later actions were undertaken when it appeared that the projects lacked sufficient promise to justify further consideration.

Examples of successful developments are:

(1) Steam catapult - A U.K. project which, although not yet completed, is being programmed into aircraft carriers of NATO nations (France, Netherlands, Norway, U.K.) and also Australia and New Zealand.

(2) Fire control for 40mm L-70 gun - This French development is being demonstrated to all NATO nations during March 1956. Many of the European NATO nations are armed with the 40mm L-70 gun, which requires fire control.

(3) Remote control detonating device - The U.S. is now receiving test quantities of this French development. The purpose of this device is to detonate explosives upon receipt of a coded signal from distances as great as 120 miles.

In the administration of the MWDP, the Assistant Secretary of Defense for International Security Affairs relies greatly on the advice of the Assistant Secretary of Defense for Research and Development. Furthermore, because of the highly technical nature of the projects, the latter has assumed

General Narrative Statement (Continued)

technical direction of the program. The two assistant secretaries collaborated on the MWD program to insure that available funds will be used for high-priority projects of the greatest benefit to the United States.

To carry out the program, the Department of Defense has established in the Office of the Defense Advisor, USRO, in Paris, a Mutual Weapons Development Team, consisting of a director and representatives from each of the three military departments. General conditions governing participation in the program are stipulated in bilateral agreements with the countries involved. Individual agreements give details of each project. It should be noted that an outstanding feature of this program is the fact that in each project, country financial participation is required.

The MWD Team conducts an annual survey to determine which new projects may warrant U.S. support. The following criteria are used in selecting developmental projects for support under the MWDP:

(1) The weapon or item of equipment must be important to mutual defense.

(2) The new weapon or item of equipment must be a marked improvement over those currently in use.

(3) The item must show promise of becoming a service item which would substantially increase the effectiveness of forces raised for the mutual defense.

(4) The item should preferably be capable of production in the country of origin.

(5) If the country of origin will not or cannot produce the item in quantities required for mutual defense, it must be willing, as far as possible, to make the rights and information necessary to produce the item available to other friendly countries on reasonable and equitable terms.

(6) The country of origin must be prepared to safeguard classified information which the United States may make available in connection with the project.

(7) The country of origin must be willing to make all developmental information relating to the project available to authorized representatives of the United States.

(8) The country of origin must give assurance that it will continue its financial support of the project and must propose a schedule of development which will show clearly how U.S. financial aid can accelerate completion of the project.

(9) If requested, the country of origin must be willing to make available all rights and information necessary for production of the item within the United States.

(10) The project should meet an operational requirement specified by an appropriate military operational staff. If no such requirement currently exists, the staff may approve the project as an item which can be used to carry out planned operations in the event of war.

Review of FY 1954 MWD Program

During FY 1954 the United States agreed to support 33 projects for advanced-type weapons in Belgium, France, Italy, the Netherlands, Norway, and the United Kingdom. $19,094,500 was obligated for the support of these projects in FY 1954.

The 33 projects covered a wide range of Army, Navy, and Air Force equipment, including proximity fuzes, anti-tank, anti-aircraft, and anti-submarine weapons, a guided missile tracking system, new aircraft, and other weapons of advanced design. The MWD financial program for FY 1954 was as follows:

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NON-REGIONAL PROGRAM

MUTUAL WEAPONS DEVELOPMENT PROGRAM

General Narrative Statement (Continued)

Country	No. Projects	U.S. Aid Obligations	U.S. Aid Expenditures as of 30 Nov. 1955	Country Participation Under Project	Country Participation Prior to Project
Belgium	1	80,000	-	4,000	10,000
France	13	11,289,000	3,953,261.05	14,255,500	10,560,500
Italy	2	112,000	68,670.66	40,000	17,600
Netherlands	2	685,000	88,831.07	10,000	140,000
Norway	2	210,000	125,679.33	335,000	595,000
U.K.	13	6,718,500	1,410,467.16	8,059,000	6,972,600
Totals		19,094,500	5,646,909.27	22,703,500	18,295,700

Review of FY 1955 MWD Program

During FY 1955 the negotiations with Belgium, France, Italy, the Netherlands, and the United Kingdom resulted in agreements for U.S. support of 31 projects for advanced weapons. Eventually $21,353,990 was obligated for these projects.

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The 31 projects for Army, Navy, and Air Force equipment include such items as early warning antenna and remote indicator for radar, search and scanning hydrophone, lightweight fighter for NATO, SHAPE Air Defense Technical Center, and fuze for 40mm. L-70 shell. The MWD program for FY 1955 was as follows:

Country	No. Projects	U.S. Aid Obligations	U.S. Aid Expenditures as of 30 Nov. 1955	Country Participation Under Project	Country Participation Prior to Project
Belgium	1	34,000	-	14,000	30,000
France	6	5,776,890	-	3,690,409	2,528,680
Italy	7	3,845,200	-	1,283,800	372,800
Netherlands	5	4,134,850	130,384.78	553,430	303,900
U.K.	12	7,563,050	547,022.00	6,083,020	7,154,900
Totals		21,353,990	677,406.78	11,624,659	10,390,280

Review of FY 1956 MWD Program

As of March 1, 1956, the MWD program for FY 1956 included 18 projects with obligations amounting to $25,153,605 and technical assistance expenses amounting to $380,000. The MWD Team is now surveying additional projects involving U.S. support amounting to approximately $58,000,000. After screening and evaluation, the amount will probably be reduced to approximately $36,000,000. Some of these projects may be held over until FY 1957.

The 18 projects for FY 1956 include a mortar radar, a surveillance radar, a rocket-propelled interceptor, a power generator, an air-to-air guided missile, a NATO lightweight tactical support fighter, and turbo-jet engines for the fighter. The FY 56 program also includes funds for the development of a portion of a scatter communication network for NATO early warning air defense systems. This permits the procurement of long lead-time equipment and its installation during the calendar year 1956 summer season. The MWD financial program for FY 1956 is as follows:

Country	No. Projects	U.S. Aid Obligations	U.S. Aid Expenditures as of 30 Nov. 1955	Country Participation Under Project	Country Participation Prior to Project
France	13	10,897,258	-	13,293,814	21,966,993
Italy	1	2,368,305	-	590,760	-
U.K.	2	8,030,642	-	65,000	1,900,000
Netherlands	2	3,857,400	-	-	-
Totals		25,153,605	-	13,949,574	23,866,993

FY 1957 Program

During FY 1957, participating countries are expected to submit projects calling for U.S. aid amounting to $75 million. On the basis of preliminary information, it seems likely that

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General Narrative Statement (Continued)

projects in the following areas or categories will show sufficient potential to warrant U.S. investment: Army - air defense, Chemical, Biological and Radiological(CBR) defense, anti-armor, anti-personnel, personnel protection; Navy - anti-submarine, air defense, air attack, amphibious operations, harbor defense, training equipment; and Air Force - air defense weapons systems, tactical air weapons systems, trainer aircraft. Past experience has indicated that some projects will be screened out of the total submitted and thus leave a program for FY 1957 in the approximate magnitude of $58 million.

The MWD program is responsive to the concern NATO has expressed about new weapons. The development of European designed equipment to facilitate future replacement or modernization based on European production has the support of NATO and other European countries. This is evidenced by the interest of countries (Denmark, France, Germany, Italy, Netherlands, Norway, Spain, Turkey, U.K.) who have submitted projects for consideration in the FY 1957 program.

It is expected that Japan will submit projects for consideration immediately upon completion of negotiations now underway for a Mutual Weapons Development agreement.

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NON-REGIONAL PROGRAM

MILITARY ASSISTANCE

Foreign Military Facilities Assistance Program

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(In thousands of dollars)

Activity	Program FY 1957	FY 1956	FY 1950-56
Foreign Military Facilities Assistance Program	35,000	20,000	84,804

General Narrative Statement

FOREIGN MILITARY FACILITIES ASSISTANCE PROGRAM

The Foreign Military Facilities Assistance Program is concerned with the establishment and expansion of facilities required for the manufacture and maintenance of essential military equipment and components in certain foreign countries.

The main objective of the program is to establish logistical support near the areas of potential combat so that military items with a high attrition rate will be readily available when needed. In the event of war, it is likely that the larger ports would be destroyed by nuclear weapons and that the Russian submarine fleet would seriously menace the ocean supply routes. Consequently, it is important to the defense of the Free World that Europe and the Far East develop munitions production capacity to support themselves for an extended period.

The program is also intended to help relieve the United States of the burden of financing the long-term supply and maintenance of military assistance equipment by enabling our allies to produce and maintain their own materiel in addition to that furnished under the Military Assistance Program.

Facilities assistance projects must add either to the total capacity of facilities or to the improvement of a product. The foreign country receiving aid must commit itself to maintain for emergency use the productive capacity of both its existing facilities and those built with the assistance of the United States.

All facilities are established to satisfy regional rather than country requirements. Countries which receive aid must agree to make the products and services of the new facilities available to other free nations without discrimination in price, quality, or delivery schedules. This provision helps to assure the regional character of the program.

Before the United States accepts a project, it is carefully studied by military personnel and by engineers from prominent American industrial firms. Every effort is made to secure the maximum value from U.S. contributions and the maximum contribution from foreign countries. The United States furnishes production equipment and technical assistance, while the foreign government provides land, buildings, labor, materials, and some equipment. Thus, projects are jointly financed. To date, the foreign governments have met almost half the cost of the program.

Ammunition Facilities for NATO

One of the major undertakings of the program has been the expansion of the European ammunition industry. A serious imbalance between chemical and metal components has in prior years, limited NATO ammunition production capacity to $700 million per year. The facilities assistance program is eliminating this critical bottleneck and along with other programs has already helped to more than double production

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General Narrative Statement (Continued)

capacity. After completion of the present construction program, in approximately three years, the European ammunition industry should have a production capacity of approximately $3 billion per year. This is significant in view of the fact that during the Korean conflict the peak U.S. ammunition production was at the rate of $3.1 billion per year. The cost to the United States of the increase will be approximately one-third of the cost of a comparable increase in capacity in this country.

Maintenance of Equipment

Approximately $12.2 billion worth of military assistance equipment has been shipped to our allies, and another $5 billion has been programmed. Maintenance of this equipment will undoubtedly be extremely costly; e.g., annual maintenance cost of ordnance equipment approximates 15 percent. Establishment of facilities for producing spare parts and for overhaul in Europe and the Far East will help to prevent this equipment from becoming inoperative through attrition and cannibalization. The alternatives of returning the equipment to the United States for overhaul and repair or issuing new equipment are both expensive and time-consuming.

Some of our allies have the production capacity to maintain the equipment furnished by the United States, but many of the recipient countries do not and they will need maintenance assistance in the form of spare parts until the necessary local facilities are established.

The cost of maintaining equipment increases with its age. It is anticipated that within two or three years the burden of maintaining equipment furnished as grant aid will reach a peak. To enable our allies to assume the maintenance burden gradually, we should help establish facilities before the peak is reached. NATO has recognized the importance of this problem and is studying the feasibility of regional maintenance facilities.

During FY 1955 the United States undertook development of two major maintenance projects at a cost of approximately $1 million: one for the rehabilitation and repair of ammunition and one for the overhaul of naval fire-control components. It is estimated that $10 million will be obligated in FY 1956 for facilities to overhaul specialized military equipment.

Modernization of NATO Forces

The facilities assistance program enables the United States, at a minimum cost, to assist the NATO countries to modernize their military equipment.

It is desirable to obtain a maximum contribution from European nations in the utilization of their own production facilities to re-equip their forces with modern types of European-designed weapons. These weapons can be maintained more easily if the various components are readily available from nearby European sources. The Foreign Military Facilities Assistance Program contributes to the achievement of this objective.

The following production projects have been undertaken or are being considered as part of the modernization program:

(1) A new round of 30-mm. aircraft ammunition containing a much larger explosive charge than the 20-mm. round now in use. The gun firing this round gives it a very high rate of fire, which, in combination with the increased explosive charge, makes it effective against fast flying enemy aircraft. The United States has helped to establish production lines for projectiles and cases.

(2) A new 7.62-mm. round of rifle and machine-gun ammunition which is much shorter and weighs less than the U.S. 30-cal. round. It has excellent range and killing power, and the reduction in weight is a logistical improvement. The 7.62-mm. rifle, which can be used as a semiautomatic rifle or as a fully automatic weapon, provides the NATO forces with much greater firepower. The United States has helped to set up facilities to make ball powder and metal components of the ammunition.

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General Narrative Statement (Continued)

(3) A new 40-mm. round of antiaircraft artillery ammunition for the new L-70 gun which has about twice the rate of fire of the existing 40-mm. (L-60) gun and a much longer range. It is designed for use against low-flying aircraft. The United States may include facilities for manufacture of metal components and for loading in its FY 1956 program.

(4) European-designed guided missile projects are also being evaluated and will be considered for inclusion in the FY 1956 program.

FY 1957 Program

Facilities assistance projects being considered for FY 1957 include facilities for the manufacture of intermediate chemical components of ammunition, for major overhaul of complicated and specialized military equipment, for production of spare parts for U.S. military assistance equipment with a high rate of usage, and for production of newly developed items, including guided weapons and radar.

If costs were divided equally between the United States and friendly governments and all projects to be submitted by the foreign governments were carried out, it is estimated that this program would cost the United States approximately $52.5 million. It is intended that the projects be carefully screened, and recipients required to contribute to the maximum of their ability. Thus, it is anticipated that the U.S. share of costs can probably be scaled down to about $35 million, the amount requested in the FY 1957 program.

U.S. Foreign Military Facilities Assistance Program in Europe
(Fiscal Years 1954 and 1955)

Country	FY 1954	FY 1955
Belgium		$ 2,397,175
France	$ 9,324,742	7,994,363
Greece		1,106,315
Italy	1,969,594	6,979,360
Netherlands		1,403,143
Norway	800,456	
Spain	3,624,864	6,619,895
Turkey		3,261,217
United Kingdom	10,161,637	6,352,897
Yugoslavia		2,431,429
Total	$25,881,293	$38,545,794
Total U.S. contribution in these two years		$64,427,087

The total host country contributions for FY's 1954-55 amounted to $58,083,076. The U.S. contribution of $64.4 million included 62 projects. Of these, 49 projects, costing $56.6 million, were for propellants, explosives, and intermediary products entering into propellant and explosive manufacture and loading. Thirteen other projects totaled $7.8 million. These included 3-inch ammo components, 30-mm. aircraft ammo components, 7.62-mm. rifle ammo lines, .50-cal. machine-gun ammo lines, a naval gunsight repair facility, and an ammo repair and rehabilitation facility.

There was one project for $5,000,000 in FY 1955 in Korea for a small arms ammunition arsenal.

NON-REGIONAL PROGRAM

MILITARY ASSISTANCE

Administrative Expenses for Programs under Title I, Chapter 1, and Section 124

(In thousands of dollars)

Activity	Program FY 1957	Program FY 1956	Program FY 1950-56
Administration	25,000	22,744	136,449

General Narrative Statement

The administrative and operational costs of the Military Assistance Program are paid from both the military department and mutual security appropriations. The military departments bear a large part of the total administrative and operational cost by using military personnel, equipment, and facilities in carrying out the Military Assistance Program. Mutual Security funds are used only to pay for those additional administrative and operational requirements which cannot be met by the equipment and facilities of the military departments. These requirements must be clearly identified as additional to normal service requirements in order for the Department of Defense to use mutual security funds at the departmental and field level in the United States. The costs of administering the Military Assistance Advisory Groups (MAAG's) and certain other overseas activities not borne by Service appropriations are chargeable to mutual security funds. Also, some administrative costs are borne by recipient countries in the form of contributed services and facilities.

Military Department Appropriations

The military appropriations of the three military departments take care of such administrative and operational expenses as the following:

(1) Pay and statutory allowances of military personnel in the field and in Washington.

(2) Medical expenses, including facilities, of military personnel and their dependents.

(3) Approximately one-half of the travel expenses incident to the change of station of military personnel.

(4) Operation and maintenance of facilities for personnel and for recreation.

(5) Furnishing and maintenance of all military equipment except office equipment.

Mutual Security Appropriations

Mutual security funds are used to pay the costs of administrative activities in the Office of the Secretary of Defense and the military departments concerned exclusively with the Military Assistance Program. The only field organizations in the United States receiving mutual security funds for administrative expenses are the Air Materiel Command and the Air Training Command of the U. S. Air Force.

Overseas, there are currently 3 regional groups and 35 MAAG's supported by mutual security funds. The regional groups are as follows:

(1) Defense Affairs unitof the United States Regional

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General Narrative Statement (Continued)

Organization (USRO) in Paris; (2) military assistance element, CINCEUR; and (3) military assistance element, CINCPAC.

FY 1957 Estimate

The estimate for administrative expenses in the mutual security appropriation proposed for FY 1957 is based on requirements of departmental and field activities in the United States and 4 regional groups and 40 MAAG's overseas. An additional regional group (CINCARIB) and five additional MAAG's are included in the Military Assistance Program for FY 1957. Three existing MAAG's--Japan, Greece, and the United Kingdom--will be reduced in size during FY 1957.

In many countries, the U.S. embassies furnish a large part of the administrative support for MAAG's and other military assistance activities, thereby avoiding duplication of functions. The Department of State is reimbursed for the cost of this support. An estimate of this cost for FY 1957 is included in the request for funds.

The net increase in the FY 1957 estimate over FY 1956 can be attributed to: (1) activities of new MAAG's; (2) projection to a full-year basis of the cost of MAAG's activated during FY 1956; and (3) increase in the size and scope of two MAAG's in the Pacific area.

It is estimated that approximately $500,000 of the FY 1956 appropriation will remain unobligated as of 30 June 1956, chiefly because certain MAAG's were not activated as originally scheduled. Should these MAAG's not be activated in FY 1957, as is now planned, it is expected that the saving at the end of the year will be the same as for FY 1956.

MILITARY ASSISTANCE PROGRAM ADMINISTRATIVE EXPENSES

(In thousands of dollars)

	Actual Obligations FY 1955	Estimated Obligations FY 1956	Estimated Obligations FY 1957
Departmental and Field	5,635	6,224	6,425
Overseas	10,135	11,820	13,775
State Support	4,626	4,700	4,800
Total	20,396	22,744	25,000

NON-REGIONAL PROGRAM

MILITARY ASSISTANCE

Special Projects

(In thousands of dollars)

Activity	Program FY 1957	Program FY 1956	Program FY 1950-56
Labor Service Program	1,400	1,400	1,400
1290 D Country Programs (Army)	20,000	3,900	3,900
Programs Under Development		146,352	246,097 a/
Special Projects and MDAP Forces Study	11,000		107,427 b/
Total Special Projects	32,400	151,652	358,824

a/ Includes 99,745 dollar equivalent of local currency.

b/ Includes $87 thousand Battle Act Funds

Note: These projects will be discussed orally.

MILITARY ASSISTANCE

Introductory Statement

The Mutual Security Program was born of necessity during the critical post World War II years when the Soviet Union aggressively expanded its power and territory. The recognition of the nature of Communism and the threat it held for freedom of man and the fact that it posed the principal threat to world peace was expressed in a declaration of policy on military assistance by Act 6 October 1949, Public Law 329, 81st Congress, 63 Stat. 714, Mutual Defense Assistance Act of 1949, as amended, which is quoted in part:

> "The Congress of the United States reaffirms the policy of the United States to achieve international peace and security through the United Nations so that armed force shall not be used except in the common interest. The Congress hereby finds that the efforts of the United States and other countries to promote peace and security in furtherance of the purposes of the Charter of the United Nations require additional measures of support based upon the principle of continuous and effective self-help and mutual aid. These measures include the furnishing of military assistance essential to enable the United States and other nations dedicated to the purposes and principles of the United Nations Charter to participate effectively in arrangements for individual and collective self-defense in support of those purposes and principles. In furnishing such military assistance, it remains the policy of the United States to continue to exert maximum efforts to obtain agreements to provide the United Nations with armed forces as contemplated in the Charter and agreements to achieve universal control of weapons of mass destruction and universal regulation and reduction of armaments, including armed forces, under adequate safeguards to protect complying nations against violation and evasion."

Since the initiation of the Military Assistance Program, the United States has provided grant military assistance to countries during a period of continued international crisis. In Europe, the NATO countries were confronted with a constant threat of direct or indirect aggression. Although the emphasis was placed on NATO, the European requirements were not to the exclusion of the needs of other areas essential to world stability. In the Near East, Greece, then not yet a member of NATO, was fighting for its survival. Similar circumstances were experienced in Korea, Indochina, the Philippines, and Formosa.

In the interests of its own security, the United States provided military assistance to those nations whose security had to be maintained to preserve world peace. The Military Assistance programs developed at that time provided materiel, training, and services to those nations on an urgent basis to meet threats of aggression.

The Military Assistance Program continues to provide assistance as it was first authorized by the above Congressional Act except that it is now one of the three component programs of the Mutual Security Program initially authorized by the Mutual Security Act of 10 October 1951 and, as such, contributes to the common goal of furthering allied unity and strength, politically, militarily and economically, in the interests of world peace.

Building military and other strength designed to deter and, if necessary, to resist Communist aggression remains a continuing inescapable need of the free nations today. The growing power of the Soviet Union with its imperialistic designs is the common danger threatening the security of the United States and other free nations. The capability for atomic attack is ever increasing as witnessed by the fact that on November 1955 the Soviets announced a thermo-nuclear explosion.

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Introductory Statement (Continued)

As has previously been reported to the Congress, it is no longer realistic to consider the U.S. security position solely in terms of our own national defense facilities. The size of the military forces required to protect this country in the event of war must depend in great part upon the size and quality of the military forces of our allies. Past programs have greatly increased their military capabilities. Allied forces currently supported by the Military Assistance programs in varying degrees total over 200 divisions, 2000 naval ships and 300 air squadrons.

To meet the ever-growing threat to world peace, the United States is now joined in collective defense arrangements with other nations to build strength on a mutual world-wide basis on the principle of "self-help and mutual aid". The United States has sought collective strength for the Free World through bilateral and multilateral alliances with nations who share our interests and purposes. These include, the North Atlantic Treaty, the Rio Treaty for Inter-American Defense, the South East Asia Defense Treaty, the Anzus Treaty, and bilateral treaties with Japan, Taiwan, Korea and the Philippines. In addition, the Baghdad Pact, of which some of our allies (but not the United States) are members, is designed to afford protection to the Middle Eastern Area.

The Military Assistance Program is an integral part of our own national security since our security is inextricably bound to that of the other free nations of the world. Furnishing military assistance to free nations is necessary for our security as well as their own. The Military Assistance program is designed to generate essential military strength in the Free World as a supplement to our own national forces in the attainment of our national objectives. The Military Assistance Programs are developed on the basis of Military Assistance Program objectives for the countries participating. The objectives of the Military Assistance Program are derived directly from National Security Council policies relating to the various countries and areas of the world. These objectives are expressed in general terms of the military strength which the U.S. considers desirable to support in a recipient country. These conditions of military strength are expressed in broad terms such as maintaining internal security and defense against aggression, and are further defined in terms of force objectives. From this, our military authorities develop detailed estimates of the major combat units which should be supported in a particular country.

The FY 1957 Military Assistance Program as submitted herein is based upon country requirements after consideration of Military Assistance Program objectives and forces objectives and realistic appraisals of: (1) the allied military forces in being and likely to be in being, (2) the missions these forces can reasonably be expected to perform, and (3) the capabilities of the countries involved, politically, economically and financially to raise and maintain such forces. A substantial portion of this program is designed to maintain the effectiveness of forces whose initial equipment was provided under the Military Assistance Program. With certain important exceptions it is limited to maintenance, training and training ammunition, and with respect to the Far East and the Middle East, the provision of Direct Forces Support.

The major exception to the above-stated purpose of the FY 1957 Military Assistance Program is that of providing advanced new weapons to our allies. The military capability of the Soviet is not static. Their armed forces are being equipped with the most modern weapons in response to which modern weapons in the hands of our allies are essential. We cannot mark time while the Communist strength improves. Soviet capabilities must be matched until a major change in the international scene occurs. We and our allies are increasingly concerned as to the effectiveness of the latter's defense capabilities in light of the modern strategic concepts of warfare. It is considered necessary to provide the weapons and equipment (as specified herein) to prevent deterioration of the defense posture in the Free World and a feeling of uneasiness on the part of our allies. It is believed that if such new weapons are not made available, our over-all efforts to help our allies maintain an adequate degree of strength in consonance with basic U.S. national security policies will be hindered.

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Introductory Statement (Continued)

The program submitted entails new funds in the amount of $529.7 million for new weapons for our allies. Of this, $133 million is already programmed for new weapons, $61 million is programmed for conventional weapons which can be deleted in favor of new weapons, and $334.6 million is unprogrammed by country. It has been ascertained that $23.1 million could be made available from the FY 1950-56 MDA Program for new weapons which together with the new funds requested would afford a total of $552.8 million for new weapons. It is planned that these funds would provide the following new weapons:

SECRET

ARMY

3465	NIKE Missiles and Ground Equipment	$ 192.0
2880	HONEST JOHN Rockets and Ground Equipment	50.2
	Total	242.2

NAVY

10,000	2".75 FFAR (air-to-air) Rocket	.45
10,000	2".75 FFAR (air-to-ground) Rocket	.45
54	S2F Aircraft	40.5
2	BQS-2 Sonar	.15
100	ASQ-8 Magnetic Anomaly Detectors	.45
400	SSQ-23 Non-directional Sonobuoys	1.
100	ARR-26 Sonobuoy Receivers	.15
	Total	$ 43.15

AIR FORCE

	Early warning equipment	$ 48.0
75	All-weather aircraft & other aircraft equipment	52.
360	Matador Missile	37.5
200	F-100 Aircraft *	130.0
	Total	267.5
	GRAND TOTAL	$ 552.8 **

* 180 F-100 aircraft of the 200 aircraft listed are included as attrition aircraft to replace older models in existing units.

** For further breakdown of this total see text preceding the table.

SECRET

The Joint Chiefs of Staff have been requested to submit their recommended deployment of the above weapons which will be considered in the refinement of the country programs based upon the appropriations provided by the Congress.

The foregoing illustrative program remains under study and effort will be made to improve it, before orders are placed, to reflect technological developments and opportunities for the procurement of more advanced items.

NON-REGIONAL PROGRAM

MILITARY ASSISTANCE, SPECIAL JUSTIFICATION STATEMENT

Training Program

(In thousands of dollars)

Activity	Program FY 1957	FY 1956	FY 1950/56
Training	(102.6)	(86.8)	(405.0)

General Narrative Statement

MILITARY ASSISTANCE

The Military Assistance Training Program provides training assistance to those countries which receive U. S. weapons and equipment under the Military Assistance Program. Although the training is directly concerned with the U. S. materiel furnished each country, it must also cover other phases of military activities in those countries where only limited capability exists to train military personnel adequately.

Although the cumulative cost of the Military Assistance Training Program is only approximately 2 percent of the total Military Assistance Program, it is possible that this phase of the program yields more lasting benefits than any other. Expensive and often complicated items of military equipment can only be adequately utilized by skilled individuals. In addition to helping develop this skill in the use of these weapons and thus to develop dependable military forces in recipient countries, military assistance training is creating good will and better understanding among allied nations.

The principal objectives of the Military Assistance Training Program follow:

(1) To train personnel in the proper use and maintenance of military assistance equipment;

(2) To help countries establish self-sufficient training programs;

(3) To assist countries to attain combat effectiveness of their forces as quickly as possible.

In determining requirements of individual countries, the principal factors are the types and amount of military equipment to be furnished and the ability of a country to meet its own training needs. The Military Assistance Advisory Group develops annual requirements in conjunction with the recipient country, after which the unified commands and the U. S. military departments review the requirements. Through this process, the requirements can be coordinated with the materiel programs and U. S. objectives in each country.

To meet the requirements of recipient countries as fully as possible, training is provided as follows:

(1) By service schools, both in the United States and overseas;

(2) by U. S. military mobile training teams, which offer field instruction in the operation and maintenance of equipment supplied by the United States;

(3) by U. S. civilian technical representatives who give field instruction and assistance on newly developed and highly technical equipment to both operations and maintenance personnel;

General Narrative Statement (Continued)

(4) by orientation visits of key senior personnel of foreign military establishments to the United States to acquaint them with the latest technical methods and procedure;

(5) by U. S. training specialists assigned to the MAAG in each country to give instruction at training installations and in the field, and to help develop local training establishments.

Attendance at U. S. service schools is the basic element of the training program. At the end of 1955, foreign trainees had completed, or were attending 94,621 courses of instruction in service schools.* Over 19,000 of these courses have been taught overseas, where, as much as possible, the United States uses existing facilities. These figures do not include the instruction outside of U. S. schools given to large numbers of trainees in their own countries by U. S. instructors and technicians. From the beginning of the training program to 30 November 1955, 1,628 technical representatives and 1,800 mobile training teams had provided field instruction and assistance to foreign personnel, chiefly in the operation and maintenance of specialized and complex equipment furnished by the United States.

After returning home, military assistance-trained personnel usually instruct in local schools and on-the-job training programs, or become key staff members. They also serve as technicians in military assistance-supported units. A few specially qualified men have been retained in U. S. service schools to help teach their fellow countrymen.

A recapitaulation of training accomplishments is given in the attached table.

FY 1957 Request

The FY 1957 training program of $102.6 million will permit further progress in carrying forward the training of military personnel in countries receiving U. S. military assistance. For the Army, the training program will primarily cover training of foreign students in service schools and expenses of U. S. training personnel in the Military Assistance Advisory Groups stationed in the recipient countries. The major part of foreign student training will be in armor, artillery, and infantry courses. The largest programs will be in Korea, Taiwan, and Viet Nam. The Navy training program will primarily provide for student training in the operation and maintenance of U. S. ships scheduled to be transferred to foreign governments. Approximately $11.2 million of the total Navy program of $13.5 million will be required to train students in the service schools. The largest programs will be in Italy, Japan, and Spain. There also will be large Air Force programs in Japan, Taiwan, and Korea. The student training in Air Force schools represents the major portion of the Air Force program which will require approximately $39.9 million of the total program value of $55.7 million. The Air Force program will also cover considerable requirements for technical representatives and training personnel in the Advisory Groups.

The total FY 1957 training program as compared to FY 1950-55 and FY 1956 is shown by Military Department and Recipient Area:

AREA & MILITARY DEPT.	FY 1950/56	FY 1956	FY 1957
EUROPE			
Army	11.7	4.1	5.8
Navy	51.4	4.8	7.1
Air Force	201.7	24.2	32.6
NEAR EAST AND AFRICA			
Army	15.3	3.8	5.4
Navy	4.5	.9	.8
Air Force	21.0	2.7	2.3
ASIA AND PACIFIC			
Army	40.5	18.4	21.0
Navy	14.8	7.0	3.9
Air Force	37.4	17.2	18.4
LATIN AMERICA			
Army	1.8	1.4	1.2
Navy	2.9	1.2	1.7
Air Force	2.0	1.0	2.4
TOTAL	405.0	86.8	102.6

NOTE: In millions of dollars. Totals are based on unrounded figures; hence may not add to totals of rounded figures.

* A course of instruction involves one trainee attending one course.

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NON-REGIONAL PROGRAM

TRAINING OF FOREIGN NATIONALS UNDER GRANT AID PROGRAMS

By Geographic Source, Military Department, Recipient Area and Country

As of 30 November 1955

TRAINING PROGRAM

By Geographic Source Military Department Recipient Area & Country	Number of MDAP Formal Training Courses Approved Program	Completed	Attrition[a]	In Training
TOTAL	108,541	85,462	3,481	9,255
GEOGRAPHIC SOURCE				
Training in U. S.	85,300	70,582	2,288	4,760
Training Overseas	23,241	14,880	1,193	4,495
MILITARY DEPARTMENT				
Army	23,837	17,649	92	1,322
Navy	48,115	42,770	182	2,742
Air Force	36,589	25,043	3,207	5,191
RECIPIENT AREA & COUNTRY				
Europe	48,102	40,184	2,074	1,808
Belgium	4,726	4,068	359	73
Denmark	2,564	2,233	75	50
France	16,686	14,645	1,096	254
Italy	6,029	4,780	175	283
Luxembourg	125	109	0	4
Netherlands	6,646	5,883	176	186
Norway	4,038	3,131	66	241
Portugal	1,967	1,733	44	129
Spain	2,984	1,654	16	494
United Kingdom	1,298	1,106	58	53
Yugoslavia	1,039	842	9	41
Near East and Africa	12,603	10,883	170	404
Ethiopia	99	54	1	8
Greece	4,474	4,325	8	31
Iran	1,699	1,410	16	83
Iraq	22	13	0	4
Pakistan	661	180	0	166
Turkey	5,648	4,901	145	112

By Geographic Source Military Department Recipient Area & Country	Number of MDAP Formal Training Courses Approved Program	Completed	Attrition[a]	In Training
Asia and Pacific	42,903	32,228	1,169	6,433
Burma	13	13	0	0
Cambodia	170	0	0	0
(GRC) Taiwan	12,581	11,013	15	533
Indochina	639	639	0	0
Indonesia	52	52	0	0
Japan	9,666	6,893	912	2,682
Korea	11,873	8,175	219	2,726
Philippines	2,802	2,259	14	106
Thailand	4,064	3,041	7	284
Viet Nam	1,043	143	2	102
Latin America	4,933	2,167	68	610
Brazil	374	129	2	31
Chile	489	208	16	66
Colombia	1,421	698	15	144
Cuba	402	179	8	55
Dominican Republic	150	46	0	17
Ecuador	857	391	15	57
Honduras	103	46	2	18
Nicaragua	489	247	4	105
Peru	474	219	6	91
Uruguay	41	0	0	4
Haiti	61	0	0	0
Guatemala	72	4	0	22

a/ Represents courses occupied by trainees who started a specific course of training and for academic, technical, physical or other reasons are forced to discontinue the course prior to normal completion date of course.

NON-REGIONAL PROGRAM

MILITARY ASSISTANCE, SPECIAL JUSTIFICATION STATEMENT

Packing, Crating, Handling, and Transportation

(In thousands of dollars)

Activity	Program FY 1957	FY 1956	FY 1950-56
Packing, Crating, Handling, and Transportation	(133.8)	(121.2)	753.0

General Narrative Statement

The estimated costs of packing, crating, handling, and transportation (commonly known as accessorial costs or PCH&Y) also include other operating expenses incurred in preparing military equipment and supplies for delivery to nations receiving aid under the Mutual Defense Assistance Program. Packing, crating, and handling are self-explanatory terms. Transportation costs chargeable to the Military Assistance Program refer to the costs of moving materiel from an inland U.S. depot to a dock in the recipient country. They cover inland, ocean, and air transport costs, including Military Sea Transportation Service and Military Air Transport Service charges. Other operating expenses include the following:

(1) Field procurement and inspection costs, including civilian personnel services and the temporary-duty travel of both civilian and military personnel.

(2) Receiving, warehousing, inventory-control, and related station-operation and maintenance costs.

(3) Supply and service costs connected with the delivery of ships and aircraft moving under their own power from the point of outfitting or completion to their destination, including those costs authorized for interim support.

Accessorial costs for FY 1957 are estimated at $134 million. These costs for fiscal years 1955 through 1957 are as follows:

(In millions of dollars)

	Programs Estimated FY 1957	Estimated FY 1956	Actual FY 1950-56
Army	61	57	463.8
Navy	10	9	45.8
Air Force	63	55	243.3
Total	134	121	753.0

The cost estimates for FY 1957 are based on estimates of deliveries of equipment and supplies and not on funds expected to be obligated or reserved for these items during that year. Normally, most of the equipment and supplies actually delivered during any one fiscal year have been programmed and obligated during previous years because of the lead time needed to program, contract for, make ready, and deliver the items to eligible recipient nations.

In computing the amounts needed for PCH&T during FY 1957, each military department used its own series of cost factors for the two major categories, "Packing, Crating, Handling, and Other Operating Costs", and "Transportation Costs". These cost factors, of course, are based upon a careful compilation of experience data accumulated over the past several years. Within both categories, appropriate cost factors were employed for shipments to geographic areas and for shipments by major types of equipment and supplies, such as aircraft and petroleum products. The cost factors used for transportation also take into account methods of transport (rail, water, or air), the portion of the ocean transportation to be financed from Military Assistance funds, and the source of supply (the United States, offshore procurement, or oversea stocks).

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NON-REGIONAL PROGRAM

MILITARY ASSISTANCE, SPECIAL JUSTIFICATION STATEMENT

Offshore Procurement

General Narrative Statement

Since 1951 the United States has purchased in Europe and the Far East a selected portion of the munitions supplied to recipient nations under the Mutual Defense Assistance Program. During this time OSP contracts totaled nearly $2.8 billion, and deliveries, as of 31 December 1955, amounted to $1.657 billion. The largest single procurement category is ammunition. Calculated at U.S. expenditure rates, OSP has met most of the country ammunition requirements for training and has provided a large proportion of the war reserve for the first 60 days of combat. The second largest category of procurement is aircraft, spare parts, and supporting equipment. In the main, European types of aircraft were produced under these OSP contracts, though some U.S. aircraft equipment is also being produced offshore. The total amount of aircraft contracted for under the OSP program approximates some $466 million. In another category, ships and harbor craft have been built in existing foreign shipyards, which has resulted in savings as high as 50 percent in some cases as a result of lower production costs in foreign yards.

On the basis of the end-items contained in the FY 1957 program, our preliminary estimate is that as much as $75 to $80 million may be obligated offshore on a worldwide basis with about 95 percent in Europe and the remainder in Japan. This is in addition to the $50 million which is being requested for offshore procurement of ammunition for the purpose of maintaining the overseas defense production base.

A major objective served by OSP has been the development of an extensive overseas mobilization base. If war should come, it might well take months for the United States to furnish supplies to the combat area. It is, therefore, strategically important that supplies be produced reasonable close to the fighting forces rather than thousands of miles away. In developing this overseas production base, the significant amount of military end-items produced have served to build up allied military strength.

In addition, there have been important economic and political benefits derived from the OSP program. Particularly in its early years, the procurement of military equipment from our allies made a substantial contribution to easing the then critical dollar balance of payments gap. It has been possible, at least in certain limited instances, to use OSP to forward U.S. and Free World objectives. To cite an instance: Communist strength in Italian labor unions has been reduced through U.S. refusal to let OSP contracts in Communist dominated plants.

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MILITARY ASSISTANCE, SPECIAL JUSTIFICATION STATEMENT

Maintenance of Overseas Defense Production Base

General Narrative Statement

By placing defense production orders valued at approximately $2.8 billion in allied countries, the United States has helped to create a sizeable production base which the countries themselves could not have built. The establishment and maintenance of this defense production base has been largely a by-product of the offshore procurement (OSP) of regular military assistance materiel, which consists of the highest-priority items required by the recipient countries.

In recent years there has been a reduction in offshore procurement from $1,600 million in FY 1953 to a probable $85 million in FY 1956. This reduction in OSP has been related to a total reduction of Military Assistance program procurement of end-items as appropriations have been reduced, and accumulated stocks have become of increasing importance as a mandatory source of supply. This drop in procurement makes it impossible to place follow-on orders with many of the producers whose plants are important components of the offshore production base. Furthermore, most foreign governments still are not financially able to place enough orders to keep these plants in operation and meet agreed force goals at the same time. With the completion of current OSP orders, therefore, many contractors will be unable to maintain their production lines. But it is important to the security of the Free World that this production base be preserved. Aside from the strategic military loss, closing of plants and release of employees could cause serious political and economic repercussions.

The United States gained considerable experience after World War II, and again after the cease-fire in Korea, in gradually cutting back munitions production and putting key plants into stand-by status. Continental European countries and Japan have not had this experience, nor have they developed procedures for orderly reduction of output. In the mutual interest, the United States should help these countries work out such problems to insure that key plants are not abandoned during the transitional period of reduced production. We should help to keep these plants going while the foreign governments work out the problems of putting them in a stand-by status. As the foreign countries gain experience in the orderly reduction of munitions production and solve the problems of placing some plants in a stand-by status, U. S. assistance can be gradually reduced and finally eliminated. This may take several years but, meanwhile, the products of the plants can fill valid military requirements.

The Department of Defense proposes that the United States place orders within valid requirements to keep key plants in operation at the lowest economical rate of production. For this program to work satisfactorily, it will be necessary to relax the requirement that OSP contracts be placed with the lowest responsible bidder. U. S. procurement officers will need authority to place contracts with key plants when they have insufficient orders to maintain a minimum scale of production.

It is estimated that $50 million will be required in FY 1957 to help maintain the overseas defense production base. Added to the normal OSP items in the FY 1957 military assistance materiel program, this will enable the United States to seek agreements under which friendly governments would assume full responsibility for maintaining a base for the production of ammunition. In Europe, under the direction of the Defense Representative, and in Japan, under the direction of CINCFE, contracts for not more than one year's minimum economic production would be placed with important plants. Preliminary Executive Branch planning envisions that, this will be done only after the foreign government makes a firm commitment to contribute toward the maintenance of the production base. This commitment may take the form of simultaneous procurement of the same or other types of ammunition, and agreement on the long-term maintenance of the plant. It is also possible that some plants might be put into "moth balls" immediately, with the United States paying one-half of the first year's cost and the foreign government paying the other half and agreeing to maintain the plants in the future.

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NON-REGIONAL PROGRAM

MILITARY ASSISTANCE, SPECIAL JUSTIFICATION STATEMENT

Military Nutritional Surveys

General Narrative Statement

Military equipment given as grant aid is a poor investment unless it can be put to the most effective use by the armed forces of the recipient countries. But effective use is impossible when nutritional deficiencies impair the performance of a large percentage of the personnel.

Recent nutritional surveys of the armed forces of the National Government of the Republic of China and of the Republic of Korea revealed the gravity and urgency of the problem in those countries and pointed the way to similar problems in other areas. In Korea, at the end of a rigorous training schedule, the discharge rate ran as high as 50 percent and the remaining troops available for combat duty were so undernourished and debilitated as to be incapable of efficient performance. In Taiwan, it was found that approximately 85 percent of the troops were handicapped by nutritional deficiencies.

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As a first step toward solving the problem, the Department of Defense proposes to include a provision for nutritional surveys in the Military Assistance programs for 16 countries in the Middle East and Far East, at a cost of approximately $300,000 per year for the three years beginning with FY 1957. This is a comparatively small price to pay for helping to insure that Military Assistance equipment, which represents a far greater investment, can be effectively used.

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The survey will be supervised by the Interdepartmental Committee on Nutrition for National Defense (ICNND), which was organized in 1954 to investigate and improve the nutritional status of populations of areas or countries where the United States has a special interest. This committee is composed of representatives of the Department of Defense; the Department of State; the Department of Agriculture; the Department of Health, Education and Welfare; the International Cooperation Administration; and the Central Intelligence Agency.

The ICNND already has information from various sources which will provide guidance in developing the present program. In Iran, Pakistan, Iraq, Greece, and Turkey, for instance, it is suspected that under-nturition and malnutrition are widely prevalent. In April 1955, Dr. Frank B. Berry, Assistant Secretary of Defense, Health and Medical, and the late Dr. Harold Sandstead visited these countries and found that nutritional diseases were responsible for a serious loss of manpower. In Pakistan, 55 to 60 percent of recruits are rejected primarily because of nutritional diseases. In Taiwan, where the general incidence of night blindness is a serious problem in the armed forces it has been shown that proper enrichment of rice and the use of dehydrated sweet potatoes could overcome the deficiency. In other countries, the physical deterioration of troops during training or heavy work and the high incidence of night blindness emphasize the urgent need to help these countries find similar solutions to their problems of national health and nutrition.

The countries to be included in the proposed program are keenly aware of the seriousness of the problem and desire help and guidance. Because no comprehensive surveys have yet been undertaken, it is necessary to determine the extent and type of nutritional defects and to examine the feeding practices in the armed forces of these countries. The first step will be to gather data on the nutritional status and requirements of the troops, feeding practices, and food supplies. With such information at hand, programs can then be set up to improve nutrition and health. The final step is to assist the countries concerned

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General Narrative Statement (Continued)

in the establishment of nutrition services within their armed forces. This will involve training indigenous personnel during the surveys and transferring basic laboratory equipment and supplies to them.

To carry out this program, the ICNND will appoint, as consultants, experts in medicine, nutrition, and agriculture who also know the conditions existing in the countries to be surveyed. Eight-man nutrition teams, furnished with complete laboratory equipment and supplies, will conduct surveys in 11 countries. In the remaining five countries, laboratories have already been established or will be by the time the project starts. These countries will be prepared to support the program with trained personnel and facilities, and only an advisory group survey team will be required for each of them. Iran and Pakistan fall into this group, since surveys were started there in January 1956.

The cost of these initial surveys has been met by apportioning $50,000 from Military Assistance funds and by using about $90,000 available to the ICNND for current use only. If specialized food plants are established, as recommended by the ICNND, additional funds will be required. It is planned that $296,000 needed for nutritional work in FY 1957 will be made available from funds requested for materiel and training programs.

Nutritional survey projects proposed for FY 1957, FY 1958, and FY 1959 are shown on the attached tables.

TENTATIVE LIST OF PROJECTS

1957

Priority No.	Location	Type	Estimated Cost U.S.	Estimated Cost Country
1	Turkey	Nutritional Survey (Original)	67,000	Equitable contributions in services and facilities
2	Iraq	"	67,000	
3	Spain	"	67,000	
4	Korea	"	67,000	
5	Philippines	"	28,000	do
	Total		296,000	

1958

1	Thailand	Nutritional Survey (original)	67,000	do
2	Cambodia	"	67,000	do
3	Greece	"	67,000	do
4	Italy	"	67,000	do
	Total		268,000	

1959

Priority No.	Location	Type	Estimated Cost U.S.	Estimated Cost Country
1	Viet Nam	Nutritional Survey (Original)	67,000	Equitable contributions in services and facilities
2	Japan	Nutritional Survey (Advisory)	28,000	
3	Taiwan	Nutritional Survey (Follow-up)	28,000	do
4	Laos	Nutritional Survey (Original)	67,000	do
5	Pakistan	Nutritional Survey (Follow-up)	28,000	do
	Total		218,000	
	Grand Total			782,000

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NON-REGIONAL PROGRAM

MILITARY ASSISTANCE, SPECIAL JUSTIFICATION STATEMENT

Reimbursable Military Assistance

General Narrative Statement

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The sale of military equipment, materials, and services to friendly foreign countries, is an important part of the Mutual Security Program. This activity costs the United States virtually nothing, since the foreign countries pay cash with their orders or buy on short-term credit with their own dollars.

Reimbursable military assistance has the following objectives:

(1) To strengthen the security of the United States by promoting standardization of armaments among friendly nations, thereby adding to the potential effectiveness of combined military operations in wartime.

(2) To make it possible for these countries to procure United States equipment which they could not obtain without the assistance of our defense establishment.

Mutual security legislation authorizes the President to sell or enter into procurement contracts for the sale of equipment, materials, or services to any nation or international organization which meets certain eligibility requirements. In order to furnish materiel to countries not having ready cash, legislation also authorizes loans and credit.

All types of military equipment, materials, and services have been requested by friendly nations under the sales provisions of mutual security legislation. Normally, the United States Government does not sell equipment which is available commercially. Each request is carefully screened and approved only if clearly in accord with U. S. political, economic, and military objectives. Approved requests are merged with the procurement programs of the military departments, thereby avoiding conflicting demands in U. S. production facilities.

* See List in Tab A.
** See Tab B for listing of dollar value by country, total purchases, and deliveries.

Sale of Materiel and Services

Sixty-one countries and three international organizations are eligible to receive reimbursable military aid.* Between February 1950 and 30 November 1955, 53 countries deposited $919.3 million to pay for military equipment, materials, and services from the United States. Sales of military equipment and materials totaled $751.9 million, while accessorial costs, renovation charges, training, inspection, and other services totaled $167.4 million.**

Purchases have included 487 tanks, 425 armored cars, 110 personnel carriers, 187 motorized gun carriages, 29,308 carbines, 61,885 rifles (all types), 3,323 pistols, 960 mortars (all types), 647 naval guns (all types), 732 aircraft (22-Army, 138-Navy, 572-Air Force), 6 light cruisers, 5 coast guard utility vessels, 5 destroyer escorts, 4 patrol frigates, and 1 armored patrol craft.

Canada has been the largest purchaser of military items, especially those required to convert her armed forces from British to U.S.-type equipment.

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Purchases by the American Republics in the amount of over $54 million have enabled them to provide for internal security, maintain equipment of U.S. origin already in their possession, and participate in hemispheric defense. Certain American Republics have purchased excess naval vessels at reduced prices and have paid the cost of reactivation and rehabilitation. These ships added new strength to hemispheric defense by providing vessels able to protect strategic communication lines.

From the beginning of the sales program, excess equipment and materials which originally cost the United States $209.6 million have been sold to 34 countries. These 34 countries paid about $21 million for the materials they bought, plus rehabilitation and accessorial costs. The U. S. military departments obtained reimbursement at a "fair value" to the

General Narrative Statement (Continued)

United States, and at the same time were able to dispose of equipment and materials no longer required.

Deferred Payments

The Mutual Security Act of 1952 gave authority to sell equipment, materials, and services on other than cash terms, authorizing sales on terms of payment within 60 days. About $50 million worth of materiel has been sold on 60-day credit.

The Mutual Security Act of 1954 extended the time for repayment to a period up to three years under Section 106. It also provided Loan Authority under Sections 102 and 505 which authorizes the use of MDAP funds to finance transfers of materiel, with the purchasing foreign governments paying for them at a later date. At first, only countries eligible for grant aid were allowed to participate in this program. Section 103(c) of the Mutual Security Act of 1954, added in 1955, however, authorized the use of MDAP funds to furnish aid on 10-year terms to all countries eligible to purchase materiel and services under Section 106. Credits for payment within three years and loans for repayment within 10 years have been extended to 10 countries, while requests from 2 more are pending. Most credit transactions of over 60 days under Section 106 have concerned aircraft and aeronautical equipment. The longer-term loans under Sections 103(c) and 505, on the other hand, have involved Army equipment or Navy vessels.

Future Reimbursable Assistance

Reimbursable military assistance has helped friendly nations to obtain necessary munitions without cost to the American taxpayer. These purchases have strengthened the defenses of the Free World. They have permitted many friendly countries, which would not otherwise have been able to do so, to participate in the Mutual Security Program. Self-help is being encouraged among friendly nations, but future purchases will depend on the availability of dollars within friendly countries or the willingness of the U. S. to accept payment in local currency or in kind. To stimulate purchases, we will have to maintain and increase trade between the United States and the countries of the Free World. It may become necessary to buy more raw materials and semifinished products for our strategic stockpiles from countries desiring to purchase U.S. military equipment. This would give them more dollars or dollar credits for the purchase of military goods.

To permit the U. S. to compete more favorably with other countries with regard to pricing, the Executive Branch recommends that the Congress amend Section 545(h) of the Mutual Security Act of 1954, which pertains to fair value, so that used or older models of non-excess equipment may be sold at a cost which reflects the age and condition of the materiel. As grant aid is curtailed, many additional requests to purchase will probably be received, especially for replacement items, spare parts, and training services. It is hoped that eventually eligible friendly nations will participate to a greater degree in the reimbursable military assistance program and that purchases will increase. In refining the FY 1957 Military Assistance Program the Executive Branch will continue to give consideration to the possibility of expanding that portion which can be placed on a repayable basis.

REIMBURSABLE MILITARY ASSISTANCE: SALE OF MILITARY EQUIPMENT, MATERIALS, AND SERVICES

Countries and international organizations eligible under the provisions of Section 106 of the Mutual Security Act of 1954:

Argentina	Guatemala	Norway
Australia	Haiti	Pakistan
Belgium	Honduras	Panama
Bolivia	Iceland	Paraguay
Brazil	India	Peru
Burma (Union Of)	Indonesia	Philippines
Cambodia	Iran	Portugal
Canada	Iraq	SACLANT
Chile	Israel	Saudi Arabia
Colombia	Italy	SHAPE
Costa Rica	Japan	South Africa (Union Of)
Cuba	Korea	Spain
Denmark	Laos	Sweden
Dominican Republic	Lebanon	Switzerland
Ecuador	Liberia	Taiwan
Egypt	Luxembourg	Thailand
El Salvador	Mexico	Turkey
Ethiopia	NATO	United Kingdom
France	Netherlands	Uruguay
Germany (Fed. Rep.)	New Zealand	Venezuela
Greece	Nicaragua	Viet Nam
		Yugoslavia

REIMBURSABLE MILITARY ASSISTANCE: a/ SALE OF MILITARY EQUIPMENT AND MATERIALS (As of 30 November 1955)

Country	Purchases	Deliveries
TOTAL	$751,867,847	$558,700,294
Argentina	6,284,134	5,199,102
Australia	27,939,346	19,261,908
Belgium	2,895,756	2,095,041
Bolivia	185,236	158,663
Brazil	7,543,336	7,027,962
Canada	552,549,890	403,906,028
Chile	6,278,840	6,044,083
Colombia	6,175,782	5,955,335
Costa Rica	858,594	761,877
Cuba	1,444,839	1,344,329
Denmark	819,806	752,156
Dominican Republic	500,653	488,877
Ecuador	1,157,422	1,101,075
Egypt	555,182	213,776
El Salvador	$ 573,016	$ 410,958
Ethiopia	462,701	440,955
France	10,257,720	8,173,278
Greece	16,031	10,292
Guatemala	428,325	281,047
Haiti	34,304	24,301
Honduras	499,518	499,139
India	33,605,940	28,822,310
Indochina (France for)	9,515,454	7,298,997
Indonesia	5,817	1,314
Israel	399,459	351,319
Italy	4,368,455	415,210
Japan	27,750	0
Korea	255,170	255,170
Liberia	807,302	444,125
Luxembourg	23,839	23,638
Malaya (U. K. for)	1,026,749	968,993
Mexico	542,466	302,185
Netherlands	6,070,084	730,555
New Zealand	75,201	67,346
Nicaragua	1,525,427	1,380,144
Norway	1,840,362	1,472,227
Pakistan	18,779,739	14,506,314
Panama	229	229
Paraguay	92	92
Peru	12,082,512	11,456,389
Philippines	1,772,876	1,156,146
Portugal	161,578	102,504
Saudi Arabia	16,261,999	11,315,513
South Africa (Union Of)	236,255	235,674
Spain	102,579	102,579
Sweden	136,045	118,710
Switzerland	541,665	522,233
Taiwan	534,380	459,483
Thailand	1,131,971	715,336
Turkey	14,442	14,442
United Kingdom	4,420,762	4,253,708
Uruguay	1,205,784	1,160,067
Venezuela	6,934,895	5,897,022
Yugoslavia	138	138

a/ The following tabulation includes only sales made by the U.S. Government under authority of the Mutual Security Act, and does not include sales by private U.S. suppliers directly to the Foreign Government.

Note: One other country, Germany (Fed.Rep.) has made purchases of services (Training of GCA operators) in the amount of $630. The above figures do not include any costs of training, rehabilitation or repair, inspection services, or accessorial charges.

NON-REGIONAL PROGRAM

UNITED NATIONS EXPANDED PROGRAM OF TECHNICAL ASSISTANCE (UNTA)

Comparative Summary of United States Contributions from Fiscal Year Appropriations

(In thousands of dollars)

	Program		
	FY 1955	FY 1956	Proposed FY 1957
United Nations Expanded Program of Technical Assistance	16,458	23,000	15,500

Comparative Summary of United States Contributions to Calendar Year Programs

	CY 1954	CY 1955	CY 1956	Proposed CY 1957
United Nations Expanded Program of Technical Assistance	13,862	15,000	14,500	15,500
FY 1954 Funds	3,904			
FY 1955 Funds	9,958	6,500		
FY 1956 Funds		8,500	14,500	
FY 1957 Funds				15,500

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 these countries less susceptible to Communist propaganda and subversion. Technical 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 60 other countries, thereby lessening the demand on U.S. manpower in fields in which U.S. experts may be scarce.

(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.

General Narrative Statement (Continued)

(3) Some problems of economic development must be dealt with on a regional basis. While the regional approach has by no means been neglected under bilateral programs, certain regional problems lend themselves specially well 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.

(5) Substantial good will accrues to the U.S. from its strong support of the technical assistance activities of the international organizations.

The USSR began to contribute in 1953, in recognition of the importance which underdeveloped countries attach to the UNTA program. Soviet participation makes it particularly important that the United States maintain the leadership which it has exercised since the beginning of the program in 1950.

The U.S. and UN agencies coordinate their respective technical assistance programs both in the field and at headquarters. In the field there is a continuous close liaison among the ICA Mission, the UN Mission and the recipient government at all stages of both planning and operating technical assistance projects. Orderly procedures have been developed to guard against overlapping or duplication. The programs are complementary rather than competitive.

The Program

The United Nations Expanded Program of Technical Assistance 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.

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, subject to confirmation by the General Assembly, allocates funds from the UN Special Account to the participating organizations to carry out the projects which have been approved.

The priority activities of the UNTA 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. 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 been successful 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.

General Narrative Statement (Continued)

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 and substantial gains in industrial productivity have been brought about through assistance provided by UN-TAA.

U.S. Contribution

$15.5 million is requested as the U.S. contribution to the UNTA program for calendar year 1957. $24 million was appropriated for fiscal year 1956 as the U.S. contribution for the period July 1, 1955 to December 31, 1956. Of this amount, $8.5 million was pledged to the program for the last half of calendar year 1955 and $15.5 million has been pledged for calendar year 1956.

The program is supported by voluntary government contributions. Governments contribute in accordance with their interest and ability to participate. Other governments have increased their contributions from $8 million in 1950-1951 to $13 million in 1955 and an estimated $14.5 million in 1956. The U.S. contribution has increased from $12 million in 1950-1951 to $15 million in 1955 and an estimated $14.5 in 1956, while at the same time the U.S. percentage has decreased from 60 percent in the beginning of the program to 50 percent for 1956.

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	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	14.5(Est.)	14.5(Est.)	29	50
1957	15.5(Est.)	15.5(Proposed)	31	50

The U.S. pledge for calendar year 1956 was made subject to the provision that the U.S. contribution would not exceed 50 percent of total contributions from all governments. Total pledges from other governments for calendar year 1956 are estimated at approximately $14.5 million, calling for a U.S. contribution of $14.5 million. It is proposed that the U.S. contribution for calendar year 1957 should again be made subject to the limitation that it should not exceed 50 percent of total contributions.

The UNTA 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 pledging conference is held in October at which governments are asked to announce their pledges for the following year. The Congress has stipulated that U. S. pledges should be made only on the basis of funds which have been appropriated. In order for a U.S. pledge to be made in October 1956 for CY 1957, authorization and appropriation of $15.5 million for FY 1957 is therefore requested.

General Narrative Statement (Continued)

The steady increase in contributions from other governments, year by year, is an indication of their enthusiasm and support for the program. Contributions from other governments are expected to reach $15.5 million for 1957. A U. S. contribution of this amount will permit a continued gradual expansion in the program, in order that the most pressing needs of underdeveloped countries for technical assistance may be met. In addition to contributions to the central fund, the 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 1955 was approximately 17 percent.

NON-REGIONAL PROGRAM

UNITED NATIONS EXPANDED PROGRAM OF TECHNICAL ASSISTANCE

Approved Program for Calendar Year 1956

Summary by Specialized Agency and Geographic Region

	Europe	Near East and Africa	Asia and Pacific	Latin America	Inter-regional	Total
Food and Agriculture Organization	547,420	2,125,100	1,926,580	1,974,700	334,000	6,907,800
World Health Organization	153,113	1,629,518	2,162,463	1,033,608	26,500	5,005,202
International Labor Organization	276,700	585,000	805,950	788,250	78,000	2,533,900
United Nations Educational, Scientific and Cultural Organization	141,640	1,507,515	1,810,980	1,039,591		4,499,726
International Civil Aviation Organization	26,950	582,700	221,600	109,500		940,750
International Telecommunication Union	4,000	121,500	50,000	23,700		199,200
World Meteorological Organization	10,000	120,900	164,200	57,570		352,670
United Nations Technical Assistance Administration	575,075	1,095,377	2,324,300	1,393,400	109,400	5,497,552
Total	1,734,898	7,767,610	9,466,073	6,420,319	547,900	25,936,800

NON-REGIONAL PROGRAM

UNITED NATIONS EXPANDED PROGRAM OF TECHNICAL ASSISTANCE

Program for Calendar Year 1956

Summary by Agency and Major Cost Components

	Technicians		Fellowships		Supplies and Equipment	Total Cost
	No.	Cost	No.	Cost		
Food and Agriculture Organization	494	5,434,000	472	849,600	624,200	6,907,800
World Health Organization	320	3,520,000	376	676,800	808,402	5,005,202
International Labor Organization	152	1,672,000	446	802,800	59,100	2,533,900
United Nations Educational, Scientific and Cultural Organization	238	2,618,000	250	450,000	1,431,726	4,499,726
International Civil Aviation Organization	67	737,000	103	185,400	18,350	940,750
International Telecommunication Union	14	154,000	20	36,000	9,200	199,200
World Meteorological Organization	10	110,000	54	97,200	145,470	352,670
United Nations Technical Assistance Administration	308	3,388,000	579	1,042,200	1,067,352	5,497,552
Total	1,603	17,633,000	2,300	4,140,000	4,163,800	25,936,800
Operational Services						2,162,747
Administrative Costs						1,610,938
TAB and Resident Representatives						1,642,000
Total Program, Calendar Year 1956						31,352,485 1/
Estimated Program, Calendar Year 1957 2/						31,000,000
Proposed U.S. Pledge to Calendar Year 1957 Program						15,500,000

1/ In addition, $3 million will be added to the Reserve and Working Capital Fund in 1956. The program shown assumes utilization in 1956 of all currencies which have proved difficult to utilize in the past.

2/ The calendar year 1957 program will not be approved until late in 1956. It is estimated that the distribution of the 1957 program will be similar to that shown for 1956.

NON-REGIONAL PROGRAM

SPECIAL PRESIDENTIAL FUND

Comparative Summary of Program by Fiscal Year

(In thousands of dollars)

Function	Program FY 1955	FY 1956	Proposed FY 1957
Special Presidential Fund		100,000[a/]	100,000

a/ Of which $47,816 thousand required to complete financing of programs reflected in other sections of this presentation.

General Narrative Statement

Request

It is proposed that the Congress authorize the appropriation of, and appropriate, $100 million for the Special Presidential Fund which was established by Section 401 of the Mutual Security Act of 1954 as amended. This appropriation would be designed partially to cover (1) presently identifiable contingent requirements which hereafter become firm and (2) currently unforeseeable needs which develop during fiscal year 1957, and for which, because they are now contingent or unforeseeable, no specific provision can properly be made in the regular programs. The Fund would be administered in accordance with the provisions of Section 401 of the Mutual Security Act of 1954 which, among other things, permits the use of funds subject thereto for any mutual security purpose, and without regard to certain requirements of law, when the President determines that such use is important to the security of the United States.

Justification

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 best provides the flexibility needed to deal with new requirements of the character referred to in (1) above.

American foreign policy, and the Mutual Security Program as one of its primary instruments, must contend with, and be responsive to, continuously changing world conditions. 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 vital U.S. interests, will call for some form of mutual security assistance. Experience has also proved that the ability of the United States to react quickly to many of these situations, by extending prompt and adequate assistance, has been of considerable significance in terms of American security. Reference to actual experience during fiscal years 1955 and 1956 will bring this out.

General Narrative Statement (Continued)

It has been necessary in past years to meet three basic types of requirements for which prior specific provision could not be made. They are:

A. Requirements which were Contingent at the Time of Congressional Presentation

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 necessity, size and nature to justify the inclusion of an identifiable allowance therefor in the illustrative 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 prompt action. One can be equally sure that others will never become firm. 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 all contingent claims that may eventually become firm and require explicit recognition in the aid program.

Experience in fiscal year 1955 provided excellent illustrations of this situation including the following:

(1) 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.

(2) 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 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.

(3) Pakistan. The growing concern of the Executive Branch over economic trends in Pakistan was repeatedly expressed during the hearings of the FY 1955 Congressional presentation. It was asserted that general economic difficulties, coupled with the commencement of a military aid program, might generate substantial new requirements for defense support assistance. It was claimed that if this were the case the aid level then being illustratively proposed for the country would be seriously inadequate and would require major upward adjustment. The need for immediate additional aid, aggravated by disastrous floods, turned out to be even greater than had seemed likely at the time of the presentation. As a consequence, the defense support program was raised from a planned $20 million to more than $65 million.

(4) 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 best 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; it was necessarily, however, a highly illustrative figure and was so described. Moreover, it was

General Narrative Statement (Continued)

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 satisfactory settlement was reached permitting the institution of an aid program based on a settlement date more optimistic than that on which the $20 million level had been predicated. The political and economic situation which existed in Egypt at this time indicated that the Egyptians (a) had the ability to use effectively a much larger program, and (b) 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.

Further examples are available from the operation of this fiscal year's (1956) program. Some of the requirements which were contingent, and which were so described last spring during the Congressional presentation, have now become, or are becoming, firm. Since most of these requirements and their current status are adequately described in the country narratives elsewhere in this book, only a brief identification of several of the more important ones is included here by way of illustration. They are:

(1) Egypt, where a contingent requirement for a U.S. contribution toward the construction of the first phase of the High Aswan Dam has become relatively firm and caused an upward adjustment to $54.6 million of the illustrative development assistance figure of $30 million presented to Congress in the spring of FY 1955;

(2) Pakistan, where the contingent requirement for additional aid, noted during the FY 1956 Congressional presentation, is becoming firm as a result of the continuing decline in the country's economic position and a growing expectation of a serious shortfall in resources required to support contemplated increases in the military forces and where, as a consequence the need for FY 1956 defense support and has already risen from an illustrative level of $60 million to about a $100 million;

(3) Haiti, where it was becoming apparent before the FY 1956 Congressional process was finally completed that hurricane reconstruction, commenced with FY 1955 funds might require additional financing in FY 1956, an eventuality which has in fact come to pass to the extent of $3 million; and

(4) Turkey, where the financial crisis which was already apparent last spring will require an increase over the illustrative $50 million defense support figure, perhaps to as much as $80 million.

Potential requirements for FY 1957, similar to the potential FY 1955 and 1956 requirements which existed in the springs of 1954 and 1955, are already in evidence. They can at this time, however, only be discussed in Executive Session.

B. Requirements which were Wholly Unforeseen at the Time of Congressional Presentation

Second, there are those requirements which are not foreseen at the time the annual program is presented to Congress but which appear after the fiscal year has commenced. This class of requirements includes those that result from natural disasters, those that reflect unforeseeable Soviet actions, those which flow from 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, suddenly, emergent 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.

Fiscal year 1955 presented numerous examples of new requirements in this category, including the following: (1) the urgent needs for emergency food, medical supplies and other forms of relief created by (a) Hurricane Hazel in Haiti,

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General Narrative Statement (Continued)

(b) unprecedented floods in the Danube Basin, Nepal, and Pakistan, and (c) a grain shortage in Libya; (2) the necessity (following the Geneva truce and partly in conjunction with SEATO-connected efforts to improve the military posture and internal security of free nations in the Far East) of substantially increasing amounts of both military assistance and defense support to Thailand and the Philippines (an increase aggregating some $50 million for non-military aid alone); (3) the greatly increased demands for military equipment, and other supporting aid (approximating $50 million), by the National Chinese Government. These demands were in part created by, and followed, the growth and intensification of the Communist military threat toward Taiwan; (4) the requirement for $10 million in direct forces support in Greece when, shortly after the beginning of the current fiscal year, it became clear that, absent outside assistance, mounting financial difficulties would cause the Greek Government to effect a major and immediate cutback in the size of its armed forces. Greek, NATO and U.S. military authorities all felt that this would seriously threaten defense capabilities on the Balkan Peninsula. (5) The need to commence a military aid program for Iraq. This resulted from the conclusion during the course of the fiscal year, first, of the Turkish-Iraqi Defense Agreement and, then, of 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. Comparable illustrations in the first eight months of fiscal year 1956 are: (1) The relief needs resulting from floods and epidemics in India and Pakistan; (2) probable requirements for emergency aid that are developing throughout Europe, particularly in Italy and Spain, as a consequence of one of the most severe winters in European history; (3) the increase in freight charges for ocean transportation of surplus agricultural commodities resulting from the release of a large volume of new commodities to hitherto ineligible voluntary relief agencies; (4) added requirements caused by an underestimate of the need in Korea. This has already necessitated a $25 million increase over the $272 million defense support level contained in the FY 1956 Congressional presentation and may require another increase of comparable proportion. (5) Added aid demands in Taiwan produced by the decision to finance construction of a new airfield at Kung Quan; (6) continued undiminished need for aid in Iran. This is caused by the inability of the Iranian Government to take the internal measures necessary for economic stability, and the demands consequent upon Iranian adherence to the Baghdad Pact.

Particularly in view of expanding Soviet bloc efforts abroad in the economic and political fields, there is no doubt that requirements of a similar nature and comparable magnitude will also arise during the course of fiscal year 1957.

C. Increases in the Cost of Meeting Requirements which were Firm at the Time of the Congressional Presentation

Third, there are those new requirements which reflect an increase in the cost of carrying out a program which was actually planned, and proposed to the Congress, for the fiscal year in question.

The increase in the procurement cost of railway rolling stock under the FY 1955 India Development Assistance Program is illustrative of this type of requirement. In this instance, because of an acute unemployment situation in the U.S. railroad equipment manufacturing industry, a decision was made to procure 50 percent of this rolling stock in the U.S. rather than from foreign suppliers under free international competitive bidding, as originally contemplated. This procurement cost was $8.5 million more than had been estimated. Thus, no new physical requirement for railroad rehabilitation was met but the cost of meeting the previously stated physical requirement was significantly higher.

Another illustration of this type of problem encountered in FY 1956 might be mentioned. The FY 1956 program as presented to Congress contemplated the delivery of sugar to a number of countries in partial fulfillment of import needs of these countries for which mutual security program financing was necessary. The aid levels illustratively computed for these countries were, however, based on the assumption that the sugar to be imported would probably be purchased overseas at overseas prices. Subsequently, it was decided that it would be in the

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General Narrative Statement (Continued)

U.S. interests to utilize some of the very large and growing stocks of sugar available in the U.S. This sugar was paid for at the domestic price, which is significantly higher than the price in foreign markets originally contemplated. Therefore, if we were to provide these countries with the same physical volume of sugar and other goods that was anticipated in the FY 1956 Congressional presentation, it meant that the cost of doing so would be higher than the cost stated in the presentation.

It is impossible to give an exact figure for the total new requirements of the foregoing types which have had to be met in any given fiscal year. However, new requirements of this type which necessitated specific Presidential determinations or Presidential transfers in the aggregate must have amounted to more than $400 million in FY 1955 and in FY 1954, partly because of the necessity for allocating massive resources to support operations in Indochina, close to three quarters of a billion dollars. These rough estimates exclude those new requirements that could be handled simply by reprogramming within an appropriation. While it is too early to make a comparable estimate for FY 1956, it is probable that the total of Presidential determinations and transfers necessitated by new requirements, although less than in either FY 1954 or FY 1955, will involve several hundred million dollars. It seems highly likely that all of the $100 million Special Presidential Fund will be needed and that even if such fund is used in full, there will remain some important new requirements that cannot be met without disrupting programs of a higher priority.

There is no reason to believe that the same kinds of factors which have operated in previous fiscal years to create new requirements will not continue to be operative in fiscal year 1957 and create new requirements of a comparable total magnitude, to be met during the course of that fiscal year. This is also apart from any consideration of the new requirements that can be met outside of the Mutual Security Program - for example, through the Export-Import Bank or the IBRD; by 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), as amended; or by other similar means. In other words, the kinds of new requirements with which this discussion is concerned are limited to those which must be met as part of the Mutual Security Program out of Mutual Security Program funds or through additional legislation.

Ways of Meeting New Requirements

Given the certainty that new requirements of the foregoing types will develop and need to be met in the course of fiscal year 1957, the question is which is the best method or methods of preparing to deal with them, and whether a Special Presidential Fund of the size proposed is an essential element in an intelligent approach to this problem.

There are four principal ways in which it may be possible to meet these requirements as they emerge. They are:

(1) Congressional Action - To seek supplemental authorizations and appropriations - an alternative which may be necessary and desirable if a new requirement is very large 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.

(2) The Use of Savings - To apply, if such exist, savings derived from previously planned programs, under a transfer authority.

(3) The Diversion of Funds from Other Programs - To divert funds from 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, prior to FY 1956, new requirements were met except when there were program savings adequate to cover them. While this method forces continual review of the necessity for, the costs of, and the real priorities among programs it also requires the sacrifice of programs which, though of lesser urgency, were sufficiently important to justify the appropriation initially. This procedure is also unsatisfactory because it introduces 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,

General Narrative Statement (Continued)

political, psychological 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.

(4) Special Presidential Fund - To have a special reserve fund such as the Special Presidential Fund established in FY 1956 pursuant to Section 401 of the Mutual Security Act and for which an appropriation of $100 million for FY 1957 is herein proposed. This appropriation would consist of funds which were not earmarked for regular programs and which were reserved for use in meeting some portion of the new requirements that will arise in fiscal year 1957.

The problem is the extent to which, and the manner in which, each of the foregoing techniques should be employed in FY 1957 to give the Mutual Security Program the kind of flexibility needed to meet urgent new requirements as they arise. Supplemental legislation and appropriations do not ordinarily provide a practical answer. Similarly, savings in going or planned programs are unlikely to be adequate. The reduction or postponement of other planned programs has all the disadvantages noted above in (3). There consequently appears to be an urgent continuing need for a fund, such as the Special Presidential Fund, which will make it possible to meet some of the new requirements without unduly and unwisely wrecking other planned programs which it is in the U.S. national security interest to carry out.

The following proposals are requested:

(1) Continuation of the authority included in Section 501 of the Mutual Security Act of 1954, as amended, to transfer a limited amount of funds among appropriations.

(2) Continuation of an "illustrative programs" presentation to the Congress, keeping the requirement, imposed by Section 513 of the Mutual Security Act of 1954, as amended, for strict, detailed and recurrent accountings to the interested committees of Congress with respect to significant changes made in such "illustrative programs".

(3) Appropriation of $100 million for FY 1957 for the Special Presidential Fund created by Section 401 of the Mutual Security Act of 1954, as amended.

(4) In addition to (1) and (3) above, an increase from $50 to $200 million in the President's authority under Section 401 of the Mutual Security Act of 1954, as amended, to draw upon any funds in the program to cover any other mutual security purpose, and to do so without reference to a large number of normally applicable legal requirements. Also an increase from $20 million to $40 million in the extent to which authority under Section 401 might be used for any one country.

(5) Retention of the special, narrowly restricted, and specifically directed flexibility now contained in Section 409 (d) of the Mutual Security Act of 1954, as amended, 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 $14 million 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 make it easier to reduce the new requirements that might otherwise have to be met from mutual security funds when disasters 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, as amended, 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, and an increase in presently established delivery ceilings to reflect program developments since these current ceilings were first adopted.

General Narrative Statement (Continued)

(7) Creation of a $100 million Middle East and Africa Fund, as proposed and justified elsewhere in this presentation, to cover particular types of non-military requirements which are anticipated in this area.

Safeguards

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, the following current safeguards would continue in effect:

(1) The fund is limited in size to a relatively small proportion of the total new requirements which, based on past experience, will probably arise during FY 1957 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 fund can only be used when the President determines that its use for a particular purpose is "important to the security of the United States." In FY 1955 and 1956, all powers granted by Section 401 have normally been exercised by the President personally, rather than delegated to lesser officials, and, customarily, only 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, the Director of ICA, and sometimes the Secretary of the Treasury.

(3) In accordance with Section 513 of the Mutual Security Act of 1954, as amended, there must be a detailed accounting to the appropriate Congressional committees covering the uses to which the fund is put.

Difference from Other Special Funds

The request for a $100 million appropriation to the Special Presidential Fund must be distinguished from three other requests with which it might otherwise be confused and to which it bears varying degrees of resemblance and similarity -- (1) the $100 million requested under existing authority for the President's Fund for Asian Economic Development; (2) the $100 million requested for a Middle East and Africa Fund; and (3) the authority sought to make long-term commitments covering projects.

In the first place, unlike the Special Presidential Fund, none of these three other requests has any applicability to the military assistance side of the program -- they all relate solely to non-military forms of aid.

In the second place, each of these other three requests is primarily directed toward a limited, specific type of situation requiring particular attention and special treatment, and not toward the general problem of being prepared (on a world-wide basis, and without limitations as to form of aid or the conditions of extending it) to meet truly contingent and unforeseen requirements of the character described herein. The use of one of these other two funds, or of the long-term commitment authority, for the latter purpose cannot, of course, be excluded under all circumstances.

In the third place, the request for the Special Presidential Fund is designed to create a reserve which is intended primarily to meet problems of an emergency nature and which, except as problems of that nature require its use, should not be used at all. The other three requests look toward finding new opportunities (or selecting from existing opportunities) to deal constructively with problems of a general nature which we already recognize as ones that urgently need attention -- the economic development of underdeveloped countries, etc., particularly in such critical areas as free Asia and the Middle East; the furtherance of economic integration and political cohesion in the Far East and South Asia; etc. We hope to be able, not to conserve, but, rather, fully to use these appropriations and this authority in order to advance to the maximum the important U.S. objectives toward which these appropriations and this authority are directed.

General Narrative Statement (Continued)

While the appropriations and long-term commitment authority sought in these three other requests could, and probably to some small extent will, be used to deal with situations which might otherwise call for the employment of the Special Presidential Fund, the possibility of such use is not a primary purpose of such requests; rather this possibility is a reflection of the fact that occasionally an instance of the special kind of problem with which one of these requests is principally intended to deal may either (1) manifest itself suddenly and unexpectedly (i.e., be unforeseen) or (2) already represent a likely requirement (i.e., be contingent).

In the case of the President's Fund for Asian Economic Development, its objectives and purposes have already been defined. The uncertainties as to how it will be used concern the particular projects and activities through which, and the procedures and mechanisms by which, these purposes and objectives will be pursued. Some of these potential projects and activities can already be identified, although the selection of those that will finally be undertaken may often depend on negotiations involving a number of foreign governments and upon extensive study and engineering. It should be noted also that the primary purpose of the Asian Economic Development Fund is to further, within a defined geographic area, projects and activities which are regional in character. It is a fund which looks, not to the emergency that must suddenly be dealt with, but to the long-term process of economic development.

The proposed Middle East and Africa Fund, if established, would have a greater measure of similarity to the Special Presidential Fund than either the Asian Economic Development Fund or the long-term commitment authority but the difference between the two are, nonetheless, significant. In the first place, the general circumstances under which it will be desirable to use the Middle East and Africa Fund are to a considerable degree now determined. Several programs and, in some cases, projects for which this Fund might be employed are now known with considerable certainty. Since it is not yet precisely clear when, or in what exact magnitude, the opportunity to use this Fund effectively will occur, it can be said that this Fund deals in some measure with contingencies like the Special Presidential Fund. However, apart from the fact that it is restricted to a limited geographic area, in which there is a particular need for broad flexibility in dealing dynamically with a fluid political and economic situation of especial urgency, it is only the precise individual requirements that are contingent, not whether firm requirements of at least $100 million will develop. The likelihood of requirements for this Fund of as much as, or more than, $100 million, exists already, but the Fund cannot be programmed in detail because we do not know which of the potential individual requirements, which total over $150 million, will be the ones that mature. Of course, totally unforeseen needs may develop in the Middle East and Africa, just as in other parts of the world, in which case the Middle East and Africa Fund might be used to cover them or, if this fund should already be programmed or not be adapted for the purpose, one could have recourse to the Special Presidential Fund.

The request for long-term commitment authority is, of course, not a request for a current appropriation at all. Such authority, if given, would not offer a means of dealing with any situation requiring the actual extension of aid within fiscal year 1957. It could only be employed to accomplish the same purposes as the Special Presidential Fund in the kind of situation in which a now contingent requirement which becomes firm, or a new, entirely unforeseen requirement which hereafter develops, could be dealt with as readily by a commitment to furnish aid in the future, as by the actual obligation of mutual security funds in fiscal year 1957. This long-term commitment authority is intended to make possible long-term planning and the encouragement of orderly economic development, not to solve the unexpected crises.

NON-REGIONAL PROGRAM

MIGRANTS, REFUGEES AND ESCAPEES

(In thousands of dollars)

Activity	Program FY 1955	FY 1956	Proposed FY 1957
Intergovernmental Committee for European Migration	10,500	12,500	12,500
United Nations Refugee Fund		1,200	2,300
United States Escapee Program	5,697	6,000	7,000
Total	16,197	19,700	21,800

General Narrative Statement

Over 30 million persons throughout the Free World have been displaced by war, revolution and political persecution. 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 secondarily 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-dependent members of the Free World community.

While the Western European countries provide asylum to refugees, they provide only limited care and opportunities for employment. Asylum countries have not yet absorbed all the refugees created by World War II and are faced with pressing problems in providing for their own growing populations. Moreover, these new escapees as well as the earlier refugees are a source of constant international political tensions and controversy. In these circumstances, opportunities for many refugees to secure citizenship and employment in most asylum countries are materially limited, and those countries have sought the emigration of as many as possible.

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 not yet had adequate opportunity and assistance to become re-established or by reason of ill health or age are unable to work.

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NON-REGIONAL PROGRAM — MIGRANTS, REFUGEES AND ESCAPEES

CONFIDENTIAL

General Narrative Statement (Continued)

Even eleven years after the war, more than 70 thousand are still living under unhealthful conditions in camps in Western Europe. While the governments concerned have continued to expend substantial sums on minimum care and maintenance provision, 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 Near East and Far East, where similar problems are faced.

There have been several important developments in recent years which have affected the refugee problem in Europe. There have been the Trieste settlement, the Austrian State Treaty, the withdrawal of the occupying forces from Austria, the German Agreements, the Geneva Conferences, the rise in the levels of economic activity, particularly in Germany, and the stepping-up of the Soviet anti-emigration campaign whose objectives are hereinafter outlined.

U.S. Interests

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:

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 solutions 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 underpopulated countries of the Western Hemisphere and Australasia.

There is currently evident a widespread Soviet-satellite anti-emigration campaign which is well planned, well organized and well financed. The campaign, which is in direct support of the Soviet effort to win over the captive populations, seeks to discredit the refugees and the sincerity of the Free World's concern for them and the peoples of Eastern Europe, and to bring about the demoralization of those who cannot be persuaded to return to their home countries. It is in the continuing interest of the United States Government to maintain counter measures, such as USEP, UNREF, ICEM and RRA to protect those who have sought freedom in the West by facilitating their integration where they are, or their migration overseas as insulation against the impact of the Soviet-satellite efforts.

The Programs

The U.S. supports three programs which considered together comprise a comprehensive approach to the refugee and migration problem. As part of the Mutual Security Program, the U.S. has been assisting escapees, contributing to the international program for furthering migration out of Europe and making a contribution to the United Nations Refugee Fund. It is proposed that the U.S. continue to support these activities in FY 1957.

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 or local integration.

2. The Intergovernmental Committee for European Migration (ICEM) is an international organization, outside of the United Nations system, with membership of twenty-six governments. Its function is to facilitate and increase the movement out of Europe of surplus populations, which includes some refugees, to countries in need of additional manpower. It concentrates on providing transportation to migrants who would not otherwise be moved.

General Narrative Statement (Continued)

3. United Nations Refugee Fund (UNREF) is designed to intergrate into the local economy the earlier groups of refugees, many of whom are still living in refugee camps. UNREF also furnishes emergency aid and, where necessary, institutional care, to the most needy refugees.

Program Coordination

Each of the three organizations focusses 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 or integration of escapees who are of special political significance to the United States; and UNREF on providing permanent local settlement of the considerable group of unassimilated refugees for which the United Nations has assigned responsibility to the UN High Commissioner for Refugees. UNREF assistance is not accorded to escapees who receive assistance from USEP.

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:

1. Local Integration: ICEM has only limited interest in this activity. USEP assists in integration of escapees who cannot be resettled in other countries. UNREF primarily devotes its efforts to integrating the earlier group of refugees.

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. 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 only limited 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 the most needy of the earlier group of refugees primarily in the Near East and Far East.

The voluntary non-profit relief agencies carry out virtually all projects sponsored by UNREF, USEP, and a portion of ICEM's program. They function almost as the operating arms of the former 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 overseas 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 for admission to the U.S. under the Act are also elgible for assistance in resettlement 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 the Refugee Relief 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 persons elegible for visas and in need of transportation assistance.

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NON-REGIONAL PROGRAM

INTERGOVERNMENTAL COMMITTEE FOR EUROPEAN MIGRATION

Comparative Summary of Obligations from Fiscal Year Appropriations

(In thousands of dollars)

	Program		
	FY 1955	FY 1956	Proposed FY 1957
Obligations	10,500[a/]	12,500	12,500

a/ It is anticipated that $891 thousand, obligated in FY 1955 in excess of CY 1955 contributions, will be returned to the Treasury.

Comparative Summary of U.S. Contributions to Calendar Year Programs

(In thousands of dollars)

	Program		
	CY 1955	CY 1956	Proposed CY 1957
Contributions	9,609	12,500	12,500

General Narrative Statement

Authority and Background

The Intergovernmental Committee for European Migration (ICEM), composed of 26 governments, was organized on the initiative of the United States in Brussels in 1951. The Union of South Africa is presently an additional prospective member. ICEM's purpose is to facilitate and to increase the movement of migrants and refugees out of Europe who would not otherwise be moved. Section 534 of the Mutual Security Act of 1951, as amended, contained authorization for U.S. participation in and contributions to the Committee in calendar years 1953 and 1954. Section 405 (a) of the Mutual Security Act of 1954 provided continuing authority for appropriations and participation in the Committee on the basis of the Constitution adopted by ICEM which came into force in October 1954. Twenty-five governments have accepted the Constitution.

U. S. Objectives

Austria, Italy, The Netherlands and Greece are overpopulated countries. Because of an unbalanced population structure, Germany still needs emigration, though on a reduced scale. It is estimated that a movement out of Europe of at least 350,000 persons annually should be achieved. Only 175,000 are now moving annually without international assistance. The basic United States purpose is then to secure a larger movement out of Europe, thereby helping to alleviate those economic and political problems related to unemployment and underemployment resulting from overpopulation, and at the same time helping to meet the manpower needs of the immigration countries of the Free World.

Developments and Accomplishments

(1) ICEM moved 77,664 persons in 1952, 87,501 in 1953, 121,222 in 1954 and 120,442 in 1955. It is estimated that ICEM will move approximately 126,000 in 1956 through its regular program. These movements have been to Canada, the United States, the Latin American countries and increasingly in the past two years to Australia.

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General Narrative Statement (Continued)

(2) The United States has constantly urged and ICEM has endeavored to place an increasing proportion of the movement on a fully or partially reimbursable basis. The contributions of migrants themselves to the costs of their transportation has shown a steady increase, both in prepayments in advance of movements and in repayments on loans made on a revolving fund basis. Reimbursements for the costs of movement by governments have also shown a steady increase both in the per capita rates and in the dollar amounts based on the volume of movements.

(3) ICEM has developed satisfactory working relationships with other agencies, national and international, dealing with refugees, including the Office of the United Nations High Commissioner for Refugees and the United States Escapee Program. There is no duplication of work among these agencies, ICEM's function being that of moving refugees who have received visas of admission to countries of immigration. ICEM provides transport for refugees moving from Europe to the United States under the Refugee Relief Act of 1953 who are unable to pay the full cost of their transportation. 7,246 such refugees were moved in 1954 and 20,521 in 1955. It is estimated that 31,510 will be moved in 1956 and 15,080 in 1957. The U.S. contribution to ICEM covers in part the cost of such movement. No funds for this purpose are included in appropriations under the Refugee Relief Act of 1953. ICEM also moves escapees to all destinations under non-profit contractual arrangements with the Escapee Program at ceiling rates of $125 per person for regular cases from Europe, $450 per person for European refugees from Hong Kong, and other special movements at actual cost.

Basis of U.S. Contribution

The United States annual contribution to ICEM is in two parts, one to the agency's administrative expenditures and one to the operational expenditures. The percentage of the U.S. contribution to administrative expenditures, originally 33.33 percent, has been reduced by the addition of new members to 30.87 percent for 1957. U.S. funds available for contribution to the operational expenditure have been related to the budget of planned movement adopted by ICEM for each year, but payment has been made on the basis of the actual movement achieved during the year and on the comparable contributions of other governments. During 1955 and 1956 the latter condition of contribution stipulated that the United States contribution to operational expenditure should not exceed 45 percent of all government cash contributions to operational expenditure. Computed on the basis of the total U.S. contributions to the Committee, the U.S. contribution per person actually moved was at the rate of $77 in 1953, $67 in 1954, $80 in 1955, and $88.47 in 1956, exclusive of any special movements of eastern European refugees. The lower per capita contributions in 1953 and 1954 were possible because (1) ICEM carried over more than $6,000,000 from its operations in 1952 which were expended for operations during 1953, 1954, and 1955, and (2) in 1953 and 1954 movements accomplished were to areas involving smaller per capita costs to ICEM. Now that the carry-over has been exhausted, larger contributions will be required of all contributing governments if ICEM is to meet the costs of increasing movements of which a higher percentage each year (41 percent in 1956) is to Australia. The chief countries of emigration and immigration increased their per capita rates and the dollar amounts of their contributions in 1954, 1955 and 1956. Italy, for instance, now contributes $60 per migrant to the Western Hemisphere and an additional $122 per adult migrant going to Australia. Australia contributes $75 per migrant from Italy, and $100 per migrant from The Netherlands. The Netherlands contributes $60 per migrant to the Western Hemisphere and $100 per migrant to Australia. Germany contributes $60 per migrant to all destinations.

Forecast of Program for 1957

ICEM has estimated movement for 1957 at 145,550. This includes an estimate to the United States under the Refugee Relief Act of 15,080. Developments during the past year indicate that the movement to Canada under the Committee's auspices will remain at a low level owing to the availability of commercial space on North Atlantic routes. However, the movement to Australia is increasing substantially because of the steady demand for workers in Australia. It is also expected that the

General Narrative Statement (Continued)

movement to the Latin American countries will increase in 1957 because of improved technical services provided jointly by member governments and ICEM in the selection, processing, reception and placement of migrants in the Latin American countries. Over one-third of the total annual movement out of Europe is presently moving under ICEM's auspices. The voluntary agencies interested in migration are playing an increasingly important role in securing the emigration of individuals not included in the mass schemes of recruitment of the receiving countries.

The Mutual Security Appropriation Act for 1955 (P.L. 778) included a limiting condition on the appropriation for ICEM to the effect that none of the funds appropriated can be used for assisting directly in the movement of any person to the Western Hemisphere who has not had a security clearance based on reasonable standards. This condition was repeated in the MSA Appropriation Act for 1956 (P.L. 208, 84th Congress). During 1955 the Department of State arranged with ICEM for the establishment of special clearance procedures to comply with this condition attached to the U.S. contribution. These procedures have been checked from time to time and have been found to be effective.

The request for appropriation in FY 1957 to cover the United States contribution to ICEM for the calendar year 1957 is in the amount of $12,500,000; $839,467 to administrative expenditure or 30.87 percent of the total of $2,719,154 allocated to member governments and $11,660,533 to operational expenditure, constituting approximately 41 percent of the estimated cash contributions of all governments to such expenditure. The estimate of the total movement for CY 1957 is 145,550, including 59,160 to Australia.

INTERGOVERNMENTAL COMMITTEE FOR EUROPEAN MIGRATION

MOVEMENT OF MIGRANTS

Comparative Summary of Movement of Migrants

From	Actual CY 1954	Actual CY 1955	Estimate CY 1956	Estimate CY 1957	To	Actual CY 1954	Actual CY 1955	Estimate CY 1956	Estimate CY 1957
Austria	6,411	12,321	13,775	15,320	Argentina	29,309	15,208	11,005	16,005
Germany	34,931	21,888	29,435	22,820	Australia	37,773	53,773	50,525	59,160
Greece	11,775	14,056	10,650	13,450	Brazil	16,336	8,919	10,350	16,670
Italy	48,263	45,852	43,130	60,680	Canada	21,294	8,865	7,515	9,505
Netherlands	1,274	12,701	18,410	23,630	Chile	814	1,033	1,350	3,020
Trieste	5,735				Colombia				1,500
Near & Far East	1,450	594	970	570	Rhodesia & Nyasaland			1,450	5,500
					Israel	1,037	1,220	1,030	1,020
					New Zealand			1,850	4,000
					U.S.A.	7,246	20,521	31,510	15,080
					Uruguay		2,790	1,800	2,550
					Venezuela	5,307	4,973	5,605	9,700
Others	11,383	13,030	9,530	9,080	Others	2,106	3,140	1,910	1,840
Total	121,222	120,442	125,900*	145,550*		121,222	120,442	125,900*	145,550*

* Does not include proposed special projects involving the movement of approximately 10,000 Eastern European refugees.

NON-REGIONAL PROGRAM

UNITED NATIONS REFUGEE FUND

Comparative Summary of United States Obligations from Fiscal Year Appropriations

(In thousands of dollars)

Function	Program FY 1955	Program FY 1956	Proposed FY 1957
United Nations Refugee Fund		1,200	2,300

Comparative Summary of United States Contributions to Calendar Year Programs

(In thousands of dollars)

Function	Program CY 1955	Program CY 1956	Proposed First 6 mos. of CY 1957
United Nations Refugee Fund	1,006	1,694	800
FY 1956 Funds	1,006	194	
FY 1957 Funds		1,500	800

General Narrative Statement

The United Nations Refugee Fund (UNREF) is a voluntary United Nations program authorized by the General Assembly in Resolution 832 (IX) of October 21, 1954 for the purpose of undertaking a program of permanent solutions of the problems of unassimilated refugees coming within the mandate of the Office of the United Nations High Commissioner for Refugees through the expenditure of a target amount of $16,000,000 of governmental contributions over a four-year period.

The UNREF program began in 1955 and is scheduled to be completed on December 31, 1958. Upon its completion, the countries of present asylum will assume the full financial responsibilities for the care maintenance and welfare of any of the then remaining unassimilated refugees. An Executive Committee comprised of twenty governments including the United States is responsible for controlling the finances of the fund and directing the program which is administered by the Office of the United Nations High Commissioner for Refugees. In 1955, the High Commissioner's Office was awarded the Nobel Peace Prize of 1954 in recognition of its devoted service to the thousands of refugee victims of persecution and war.

The refugees whom UNREF is assisting are in general those who, owing to well-founded fear of being persecuted for reasons of race, religion, nationality or political opinion, are outside the country of their nationality and who are either in need of assistance in establishing themselves in the Free World or require emergency assistance. Practically all of them are

General Narrative Statement (Continued)

from the Communist-controlled areas of Eastern Europe and the Soviet Union and have been living at or near the subsistence level for periods of up to eleven years in Western Europe, the Middle East and Far East. Many of them are still living in refugee camps and many of them are so-called "difficult cases" -- aged, blind, tubercular or otherwise disabled refugees who require special or institutional lifetime care and maintenance.

Importance of the Program to the United States

Although just getting under way, this international program is making a substantial contribution to the solution of the important and difficult problem presented by the unassimilated residual, refugee population primarily in Western Europe. The wisdom of the decision in 1955 to support it has been fully borne out not only by the fact that UNREF was able to assist so quickly many refugees during the year, but also by a series of events which attested to the considerable political significance of the problem. The first of these was the initial refusal of the Soviet Union to agree to the Austrian State Treaty unless the refugees in that country were forcibly repatriated, a position which fortunately the Soviet Union did not insist upon at the end. The second is the campaign of the Soviet Union directed mainly at the residual refugees whom UNREF is assisting. In seeking to force or to persuade the refugees to return this campaign seeks to enhance the prestige of the Communist regimes, discourage future emigration and defection by publicizing the difficult life of the refugees in the West, particularly of those in refugee camps, and neutralize the anti-Communist activities of the refugees. Pursuant to this campaign, the Soviets have attempted to send repatriation missions to the refugee camps in Austria and Germany. These efforts have been rejected by the governments of the two countries. One visit, however, authorized in the British Zone of Austria immediately following the signature of the Austrian State Treaty, caused considerable anxiety among the refugees that they would be abandoned to the Soviets--an anxiety which the tangible evidence of western concern for the refugees provided by UNREF has tended to dissipate. The Soviet Union has also formed "Committees for Return to the Homeland" consisting of repatriates directing appeals to the refugees to return. So important in fact are the refugees to the Soviet Union that Marshal Bulganin found it expedient to request publicly the Federal Republic of Germany to assist the return of the "100,000 Soviet nationals jailed on the territory of the Federal Republic." Finally, the Soviet Union saw fit to carry its campaign to the UN General Assembly. There, in connection with the annual report of the UN High Commissioner for Refugees, it sought unsuccessfully to defeat the UNREF program by a resolution limiting the High Commissioner's functions insofar as they affect UNREF to the promotion of repatriation.

Additional reasons for U.S. support of this program are cited briefly. It is strengthening the countries of present asylum by assisting them to resolve a problem which is both an economic burden and a divisive, controversial element in their societies. It is important to the U.S. that asylum continue to be provided to refugees by the countries now doing so. As a worthwhile United Nations humanitarian program United States support of it contributed to the strengthening of that body in an area which has been considered to be of international concern since World War I, following which the first Office of the High Commissioner for Refugees was established. This program provides a means through which international resources can be applied towards finding a solution for the refugee problem, the accomplishment of which is in the interest of the U.S.

Program

UNREF is directly attacking the refugee problem in three ways: through projects for permanent solutions, difficult case placement and emergency assistance. These are summarized by country in the Annexed Table A for 1955 and in Table B for the projected 1956 program.

The permanent solutions program assists refugees in establishing themselves primarily in the countries presently affording them asylum as self-supporting members of the Free World. This is done through various projects which are carried out by voluntary agencies or governments with particular emphasis on the camp populations and with the objective of eliminating the camps. The projects include establishment of loan funds for refugee housing, establishment in agriculture, crafts, trades and industry, general counseling, employment counseling, vocational training

General Narrative Statement (Continued)

assistance to refugee students, and promotion of refugee emigration. During 1955 projects of these types totaling $2,137,442 to benefit 16,100 refugees were put into operation.

The program for the placement of difficult cases seeks to find institutions which will accept refugees for lifetime care and maintenance on the payment by UNREF of single grants of between $500 and $800 per refugee. A few refugees can be provided for in the country of current asylum but places for most must be found in other countries. During 1955 projects of this type totaled $533,347 and benefited 856 refugees.

The emergency assistance program is for refugees who are destitute and can obtain assistance from no other source. Clothing, food, medical care and small cash grants are provided on an individual basis. During 1955, $104,800 was authorized for expenditure to help about 4,600 refugees in Egypt, Greece, Iran, Italy, Jordan, Lebanon, Syria and Turkey. In addition, during 1955 UNREF continued the financing of the Shanghai Operation which renders emergency assistance to refugees of European origin on the mainland of China. It also provides for the care and maintenance in Hong Kong of those who have succeeded in leaving China and are in transit to resettlement abroad. The UNREF allocation on this account was $279,327 directly benefiting about 1,800 refugees.

The program for 1956 has been planned on the basis of the experience gained during 1955 and in the main is to be made up of the same types of projects. The new target is a $4,400,000 program to be financed from voluntary contributions from governments. In addition, the Executive Committee has decided to carry over that part of the 1955 program which was not implemented in calendar year 1955 (approximately $2.2 million as of Dec. 31, 1955). Since the first of this year additional contributions to the CY 1955 program of approximately $1 million have been received making the CY 1956 total target program for which funds have to be raised approximately $5.6 million.

Contributions of Other Governments

Contributions of 20 other governments to the central account of UNREF in 1955 totaled $2,011,697 including $172,000 carried over from 1954 for the 1955 program and $186,000 contributed by the Government of The Netherlands through the "Netherlands National Campaign for Refugees 1954." This figure does not include the substantial expenditures borne by the countries of asylum in connection with the permanent solutions projects or the contributions of countries of resettlement in providing for the permanent maintenance and care of difficult case refugees admitted to their territories. Although the amount of contributions to the central account did not reach the $2.8 million target goal for other governments, it represents a considerable and satisfactory achievement in view of the fact that the program did not commence until May and that the decision of the United States to contribute was not known until July.

For the 1956 program eight governments have already pledged a total of $838,726. A number of other governments have indicated their intention to contribute, but are not yet in a position to announce specific amounts.

United States Government Contribution to UNREF

UNREF operates on a calendar year basis. The Congress in FY 1956 appropriated $1,200,000 for the United States contribution to the UNREF CY 1955 program. Of this amount, approximately $1 million has been contributed to the CY 1955 program. It is proposed that the residual amount of $194 thousand be considered together with the $1,500 thousand new money requested for contribution by the U.S. to the CY 1956 target program, which latter program, as explained above, includes the unimplemented portion of the CY 1955 program.

For FY 1957 an amount of $2,300,000 is requested which, together with the as yet uncontributed FY 1956 funds, will permit a $1.7 million contribution to the CY 1956 program and an $800,000 contribution to the first half of the CY 1957 program. This request for an eighteen-month period rather than for a year will enable the U.S. to make a definite pledge at the UNREF Pledging Conference in November 1956 covering, in addition to the full CY 1956, the first six months of 1957. This will assist the administration of UNREF by assuring continued financial support in advance, both with respect to program planning and obtaining contributions from other governments.

General Narrative Statement (Continued)

It is recommended that the U.S. contribution for CY 1956 and subsequent years continue to be approximately one-third of total government contributions, as explained below. Experience during the first year of the program has shown that a number of smaller countries, in addition to making a financial contribution to the central account, are also spending government funds to pay for institutionalizing "difficult cases" which they accept from the countries of first asylum. One of the biggest problems facing the UNREF program is the disposition of "difficult case" refugees. The money which several of the smaller governments are expending directly in behalf of these "difficult cases" to provide institutional care is a vitally important contribution to the High Commissioner's program, and is as significant in terms of government participation in UNREF as a contribution to the central account. This type of contribution should not be confused with local contributions by governments of first asylum in behalf of refugees within their territories.

It is proposed that the U.S. contribution be used in part to encourage further activity of governments in accepting the aged, blind, tubercular and otherwise incapacitated refugees whose problems are the most difficult for UNREF to solve. One such means of encouragement would be to consider the costs undertaken by these governments on behalf of the "difficult case" refugees as a valid financial contribution to the total program. This would mean that this type of contribution would also be taken into account in determining the amount of money the U.S. could contribute to the fund in 1956 and subsequent years within the limitations imposed by the amount authorized and appropriated and the one-third ratio.

TABLE A

NON-REGIONAL PROGRAM

UNITED NATIONS REFUGEE FUND

Allocations and Beneficiaries by Type of Program Since Inception to December 31, 1955

	Permanent Solutions		Placement Difficult Cases		Emergency Assistance		Total	
	Allocations	Beneficiaries	Allocations	Beneficiaries	Allocations	Beneficiaries	Allocations	Beneficiaries
Austria	$ 982,771	8,830	$258,109	445	$		$1,240,880	9,275
Belgium	4,000	250					4,000	250
Egypt					4,585	100	4,585	100
Germany	419,975	5,000					419,975	5,000
Greece	491,240	823	84,266	144	14,525	750	590,031	1,717
Iran			2,333	7	7,000	300	9,333	307
Italy	212,232	945	60,244	82	21,000	1,200	293,476	2,227
Syria, Lebanon & Jordan					15,000	300	15,000	300
Shanghai/Hong Kong			34,500	35	279,327	1,800	313,827	1,835
Turkey			16,000	33	7,750	450	23,750	483
Various	27,224	252[a/]	77,895	110[a/]	34,940	1,500	140,059	1,862
Sub-total, Operations	2,137,442	16,100	533,347	856	384,127	6,400	3,054,916	23,356
Administration							80,000	
Total	2,137,442	16,100	533,347	856	384,127	6,400	3,134,916	23,356

a/ Subject to revision pending receipt of final information from Agency.

TABLE B

NON-REGIONAL PROGRAM

UNITED NATIONS REFUGEE FUND

Target Program and Estimated Beneficiaries, 1956

	Permanent Solutions		Placement Difficult Cases		Emergency Assistance		Total	
	Target Allocations	Beneficiaries	Target Allocations	Beneficiaries	Target Allocations	Beneficiaries	Target Allocations	Beneficiaries
Austria	$2,141,422	15,027	$277,569	525	$		$2,418,991	15,552
Belgium	70,000	1,500					70,000	1,500
Egypt			52,500	79	7,000	100	59,500	179
France	280,000	625	50,000	30			330,000	655
Germany	370,025	4,800					370,025	4,800
Greece	1,040,251	1,667	96,010	147	23,500	1,450	1,159,761	3,264
Iran			25,867	32	10,000	400	35,867	432
Italy	517,768	1,780	163,756	205	20,400	1,000	701,924	2,985
Syria, Lebanon & Jordan			28,800	36	16,000	200	44,800	236
Shanghai/Hong Kong			150,500	200	331,120	2,650	481,620	2,850
Turkey			45,000	56	9,000	550	54,000	606
Various	100,000	990	35,000	50	20,000	1,500	155,000	2,540
Sub-total, Operations	4,519,466	26,389	925,002	1,360	437,020	7,850	5,881,488	35,599
Administration							146,600	
Unallocated							583,328	3,211
Total	4,519,466	26,389	925,002	1,360	437,020	7,850	6,611,416[a/]	38,810

a/ Includes 1956 target of contributions from governments of $4,400,000 and the unimplemented carryover as of Dec. 31, 1955 of $2,211,416, from the 1955 target program to be financed from contributions from governments. Additional contributions received since Dec. 31 for the CY 1955 program have reduced the effective carryover of the CY 1955 program to approximately $1,200,000.

NON-REGIONAL PROGRAM

UNITED STATES ESCAPEE PROGRAM

Comparative Summary of Programs by Fiscal Year

(In thousands of dollars)

SECRET

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Function	Program FY 1955	FY 1956	Proposed FY 1957
United States Escapee Program	5,697	6,000	7,000

General Narrative Statement

Since March 1952, the United States Escapee Program has been carried on under the authority of the Kersten Amendment, now included in Section 401 of the Mutual Security Act of 1954. Specific legislative authority for the program in FY 1956 is provided in Section 405 (d) by amendment to the Mutual Security Act of 1954, which was approved by the Congress in Section 8 (d) (3) of the Mutual Security Act of 1955. The purpose of the program is to provide reception, interim care and maintenance, and resettlement assistance to Soviet and satellite escapees in Europe and to undertake special assistance projects in behalf of selected escapee groups or individuals in all areas of the world. The program supports U.S. political, psychological warfare, and intelligence objectives with respect to the USSR and the Soviet orbit by demonstrating the friendship of the United States toward the captive populations of the countries behind the Iron Curtain and its concern for those who seek asylum in the Free World.

SECRET

The program, operating primarily through contracts with voluntary agencies representing the major U.S. religious and nationality groups, supplements their considerable contributions and those of the local governments of asylum countries and of the voluntary agencies. The countries of asylum are beset to varying degrees by major economic problems and their attitudes toward alien refugees are influenced by international political factors and local antagonisms prevailing in Europe. The voluntary agencies are dependent upon contributions from the general public, which must be spent in behalf of the particular groups which the agencies are created to help. As a result, there remains a substantial gap between what can be provided from these sources and what is needed to assure a standard of care for escapees adequate to the protection of U.S. interests in this group. 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 permanent re-establishment of escapees as independent, self-sufficient members of the Free World, either through resettlement in overseas countries or through integration into the local economy. They are given resettlement counselling and language and vocational training; and are provided with necessary legal documents and visas. Other resettlement efforts include the search for placement opportunities, and the payment of costs of transportation and other resettlement expenses in certain countries of immigration.

The escapees are thoroughly screened to assure that they are bona fide anti-Communist refugees and deserving of assistance.

General Narrative Statement (Continued)

By January 1, 1956, the program had registered a total of 80,600 persons in Europe and the Middle East. Of these, 26,900 had been resettled primarily in the United States, Canada, Australia, and Latin America, or had been locally integrated in Europe, and approximately 30,800 escapees were still on the rolls. The remaining 22,900 were dropped from the caseload as no longer needing assistance or because of screening, death, disappearance, or other reasons. Through a continuation of its efforts during CY 1956, it is anticipated that the Escapee Program will reduce its caseload at the end of the year to 20,240.

Since the beginning of CY 1955, the Soviets and their satellites have conducted a determined, carefully coordinated and well-financed campaign to discourage and discredit the escapees; to induce them to return to their homes behind the Iron Curtain; to weaken the prestige of the emigres and their leaders; and to discredit the efforts of the Free World in behalf of refugees. This campaign, representing an intensification of consistent Soviet policy, is carried out by every means from formal, diplomatic effort to acts of terrorism and brute force. Despite the Summit talks, the Soviets have continued to emphasize what they claim to be the difficulties and meagerness of the lot of the refugees; to create the impression that the Free World has no interest in the refugees and in the captive populations of the Soviet orbit; and to sow dissatisfaction among the emigre' groups.

The instability of the refugee situation has been made more acute by the newly achieved sovereignty of Germany and Austria, by the withdrawal of U.S. forces from Austria, and by the increasing atmosphere of neutralism in these countries which has resulted in severe limitations being imposed on Austria's asylum policy; and in both countries, in political difficulties for the governments with regard to assistance to refugees. The Soviets are taking advantage of this situation by increasing their pressures on the governments of asylum countries for the return of refugees, for access to refugees in order to carry out their demoralization and repatriation efforts, and for limitations on the granting of political asylum. The resistance of the countries of asylum to these pressures will depend in large part upon the extent of United States interest and efforts in behalf of refugees. To the degree that the Soviets can in fact secure a decreased effort by the Free World in behalf of refugees, this will serve to discredit the emigre' groups, a key objective of the Soviets in their effort to solidify their position in the satellite nations by winning the friendship and support of the captive populations. Their efforts to date have caused tension and anxiety among the refugees, increased numbers of whom have sought resettlement assistance to avoid possible repatriation and the other uncertainties facing alien refugees.

Strong counter-measures are indicated to offset this campaign against the emigration. As a consequence, the Escapee Program has applied more liberally its assistance standards where this has proved necessary to protect U.S. interests. This has resulted in the addition of a substantial number of cases to the caseload. Moreover, the failure of expected emigration opportunities to materialize has resulted in a lower rate of reduction in cases from the assistance rolls. Efforts must be continued, therefore, to resettle escapees overseas, or where this is not possible, to make them self-supporting in Europe. All necessary steps must be taken to reduce to a minimum any conditions that would provide a factual basis for Soviet propaganda and which would influence the escapees against the Free World.

During CY 1957, it is expected that about 11,100 persons will be resettled, locally integrated, or otherwise dropped from the caseload. With this reduction and taking into account a relatively small number of new escapees and other additions to the caseload, it is estimated that 12,840 persons will still be in need of assistance by the end of 1957. During 1957 the program will be continued in a manner similar to that carried on in 1956 and previous years. Emphasis will shift to an increasing degree to local integration and special re-establishment as normal resettlement becomes more difficult for the residual "hard-core" groups that remain. With the expiration of the Refugee Relief Act at the end of 1956, this avenue of resettlement will not be available in 1957. Care and maintenance and resettlement efforts will continue as major

General Narrative Statement (Continued)

operations since the numbers still on the caseload will be substantial. As the accumulated caseload declines, special attention can be directed to the most recent escapees and to special groups and projects of special interest to the U.S.

Although there will be fewer escapees on the caseload in CY 1957 than in 1955 and 1956, the costs of the programs will not decrease proportionately. The remaining escapees will include a larger proportion of the aged, sick, and infirm whose re-establishment will be difficult and more expensive than is the overseas resettlement of young and healthy persons. There will be extra costs to move and care for a group of a thousand or more of satellite escapees in Yugoslavia whom the Yugoslavs, under Soviet pressures, have threatened to repatriate unless asylum for them is available in the West. The countries which have consented to grant legal entry and temporary asylum to this group have done so on condition that the U.S. will bear a major part of the cost. Costs in Austria and Germany will rise as the governments find it increasingly difficult in the face of local political pressures to maintain the present level of alien refugee assistance. The extra efforts and special projects necessary to offset the Soviet anti-emigration campaign and to give intensified attention to new escapees will also increase costs.

In the Far East, since April 1953 the Escapee Program has carried on projects in Hong Kong and Taiwan in behalf of selected escapees from Red China and the USSR. By November 30, 1955, 12,914 refugees from Hong Kong and Macao had been resettled in Taiwan and other areas, including 873 Russian, Polish, and other non-indigenous refugees. Additional projects with voluntary agencies have provided local integration services in Hong Kong and Macao, including provision of housing, development of handicraft and other light industries, relocation of escapees on farms, and medical assistance. The program also provides transportation assistance to certain indigenous refugees moving to the U.S. under the Refugee Relief Act. The program supplements and stimulates the efforts of the local government authorities in Hong Kong and elsewhere, and serves the basic U.S. objective of demonstrating U.S. concern for refugees from Communism who, in the eyes of Chinese people everywhere, constitute a symbol of resistance to Communism.

It would not be advisable for the United States to attempt to bear the huge costs required for adequate assistance for the hundreds of thousands of refugees in Hong Kong. However, the success of the very modest and selective program now being carried out would be substantially enhanced by the extension of the program to a larger portion of the refugees who are an important and psychologically significant group. It is therefore proposed to increase the Far East program for CY 1957 to $2,000,000 in recognition of the increasing importance of combating Communist efforts in this area of major political interest to the United States, and the significant success of the program to date in stimulating far larger efforts on the part of the local governments concerned.

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NON-REGIONAL PROGRAM

UNITED STATES ESCAPEE PROGRAM

Program Requirements for CY 1957

(In thousands of dollars)

Category of Assistance	Germany	Austria	Italy	Other Western Europe	Greece	Turkey	Middle East	Far East	Total
Care and Maintenance	690	312	366	125	332	12	38		1,875
Resettlement Support	516	287	257	52	305	6	49	800	2,272
Local Integration	420	108	90	100	270		12	800	1,800
Transportation	166	192	131	96	45	10	13	400	1,053
Total	1,792	899	844	373	952	28	112	2,000	7,000

Caseload Projection

	On Hand Dec. 31, 1955	Additions to Caseload	Reductions in Caseload	On Hand Dec. 31, 1956	Additions to Caseload	Reductions in Caseload	On Hand Dec. 31, 1957
Austria	6,885	2,440	5,630	3,695	1,640	2,810	2,525
Germany	11,268	2,540	5,275	8,533	740	3,670	5,603
Greece	4,101	980	1,870	3,211	340	1,450	2,101
Italy	4,443	1,060	2,910	2,593	690	1,535	1,748
Turkey	176	55	160	71	30	95	6
Western Europe	2,851	490	2,020	1,321	260	1,300	281
Near East	1,021	35	240	816		240	576
Total	30,745	7,600	18,105	20,240	3,700	11,100	12,840

NON-REGIONAL PROGRAM

UNITED NATIONS CHILDREN'S FUND

Comparative Summary of United States Contribution by Fiscal Year

(In thousands of dollars)

Item	Program FY 1955	FY 1956	Proposed FY 1957
United Nations Children's Fund	12,500	14,500	10,000

Comparative Summary of United States Contribution by Calendar Year
(In thousands of dollars)

Item	CY 1954	Program CY 1955	Estimated CY 1956	Proposed CY 1957
United Nations Children's Fund	8,300	9,000	9,700	10,000
From FY 1955 Funds	8,300	4,200		
From FY 1956 Funds		4,800	9,700	
From FY 1957 Funds				10,000

General Narrative Statement

IMPORTANCE OF PROGRAM TO THE UNITED STATES

This program of International cooperation on behalf of children has made a significant contribution to child welfare throughout the world in the past nine years and offers even greater opportunities in the future. While the number of children and mothers that UNICEF has been able to help is gratifying, greater numbers must be reached in the years ahead. An estimated two-thirds of the world's 900 million children still live in areas where malnutrition, disease and outmoded or inadequate maternal and child health practices threaten to deprive them of an opportunity to develop into healthy, self-supporting adults. From a global, long-range standpoint, raising the children of today to be productive and good citizens of tomorrow is a most important consideration in our total effort to achieve world-wide peace and economic stability.

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 safeguards against widespread and debilitating disease; and the need for more and better food to overcome serious deficiencies in diet.

The underdeveloped countries, however, lack the financial means to cope with the vast problem of restoring and improving the health of children by themselves. Outside assistance is badly needed. UNICEF has been the focal point through which international aid for children has been provided.

It is in this Government's interest to continue its strong support of UNICEF, both for humanitarian reasons and

General Narrative Statement (Continued)

for the abundant good will which the United States has gained through its participation in the program. The United States took a leading role in establishing UNICEF and has made substantial contributions to it ever since. The major contribution which this country has made to the program is known and appreciated by peoples of the countries receiving UNICEF aid, and the prestige and humanitarian reputation of the United States have been strengthened throughout the world.

Prior to this year the USSR has remained completely aloof from the program. However, in recognition of the good that has accrued to countries aided by UNICEF, the USSR in the summer of 1955 announced a pledge of 2 million rubles, the equivalent of $500,000, to the CY 1955 program of UNICEF. Now that the USSR has come into the program it would be unfortunate if the United States allowed its position of leadership to weaken.

UNICEF PROGRAM

Current UNICEF activities concentrate on permanently improving rather than temporarily relieving child health conditions. They are designed to provide an initial impetus to programs which assisted countries will eventually carry on by themselves.

Obviously there are not enough international funds to meet all the needs of children throughout the world. Recognizing this, UNICEF has established specific criteria in determining which projects it will assist. UNICEF aid is focused on projects which deal with basic inadequacies in child care, and which combine economy, maximum numbers of children reached and a permanent acceptance of local responsibility. The assisted governments must themselves be willing to accept the main responsibility for child aid projects. Programs are geared to the administrative and financial capacities of countries. Not only must the governments match funds allocated by UNICEF with substantial local contributions toward each project, but they must agree to accept responsibility for taking over programs after UNICEF aid is terminated.

UNICEF has been increasingly successful in stimulating self-help on the part of governments and assisted peoples. In 1955, for example, the amount of matching contributions, which consist of local currency or services, was the equivalent of $27 million in relation to the $14.4 million allocated from UNICEF's central account, or a ratio of almost 2 to 1. 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.

UNICEF continued to make significant progress in 1955 in reaching more children in more countries. During the year the Fund aided 264 projects in 92 countries and territories, a marked increase over the record set last year. About 32 million children and mothers benefited from UNICEF aid in 1955, as compared to 28 million in 1954 and 21 million in 1953. Over 14.5 million children were vaccinated against tuberculosis; 9 million children and mothers were protected from malaria and other insect-borne diseases; 1.8 million children were treated for yaws, and 2.7 million (an increase of over 100 percent from 1954) given a food supplement under the long-range feeding programs. And finally, taking into account UNICEF aid approved in 1955, almost 10,000 maternal and child health centers in rural areas throughout the world, but primarily in Asia, have or will have received aid in the form of basic equipment and expendable supplies. UNICEF also provided limited emergency aid to children in countries affected by catastrophes such as floods, droughts and typhoons. Emergency aid, however, amounted to only 6 percent of total program allocations, which is far less than in any previous year. UNICEF allocations for 1955 are summarized by area and by type of program in the accompanying table.

The major changes in program emphasis in 1955 and 1956 are increasing assistance to leprosy control programs and the beginning of a greater concentration of malaria eradication. In the development of maternal and child health and welfare programs, UNICEF is emphasizing the extension of services to new geographic areas rather than the expansion of services in areas already covered. The goal is to assure at least the basic services on as wide a geographic basis as possible. Specifically, increasing amounts of aid were approved for Africa and Latin America.

Recent experience in several countries has shown that there is a danger of malaria-bearing mosquitoes developing resistance to DDT. As a consequence, governments are being urged

General Narrative Statement (Continued)

to organize campaigns to eradicate the disease before resistance occurs. Another important factor leading to the new emphasis on malaria eradication is the economic burden of recurrent expenditures for residual spraying under control programs.

The malaria eradication programs will be cooperative endeavors. Financing in Latin America, where the first eradication programs will be conducted, will be shared by the World Health Organization (WHO), Pan American Sanitary Bureau (PASB), UNICEF and the assisted governments. There will be continuous close coordination among the participating agencies in the planning and operating stages of the programs, as in all UNICEF-aided programs, so that there is no duplication of funding or activities. Basically, the WHO and PASB will pay the full costs of the international technical advisors assigned to the projects, while UNICEF will provide such supplies as insecticides, sprayers and vehicles. The governments must agree to set up an adequate central anti-malaria organization, promote the necessary supporting legislation, and pledge substantial financial support for the duration of the program.

UNITED STATES CONTRIBUTION TO UNICEF

UNICEF operates on a calendar year basis. In order to permit the United States to make a pledge to the CY 1956 program of UNICEF in advance of the year, the Congress authorized and approved funds for FY 1956 in the amount of $14,500,000 covering the United States contribution to UNICEF for the 18-month period July 1, 1955 to December 31, 1956. Of this amount $4,800,000 was for the last half of the CY 1955 program and $9,700,000 was for CY 1956. An amount of $10,000,000 is now being requested for contribution to the CY 1957 program of UNICEF. It is recommended further that the percentage of the United States contribution not exceed 55 percent.

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. Last year local matching contributions amounted to $27 million. Taking these into account, the U. S. contribution in 1955 was 21 percent of all government contributions.

It is believed that the proposed further gradual percentage decrease in 1957 to 55 percent of the central account can be made without any adverse effect on the UNICEF program. However, in view of this percentage reduction, the Executive Branch considers it all the more important that the full request of $10,000,000 be approved in order to offset any reaction on the part of other governments that U. S. interest in the program is declining.

It is estimated that other government contributions will have reached a total of approximately $8,200,000 by 1957. Thus, the U. S. would be able to contribute $10,000,000, even with a limitation of 55 percent on its pledge. This amount should provide a goal which on the one hand will be an incentive for other governments to match by increasing their pledges, and on the other will not be so high as to be impossible of attainment and therefore discourage the efforts of other governments.

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	9.0	6.0	60%
1956	9.7	7.2(estimated)	57.5%
1957 (proposed)	10.0	8.2(estimated)	55%

The United States can take some credit in stimulating the gratifying growth of other government contributions in recent years. In announcing the U. S. pledge each year, the U. S. spokesman has stated that this Government hoped that other governments would continue to bear a greater proportion of the costs of UNICEF than in the past. The United States has progressively reduced the percentage of its pledge to the central account from a maximum of approximately 71 percent in 1952 to a maximum of 57.5 percent in 1956, with an anticipated further decrease to

General Narrative Statement (Continued)

55 percent in 1957. At the same time the United States has been in a position to pledge increasing amounts to the program. This is in accord with the policy that while a gradual decrease in the percentage of the U. S. contribution is desirable, there remains nevertheless a real need for a continuing expansion of the total UNICEF program in order to finance highly desirable projects for which assistance has been requested.

The $6 million figure shown in the above table as the amount of other government contributions in 1955 does not include the $500,000 Russian pledge. While this amount is recorded by UNICEF as an official pledge, its utilization presents a number of difficulties which are currently being negotiated between UNICEF officials and the USSR. The pledge is in the form of equipment and supplies, including foodstuffs. However, some of the supplies offered are not appropriate for the UNICEF program, and the UNICEF Administration is attempting to get Russia to agree to substitute other items, principally medical equipment, which can be used. The United States has not yet matched the USSR pledge and will not until satisfactory arrangements are made to utilize it and the contribution becomes a reality.

NON-REGIONAL PROGRAM

UNICEF ALLOCATIONS FROM THE CENTRAL ACCOUNT

By Area and Type of Activity

	Actual Allocations Calendar Year 1955		Target Program 1/ Calendar Year 1956	
	Amount	Percent	Amount	Percent
Programs by Area				
Africa	2,073,000	17.9	2,700,000	15.5
Asia	4,025,000	34.7	8,236,000	47.3
Eastern Mediterranean	947,000	8.2	2,100,000	12.0
Europe	376,000	3.2	700,000	4.0
Latin America	3,878,000	33.4	3,130,000	18.0
Interregional	300,000	2.6	550,000	3.2
Total, Area Assistance	11,599,000	100.0	17,416,000	100.0
Programs by Activity				
Maternal and Child Welfare Services and Training	2,838,000	24.5	6,193,000	35.5
Mass Health	6,558,000	56.5	5,481,000	31.5
Nutrition				
(a) Long-range feeding assistance	710,000	6.1	1,580,000	9.1
(b) Milk conservation	784,000	6.8	2,176,000	12.5
Emergency Aid	709,000	6.1	1,986,000	11.4
Total, Project Aid	11,599,000	100.0	17,416,000	100.0
Administrative and Operational Services	2,802,000		2,584,000	
TOTAL ALLOCATIONS	14,401,000		20,000,000	

1/ Approved by UNICEF Executive Board in September, 1955.

NON-REGIONAL PROGRAM

OCEAN FREIGHT - VOLUNTARY RELIEF SHIPMENTS

Comparative Summary of Program by Fiscal Years

(In thousands of dollars)

Area	Program FY 1955	FY 1956	Proposed FY 1957
Ocean Freight Expenditures - Voluntary Relief Shipments			
Europe	957	700	475
Near East	75	80	90
Africa	10	10	10
South Asia	90	90	175
Far East	355	1,110	625
Latin America		10	25
Total, Ocean Freight Expenditures - Voluntary Relief Shipments	1,487	2,000	1,400

Comparative Summary of Ocean Freight Subsidies on Shipments by Voluntary Relief Agencies

(In thousands of dollars)

	Program FY 1955	FY 1956	Proposed FY 1957
Expenditures for Ocean Freight	1,487	2,000	1,400
Weight of Relief Supplies (in pounds)	68,250,000	82,000,000	57,400,000
Value of Relief Supplies	23,250	28,000	19,600

NOTE 1: Participating Agencies include the following: American Baptist Relief; American Friends Service Committee; American Friends of Austrian Children; American Jewish Joint Distribution Committee; American Mission to Greeks; American ORT Federation; Assemblies of God - Foreign Service Committee; Brethren Service Commission; Catholic Relief Services - National Catholic Welfare Conference; Church World Service; Congregational Christian Committee; Cooperative for American Remittances to Everywhere (CARE); Foster Parents' Plan for War Children; Heifer Project; International Rescue Committee; Iran Foundation; Little House of Saint Pantaleon; Lutheran World Relief; Mennonite Central Committee; Near East Foundation; Pestalozzi Foundation of America; Refuge des Petits; Romanian Welfare; Salvation Army; Save the Children Federation; Tolstoy Foundation; Unitarian Service Committee; United Lithuanian Relief Fund of America; and World University Service.

NOTE 2: Participating countries and areas include the following in fiscal year 1956: Austria; France; Germany; Greece; Italy; Trieste; Yugoslavia; India; Palistan; Taiwan; Iran; Jordan; Egypt; Peru; Hong Kong; Bolivia; Honduras; Ecuador; and Viet Nam.

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General Narrative Statement

An appropriation of $1.4 million is requested to continue the ocean freight support on shipments of relief and rehabilitation supplies by approved American nonprofit voluntary agencies engaged in relief 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. The program is typically American, representing, as it does, a material expression of goodwill by our citizens for their less fortunate friends abroad.

As will be noted from the accompanying table supplies valued at $28 million will have been shipped and distributed this fiscal year at a cost to the Government of $2 million. It is readily seen, therefore, that in terms of the value of the goods furnished and delivered, the cash outlay on the Government's side is multiplied 14 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.

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 U.S. 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.

During the past three fiscal years, these same agencies 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 1957 is being presented as a separate item.

NON-REGIONAL PROGRAM

OCEAN FREIGHT - SURPLUS AGRICULTURAL COMMODITIES

Comparative Summary of Appropriations by Fiscal Year

(In thousands of dollars)

Function	Program FY 1955	FY 1956	Proposed FY 1957
Ocean Freight - Surplus Agricultural Commodities			
Under Title II, P.L. 480		3,500	2,000
Under Title III, P.L. 480	8,295	12,500	12,000
Total	8,295	16,000	14,000

General Narrative Statement

Payment of the ocean freight costs involved in moving the commodities provided under both Titles of P.L. 480 is not authorized in P.L. 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 and (3) Mutual Security funds. A concerted effort has been under way and is being continued to fund to the maximum through (1) and (2) above.

The amounts of Mutual Security funds appropriated or, in the case of FY 1957 requested for this purpose, are shown in the foregoing table. In addition to these amounts, other Mutual Security Program funds (i.e., other than those appropriated for this purpose) have in the past, and in the case of Title II will continue to be, diverted to meet ocean freight costs requirements. In the case of Title III, it is anticipated at this time that $12 million will be sufficient to meet FY 1957 requirements. However, with respect to Title II, it is expected that Section 409 (d) transfer authority will continue to be used in order to make available, when possible and to the extent possible, country program funds of the country in which the famine or other situation necessitating the use of Title II surpluses exists. (In FY 1957, on the basis of past experience, the amount of country program funds to be so diverted is estimated at $4 million. This latter amount, however, cannot be identified in the various country program fund requests shown elsewhere in this document since it is impossible to predict where disasters requiring Title II surpluses in FY 1957 will occur.)

The following table portrays the value of the commodities involved as well as the sources of funds used or proposed for use to defray the ocean freight costs of shipments or surplus agricultural commodities in FY 1955, FY 1956 and FY 1957:

General Narrative Statement (Continued)

OCEAN FREIGHT FUNDING SOURCES

(In millions of dollars)

Ocean Freight Costs of U.S. Agricultural Surplus Shipments Under Titles II and III, P.L. 480, by Funding Source	FY 1955			FY 1956			Proposed FY 1957		
	Title II	Title III	Total	Title II	Title III	Total	Title II	Title III	Total
Financed from Mutual Security funds appropriated for this purpose		2.9	2.9	3.5	9.5	13.0	2.0	12.0	14.0
Financed from Country Program funds	12.5		12.5	5.5		5.5	4.0		4.0
Financed from Other Mutual Security Funds		5.4	5.4		3.0	3.0			
Total, Mutual Security Funds	12.5	8.3	20.8	9.0	12.5	21.5	6.0	12.0	18.0
Financed from resources of recipient countries or voluntary agencies or both	1.6	3.4	5.0	4.4	3.5	7.9	7.4	7.2	14.6
Total, Ocean Freight Costs	14.1	11.7	25.8	13.4	16.0	29.4	13.4	19.2	32.6
Value of Commodities	109.2	143.6	252.8	95.0	201.2	296.2	95.0	248.0	343.0

Ocean Freight Costs of Shipments of U.S. Agricultural Surpluses Under Title II, Public Law 480

ICA has primary responsibility for administering Title II of the Agricultural Trade Development and Assistance Act of 1954, Public Law 480, 83rd Congress, as amended. 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. During FY 1955 authorizations were issued for $109.2 million worth of surplus commodities. Authorizations issued up to January 31 of the current fiscal year totaled $44 million. On the basis of experience, together with some program commitments, already undertaken, it is estimated that a total of $95 million worth of these commodities will be used in FY 1956.

In FY 1955, $12.5 million of Mutual Security funds were used to finance ocean freight charges on Title II shipments. The recipient countries financed a total of $1.6 million of these costs. In FY 1956, Congress appropriated $13 million to finance freight charges on Titles II and III shipments. Of the amount specifically appropriated, $3.5 million will be used for Title II shipments. This amount, however, will not be adequate to cover costs of freight on commodities urgently needed by countries which will not be able to finance these costs from their own resources. It is expected that it will be necessary to utilize $5.5 million of other Mutual Security funds for this purpose. The total of $9 million programmed will finance about two-thirds of the ocean freight costs on Title II shipments, compared to

General Narrative Statement (Continued)

almost 90 percent in FY 1955. The remainder of the freight costs, amounting to $4.4 million, are expected to be borne by the recipient countries and to some extent by the voluntary agencies in FY 1956. The increase over FY 1955 in the amount of freight charges funded from sources other than the Mutual Security Program is largely due to the fact that Italy and Japan have undertaken to finance freight on surplus goods which will be provided for school lunch programs. By increasing the amount of food available for this purpose and improving the diet of the school children, ICA hopes to lay the foundation for long-run increases in consumption of U.S. agricultural commodities. Relatively small amounts of cotton will be made available to the U.S. voluntary agencies provided that freight and processing costs need not be met by ICA. As mentioned above, a vigorous effort has been made to increase to the maximum the amount of freight costs borne by recipient governments even on emergency programs.

Although it is impossible to anticipate actual requirements for relief shipments, past experience indicates that $95 million worth of commodities, the remainder available under this legislation, may be needed in FY 1957. A specific appropriation of $2 million is requested to finance ocean transportation costs for these shipments. This amount as indicated above will be supplemented via transfer by an estimated $4 million from program funds allocated to the countries in which Title II programs are required. This tentative estimate of $4 million together with the $2 million requested for FY 1957 will cover less than half of the Title II freight costs (which have been estimated at the same level as FY 1956). The reduction over FY 1956 in these estimated amounts is based on the expectation that the recipient governments and the voluntary agencies (to the extent they receive cotton under Title II) will continue, as in the case of the Title III shipments, to finance larger and larger proportions of freight costs and will in FY 1957 increase to approximately $7.4 million the amount of such costs which they will be prepared to fund.

Ocean Freight Costs of Shipments of U.S. Agricultural Surpluses Under Title III, Public Law 480

Under Title III of Public Law 480, certain agricultural surplus food commodities, which would otherwise be wasted (primarily through spoilage), may be made available to eligible U.S. voluntary agencies for distribution overseas to needy persons under certain conditions. Eligible agencies are defined in P.L. 480 as those registered with and approved by the Advisory Committee on Voluntary Foreign Aid of ICA. Commodities now available under this authority are: nonfat dry milk, butter, cheese, wheat, corn, rice and beans, the latter four having been added in mid-December, 1955. All containers 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. Under agreements concluded in accordance with Section 409 (b) of the Mutual Security Act, the recipient governments for their part admit the supplies duty-free and pay the cost of inland transportation from port of entry to ultimate point of distribution. Under present authority, the commodities are turned over by the Department of Agriculture to eligible voluntary agencies at U.S. ports.

An appropriation of $12.0 million is being requested to cover ocean freight costs on that part of the program which is handled by the U.S. voluntary agencies under Title III. This represents a reduction of $500,000 against the amount actually programmed for such movements during FY 1956. This reduction is accounted for partially at least by the fact that several receiving countries have agreed to take over the ocean freight costs on these surplus commodities in FY 1957. (Title III ocean freight financing by recipient countries and voluntary agencies or either is expected to increase from $3.5 million in FY 1956 to $7.2 million in FY 1957.) On the other hand the savings resulting thereby have been largely offset by the substantially increased potential for surplus shipments in FY 1957 resulting from the availability for the first time under Title III of wheat, corn, rice and beans.

NON-REGIONAL PROGRAM

OCEAN FREIGHT CHARGES - VOLUNTARY AGENCY SHIPMENTS OF SURPLUS AGRICULTURAL COMMODITIES UNDER TITLE III, P.L. 480

(In thousands of dollars)

Area	Program FY 1955	Program FY 1956	Proposed FY 1957
Ocean Freight Subsidies			
Shipments by Voluntary Relief Agencies			
Europe	4,373	5,800	4,080
Near East	100	200	180
Africa	1,450	2,100	1,920
South Asia	1,410	2,210	3,360
Far East	800	1,990	2,160
Latin America	162	200	300
Total - Voluntary Relief Agency Shipments	8,295	12,500	12,000

COMPARATIVE SUMMARY OF OCEAN FREIGHT SUBSIDIES ON SHIPMENTS OF SURPLUS AGRICULTURAL COMMODITIES BY VOLUNTARY RELIEF AGENCIES

(In thousands of dollars)

Area	Program FY 1955	Program FY 1956	Proposed FY 1957
Expenditures for Ocean Freight	8,295	12,500	12,000
Weight of Surplus Commodities (in pounds)	450,275,000	703,500,000	734,400,000
Value of Surplus Commodities	116,200	169,750	155,400

NOTES: 1. Participating agencies include the following: American Friends of Austrian Children; American Friends Service Committee; American Fund for Czechoslovak Refugees; American Jewish Joint Distribution Committee; American Mission to Greeks; Assemblies of God--Foreign Service Committee; Catholic Relief Services - National Catholic Welfare Conference; Church World Service; Congregational Christian Service Committee; Cooperative for American Remittances to Everywhere (CARE); Foster Parents' Plan for War Children; International Rescue Committee; Iran Foundation; Lutheran World Relief; Mennonite Central Committee; Roumanian Welfare; Tolstoy Foundation; Unitarian Service Committee; United Lithuanian Relief Fund of America; United Ukrainian American Relief Committee; and World University Service.

2. Participating countries and areas include the following in fiscal year 1956: Austria, Germany, Greece, Italy (including Trieste), Yugoslavia; Iran, Jordan, Algeria, Egypt, Libya, Morocco, Tunisia, India, Pakistan, Hong Kong, Taiwan, Viet Nam, Bolivia, Ecuador, Honduras and Peru.

NON-REGIONAL PROGRAM

CONTROL ACT EXPENSES

Comparative Summary of Expenses by Fiscal Years

(Costs in thousands of dollars)

	Program FY 1955		FY 1956		Proposed FY 1957	
	Man-Years	All Costs	Man-Years	All Costs	Man-Years	All Costs
International Cooperation Administration						
Office of Director	37	337	32	333	33	324
Overseas Missions	14	128	8	82	7	56
Total International Cooperation Administration	51	465	40	415	40	380
State Department						
Departmental	27	168	28	191	30	201
Overseas	21	256	26	345	29	372
Total State Department	48	424	54	536	59	573
Commerce Department	29	186	31	224	32	222
GRAND TOTAL, CONTROL ACT EXPENSES	128	1,075	125	1,175	131	1,175

General Narrative Statement

The Executive Order that set up the International Cooperation Administration within the State Department left it to the Secretary of State to determine whether the Director of the International Cooperation Administration should carry the function of administering the Mutual Defense Assistance Control Act of 1951. As soon as the new organization came into being, the Secretary of State directed that the Control Act function should be within the International Cooperation Administration.

This action served to maintain the link provided for in the Control Act between East-West trade control and U. S. foreign assistance, and also to keep the office administering the Control Act in an impartial position outside the main agencies whose interests are involved, and who participate in, the execution of the Control Act. Besides the International Cooperation Administration itself, and agencies rendering valuable support such as the Treasury Department and intelligence units, the main participants in Control Act operations continue to be the Departments of State, Commerce and Defense.

Each of these agencies finances out of its regular operating funds activities contributing to the carrying out of the Control Act. State and Commerce also receive important supplements of funds from the separate appropriation for Control Act expenses authorized under the

General Narrative Statement (Continued)

Mutual Security Acts. This separate appropriation is the means whereby the Deputy Director administering the Control Act under the Director of the International Cooperation Administration can call for the intensified level of activity by participating agencies required to confront the complex and urgent problems of East-West trade as they present themselves.

Coincident with the State-ICA reorganization, action has been taken to revise the structure for coordinating interagency work on Control Act problems. This has been designed to simplify and streamline administration and allocate responsibilities for more effective operations within the current budget.

The level of activity in Fiscal Year 1957 is contemplated to remain at the same overall size as at present. The portion of the FY 1957 appropriation which goes to the International Cooperation Administration, it is estimated, will decline in amount as compared with FY 1956. A major part of this decline is accounted for by the decrease in travel costs on the domestic side of the ICA budget. Travel costs are included in the ICA domestic budget as a fund with which to send abroad officials of various agencies in Washington participating in the Battle Act program. These officials go abroad either to help out on problems of negotiating security trade controls with foreign countries, or to participate in other ways in economic defense operations. The level of travel costs over a year may fluctuate sharply, depending on the extent to which unusual negotiating activities take place; on whether Economic Defense Officers Conferences are required and held during the fiscal year; or on the occurrence of other developments requiring the dispatch of travelers on a relatively large scale.

In the estimate for ICA overseas expenses, there is a relatively sharp decline. This is because certain positions which more properly belong in the State organizations abroad are being transferred from ICA to State. The shift is reflected for a part of the year in the FY 1956 estimate, but for the entire year in the FY 1957 estimate. The estimate for the State Department's portion of the appropriation rises in correspondence with the decline in the ICA segment. In particular, the overseas cost will rise, reflecting the higher level of personnel in FY 1957. With this higher level of personnel goes not only an increase in direct salary costs, but, also, increases in overseas allowances and travel, as well as in the overhead costs of administering personnel.

The estimated requirements for the Commerce Department remain substantially unchanged from FY 1956 to FY 1957.

NON-REGIONAL PROGRAM

ADMINISTRATIVE EXPENSES, SECTION 411, MUTUAL SECURITY ACT

Summary of Administrative Expenses

Agency	Program FY 1955	Program FY 1956	Proposed FY 1957
International Cooperation Administration			
Washington	12,651,824	13,350,000	13,500,000
Overseas:			
Europe	3,763,851	3,000,000	2,300,000
Near East, South Asia and Africa	4,640,613	5,200,000	5,600,000
Far East	3,666,601	5,000,000	5,500,000
Latin America	1,758,183	2,250,000	2,550,000
Total Overseas	13,829,248	15,450,000	15,950,000
Total International Cooperation Administration	26,481,072	28,800,000	29,450,000
Department of State			
Program Policy Review	2,510,397	2,693,000	2,780,000
United States Regional Office, Paris	2,310,314	2,237,000	1,980,000
Refugee and Migration Program	1,106,013	1,115,000	1,040,000
Total Department of State	5,926,724	6,045,000	5,800,000
Total ICA and Department of State	32,407,796	34,845,000	35,250,000
Add UN Trainee Expenses for FY 1955 and FY 1956 Programmed under Other Appropriations in FY 1957	88,034	105,000	-
GRAND TOTAL	32,495,830	34,950,000	35,250,000

NON-REGIONAL PROGRAM

ADMINISTRATIVE EXPENSES, SECTION 411, MUTUAL SECURITY ACT

General Narrative Statement

Organizational Background

Under Executive Order No. 10610, the International Cooperation Administration was established on July 1, 1955 as a semi-autonomous administration with its own personnel and supporting staff within the general organizational framework and subject to general policy review of the Department of State.

A review has been made of all activities financed from Section 411 of the Mutual Security Act in relation to the Department's activities to insure that functions of ICA and State are clearly delineated and that no duplication of activities exist. The estimates provide for the following changes in the estimates for FY 1957 from prior year activities: (1) as a result of a study made of ICA activities under the Refugee and Migration Program in relation to the Department's responsibilities for similar and related functions, it was determined that this program can best be operated within the Bureau of Security and Consular Affairs, Department of State. This reorganization will save five positions in Washington. This function is included in the State Section of this budget; and (2) a transfer is proposed for United Nations trainee costs of Participating Agencies estimated at $120,000 for FY 1957 from administrative expenses to program expenses. This transfer will apply UN training costs on a uniform basis with other training costs of a similar nature. It will remove from the administrative expense estimates a program type charge and will simplify participating agency accounting and reporting requirements.

The reorganization which established ICA as a part of State is the second major recent change in the MSP non-defense administrative organization. Under the President's Reorganization Plan No. 7 of 1953 major savings were made in administrative costs. The consolidation of the four agencies previously responsible for the administration of the non-defense Mutual Security Program into the Foreign Operations Administration resulted in two years in a 34 percent reduction in the level of administrative costs from $49.2 million in FY 1953 to $32.4 million in FY 1955; thus effecting savings at the annual rate of $16.8 million.

In accomplishing this large reduction in administrative costs, it became evident that in certain areas of work, our reductions in staffing were too severe and resulted in backlogs of work and serious administrative deficiencies in the areas of program planning and control as well as some aspects of the financial management and control of the total Mutual Security Program. There were also some substantial cost increases since FY 1955 resulting from the enactment of U.S. Government employee pay increase legislation and educational allowances for dependents of U.S. employees overseas, which substantially increased costs over FY 1955 levels. Likewise, inflationary trends overseas have resulted in greater operating costs per employee for housing, contractual services, supplies and other supporting costs. For these reasons and to provide for a small increase in average employment, obligations for FY 1956 are estimated at $34,845,000, an increase of about $2.5 million over FY 1955.

FY 1957 Requirements

A one percent increase of about $400,000 in total costs is proposed for next year. This increase is modest compared with the job to be done. The ICA is absorbing new and complicated tasks and at the same time endeavoring to increase the quality of planning and operations. The difficult problems of program administration and control which are to be expected with operations as complex, varied and widespread as those of ICA are further complicated by their variability and unpredictability. In addition to carrying out its continuing programs, all of which

General Narrative Statement (Continued)

involve elements of urgency, it is necessary to respond quickly to changing world situations. New action programs must be developed in response to crisis situations and put into effect virtually overnight. Radical adjustment to continuing activities must be effected in the face of changing circumstances. Above all else, essential program, administrative and financial controls must be maintained to insure that the vast sums applied to these programs are expended to promote the achievement of U.S. and Free World objectives at minimum costs. While all program operations have a direct effect on administrative staffing needs and costs, activities under the Technical Cooperation and Development Assistance programs have the greatest effect on administrative workloads. Under these programs there is a comparatively large requirement for administrative programming and financial and administrative back-stopping, both because they include numerous individual projects and because these projects include large technician and training components. An analysis of the program indicates that for each successive year of operation and again in FY 1957 these workloads are on the increase. A good indicator of the workload content of these programs is the number of technician man-years which are increasing from about 3,500 in FY 1955 to 5,800 in 1956 and 6,400 in 1957. Foreign participants scheduled to start training are increasing from 3,175 in 1955 to over 6,000 in 1956 and 1957.

It has been possible to schedule our administrative expense requirements in underdeveloped areas with only a small increase in our total costs by making continued large reductions in European missions. From 1955 to 1957 annual costs for European missions are reduced by almost $1.5 million, including a reduction of $.7 million scheduled for FY 1957. The FY 1957 administrative expense estimates reflect our best judgment in maintaining an appropriate balance between the desire to make maximum reductions to administrative costs and the necessity to insure the achievement of the major objectives of the Mutual Security Programs to which we have been and are committing billions of dollars.

These estimates for FY 1957 do not provide for costs involved in administering foreign currency programs under the provisions of Sec. 104 (d), (e), and (g) of the Agricultural Trade, Development and Assistance Act of 1954 except to the extent that such activities can be absorbed by staffs required for administration of the Mutual Security Act.

NON-REGIONAL PROGRAM

FOREIGN REACTOR PROJECTS

(Program for the Peaceful Uses of Atomic Energy)

(In thousands of dollars)

Activity	Program FY 1955	Program FY 1956	Proposed FY 1957
Foreign Reactor Projects			5,950

General Narrative Statement

RESEARCH REACTOR PROGRAM

Background

In his address at Pennsylvania State College on June 11, 1955, the President amplified his address of December 8, 1953 to the General Assembly of the United Nations on "The Atom for Progress and Peace", by announcing the desire of the United States to assist free nations in acquiring research reactors for development of atomic energy for peaceful uses. "We propose," he stated, "to offer research reactors to the people of free nations who can use them effectively for the acquisition of the skills and understanding essential to peaceful atomic progress. The United States, in the spirit of partnership that moves us, will contribute half the cost. We will also furnish the acquiring nation the nuclear material needed to fuel the reactor . . . . If the technical and material resources of a single nation should not appear adequate to make effective use of a research reactor, we would support a voluntary grouping of the resources of several nations within a single region to acquire and operate it together."

The spirit of the President's offer and the objectives it represents indicate that the United States' contribution should relate to a reactor as a working research and training tool, including the experimental equipment, supporting facilities and operational training necessary to its productive utilization.

A study of the cost of the several reactor types (with necessary surveys, supporting facilities and services) appropriate to the purposes stated by the President indicates that the cost of such projects to the U. S. is approximately $350,000.

Agreements

As of March 1, 1956, research agreements for cooperation in peaceful uses of atomic energy are in effect between the United States and the following nations:

Argentina	Italy	Philippines
Brazil	Japan	Spain
Chile	Korea	Sweden
China	Lebanon	Switzerland
Colombia	Netherlands	Thailand
Denmark	Pakistan	Turkey
Greece	Peru	Uruguay
Israel	Portugal	Venezuela

Agreements between the United States and the following nations are pending or under negotiation:

Austria	Ireland
Federal Republic of Germany	Yugoslavia

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General Narrative Statement (Continued)

FY 1956 Program

As the above list indicates, the United States has now entered into research agreements with 24 nations. Two additional agreements are expected to become effective shortly and two more are under negotiation. It is anticipated that, in the course of time, many nations with which such an agreement is executed will develop a research reactor project proposal under the terms of the agreement and the President's offer. Upon review and approval of each such proposal by the A.E.C., firm commitment for payment of the United States' financial contribution will be made.

A number of project proposals are now being formulated by cooperating nations, and it is expected that three of these will be approved prior to the end of this fiscal year.

FY 1957 Program

Of the 26 nations with which the United States has entered into, or expects shortly to enter into, agreements for cooperation, Switzerland (which purchased the reactor displayed by the United States at the 1955 Geneva Conference on the Peaceful Uses of Atomic Energy) will not receive financial assistance and as indicated above an estimated 3 nations will receive assistance in FY 1956. Of the remaining 21 nations, it is estimated that 17 will complete project proposals involving U.S. financial contributions during FY 1957. An amount of $5.95 million has, therefore, been budgeted in FY 1957 for this purpose.

MUTUAL SECURITY PROGRAMS RELATED TO THE RESEARCH REACTOR PROJECTS

In addition to the above program which is to be implemented by the Atomic Energy Commission, two ancillary activities will be carried on in FY 1957 by ICA under other programs.

Training: A number of trainees in various aspects of the peaceful uses of atomic energy are being financed under the technical cooperation program in FY 1955 and FY 1956. Training courses are being generally expanded to accomodate an anticipated need to develop skills in the study and operation of atomic reactors in those countries expecting to receive reactor assistance from the U. S. Funds in the amount of approximately $.8 million are being provided in FY 1957 under separate country programs (technical cooperation in the underdeveloped areas and technical exchange in Europe). These will include ICA financing of participation in such training courses as the third of a series at the Argonne School of Nuclear Science and Engineering which will begin in April, 1956. Forty of the sixty students will be from foreign countries. Additional courses are tentatively scheduled to begin in September, 1956, with similar numbers of foreign students in attendance. The training courses in the uses of radioisotopes at the Oak Ridge Institute of Nuclear Studies (ORINS) will continue. In addition to a special course devoted entirely to foreign students, provisions will be made for attendance of several foreign students in each of the regular courses. Supplementing the formal training at ORINS and Argonne, individualized study programs will continue to be arranged for individuals who have requested training in the various fields of atomic energy. Such programs will be tailored to meet the specific training needs of each individual.

Asian Nuclear Training Center: The Director of ICA, representing the U.S. at the Colombo Plan meeting at Singapore in October, 1955, extended an offer to assist the Colombo Plan countries in establishing in Asia a center for nuclear training and research. This offer is expected to result in the development of a unique regional enterprise containing special facilities, including a research reactor. Financing of the U. S. portion of this project will be covered from the President's Program for Asian Economic Development. (See discussion of this program for further details.)

NON-REGIONAL PROGRAM

INTER-REGIONAL EXPENSES

(In thousands of dollars)

	Program		
	FY 1955	FY 1956	Proposed FY 1957
Inter-Regional Projects	2,669	2,900	2,900
Inter-Regional Program Expenses	7,757	8,835	9,300
Total	10,426	11,735	12,200
Distribution by Appropriation as follows:			
Defense Support, Europe	1,382	1,435	1,200
Joint Control Area	298	300	200
Technical Cooperation	8,746 1/	10,000	10,800

1/ Of which $7,555 thousand undistributed by Country and $1,191,000 charged to Country allotments in Near East, Africa, and South Asia. (NEA $832,700, South Asia $358,400).

General Narrative Statement

Inter-Regional Expenses are the cost of Program activities which relate to two or more geographical regions; i.e., Latin America, Far East; or which apply to more than one appropriation.

The table shown above indicates the distribution of these expenses by appropriation. This is an information table only as these amounts are included in the appropriate area and functional sections of the presentation in the amounts indicated. For accounting and control purposes, these expenses will be administered in a single account with periodic reimbursement to this account of the estimated amounts which relate to other appropriations affected.

These expenses fall into two broad categories as follows:

Inter-Regional Projects:

The projects are of several types. First, are those 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 ICA participants; and preparation of visual aids, technical literature, and technical exhibits for use in the technical assistance and technical exchange programs.

Second, are projects of a more developmental nature such as contracts with American universities to train foreign nationals from underdeveloped countries in the processes and techniques of economic development, preparation of manuals and other materials on the processes of industrial development of a country, and development of continuing professional relationships between American

General Narrative Statement (Continued)

Professional Societies and former participants from the underdeveloped countries.

Inter-Regional Program Expense

This category of expense includes expenses of personnel in ICA and participating agencies engaged in or related to the furnishing of technical assistance to other governments and their nationals. It includes technical backstopping for field operations, including the development of technical material for use abroad, technical assistance to field personnel or in respect to field proposals, and related sub-professional, stenographic and typing services.

It includes ICA and participating agency costs related to the planning, scheduling and training of foreign participants including review of applications, placement, training and supervision of trainees, making travel arrangements and evaluation of the results of training activities. Provision is made for the training costs of U.N. Fellows which have heretofore been included as an administrative expense item. This transfer will apply these costs to program appropriations on the same basis as bilateral training costs of a similar nature. It will remove from the administrative expense appropriation a program type charge and will simplify participating agency accounting and reporting requirements.

Also included are costs related to the provision of housekeeping and supporting services to U.S. technician and contract employees overseas by Embassy staffs thus eliminating to the maximum extent possible the necessity to establish separate facilities by ICA where such facilities already exist.

Most of the increase proposed for FY 1957 ($275,000 out of the total increase of $360,000) results from the inclusion in FY 1957 of training costs in the Department of Labor which this year and last have been included in Country project costs on a factor basis. This practice resulted in excessive accounting workloads and a lack of central program control. The balance of the increase in costs relates to increased workloads particularly in supporting the increased number of U.S. employed and Contract technicians overseas.

NON-REGIONAL PROGRAM

SPECIAL PROGRAMS

Comparative Summary of Programs by Fiscal Year

(In thousands of dollars)

Special Programs	Program FY 1955	FY 1956	Proposed FY 1957
Coal Revolving Fund	19,158		
Special Food Programs	6,148		
Total Special Programs	25,306		

General Narrative Statement

Grouped under the heading "Special Programs" are programs of a one-time or special nature implemented in FY 1955 for which no new funds were programmed in FY 1956 or requested in this budget for FY 1957.

Coal Revolving Fund

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.

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.

No allotments have been made since June 30, 1955. As of that date $19,157,690 had been allotted. Against this allotment, accumulative disbursements as of February 29, 1956, totalled $15,865,079.

Special Food Programs

This program, instituted and completed in FY 1955, provided for the distribution, principally through American non-profit voluntary relief organizations, of some of this country's surplus food to less fortunate people in 45 countries of the free world.

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 six and one-half million family gift packages.

$8 million were programmed for use in FY 1955; of this amount obligations of $6,148 thousand were actually incurred.

NON-REGIONAL PROGRAM

INVESTMENT GUARANTY PROGRAM

General Narrative Statement

Background

The investment guaranty program is one of the means authorized by Congress to further the declared policy of the United States Government to encourage investment abroad.

The objective of the program is to encourage and facilitate the investment of private United States capital in foreign projects which are found to further any of the purposes of the Mutual Security Act.

In essence, it is an insurance program which offers protection to investors against two of the non-commercial risks which may attend foreign investment. These are (a) the risk that local currency receipts of a foreign venture (whether representing income, the repayment of the investment, or compensation for the sale thereof) may not be convertible into dollars and (b) the risk that the investment may be lost through expropriation or confiscation by the host government. The program was not designed to cover any of the ordinary financial and commercial risks related to foreign investment and traditionally borne by investors. Nor was it intended to eliminate the competition between investment opportunities offered by various countries.

A guaranty program was first authorized by the Economic Cooperation Act of 1948. That Act authorized only limited convertibility guaranties and restricted the program's area of operation to countries participating in the Marshall Plan.

Since 1948 the statutory authority has been broadened by liberalizing convertibility coverage, by authorizing guaranties against loss from expropriation, and by widening the geographical availability of the protection. At present, guaranties may be issued for investments in approved projects "in any nation with which the United States has agreed to institute the guaranty program". Authority to issue guaranties extends to June 30, 1957.

The President is authorized to issue guaranties up to a total of $200,000,000. However, not all this sum is available for investment guaranties because the informational media guaranty program--which has no other connection with the investment guaranty program--draws on the $200,000,000 total. Approximately $90,000,000 is now available for new investment guaranties after allowing for investment and informational media guaranties issued by December 31, 1955.

Progress

The early progress of the program was slow. This is understandable. The program is unique; policies and procedures for its operation had to be developed without any guidelines of precedent; agreements had to be negotiated with foreign governments before an area for operation existed; and the business community had to be made aware of the program before it could be widely useful.

In the past year, the program has moved forward more rapidly than before. Continued interest in the program on the part of both large and small U.S. investors has caused increases in guaranties issued and, even more, applications filed.

Renewed efforts to extend the geographical scope of the program resulted in guaranty agreements with ten countries -- Bolivia, Colombia, Costa Rica, Ecuador, Guatemala, Honduras, Ireland, Pakistan, Paraguay and Peru. Thus, for the first time, a significant number of countries of Latin America have agreed to participate in the program. Negotiations are in progress with a number of other countries in various areas.

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General Narrative Statement (Continued)

The figures which follow summarize the activity during calendar year 1955 and show the status of the program at the year's end.

Guaranties issued Dec. 31, 1954	$ 48,611,912
Guaranties issued Dec. 31, 1955	94,552,013
Increase	95%
Guaranties outstanding Dec. 31, 1954	32,996,981
Guaranties outstanding Dec. 31, 1955	74,801,049
Increase	127%
Applications in process Dec. 31, 1954	140,531,000
Applications in process Dec. 31, 1955	273,025,000
Increase	94%
Countries participating in program Dec. 31, 1954	20
Countries participating in program Dec. 31, 1955	30
Increase	50%
Losses paid through Dec. 31, 1955	NONE

Outlook

The figures cited on contracts issued, applications in hand, and countries participating, all tend to show growing acceptance of the guaranty plan as a means to encourage investment flow. Although experience shows that many applications do not result in completed contracts, it can be expected that a substantial share of the total applications will do so. Also, it should be noted that applications on hand is not a static figure but one which is growing at an increasing rate. For example, applications totaling $55,800,000 were received during the period from January 1 to February 15, 1956.

It has been necessary, for some time, to inform applicants that it is not possible to earmark funds to cover their applications. This has been a source of concern to some applicants.

In discussing program participation with representatives of foreign governments, the point has been raised that the remaining amount of issue authority, and the remaining period in which the making of guaranties is authorized, cause them to question the value of the program for their countries.

The program's future depends largely on the availability of sufficient issue authority and a sufficiently long period of authorized operation to give investors and foreign governments some assurance of its continuity.

Legislative Proposals

It is proposed that the section of the Mutual Security Act which authorizes the guaranty program (Section 413(b)(4)) be amended to extend the period in which guaranties may be issued beyond June 30, 1957 and to increase the dollar amount of guaranty issue authority.

An extension of the life of the program to June 30, 1962 would allow prospective investors, particularly those with long-range investment programs, to take the availability of guaranty protection regularly into account in forming their investment plans. The extension would also be of value in encouraging foreign countries to participate in the program.

The statistics above showing recent activity in contracts issued and applications received suggest a need for an increase in the authorized dollar amount of guaranty contracts. In this connection, it is proposed that the issue authority be raised from $200,000,000 to $350,000,000, while the authority to issue notes to discharge liabilities which may arise under guaranty contracts remains unchanged at the present $200,000,000.

The principal effect of the proposed change would be to place the guaranty program on a partial reserve basis, rather than on the full reserve basis thus far provided.

General Narrative Statement (Continued)

A partial reserve plan would permit an expansion in the program's operations without requiring new obligational authority to support the expansion. It is believed that less than full coverage of guaranty contracts is feasible and in accord with sound business practices. Although there is not a sufficient body of experience to support an actuarial forecast of probable losses on guaranty contracts, there are facts which suggest that it is unlikely that the total contingent liability created by guaranties issued would become firm:

(1) The insured investments are geographically dispersed.

(2) The insured investments cover a wide range of industrial activities.

(3) In many cases, an investment is covered by both convertibility and expropriation guaranties. Payment under both contracts is unlikely.

(4) To date, there have been no payments for losses.

It is further proposed that dollars realized from the sale of currencies acquired through the operation of the program be available to discharge liabilities which may arise without charging the authority to issue guaranties.

The proposed changes in statutory authority would give the guaranty program continuity important to its usefulness and would permit an increase in the amount of contracts issued without a corresponding increase in obligational authority.

Countries Participating in the Investment Guaranty Program
December 31, 1955

Austria	Greece	Pakistan
Belgium	Guatemala	Paraguay
Bolivia	Haiti	Peru (c)
China (Formosa)	Honduras	Philippines
Colombia (c)	Ireland	Portugal
Costa Rica	Israel	Spain
Denmark	Italy	Thailand
Ecuador	Japan	Turkey (c)
France	Netherlands	United Kingdom (c)
Germany	Norway	Yugoslavia

(c) Convertibility guaranties only.

Investment Guaranties Issued

Through December 31, 1955

Country	Convertibility	Expropriation	Total
Belgium	$ 72,000	$ 60,000	$ 132,000
China (Formosa)	2,140,320	1,881,600	4,021,920
Denmark	182,500		182,500
France	7,558,044	100,000	7,658,044
Germany	3,518,350	1,303,231	4,821,581
Italy	47,088,140	11,783,662	58,871,802
Netherlands	3,274,323	270,800	3,545,123
Philippines	200,000	250,000	450,000
Turkey	3,857,913		3,857,913
United Kingdom	11,011,130		11,011,130
Total	78,902,720	15,649,293	94,552,013

Investment Guaranty Applications

in Process December 31, 1955

Country	Convertibility	Expropriation	Total
Austria	$ 9,230	$ 4,615	$ 13,845
Belgium	100,000	85,000	185,000
Bolivia	10,000,000	5,000,000	15,000,000
China (Formosa)	13,124,000	12,900,000	26,024,000
Colombia	50,000		50,000
Costa Rica		27,750	27,750
France	22,540,500	7,782,000	30,322,500
Germany	10,612,325	28,952,675	39,565,000
Guatemala	1,322,000	947,000	2,269,000
Haiti		6,000,000	6,000,000
Israel	245,000	170,000	415,000
Italy	15,017,800	12,525,000	27,542,800
Japan	3,835,000	1,580,000	5,415,000
Netherlands	1,105,000	2,343,750	3,448,750
Pakistan	20,000,000	20,000,000	40,000,000
Peru	1,850,000		1,850,000
Philippines	4,184,000	3,920,000	8,104,000
Spain	3,012,400	1,736,250	4,748,650
Thailand	425,000	100,000	525,000
Turkey	54,981,487		54,981,487
United Kingdom	6,537,020		6,537,020
Total	168,950,762	104,074,040	273,024,802