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PD-ACE-031

INTERNATIONAL COOPERATION ADMINISTRATION

NON-MILITARY SECTION OF THE MUTUAL SECURITY PROGRAM

FY 1958

●

FAR EAST

DECLASSIFIED ON Nov 12, 1981
BY Cowell SER/MO/CRM
AUTHORITY, EO 12065 & para [illegible], Uniform Security Regulations

MATERIAL HEREIN CONTAINED IS SUBJECT TO REVIEW AND DOES NOT, THEREFORE, REPRESENT APPROVED ICA PROPOSALS FOR FY 1958.

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November 26, 1956

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FAR EAST

FY 1958 ILLUSTRATIVE PRESENTATION

REGIONAL SUMMARIES

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AUTHORITY: EO 12065 & para 923, Uniform Security Regulations

OFFICE OF FAR EASTERN OPERATIONS

INTERNATIONAL COOPERATION ADMINISTRATION

UNCLASSIFIED

FY 1958 ILLUSTRATIVE PRESENTATION

FAR EAST PROGRAMS

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OFFICE OF FAR EASTERN OPERATIONS

INTERNATIONAL COOPERATION ADMINISTRATION

TABLE 1

NON-MILITARY MUTUAL SECURITY PROGRAMS BY FUNCTION

FAR EAST REGION

(In thousands of dollars)

FUNCTIONS	ACTUAL FY 1956	ESTIMATED FY 1957	PROPOSED FY 1958
Defense Support			
Project Assistance	173,661	245,220	206,400
Non-Project Assistance	554,231	538,280	584,600
Total, Defense Support	727,892	783,500 a/	791,000 b/
Development Assistance			
Project Assistance	4,100 c/	34,000	45,000
Technical Cooperation			
Project Assistance	33,776 d/	36,600	41,000
TOTAL PROGRAMS	765,768	854,100	877,000
Of Which MSP Loans	65,000 e/	120,000 e/	136,000 e/
Of Which MSP Sales of Surplus Agricultural Commodities	139,892 f/	135,400 f/	140,800 f/

a/ Includes (in thousands of dollars) tentative allocations of 40,000 from general reserve, distributed by country as follows: Korea - 12,000; Laos - 10,000; Philippines - 3,000; Vietnam - 15,000. Also includes 6,000 for Kung Kuan airfield project in China (Taiwan) pending completion of engineering study to determine whether these funds are needed to meet dollar (Military Assistance) or local currency (DS) costs.

b/ Includes $8.0 million in China (Taiwan) program for raw materials for military use.

c/ Indonesia special program financed from President's Fund for Asian Economic Development.

d/ Excludes $1.1 million funded from Pakistan DS program under rice-for-technician arrangement with Burma.

e/ Includes (in thousands of dollars) the equivalent of the following in U.S. owned local currency: FY 1956 - 26,700; FY 1957 - 30,000; FY 1958 - 30,000.

f/ Includes (in thousands of dollars) triangular transactions as follows: FY 1956 - 31,110; FY 1957 - 33,000; FY 1958 - 30,000.

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FAR EAST

Regional Narrative Statement

FY 1958 AID PROPOSALS

The proposals for FY 1958 economic and technical assistance for the Far East, described in detail in accompanying papers, provide for:

(1) Continuing assistance to countries around the periphery of Communist China that have large armed forces, which the U. S. deems to be sufficiently in its own interest to help maintain and strengthen;

(2) A somewhat enlarged amount of Defense Support Assistance for Thailand and the Philippines;

(3) New increments to the lines of credit for Development Assistance now being extended to Indonesia and Burma; and

(4) Continuing technical assistance to countries receiving such aid in FY 1957, and adding modest sums for Malaya and Burma.

The total amount proposed for these purposes is $877 million, broken down as follows: Defense Support - $791 million; Development Assistance - $45 million; and Technical Cooperation - $41 million.

The following is a statement of the general purposes to which these funds are to be applied, by country.

1. Burma (DA - $20.0 million; TC - $1.0 million):

To add to the line of credit expected to be made available shortly for agreed projects of economic development, thereby providing an alternative to excessive reliance on offers made by communist countries, and to make modest provision for an expected request for additional technical assistance.

2. Cambodia (DS - $30.0 million; TC - $2.5 million):

To provide budgetary support for Cambodia's military forces and economic and technical assistance for economic development, at the minimum level believed consistent with the achievement of U. S. objectives, with the development component of this aid concentrating on highways but including a small group of other projects from which benefits are expected to accrue to the population generally.

3. China (Taiwan) (DS - $88.0 million; TC - $3.0 million):

To provide essential budgetary support for the military forces and the foreign exchange needed to finance imported commodities beyond the amounts Taiwan can finance out of its own resources, and to increase by a modest amount the funds made available for projects in basic development, thereby continuing the

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present positive effort to help Taiwan accelerate progress in building up its capacity for self-support.

4. Indonesia (DS - $25.0 million; TC - $7.0 million):

To continue technical cooperation at the same level, and to add to the line of credit expected to be established shortly for selected projects in economic development.

5. Japan (TC - $3.1 million):

To expand slightly the assistance given to the productivity program, making it more effective, and to provide minor amounts for projects in Atoms for Peace, civil aeronautics and police training (1290 d) in line with general U. S. policies and programs.

6. Korea (DS - $300.0 million; TC - $7.0 million):

To provide budgetary support for the military forces and foreign exchange for commodity imports in the volume required to maintain stability in the face of heavy spending for military and development purposes, and to continue assistance to a wide range of development projects in a serious effort to help Korea strengthen its economic foundations and increase its capacity to meet military costs out of its own resources.

7. Laos (DS - $42.0 million; TC - $2.0 million):

To provide budgetary support for military and civil police forces and funds for commodity imports at the minimum level believed essential to achieve U. S. objectives under existing conditions, and to make assistance available for a substantial program of highway construction and a selected group of other development projects giving visible signs of progress and increasing the ability of Laos to produce the goods it needs.

8. Malaya (TC - $1.0 million):

To provide a modest sum in anticipation of a request for assistance which, it now is believed, will be requested and in the U. S. interest to provide when Malaya gains its independence.

9. The Philippines (DS - $31.0 million; TC - $4.0 million):

To give the minimum technical and financial assistance, now believed politically necessary, to continue support to President Magsaysay's program of rural improvement and to projects largely in the field of industry, providing the missing elements needed to stimulate and help the Philippines make effective use of its other resources, in a more serious effort to solve fundamental economic problems which now are an important source of weakness.

10. Thailand (DS - $40.0 million; TC - $4.9 million):

To continue technical assistance at about the present level and increase funds for economic development projects, mainly highways and power, at a figure believed to be the minimum necessary to achieve present political objectives in Thailand.

11. Vietnam (DS - $260.0 million; TC - $4.9 million):

To provide essential budgetary support for the military forces and foreign exchange for imported commodities at a level needed to control inflation, and to help Vietnam move forward with

a program frankly designed to make visible and extensive progress in development, to elicit increasing popular support for the Government, and to create economic conditions and developments in South Vietnam that compare favorably with those under the Communist regime in the North.

The above proposals are within the context of longer-range plans for assistance to these countries, outlined illustratively and with varying degrees of firmness, in the separate country statements.

ANALYSIS OF THE PROPOSALS

The overall figure of $877 million, proposed for FY 1958, is approximately $23 million greater than the amount presently estimated by O/FE to be necessary for Far East programs in FY 1957. Taking first the overall levels proposed for DS and DA assistance, by countries, the amounts for FY 1958 are about the same as in the current year for Cambodia, Korea, Laos and Vietnam. In the case of Burma and Indonesia, the levels proposed include the amounts not available for obligation in FY 1957 against lines of credit expected to be extended in that year, plus an additional $10 million for Burma and $11 million for Indonesia. The Taiwan figure, at $88 million, includes $8 million required in FY 1958 to finance commodities eventually destined for the military forces but processed in Taiwan, which in prior years were included under DFS; consequently, the amount for the regular program remains the same as in FY 1957.

In the Philippines, the level is increased by about $3 million to help make greater progress in basic economic development, and represents the Country Team's estimate of the political minimum necessary under present circumstances. The proposed figure does not include the larger amount which the USOM believes would be justified if the Philippines took certain steps in greater efforts to help itself. In Thailand, the proposed level is $10 million higher than in FY 1957, for economically sound development projects but primarily for political reasons.

The composition of the proposed programs remains generally the same in all countries; but there are several significant shifts in emphasis. In Vietnam and Taiwan, for instance, a larger amount is proposed than in previous years for development projects, and a substantial amount continues in the Korea program for the same purposes. In the Philippines, while assistance is continued to Magsaysay's rural program, there is a decided shift toward greater support to industrial development. In Thailand, Cambodia and Laos, the funds recommended for economic development continue to be concentrated largely on the improvement and construction of highways, other transportation facilities and power, with minor assistance provided for certain other forms of development spread through various parts of these countries. In Cambodia, however, with completion of the Port highway, dollar requirements for projects will be substantially reduced.

For Technical Cooperation, the aid proposed includes $1 million for Malaya and $1 million for Burma, added here because there now seems to be a likelihood that the United States will receive a request for this form of assistance and that, in its own interest, it will desire to respond favorably to such requests. Reductions are proposed in the amounts recommended for China and the Philippines, where programs now are well advanced; amounts remain about the same as in FY 1957 in the case of Thailand and Indonesia. In Korea there is an increase in the amount proposed. Both the OEC and CINCUNC strongly urge that a greater effort now

be made to meet Korea's urgent need for technical help and training to build up the abilities of the Korean people, and we fully concur.

Small additional amounts are proposed in other countries seriously in need of technical assistance and now increasing in their ability to use it effectively -- Vietnam, Cambodia and Laos. A small increase is proposed for the productivity program in Japan, representing a normal and sound expansion, in line with the general plan not to expand the scope of this program but to do all that should be done soundly to make the productivity program effective.

BASIC RATIONALE AND JUSTIFICATION

The funds proposed for these programs in the Far East are for two major purposes: (1) For necessary budgetary and other forms of assistance enabling countries maintaining large armed forces, which the United States in its own interest wishes to see maintained, to take the steps necessary to insure that those forces are effective; and (2) to help all the countries for which aid is proposed make a positive attack on problems hindering their economic development.

With respect to assistance to military efforts, the figures proposed for budgetary support are based on a study of the military budget of the country by the MAAGs and on their judgment as to what total military costs should be. The USOMs participate in this study to some extent, and, from their fuller knowledge of the economic situation and financial ability of the government to bear the cost, estimate the U. S. contribution required. In the absence of any decision to change force levels in these various countries, the existing levels are assumed in all cases. The imported commodities and equipment, which generate the local currency for these purposes are calculated at a level which takes into account the need both for this local currency and for the commodities themselves, to make possible the stable and healthy internal situation on which depends continuing support to the military effort by the people of the country.

The remaining portion of the Defense Support funds and all of the Development Assistance proposed are for economic or technical aid to projects relating directly or indirectly to economic development. In countries where military forces are a heavy drain on the economy, such projects support the military effort by helping to create a sound internal base from which to carry out that effort. By providing employment and inspiring a sense of progress, they help to eliminate potential sources of discontent.

A still more important purpose, in such countries, is to help the country so to expand its economic activities that it can, out of its own resources, meet a larger share of the costs of its military effort and reduce the amount required of the United States. In all of the Far East countries receiving U. S. economic aid, a further major objective behind this form of assistance is to help make such progress in achieving present strong aspirations for development that the country has sufficient economic strength to maintain its independence, develop friendly ties with the United States and other free countries, and feel less compulsion to accept offers of aid from communist sources.

This objective takes into account the intense desire of underdeveloped countries to move forward rapidly with their development, and the fact that Communist Russia and other communist countries, understanding this great desire, now are seeking to capitalize on

it by an aid program of their own. The United States already has taken far-reaching action toward checkmating communist efforts to expand their influence and territory by military aggression, and by internal subversion. In our judgment, it is now necessary that the United States take equally serious and vigorous action to meet the problems connected with this new threat, by effective assistance helping to advance with economic development.

Strong economic reasons lie behind that judgment. Factors in the economic situation of these countries are causing severe difficulties. In contrast with the rapid industrial progress achieved since the war by most western countries and Japan -- as well as by Soviet Russia and Communist China -- there has been only slow and halting progress in this area. Excluding Japan, exports in the first half of 1956 were down 2 percent for the area (including South Asia) as compared with the previous year, while total world exports rose 13 percent. Domestic price levels in general moved upward, and most of these countries struggled with budget deficits without any real recourse except to deficit financing and external aid. A fundamental problem is the generally low level of economic activity, providing a narrow and very limited tax base from which to draw revenues, and also resulting often in serious unemployment or underemployment.

Therefore, the gap between these countries and the West -- as well as between them and Soviet Russia and Communist China -- has been widening instead of decreasing with respect to basic economic strength and well-being. In addition, the economies of many of them in the past were geared to a colonial arrangement with the imperial power, leaving them now dependent for their foreign exchange earnings largely upon a relatively few export items subject to widely fluctuating world prices and demand. Stable government and their very existence as independent countries cannot be maintained unless substantial progress is made in correcting some of these conditions, as the countries themselves realize painfully.

It is impossible in most of the underdeveloped countries of the Far East to calculate very accurately the amount of aid required for economic development on the basis of any statistical measure, tied to some factor like increase in GNP per person. There are too few statistics and too little experience on which to base the calculation, and too many unknown factors in the situation, such as the personal equation. The determination of levels of aid for such purposes also has to take political factors into account. Other major factors requiring consideration are: The extent to which the country itself uses wisely its own resources; its need of external assistance; the extent to which these needs can be met through private investment or loans from international banking agencies; and the country's ability to use aid effectively.

All of the above factors have been taken into account in arriving at the figures for development aid proposed in this submission, some of them weighing more heavily in one country and others in another. In each case, the ultimate test applied is what, under the particular situation found in the country, it is in the U. S. interest to attempt to achieve.

A final question is whether or not the amounts proposed are justified in the light of the volume of goods and services already in the pipeline, provided from the obligation of funds appropriated for use in the present and prior years. One form in which this question might be stated is whether, in the event that less than the amount proposed is provided for FY 1958, it would still be possible for the country to receive, without serious interruption, the flow of goods and services for agreed programs in the volume,

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of the kind, and at the time required, and for essential U. S. objectives in the country still to be achieved.

Tables appear in each of the country sections giving detailed information with respect to existing pipelines and their projected liquidation, as well as an analysis of expenditures by major projects for which funds are requested in FY 1958. In a few countries pipeline abnormalities, caused by historical factors related to the timing and manner in which decisions initially were made to provide the aid, may be given undue weight in appraising our proposals for funding requirements in FY 1958. In the case of one of these, Korea, figures for the first quarter of this year indicate a greatly increased expenditure rate and reasons exist to believe that substantial improvement is under way. In another country, Thailand, the lag in pipeline liquidation is traceable in large degree to delays by ICA in implementing projects, principally some involving contractual services, in which initial difficulties are gradually being overcome.

Looking forward to the close of FY 1957, we believe that generally pipelines will be reasonable in size, that the countries will be able effectively to absorb assistance in the amounts proposed for FY 1958, and that any reduction below those levels would not be in the U. S. interest.

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TABLE 2

FAR EAST REGION

NON-MILITARY MUTUAL SECURITY DOLLAR PROGRAMS AND RELATED LOCAL CURRENCY GENERATION

(In millions of dollars and equivalent)

	ACTUAL FY 1956					ESTIMATED FY 1957					PROPOSED FY 1958				
	DOLLAR PROGRAM				Initiating L/C Generation	DOLLAR PROGRAM				Initiating L/C Generation	DOLLAR PROGRAM				Initiating L/C Generation
	Total	D.S.	D.A.	T.C.		Total	D.S.	D.A.	T.C.		Total	D.S.	D.A.	T.C.	
PROJECT ASSISTANCE															
Contributions to Cooperative Services	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x
Supplies and Equipment															
Capital Equipment	87.9	84.3	-	3.6	63.4	148.0	130.3	14.0	3.7	80.2	118.0	98.8	16.0	3.2	73.8
Other	74.9	65.4	4.1	5.4	58.2	83.9	75.7	4.0	4.2	63.9	84.2	76.1	4.0	4.1	59.7
Total, Supplies and Equipment	162.8	149.7	4.1	9.0	124.6 a/	231.9	206.0	18.0	7.9	147.2 a/	202.2	174.9	20.0	7.3	136.4 a/
U.S. Employed Technicians (Cost)	8.2	2.4	-	5.8	1.2	14.4	5.8	-	8.6	3.7	16.4	7.3	-	9.1	4.9
Total Number Authorized for Employment During Year	(1,129)	(442)	-	(887)	x	(1,182)	(468)	-	(714)	x	(1,147)	(490)	-	(657)	x
Number on Duty Close of Year	(661)	(220)	-	(441)	x	(1,008)	(414)	-	(589)	x	(1,009)	(445)	-	(564)	x
Participants (Cost)	7.1	0.6	-	6.5	1.1	10.6	1.4	-	9.2	1.5	12.1	2.0	-	10.1	2.1
Number Authorized During Year	(2,501)	(482)	-	(2,019)	x	(2,805)	(331)	-	(2,474)	x	(3,317)	(581)	-	(2,736)	x
Contract Services (Total Cost U. S. Technicians)	32.1	20.0	-	12.1	13.2	39.4	28.6	1.0	9.8	5.5	36.4	20.1	5.0	11.3	7.3
Total Number Authorized for Employment During Year	(852)	(432)	-	(420)	x	(1,308)	(705)	(30)	(573)	x	(1,200)	(616)	(30)	(554)	x
Number on Duty Close of Year	(463)	(210)	-	(253)	x	(842)	(481)	(30)	(331)	x	(677)	(279)	(30)	(368)	x
Contract Services - Participants Authorized During Year	(116)	-	-	(116)	x	(110)	-	-	(110)	x	(107)	-	-	(107)	x
Other	1.3	0.9	-	0.4	24.6	19.5	3.4	15.0 b/	1.1	30.1	25.3	2.1	20.0 b/	3.2	22.1
Total, Project Assistance	211.5	173.8	4.1	33.8	164.7	315.8	245.2	34.0	38.6	188.0	292.4	206.4	45.0	41.0	172.8
NON-PROJECT ASSISTANCE															
Commodity Imports:															
Surplus Agricultural Commodities:															
Bread Grains	28.1	28.1	-	-	28.1	26.2	26.2	-	-	26.2	38.0	38.0	-	-	38.0
Coarse Grains	5.7	5.7	-	-	5.7	11.0	11.0	-	-	11.0	-	-	-	-	-
Raw Cotton	43.2	43.2	-	-	43.2	39.0	39.0	-	-	39.0	44.0	44.0	-	-	44.0
Dairy Products	22.4	22.4	-	-	22.4	21.3	21.3	-	-	21.3	25.9	25.9	-	-	25.9
Miscellaneous	9.4	9.4	-	-	9.4	4.9	4.9	-	-	4.9	2.9	2.9	-	-	2.9
Total, Surplus Agricultural Commodities	108.8	108.8	-	-	108.8	102.4	102.4	-	-	102.4	110.8	110.8	-	-	110.8
Deduct Sales to This Country for Benefit of Other Countries	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Add Sales to Other Countries for Bendfit of This Country	31.1	31.1	-	-	31.1	33.0	33.0	-	-	33.0	30.0	30.0	-	-	30.0
Net Sales for Benefit of This Country	139.9	139.9	-	-	139.9	135.4	135.4	-	-	135.4	140.8	140.8	-	-	140.8
Other Commodities:															
Food, Feed and Fertilizer	77.9	77.9	-	-	77.8	77.3	77.3	-	-	77.3	93.5	93.5	-	-	93.5
Fuel	49.3	49.3	-	-	49.3	45.7	45.7	-	-	45.7	54.4	54.4	-	-	54.4
Raw Materials and Semi-Finished Products	91.3	91.3	-	-	91.3	86.0	86.0	-	-	86.0	108.8	108.8	-	-	108.8
Machinery and Vehicles	51.3	51.3	-	-	51.3	74.7	74.7	-	-	74.7	82.6	82.6	-	-	82.6
Miscellaneous	84.5	84.5	-	-	88.2	78.2	78.2	-	-	78.2	94.5	94.5	-	-	94.5
Total, Other Commodities	354.3	354.3	-	-	357.9	361.9	361.9	-	-	361.9	433.8	433.8	-	-	433.8
Total Commodity Imports	494.2	494.2	-	-	497.8	497.3	497.3	-	-	497.3	574.6	574.6	-	-	574.6
Cash Grants	60.1	60.1	-	-	59.4	35.0	35.0	-	-	35.0	10.0	10.0	-	-	10.0
Other	-	-	-	-	-	6.0	6.0	-	-	-	-	-	-	-	-
Total, Non-Project Assistance															
TOTAL, NON-MILITARY PROGRAMS	765.8	727.9	4.1	33.8	721.9	854.1	783.5	34.0	36.6	720.3	877.0	791.0	45.0	41.0	757.4
Of Which Dollar Loans	38.3	38.3	-	-	-	90.0	60.0	30.0	-	-	106.0	65.0	41.0	-	-
Of Which Dollar Grants	727.5	689.6	4.1	33.8	721.9	764.1	723.5	4.0	36.6	720.3	771.0	726.0	4.0	41.0	757.4

a/ No commodity breakdown available for Thai program; hence, totals do not add. b/ Programmed for Burma; amount cannot be distributed by cost factor at this time.

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NON-MILITARY MUTUAL SECURITY PROGRAMS

FAR EAST REGION

By Country and Function

(In thousands of dollars)

Country	Total	Defense Support	Development Assistance	Technical Cooperation
Burma				
1956	-	-	-	- a/
1957	15,000	-	15,000	-
1958	21,000	-	20,000	1,000
Cambodia				
1956	45,089	43,148	-	1,941
1957	32,000	30,000	-	2,000
1958	32,500	30,000	-	2,500
China (Taiwan)				
1956	73,292	70,008	-	3,284
1957	83,550	80,000 b/	-	3,550
1958	91,000	88,000 c/	-	3,000
Indonesia				
1956	11,095	-	4,100 d/	6,995
1957	26,000	-	19,000 e/	7,000
1958	32,000	-	25,000 f/	7,000
Japan				
1956	950	-	-	950
1957	2,300	-	-	2,300
1958	3,100	-	-	3,100
Korea				
1956	326,931	321,933	-	4,998
1957	302,500	297,000 g/	-	5,500
1958	307,000	300,000	-	7,000
Laos				
1956	48,673	47,652	-	1,021
1957	43,500	42,000 h/	-	1,500 i/
1958	44,000	42,000	-	2,000

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NON-MILITARY MUTUAL SECURITY PROGRAMS

FAR EAST REGION

By Country and Function

(In thousands of dollars)

Country	Total	Defense Support	Development Assistance	Technical Cooperation
Malaya				
1956	-	-	-	-
1957	-	-	-	-
1958	1,000	-	-	1,000
Philippines				
1956	29,082	23,200	-	5,882
1957	33,400	28,400 j/	-	5,000
1958	35,000	31,000	-	4,000
Thailand				
1956	34,456	29,460	-	4,996
1957	34,500	30,000	-	4,500
1958	45,000	40,000	-	5,000
Vietnam				
1956	202,298	198,827	-	3,471
1957	269,500	265,000 k/	-	4,500
1958	264,900	260,000	-	4,900
Undistributed				
1956	-6,098	-6,336 l/	-	238
1957	11,850	11,100 m/	-	750 n/
1958	500	-	-	500 n/
TOTAL PROGRAMS				
1956	765,768	727,892	4,100	33,776
1957	854,100	783,500	34,000	36,600
1958	877,000	791,000	45,000	41,000

Footnotes on following page

[redacted]

NON-MILITARY MUTUAL SECURITY PROGRAMS

FAR EAST REGION

By Country and Function

Footnotes

a/ Excludes $1.1 million funded from Pakistan DS program under rice-for-technicians arrangement.

b/ Excludes $6.0 million for Kung Kuan airfield pending completion of engineering study to determine whether these funds are needed to meet dollar (Military Assistance) or local currency (DS) costs.

c/ Includes $8.0 million for raw materials for military use.

d/ Financed from President's Fund for Asian Economic Development.

e/ Includes $15.0 million initial tranche against $25.0 million line-of-credit.

f/ Includes $10.0 million against FY 1957 line-of-credit and $11.0 million against new line-of-credit.

g/ Excludes $3.0 million for OEC Dependent Housing but includes $12.0 million tentative allocation from general reserve.

h/ Includes $10.0 million tentative allocation from general reserve.

i/ Includes $0.5 million tentative allocation from Far East TC regional account.

j/ Includes tentative allocations totalling $3.4 million, of which $3.0 million is from general reserve and $0.4 million is from Far East DS special reserve.

k/ Includes $15.0 tentative allocation from general reserve.

l/ Deobligations of FY 1951/54 Indochina and FY 1955 French Expeditionary Corps funds.

m/ Includes $6.0 million for Kung Kuan airfield (see footnote b/ above), $3.0 million for OEC Dependent Housing, and $2.1 million for Far East DS special reserve.

n/ Far East regional account.

[redacted]

TABLE 4

FY 1958 NON-MILITARY MUTUAL SECURITY PROGRAMS

FAR EAST REGION

By Country and Function

(In thousands of dollars)

Country	Total	Defense Support	Development Assistance	Technical Cooperation
Burma	21,000	-	20,000	1,000
Cambodia	32,500	30,000	-	2,500
China (Taiwan)	91,000	88,000 a/	-	3,000
Indonesia	32,000	-	25,000	7,000
Japan	3,100	-	-	3,100
Korea	307,000	300,000	-	7,000
Laos	44,000	42,000	-	2,000
Malaya	1,000	-	-	1,000
Philippines	35,000	31,000	-	4,000
Thailand	45,000	40,000	-	5,000
Vietnam	264,900	260,000	-	4,900
Undistributed b/	500	-	-	500
TOTAL PROGRAMS	877,000	791,000	45,000	41,000

a/ Includes $8.0 million for raw materials for military use.

b/ Far East regional account.

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FAR EAST REGION

MUTUAL SECURITY PROJECT ASSISTANCE BY FIELD OF ACTIVITY

(In millions of dollars and equivalent)

FIELD OF ACTIVITY	ACTUAL FY 1956								ESTIMATED FY 1957								PROPOSED FY 1958							
	DOLLAR PROGRAM				LOCAL CURRENCY PROGRAMMED UTILIZATION				DOLLAR PROGRAM				LOCAL CURRENCY PROGRAMMED UTILIZATION				DOLLAR PROGRAM				LOCAL CURRENCY PROGRAMMED UTILIZATION			
	TOTAL	D.S.	D.A.	T.C.	TOTAL	D.S.	D.A.	T.C.	TOTAL	D.S.	D.A.	T.C.	TOTAL	D.S.	D.A.	T.C.	TOTAL	D.S.	D.A.	T.C.	TOTAL	D.S.	D.A.	T.C.
Direct Military Support	x	x	x	x	44.3	44.3	-	-	x	x	x	x	43.9	43.9	-	-	x	x	x	x	34.0	34.0	-	-
Agriculture and Natural Resources	19.5	12.6	-	6.9	68.2	49.6	-	18.6	26.3	19.1	-	7.2	53.8	41.2	-	12.6	17.8	10.2	-	7.6	74.7	58.5	-	16.2
Industry and Mining	65.3	59.6	-	5.7	45.2	41.3	-	3.9	80.9	76.0	-	4.9	58.0	50.7	-	7.3	93.2	86.6	-	6.6	77.7	68.7	2.0	7.0
Transportation	64.3	62.9	-	1.4	64.2	62.3	-	1.9	98.6	96.8	-	1.8	67.6	64.7	-	2.9	63.1	61.0	-	2.1	74.9	69.5	1.0	4.4
Labor	0.6	-	-	0.6	1.1	0.3	-	0.8	0.9	-	-	0.9	0.8	0.2	-	0.6	0.8	-	-	0.8	0.8	0.2	-	0.6
Health and Sanitation	14.9	8.3	2.6	4.0	34.4	29.1	-	5.3	21.0	15.3	2.5	3.2	33.1	24.3	3.5	5.3	20.7	14.5	3.0	3.2	20.4	11.5	3.0	5.9
Education	10.1	2.5	-	7.6	11.5	0.5	-	11.0	13.2	4.8	-	8.4	17.0	5.8	-	11.2	16.1	7.8	-	8.3	17.0	7.8	-	9.2
Public Administration	7.5	2.4	1.5	3.6	10.3	6.6	-	3.7	14.3	7.7	1.5	5.1	12.7	5.0	1.5	6.2	12.7	5.3	1.0	6.4	14.0	6.8	2.0	5.2
Community Development, Social Welfare and Housing	17.2	16.7	-	0.5	40.8	38.1	-	2.7	11.6	10.9	-	0.7	9.6	8.4	-	1.2	7.8	7.0	-	0.8	14.3	13.4	-	0.9
General and Miscellaneous	12.1	8.6	-	3.5	18.3	11.1	-	7.2	49.0	14.6	30.0 a/	4.4	14.0	9.4	-	4.6	60.2	14.0	41.0 a/	5.2 b/	11.3	8.7	-	2.6
TOTAL PROJECT ASSISTANCE	211.5	173.6	4.1 a/	33.8 d/	338.3	283.2	-	55.1	315.8	245.2	34.0	36.6	310.5	253.6	5.0	51.9	292.4	206.4	45.0	41.0	339.1	279.1	8.0	52.0

a/ Reflects lines of credit to Burma and Indonesia in the following amounts (in millions of dollars): FY 1957 - Burma, 15; Indonesia, 15; FY 1958 - Burma, 20; Indonesia, 21. These amounts are not distributed by activity field inasmuch as specific projects to be financed are still to be determined.

b/ Includes (in millions of dollars) the following amounts which can not be distributed by activity field: 2.0 - new TC programs of 1.0 each for Burma and Malaya; 0.5 - regional activities.

c/ Malaria control and civil police programs in Indonesia financed from President's Fund for Asian Economic Development Program.

d/ Excludes $1.1 million for Burma funded from Pakistan DS program under rice-for-technicians arrangement.

FAR EAST REGION

TABLE 7

ANALYSIS OF EXPENDITURE RATES FOR NON-MILITARY MUTUAL SECURITY PROGRAMS

(In thousands of dollars)

PROGRAM	UNLIQUIDATED OBLIGATIONS 6/30/55	ACTUAL OBLIGATIONS FY 1956	TOTAL AVAILABLE FOR EXPENDITURE FY 1956	ACTUAL EXPENDITURES FY 1956	UNLIQUIDATED OBLIGATIONS 6/30/56	ESTIMATED OBLIGATIONS FY 1957	TOTAL AVAILABLE FOR EXPENDITURE FY 1957	ESTIMATED EXPENDITURES FY 1957	UNLIQUIDATED OBLIGATIONS 6/30/57	PROPOSED OBLIGATIONS FY 1958	TOTAL AVAILABLE FOR EXPENDITURE FY 1958	ESTIMATED EXPENDITURES FY 1958	UNLIQUIDATED OBLIGATIONS 6/30/58
FY 1955 AND PRIOR YEAR FUNDS													
Defense Support													
Project Assistance	256,684.3	49.2	256,733.5	117,199.4	139,534.1	x	139,534.1	85,309.0	54,225.1	x	54,225.1	36,682.2	17,542.9
Non-Project Assistance	353,076.0	(3,227.7)	349,848.3	261,073.0	88,775.3	x	88,775.3	67,896.1	20,879.2	x	20,879.2	20,017.3	861.9
Total, Defense Support	609,760.3	(3,178.5)	606,581.8	378,272.4	228,309.4	x	228,309.4	153,205.1	75,104.3	x	75,104.3	56,699.5	18,404.8
Development Assistance	1,500.0	57.8	1,557.8	1,320.8	237.0	x	237.0	237.0	-	x	-	-	-
Technical Cooperation	26,997.0	(2,984.6)	24,012.4	12,658.7	11,353.7	x	11,353.7	6,471.2	4,882.5	x	4,882.5	3,445.5	1,437.0
Total FY 1955 and Prior Year Funds	638,257.3	(6,105.3)	632,152.0	392,251.9	239,900.1	x	239,900.1	159,913.3	79,986.8	x	79,986.8	60,145.0	19,841.8
FY 1956 FUNDS													
Defense Support													
Project Assistance	x	173,660.6	173,660.6	11,236.3	162,424.3	x	162,424.3	72,150.8	90,273.5	x	90,273.5	66,300.0	23,973.5
Non-Project Assistance	x	554,232.2	554,232.2	193,007.7	361,224.5	x	361,224.5	275,947.6	85,276.9	x	85,276.9	81,042.0	4,234.9
Total Defense Support	x	727,892.8	727,892.8	204,244.0	523,648.8	x	523,648.8	348,098.4	175,550.4	x	175,550.4	147,342.0	28,208.4
Development Assistance	x	4,100.0	4,100.0	664.0	3,436.0	x	3,436.0	2,000.0	1,436.0	x	1,436.0	1,000.0	436.0
Technical Cooperation	x	33,775.2	33,775.2	6,406.4	27,368.8	x	27,368.8	12,812.6	14,556.2	x	14,556.2	9,736.9	4,819.3
Total, FY 1956 Funds	x	765,768.0	765,768.0	211,314.4	554,453.6	x	554,453.6	362,911.0	191,542.6	x	191,542.6	158,078.9	33,463.7
FY 1957 FUNDS													
Defense Support													
Project Assistance	x	x	x	x	x	245,220.0	245,220.0	24,164.0	221,056.0	x	221,056.0	92,960.0	128,096.0
Non-Project Assistance	x	x	x	x	x	538,280.0	538,280.0	173,504.0	364,776.0	x	364,776.0	275,588.0	89,188.0
Total, Defense Support	x	x	x	x	x	783,500.0	783,500.0	197,668.0	585,832.0	x	585,832.0	368,548.0	217,284.0
Development Assistance	x	x	x	x	x	34,000.0	34,000.0	4,000.0	30,000.0	x	30,000.0	12,000.0	18,000.0
Technical Cooperation	x	x	x	x	x	36,600.0	36,600.0	11,475.0	25,125.0	x	25,125.0	14,300.0	10,825.0
Total, FY 1957 Funds	x	x	x	x	x	854,100.0	854,100.0	213,143.0	640,957.0	x	640,957.0	394,848.0	246,109.0
FY 1958 FUNDS													
Defense Support													
Project Assistance	x	x	x	x	x	x	x	x	x	206,400.0	206,400.0	26,690.0	179,710.0
Non-Project Assistance	x	x	x	x	x	x	x	x	x	584,600.0	584,600.0	198,800.0	385,800.0
Total, Defense Support	x	x	x	x	x	x	x	x	x	791,000.0	791,000.0	225,490.0	565,510.0
Development Assistance	x	x	x	x	x	x	x	x	x	45,000.0	45,000.0	10,000.0	35,000.0
Technical Cooperation	x	x	x	x	x	x	x	x	x	41,000.0	41,000.0	12,650.0	28,350.0
Total, FY 1958 Funds	x	x	x	x	x	x	x	x	x	877,000.0	877,000.0	248,140.0	628,860.0
TOTAL ALL PROGRAMS													
Defense Support													
Project Assistance	256,684.3	173,709.8	430,394.1	128,435.7	301,958.4	245,220.0	547,178.4	181,623.8	365,554.6	206,400.0	571,954.6	222,632.2	349,322.4
Non-Project Assistance	353,076.0	551,004.5	904,080.5	454,080.7	449,999.8	538,280.0	988,279.8	517,347.7	470,932.1	584,600.0	1,055,532.1	575,447.3	480,084.8
Total, Defense Support	609,760.3	724,714.3	1,334,474.6	582,516.4	751,958.2	783,500.0	1,535,458.2	698,971.5	836,486.7	791,000.0	1,627,486.7	798,079.5	829,407.2
Development Assistance	1,500.0	4,157.8	5,657.8	1,984.8	3,673.0	34,000.0	37,673.0	6,237.0	31,436.0	45,000.0	76,436.0	23,000.0	53,436.0
Technical Cooperation	26,997.0	30,790.6	57,787.6	19,065.1	38,722.5	36,600.0	75,322.5	30,758.8	44,563.7	41,000.0	85,563.7	40,132.4	45,431.3
TOTAL, ALL PROGRAMS	638,257.3	759,662.7	1,397,920.0	603,566.3	794,353.7	854,100.0	1,648,453.7	735,967.3	912,486.4	877,000.0	1,789,486.4	861,211.9	928,274.5

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FAR EAST

FY 1958 ILLUSTRATIVE PRESENTATION

BURMA

OFFICE OF FAR EASTERN OPERATIONS

INTERNATIONAL COOPERATION ADMINISTRATION

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TABLE I

BURMA

NON-MILITARY MUTUAL SECURITY PROGRAMS BY FUNCTION

(In thousands of dollars)

FUNCTIONS	ACTUAL FY 1956	ESTIMATED FY 1957	PROPOSED FY 1958
Development Assistance			
Project Assistance	-	15,000	20,000
Non-Project Assistance	-	-	-
Total, Development Assistance	-	15,000	20,000
Technical Cooperation			
Project Assistance	- a/	-	1,000
TOTAL PROGRAMS	-	15,000	21,000
Of Which MSP Loans	-	15,000	21,000
Of Which MSP Sales of Surplus Agricultural Commodities	-	-	-

a/ Excludes $1.1 million funded from Pakistan DS program under rice-for-technicians arrangement.

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BURMA

Narrative Statement

U. S. OBJECTIVES

U. S. objectives in Burma are:

1. To prevent communist domination of Burma through either external penetration of internal subversion.

2. To promote the pro-Western orientation of Burmese neutrality.

OBSTACLES TO ACHIEVEMENT OF OBJECTIVES

A. The Political Situation

Strategically located between two power elements -- Communist China and India -- and flanked by our SEATO allies -- Thailand and Pakistan -- Burma is neutral but oriented toward the West. Its neutralism is motivated by nationalism, concern over an unprotected thousand-mile border with Communist China, and fear that another world war would destroy Burma's very existence.

Burma is a prime target of communist economic and political warfare. The communists, taking advantage of Burma's economic plight, have employed economic means to gain entry into the country. The Burmese Government has become increasingly alarmed that Soviet domination might result from close cooperation with the communist bloc and is seeking free world alternatives to assist in Burma's development.

B. The Economic Situation

In World War II, Burma suffered damage probably as extensive, proportionately, as any country in Asia. Then followed insurrections against the government that brought a second period of destruction and economic paralysis. The country's gross national product today is only 87 percent that of prewar.

1. Economic Development Program - The Burmese Government, considering an improved standard of living essential for achievement of domestic tranquility and resistance to communist subversion, began a seven-year economic development program in 1953. The plan, with an investment component projected at $1.6 billion, was aimed at restoring prewar output by 1960, largely through extensive public investment in agriculture, transportation, electrification, social services, and industry.

Implementation of the program soon fell behind schedule. Burma found that investment expenditures for imports had been underestimated, that the country did not possess the necessary managers and technicians, and that continuing insurgent activity required larger defense expenditures. The government soon realized its inability to carry out the ambitious program adopted in 1953. The $200 million target for capital investment in 1954-55 was cut in half; in 1955-56, it was reduced still further -- to about $90 million.

The original seven-year program has now been revised into a four-year program to end in 1960. The program and its

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administration have been improved; it is reviewed yearly; a comprehensive foreign exchange budget is prepared; local currency expenditures for development are more closely watched; non-revenue producing projects are being deferred and emphasis is on projects which will earn foreign exchange. However, even the reduced targets will not be met without substantial foreign assistance.

2. Rice Marketing - The most serious setback for the original development program was the deterioration of Burma's rice markets in 1954 and 1955. Before the war, rice represented about 50 percent of Burma's foreign exchange earnings; the balance was derived from petroleum, timber, minerals and other products, the postwar production of which has been greatly reduced by war and insurgency. In postwar Burma, rice accounts for more than 75 percent of export earnings and is a major source of budget revenue.

In 1954 and 1955, world rice prices declined sharply and Burma's markets shrank. Consumer countries such as India and Indonesia had excellent growing weather; potential demand from Japan and other countries was reduced by U. S. sales of surplus rice and wheat. Rice stocks accumulated at a time when the Burmese were expecting to increase exports and obtain foreign exchange for the economic development program.

3. Lack of Foreign Exchange and Consumer Goods - Burma's foreign exchange holdings dropped from a peak of $270 million in 1953 to $108 million in 1955. This led to the imposition of drastic import controls on consumer goods. At the same time the budgetary deficit increased. The supply of goods declined, purchasing power increased, and prices rose.

4. Soviet Economic Penetration - Burma desperately needed new markets for rice to finance its import requirements. It needed consumer goods and had to avoid too severe a cutback in its development program. The government, therefore, was forced to look abroad for economic relief. This provided the opportunity for a concentrated Soviet economic penetration program in Burma. Communist bloc countries concluded barter agreements to supply consumer and capital goods for Burmese rice, in amounts equal to about one-third of Burma's annual rice exports. The USSR expressed willingness to take all the Burmese rice which could not be sold elsewhere.

The State visit to Burma in December 1955 of the Premier of the Soviet Union, Nikolai Bulganin, and the Communist Party Chief, Nikita Khrushchev, betokened the special emphasis placed by the USSR on the penetration of Burma. Following the Bulganin-Khrushchev visit, it was announced that the Soviet Union had offered Burma a "gift" of a Technological Institute. Later, a stadium and a permanent agricultural exhibition were offered. These "gifts" have been accepted by the Burmese Government, and Soviet plans for their implementation are developing. The Soviet Union also offered an economic development loan which has not been accepted to date, but the offer presumably is still outstanding.

THE ROLE OF U. S. ASSISTANCE

A. Why the U. S. Should Assist Burma

U. S. economic assistance gives Burma an alternative to dependence on the communist bloc. The democratic Burmese Government considers economic development imperative to prevent communist elements within the country from obtaining control by capitalizing on popular dissatisfaction. External assistance is required for that purpose. If not forthcoming from free world sources in response to Burmese Government requests, the Burmese will find it

difficult not to rely on the Soviet Union, thus giving the USSR the opportunity to bind Burma politically, economically and technically to the communist bloc. On the other hand, availability of U. S. assistance will encourage Burma to look to the free world for industrial machinery and technical services to carry out its development program.

Burma has now become disillusioned with the Soviet barter deals because the flow of goods in return for rice has been very slow, high priced, and often of inferior quality. In the elections of April 1956, the communist front within Burma gained seats in the Parliament; these gains, and the communist election tactics used, angered Burmese Government leaders and caused further disillusionment with communist dealings. Communist-front student organizations were recently banned by the government. These actions and the favorable course of negotiations for U. S. assistance imply a growing U. S.-Western orientation in Burma, which the United States can reinforce through continuing economic help.

Although Burma is now receiving assistance from several other sources, a substantial gap still remains in its ability to meet both the local currency and foreign exchange requirements of its development program. In addition to the Soviet barter deals, assistance has been provided from the following sources:

A Japanese reparations agreement was signed in November 1954, under which Japan is to supply annually, over a 10-year period, $20 million in goods and services and $5 million in loans. In May 1956 the IBRD made two loans totaling $19.3 million for reconstruction of the Port of Rangoon and railroad rehabilitation. In October 1955 an agreement was signed with India under which Burma could borrow up to $42 million in sterling, to be repaid in four years beginning in 1959. The original agreement allowed drawings only through September 1956, although a renewal may have been negotiated. As far as is known, no Burmese drawings have been made.

Technical assistance is being provided by the United Nations under a program which amounts to $1.1 million in CY 1956. The Ford Foundation is furnishing technical assistance in rural village development, agricultural, educational and vocational training. Several Colombo Plan experts are lecturing at the University of Rangoon.

B. Form and Techniques of U. S. Aid

Effective aid, directed at Burma's basic economic problems, can be provided by the U. S. through (1) MSP dollar loans to supply the foreign exchange without which Burma can not carry out capital projects for its development program; (2) P.L. 480 assistance to supply consumer goods necessary to combat inflation; and (3) technical cooperation to develop the people's technical skills. Because of the Burmese Government's political need to show economic progress, it is planned that U. S. assistance shall provide for a limited number of projects of visible political impact.

It also is planned to give particular attention to the manner in which the new U. S. aid program is administered. The previous U. S. economic assistance program in Burma, begun in 1950, was terminated in 1953 at the government's request, ostensibly because it believed the U. S. was supporting the Chinese Nationalist "Irregulars" in Northeast Burma. To some extent, however, the Burmese request for the termination of U. S. aid was prompted by irritations that arose in carrying out the program.

CURRENT STATUS OF U. S. ECONOMIC PROGRAM

As a result of discussions begun early in FY 1956, U. S. economic assistance has been resumed. Four elements make up the present U. S. economic program in Burma: two are in operation, the other two are now under negotiation between the U. S. and Burmese Governments.

A. Programs in Operation

A P.L. 480 agreement for the sale of $21.7 million of U. S. surplus agricultural commodities to Burma was signed February 8, 1956. This agreement provided $17.5 million for cotton and the costs of processing it into textiles; the remainder is for dairy products, fruit and tobacco. The cotton is being processed in West Germany, the United Kingdom, India and Japan. The first deliveries of textiles and other products are now being received in Burma. The Burmese Government has indicated its desire for P.L. 480 programs of similar content and magnitude in the fiscal years 1957 and 1958, expressing the hope that the cotton processing arrangement will be continued.

Late in 1955 Burma indicated a desire to obtain the services of U. S. technicians and pay for them with rice. The U. S. agreed to sell technical services in return for Burmese local currency, the local currency to be used by the U. S. to buy about 10,000 tons of Burma's rice for famine-stricken Pakistan. A $1.1 million "Rice-for-Technicians" agreement was signed June 30, 1956. Under this arrangement the Burmese Government has contracted with two U. S. firms to obtain U. S. technicians; Burmese students and officials are also being sent to the U. S. for training. Recruitment of technicians has begun and some participants have been nominated.

B. Programs Under Negotiation

In July 1956 the U. S. offered Burma two loans. One was a local currency loan for the equivalent of $17.3 million of the kyat proceeds of the P. L. 480 agreement. This loan is to be used to finance the local currency costs of economic development projects. A dollar loan of $25 million also was offered to finance the dollar costs of economic development projects mutually agreed to by the two governments. It is planned that only $15 million will be obligated during FY 1957; the remaining $10 million is to be funded and obligated in FY 1958. These two loans have been agreed to in principle by the Government of Burma and loan agreements are now under negotiation.

In view of the status of negotiations, specific project proposals under these loans have not yet been presented by the Burmese Government. However, a list of possible projects has been prepared by the government's American economic and engineering advisers. Illustrative projects, selected from that listing for possible U. S. loan financing, are shown below:

	Cost (in millions of U.S. $)	
	All Currencies	Foreign Exchange
Construction of Ahlone Wharf	1.5	1.0
Additional vessels for inland waterways fleet	3.2	2.8
Rangoon water supply and sewage	16.3	5.0

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(Continued)	Cost (in millions of U.S. $) All Currencies	Foreign Exchange
Preliminary engineering for highway improvement and construction program	3.5	1.6
Small district hospitals	6.0	2.8
Capital for Industrial Development Bank to make loans to private domestic entrepreneurs	6.3	4.2
Total	36.8	17.4

FY 1958 PROGRAM

A. Mutual Security Program

	Millions of dollars
Development Assistance	20.0
Technical Cooperation	1.0

Of the $20 million proposed for Development Assistance in FY 1958, it is estimated that $10 million will be required to fund the portion of the pending $25 million loan which will not be obligated in FY 1957. An additional $10 million is recommended, making a total of $20 million for FY 1958, in order to continue assistance at a level which would probably make it unnecessary for the Burmese Government to turn to the Communist bloc

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to finance its development program. It is contemplated that the additional $10 million also will be provided on a loan basis.

The $1.0 million for Technical Cooperation is included in the expectation that the Burmese Government will request additional assistance of this type, when funds under the current "Rice-for-Technicians" arrangement have been exhausted. This might be made available under another similar arrangement. Its purpose would be to continue helping Burma to meet its need for technical help and for the training of its own people.

Illustrative projects for FY 1958 and their estimated cost are shown below:

Project	Cost (millions of U.S. $) All Currencies	Foreign Exchange	Remarks
Mechanized extraction of timber	1.0	0.9	
Yadanabon (Tin and Tungsten)	5.0	2.0	Additional development of mine.
Lough Keng (Zinc)	0.7	0.3	Study of engineering and economic feasibility.
Kalewa Coal	5.5	4.3	Developed to 1000 tons per day.
Dockyard Improvement (INTB)	2.4	1.3	Includes dockyards at Dalla, Mandalay and Bassein.

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(Continued)

Project	Cost (millions of U.S. $) All Currencies	Foreign Exchange	Remarks
River Fleet Expansion (IWTB)	7.0	6.0	Includes paddlers, cement barges and power barge.
Outport Vessels and Improvement (Marine Department	2.3	1.8	Improvement of harbor and craft at Mergui, Tavoy, Bassein, Akyab and Moulnein.
District Town Water Supply (Prome, Magwe, Myingyan, Schwebo, Toungoo and Akyab)	4.1	2.1	For pumping plants, treatment units and supply installations. At Akyab, for reservoir expansion.
Nurses Quarters and Post Graduate Nurses School, Rangoon	1.0	0.4	
Hospital Equipment	2.1	1.9	Required for equipping existing as well as new hospitals, and for Mandalay Medical College.
Technical Education (Technical Institutes and Artisan Training Centers at Mandalay, Insein, Rangoon and Technical High School and Handicraft Center, Rangoon)	3.0	1.7	For workshops and equipment, classroom buildings and student hostels.
Total	$34.1	$22.7	

B. P.L. 480 Program

The U. S. Embassy and the Burmese Government consider the P.L. 480 program of high priority. Utilizing American surplus products, it provides a means of supplying essential consumer goods to Burma and helps to check inflation. Strong Burmese interest has been expressed in continuing the present type of P.L. 480 program, which provides for the processing of cotton in third countries. However, U. S. Government agencies do not now agree that cotton-processing in third countries is permissible. Without such an arrangement, a P.L. 480 program of no more than $7 to $8 million is likely. If third-country processing is permitted, Burma will require an additional $10 million of raw cotton in FY 1958 and $12 million for processing costs, or a total FY 1958 P.L. 480 program of approximately $30 million.

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FAR EAST

FY 1958 ILLUSTRATIVE PRESENTATION

CAMBODIA

OFFICE OF FAR EASTERN OPERATIONS

INTERNATIONAL COOPERATION ADMINISTRATION

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TABLE I

CAMBODIA

NON-MILITARY MUTUAL SECURITY PROGRAMS BY FUNCTION

(In thousands of dollars)

FUNCTIONS	ACTUAL FY 1956	ESTIMATED FY 1957	PROPOSED FY 1958
Defense Support			
Project Assistance	10,255	9,000	2,000
Non-Project Assistance	32,893 a/	21,000 a/	28,000 a/
Total, Defense Support	43,148	30,000	30,000
Technical Cooperation			
Project Assistance	1,941	2,000	2,500
TOTAL PROGRAMS	45,089	32,000	32,500
Of Which MSP Loans	-	-	-
Of Which MSP Sales of Surplus Agricultural Commodities	3,569 b/	5,000 b/	2,000

a/ Includes (in thousands of dollars) the following amounts for local currency support of military forces: FY 1956 - 23,700; FY 1957 - 15,000; FY 1958 - 18,400.

b/ Includes (in thousands of dollars) triangular transactions as follows: FY 1956 - 1,100; FY 1957 - 3,000.

[redacted]

[redacted]

CAMBODIA

Narrative Statement

U. S. OBJECTIVES

The overall U. S. policy objective in Cambodia is to deny the country to the communists. Supporting objectives are to assist Cambodia to:

1. Strengthen its national independence, precluding political and economic orientation toward the Communist Bloc.

2. Maintain indigenous armed forces adequate to insure internal security.

3. Develop civil police forces capable of detecting and containing subversive communist activities.

4. Build a strong national economy and develop a stable, effective government, capable of resisting communist pressures and winning public confidence.

5. Improve the living conditions, productive capacities, and outlook of its people, particularly those in rural areas, thereby strengthening "grass roots" resistance to communist propaganda.

6. Attain more cooperative political and economic relationships with neighboring non-communist countries in Southeast Asia.

7. Achieve a better understanding and appreciation of U. S. and free world objectives.

OBSTACLES TO ACHIEVEMENT OF OBJECTIVES

A. Political and Social Problems

1. Communist Economic Penetration - Opportunities for communist economic penetration of Cambodia were increased late in FY 1956 when the Cambodian Government signed trade and economic aid agreements with the Government of Communist China. The trade agreement provides for an annual movement of $14 million of goods in each direction. Under the aid agreement, Communist China is committed to give Cambodia $22 million of economic assistance over a two-year period. Trade and technical assistance agreements were later concluded with Czechoslovakia, and promises of economic aid have been extended by the USSR and Poland.

One communist objective in Cambodia, particularly in the case of Peiping, will be to demonstrate the benefits of "peaceful coexistence" and the tangible rewards of "aid with no strings attached." Additionally, these trade and aid associations will serve the communists as tools for undermining Cambodia's unity and will to independence, and provide easy access to potential subversion targets among the Chinese community, and disgruntled elements in the bureaucracy and peasantry. These economic involvements with the communists intensify the problems obstructing the achievement of U. S. objectives, especially with respect to: (a) minimizing the political dividends accruing to the communists; (b) controlling subversion; and (c) preventing Cambodia from becoming economically dependent on the Communist Bloc.

[redacted]

2. Cambodian Neutrality - Active promotion of these economic ties with communist bloc countries is but one more expression of the neutrality which now constitutes the keystone of Cambodian foreign policy. As a neutral, Cambodia feels free - even obliged - to accept economic aid from all comers, in order to maintain a nice balance between both camps. Similarly, having refused to become an active partner in the SEATO Pact, Cambodia considers its national safety more secure by virtue of the strong reassurances received from the communists as well as the free world. Neutrality thereby seems to the Cambodian Government to strengthen the country's prospects for both economic and political independence. In this situation the problem for the U. S. is two-fold: first, to keep Cambodia at least truly neutral, preventing a drift toward pro-communist neutrality and possible eventual alignment with the communists and, second, to orient Cambodian neutrality more definitely toward the U. S. and the free world.

3. Governmental Weaknesses - Cambodia suffers from the lack of political maturity and experience in managing its affairs. After more than three-quarters of a century of foreign domination, under a French protectorate, the Cambodians were ill-prepared to assume the responsibilities of self-government. Although the present government exhibits many deficiencies and inadequacies, the greatest immediate need is for a stable, continuous administration. Frequent changes in the cabinet, largely attributable to the unpredictable actions of Prince Sihanouk, have immobilized the governmental policy-making apparatus and seriously impeded all governmental operations. Under such conditions, it has been impossible to achieve systematic joint planning of U. S. aid.

4. National Suspicions and Sensitivities - Cambodians are generally suspicious of foreigners, historically distrustful of their neighbors -- the Thai and Vietnamese -- and currently hypersensitive about their new sovereign rights. Delays in the implementation of U. S.-financed aid projects, on occasion, have prompted official comment that the U. S. is not really interested in extending aid to Cambodia. On the other hand, a well-intentioned U. S. proposal for application of technical assistance to one problem or another has sometimes led to charges of U. S. interference in Cambodian affairs. Although geographic proximity and the existence of common problems suggest the need for continuous close cooperation between Cambodia and its neighbors, borders frequently are closed as a result of trivial incidents or misunderstandings. Cambodia has steadfastly refused to participate in any proposed regional development project involving association with Thailand, Vietnam or Laos.

In this political atmosphere, all U. S. relationships with Cambodia must be conducted with an unusual degree of tact, patience and understanding. To quiet latent Cambodian fears of U. S. domination, frequent assurances are necessary that the U. S. is interested solely in Cambodian independence. To obtain Cambodia's cooperation with its neighbors, especially in a joint attack on major problems common to the Indochina countries, will require continuous persuasion and exercise of U. S. good offices.

B. Selected Economic Indicators

	1955	1956	1957	1958	1959	1960
GNP expressed in 1955 prices (millions $)	320	330	340	355	369	384
GNP annual increase (%)		0.0	3.1	4.4	4.0	4.0

[redacted]

(Continued)	1955	1956	1957	1958	1959	1960
Population (millions)	4.0	4.06	4.12	4.18	4.24	4.30
GNP per capita in 1955 prices ($)	80	81	83	85	87	89

C. Economic Problems

1. Budgetary Deficits - The government is far from being able to produce tax revenues sufficient to accommodate its ordinary, developmental, and military expenditures. Budgetary revenues in 1956 will be an estimated $53 million. Expenditures during 1956 will exceed $77 million. The main factor in the anticipated $24 million deficit is the high cost of maintaining security forces, currently running at approximately $40 million, or the equivalent of 75 percent of revenues (before foreign aid). From its 1956 tax revenues the government will actually be able to apply against these heavy military and security costs only $14 million, including $6 million for the armed forces and $8 million for police and paramilitary forces. Although this Cambodian outlay is well below the U. S. contribution for these purposes, it still represents more than 25 percent of total Cambodian tax revenues.

Nor is the budgetary situation likely to improve very rapidly. The government may be able to increase tax revenues somewhat through improved tax administration and, possibly, by moderate increase in tax rates. The low per capita income affords little basis, however, for expecting a substantial revenue increase. On the expenditure side, military requirements will remain high, inasmuch as no reduction in force levels is contemplated below the 31,000-man goal established for CY 1957. Total budget demands will inevitably increase as the country expands its governmental services and assumes related responsibilities in fostering economic development. A large and continuing budget deficit, therefore, is Cambodia's prospect for some years.

2. Potential Threat of Inflation - In 1955, the budgetary situation threatened to create serious inflationary pressures. Despite high levels of government expenditures, however, there has been no recent serious price rise (only 6 percent during the past year), largely attributable to the substantial volume of U. S.-financed commercial imports. So long as government expenditures, including military outlays, continue at the present level, and pending long-range increases in Cambodia's productive capacity and tax collections, a substantial volume of foreign-financed imports will be required to keep inflationary pressures in check.

3. Low Levels of Production - As indicated in Section B above, estimated per capita GNP will be about $81 in 1956. There is practically no non-agricultural industry in Cambodia. Manufacturing is small-scale, of the cottage-industry type, and limited to production of handicrafts for which there is little export demand. Practically all essential manufactured items must be imported. Predominantly an agricultural economy, Cambodia normally produces most of its own basic food requirements and manages to export, in addition to rubber, a small surplus of rice. A crop failure in 1954-55, however, reduced export earnings by 50 percent, necessitated considerable food imports, and forced a curtailment in imports of other necessities. Thus, though Cambodia possesses ample land, water resources and labor, the low level of production provides little for capital accumulation under either public or private auspices.

4. Need for Development Capital - Because little factual data are available, it is impossible to calculate precisely the capital investment required to achieve a given rate of increase in Cambodia's gross national product. However, assuming a population

increase of 1.5 percent per annum and a capital input-production output ratio of 3 to 1, it has been roughly estimated that an annual gross investment of $40 to $50 million would be required to achieve a per capita increase of 2 percent annually in GNP. Given the underdeveloped status of the Cambodian economy, the $40 to $50 million estimate is a minimum. Against this requirement, however, only $8.6 million of funds from internal sources is available for developmental purposes. In view of the scarcity of domestic private and public capital, investment funds must continue to come largely from non-Cambodian sources if the country is ever to move toward a level of production and government revenue which will enable it to become economically independent.

5. Inadequate Government Administration - Practically all operations of the government suffer from the dearth of efficient civil servants. The weak administrative and technical capacities of the government, compounded by frequent cabinet changes, have been responsible, to a considerable extent, for failure to establish proper budget and accounting systems, improve tax collection procedures, and extend proper controls over import-export operations. Widespread lack of experienced managerial and technical personnel prevents the government from performing competently the various survey, planning and service functions required to promote economic development. The country's own so-called Two-Year Economic Development Plan, for example, has been formulated with little regard for realism and efficient use of resources. Despite certain laudable attempts at improvement, with U. S., UNTAA, and other assistance, the government urgently needs much more strengthening before it can effectively prevent political disaffection and move forward on a sound country development program.

ROLE OF U. S. ASSISTANCE

A. Why U. S. Aid is Required

Assuming the objectives stated above, and taking into account the economic problems enumerated, U. S. assistance will be required to help the Cambodian Government:

1. Support and improve its armed forces and police services.

2. Achieve a competent public administration, especially in fiscal management and economic planning, and expand and improve basic public services.

3. Maintain economic stability as the country undertakes a moderate development program aimed toward eventual self-support.

4. Expand production facilities and develop administrative abilities, technical skills, and resources data prerequisite to sound economic development.

Should there be a substantial reduction in the magnitude of U. S. aid proposed in support of these efforts, the Cambodian Government would be faced with the necessity of reducing the size of the armed forces and essential government services. It would also suffer a severe setback in its investment program. Under these circumstances, it would be strongly impelled toward the communist camp.

B. Forms and Direction of U. S. Aid

1. Continued Importance of Non-Project Assistance - A large portion of the aid program for Cambodia must continue to be in the form of non-project assistance, for the generation of local currency (a) to help cover the military budget deficit, and (b) to supply that portion of non-military project financing which the government is unable to provide. Military budget support alone will probably continue to account for more than half of total aid during the next four years, assuming continuation of approximately current aid levels.

2. Coordination with Aid from Non-U. S. Sources - The magnitude and composition of the non-military assistance portion of U. S. aid should, and does, take into consideration the amounts and types of aid Cambodia will receive from other sources. French assistance is estimated at $10 million for the current year, Communist China is committed to aid at the rate of $11 million per annum for two years. India has offered $4.5 million of economic assistance. U. N. agencies, other Colombo Plan countries, and other communist bloc countries will contribute another $1 to $2 million annually. As aid from these various sources materializes, it will bring with it the danger of duplication, marginal uses, and overtaxation of Cambodia's capacity to absorb technical assistance and new investment. U. S. aid can be, and is being, developed so as to minimize such dangers.

3. Countering the Challenge of Communist Aid - Communist China's aid program for Cambodia, consisting of varied projects in agriculture and natural resources, education, public health and public works, includes two types of projects, drawn from Cambodia's two-year development plan, which the U. S. heretofore has been reluctant to finance: (1) provision is made for construction of school buildings and health centers valued at $3 million, a "bricks-and-mortar" type of activity which, by U. S. criteria, has been considered more appropriate for Cambodian rather than U. S. financing; and (2) plans are included for paper, plywood, textile and cement plants -- major industrial projects which, by U. S. appraisal, appear far too ambitious at this time for Cambodia's primitive economy. By financing these heretofore neglected items in the Cambodian Two-Year-Plan, Communist China obviously hopes to obtain maximum political advantage from its aid expenditures.

Reluctance to finance these and similar projects with U. S. aid funds has reflected the conviction that Cambodia's long-run interests would be best served by aid projects, generally less spectacular in nature, which would establish as rapidly as possible the foundations for sound, continuous economic development. In the field of education for example, the need for improvement in instructional materials and teacher training has received greater consideration in the planning of U. S. aid projects than the need for faculty housing. Again, in the area of industrial development, the U. S. program should assist in the establishment of small processing and other light industries utilizing indigenous resources and native skills, rather than provide funds for heavy industries dependent upon imported raw materials and foreign technicians possessing the necessary skills.

Keeping in mind the overall U. S. policy objective of preventing closer alignment of Cambodia with the Communist Bloc, the importance of yielding moderately to the Cambodian conception of "high priority" must not be discounted in the joint selection of future projects. While U. S. economic and technical assistance should be concentrated on activities dealing with the country's basic problems, political dividends from the U. S. aid program could be multiplied by the deliberate

inclusion of a few projects which rank high in terms of Cambodian desires, even though of lesser priority from an economic standpoint. Insofar as possible, however, "impact" projects included in the U. S. aid program should be selected on the basis of their eventual contribution to strengthening the Cambodian economy.

LONG-RANGE PLAN

A. Assumptions and Aid Requirements

The U. S. aid program for Cambodia is expected to continue at approximately the present level -- $30 to $32 million per annum -- for the next four years. This expectation is based on the following assumptions:

1. Requirements for military budget support will not decrease significantly.

2. Aid from countries other than the U. S. will materialize in the magnitudes presently anticipated.

3. Political pressures and nature of aid from the Communist Bloc will not require major adjustments in planned U. S. assistance.

4. Although direct dollar support for DS projects will decrease, largely because of the completion of financing for the major port-highway project, increased assistance will be required for an expansion of the TC program and local currency support of both DS and TC projects.

In view of the lack of adequate data, it is impossible to present a detailed, well-developed, long-range plan showing carefully calculated amounts of aid and investment requirements, by source and by year. At this stage, the plan for Cambodia must be kept tentative and flexible, with overall magnitudes and detailed activities determined and approved on a year-to-year basis. It is plausible, however, to sketch the general outline of a Four-Year Plan in terms of program and project emphases. Such an illustrative plan is presented in the following section.

B. Summary of Long-Range Plan

1. Program Objective - To maintain internal security.

a. Problem: Continuing inability of the government to meet the full costs of its security forces.

b. Goal: To assure the maintenance of adequate security forces.

c. Planned MSP Activities: (1) Supplement Cambodian contribution with local currency (riels) necessary to meet deficit in military budget, and (2) provide technical assistance and equipment to civil police agencies.

d. Collateral Effort: Government to (1) effect savings through improved budgeting and accounting procedures, (2) increase its contribution as tax revenues permit, and (3) facilitate training efforts of U. S. police experts, without which the proposed police program cannot go forward.

2. Program Objective - To develop a strong, effective government and adequate public services.

a. Problem: Lack of administrative capacity and inadequacy of public services, particularly the educational system, reduces the government's effectiveness and will and ability to resist communist pressures.

b. Goal: Expand educational and demonstration facilities and number of teachers, improve administration of government's anti-malarial and sanitation programs, and improve fiscal and other governmental procedures.

c. Planned MSP Activities: (1) In the educational field - elementary and rural education, demonstration centers for the promotion of village self-help and cooperative undertakings; vocational education; and an integrated agricultural education, extension, crop and livestock improvement project; (2) in public health - malaria eradication, improvement of water supply, and assistance in environmental sanitation; (3) in public administration - chiefly assistance in economic planning and fiscal policies and procedures, to improve budgeting and taxation and accounting systems.

d. Collateral Effort: WHO cooperation in the public health program may be expected. Government cooperation, especially in public administration, is most important but not assured.

3. Program Objective - To increase Cambodia's capacity for self-support.

a. Problem: Limited production facilities, natural resources and domestic capital; lack of basic data, technical skills, managerial ability, and credit facilities.

[redacted]

b. Goal: To bring about a moderate increase in GNP through assistance to selected development projects and to the required technical services.

c. Planned MSP Activities: Provide assistance for (1) transportation, irrigation, power, communications and other capital projects, all basic to the expansion of industrial and agricultural production; (2) credit for farmers and small industries; (3) development of basic statistical information and labor skills through a census, surveys and training.

d. Collateral Effort: Host country required to (1) coordinate all foreign assistance, (2) improve its fiscal practices and tax system, and otherwise provide a more attractive climate for private investment, and (3) increase capital investment on its own account.

STATUS AND ACCOMPLISHMENTS OF MUTUAL SECURITY PROGRAM

A. Status

In the three years FY 1955-57, Cambodia will have received a total of $115.3 million of grant assistance: DS - $111.4 million; TC - $3.9 million. Of this total, $63.7 million (in local currency) has been programmed for military budget support, leaving $47.7 million for developmental and other non-military activities in the program. Of the latter, $22.1 million will have been applied to dollar costs of projects and $25.6 million to local currency support.

Commercial imports financed under these programs, from which the local currency is derived, will reach a total of

[redacted]

$89.3 million. This commodity assistance has assured a large volume of imports essential for the commercial and industrial functioning of the economy as well as for consumption, and has served as the dominant factor in countering the inflationary pressures deriving from the high level of government expenditures.

B. Accomplishments

Progress in implementing projects in the DS and TC sectors of the program, long retarded by the shortage of U. S. personnel and delays in the delivery of equipment, has been accelerated in recent months. Accomplishments to date are summarized as follows:

Preliminary surveys have been completed and contract construction started on the $16 million highway which will give Cambodia direct access to the sea, by connecting Phnom Penh with the deep water port being constructed by the French at Kompong Som. The highway is to be completed by mid-1958. Under a general road and bridge improvement project, existing highways are being repaired and extended, and the Cambodian Government provided with equipment and training for maintaining the system. Rehabilitation of six major airfields also is under way.

Some progress has been made toward more productive and diversified agricultural activity. Instructional equipment has been provided and contract training assistance is programmed for the development of one strong agricultural college, which will serve also to provide information and guidance for agricultural extension services. In FY 1956 more than 5,000 farmers cooperated in the improved rice seed multiplication program. Adaptation of corn hybrids is in progress. A livestock improvement project is underway, concentrating on control of rinderpest and other animal diseases, and on the production and distribution of vaccines. A major irrigation project at Barai Occidental will be completed by July 1957; repairs of other irrigation systems are in process.

Since the beginning of U. S. aid for educational development, the Cambodian Government has increased the national budget for education from $3.7 million in riels to nearly $10 million annually. Approximately 3,500 teachers have been trained; 3,800 teachers have participated in workshops; school enrollment has increased from 221,000 to 339,000 students; fundamental education centers have been started in 10 provinces; and nearly 70 Cambodian educators have been trained abroad.

In 1951 malaria debilitated one-fifth of the Cambodian population and one-half the area of the country. As a result of the malaria control project, the incidence of widespread malarial infections has dropped significantly since 1951. To improve potable water supplies, water plants at Siem Reap and Kampot are being enlarged, and pumps and pipes are under procurement for these and four other urban plants. Work in sanitation and health education has resulted in voluntary requests from provinces for wells and other sanitary facilities in new settlement areas.

THE FY 1958 PROGRAM

A. Magnitude and Composition

The aid program proposed for FY 1958 totals $32.5 million: $30 million for Defense Support and $2.5 million for Technical Cooperation. In effect the proposed FY 1958 program would result in reduced MSP availabilities for Cambodia compared

to the total FY 1957 program, mainly because the $32 million of new FY 1957 funds is being supplemented with local currency generated from prior years' impact programs but still available for use.

Substantial shifts are recommended in the composition of the $30 million DS component: (1) Project aid is reduced from $9 million in FY 1957 to $2 million in FY 1958. The reduction is due largely to the completion in FY 1957 of the direct dollar financing of the Port Highway, expected to amount to $8 million in that year. (2) Non-project assistance will increase from $21 million in FY 1957 to $28 million in FY 1958, inasmuch as local currency requirements for development projects will be somewhat higher and a carryover of local currency will not be available for either military or non-military use, as was the case for both elements of the DS program in FY 1957.

B. Project Sector

It is proposed that dollar project costs totalling $4.5 million be funded in FY 1958, consisting of $2.0 million for Defense Support and $2.5 million for Technical Cooperation. It is also planned to program for internal costs of such projects, the equivalent of $8.6 million in local currency to be generated from saleable commodity imports financed with FY 1958 funds.

With two exceptions -- improvement of Siem Reap airfield and the Kampot electric power station -- all DS projects in FY 1958 are continuations of selected basic activities initiated in FY 1957 or prior years. The increased TC component reflects a planned heavier emphasis on projects providing technical services. All TC and DS projects conform with the longer-range plan for U. S. aid to Cambodia and were individually selected to support specific program objectives, as follows:

[redacted]

1. Develop a Strong, Effective Government and Adequate Public Services - Assistance will be given to help improve government services and operations, particularly in the following fields:

a. Education - It is planned to continue TC assistance to the Ministry of Education for improvement of basic education and administration of elementary schools. Educational efforts will be concentrated, however, on a new, comprehensive rural improvement project (TC funds - $270,000; local currency - $415,000), using elementary schools as training centers and focal points for activating basic self-help and village cooperative undertakings. A combined agricultural education, extension, crop development, and livestock improvement project (TC - $390,000) will be directed toward increased productivity and diversification in Cambodian agriculture. The mass communications project (TC - $175,000) will continue to provide the government with facilities for distributing "how-to-do-it" and other educational information, on a nationwide basis.

b. Health - It is planned to continue support for the malaria control and BCG vaccination projects (DS - $50,000; local currency - $165,000) for eventual eradication of malaria and reduction of tuberculosis as health hazards. Additional assistance (DS project funds - $680,000; local currency - $435,000) will be used to provide the capital cities of the 14 Cambodian provinces with adequate supplies of safe drinking water. Health education and environmental sanitation services (TC - $70,000) are to be continued as components of the rural improvement program.

c. Public Administration - Technical services, direct and contract (TC - $110,000), initiated in FY 1957 for improving administrative procedures in Cambodia's fiscal,

[redacted]

budget control, and customs services, will be extended. Advisory services (TC - $110,000) will be continued for the civil police training program.

2. Increase Cambodia's Capacity for Self-Support

a. Expansion of Capital Facilities - The proposed FY 1958 program would provide technicians and additional commodities for basic capital development projects: improvement and extension of the national highway system (DS - $410,000; local currency - $600,000); improvement of Siem Reap airfield (DS - $450,000; local currency - $500,000); installation of a hydroelectric station providing power for Kampot and the new port at Kompong Som (DS - $295,000; local currency - $1 million); and limited assistance (DS - $90,000) for navigational aids and dredging operations. Construction of the Port Highway, to be completed during FY 1958, will require additional local currency financing ($1 million). Work will be continued on irrigation projects planned or in process (local currency - $500,000), while technical assistance (DS and TC - $227,000) will be provided for organizing a Bureau of Reclamation for Irrigation and Drainage, and developing a national plan for land use and irrigation.

b. Establishment of Financing Services - A new project (TC - $73,000) will provide technical assistance for the organization and operation of farmers' cooperatives which, combined with an agricultural credit loan fund (local currency - $600,000) will operate to increase farmers' productivity and income through cooperative action. Another new project (TC - $145,000; local currency - $160,000) will help to establish an industrial development service which, together with the industrial loan fund (local currency - $500,000) created in FY 1957, will assist in the establishment of new, small processing plants and other light industries.

c. Improvement of Technical Skills and Resources Data - Under an intensified vocational industrial training project (TC - $330,000; local currency - $300,000), contract technicians will be provided to (1) expand and improve education for the industrial trades, and (2) develop training and production in the craft industries. Training and planning services (TC - $40,000) will assist the government's preparation for a National Census which, together with planned surveys in forestry, minerals and water resources, will eventually provide the basic data for sound economic development planning.

C. Non-Project Sector

The $28 million of DS non-project assistance is required (1) to provide foreign exchange for imports needed to sustain the Cambodian economy, and (2) to assure the availability of sufficient local currency to meet U. S. military support commitments and to help defray the costs of development projects and other non-military activities in the FY 1958 program. Military support requirements in that year are expected to total $18.4 million, of which $17.5 million will be needed for pay and allowances of a 31,000-man force. Requirements for local currency support of non-military activities are estimated at $8.6 million -- $4.8 million for DS and $3.8 million for TC projects.

D. Pipeline

Unliquidated obligations increased from $23.9 million, as of June 30, 1955, to $42.5 million as of June 30, 1956. It is estimated that they will decrease to $26.3 million by June 30, 1957.

The total funds available for expenditure in FY 1956 amounted to $68.8 million ($44.9 million of new obligations plus

[redacted]

the $23.9 million unliquidated obligations from FY 1955). Expenditures in FY 1956 were $26.3 million.

Expenditures lagged in FY 1956 because: (1) The program was not finally approved and readied for implementation until November-December 1955, thus seriously delaying the obligation of new funds; (2) the Cambodian Government was inordinately slow in sub-obligating commercial import funds, owing to the initiation of new import application screening procedures and frequent changes of cabinet ministers and administrative officials; and (3) delays in execution of the port-highway contract which severely restricted the expenditure of project funds.

The $20 million reduction of unliquidated obligations anticipated by the end of this year is based on the expectation that, since most of these funds were obligated late in FY 1956 and early in FY 1957, shipments will show a substantial increase over last year.

SUMMARY OF FY 1959 PROGRAM

An aid program totalling $31 million is presently contemplated for FY 1959, slightly less than the $32.5 million proposed for FY 1958. The $31 million total includes $28.5 million of DS funds and $2.5 million for TC. The DS component is comprised of $3.5 million for direct dollar expenditures on projects and $25 million for commercial imports. Of the local currency generated from imports, $18 million will be required for military budget support and $7 million to defray the local costs of DS and TC projects.

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CAMBODIA

TABLE 2

NON-MILITARY MUTUAL SECURITY DOLLAR PROGRAMS AND RELATED LOCAL CURRENCY GENERATION

(In thousands of dollars and equivalent)

	ACTUAL FY 1956				ESTIMATED FY 1957				PROPOSED FY 1958			
	DOLLAR PROGRAM			INITIATING LOCAL CURRENCY GENERATION	DOLLAR PROGRAM			INITIATING LOCAL CURRENCY GENERATION	DOLLAR PROGRAM			INITIATING LOCAL CURRENCY GENERATION
	TOTAL	DEFENSE SUPPORT	TECHNICAL COOPERATION		TOTAL	DEFENSE SUPPORT	TECHNICAL COOPERATION		TOTAL	DEFENSE SUPPORT	TECHNICAL COOPERATION	
PROJECT ASSISTANCE												
Contributions to Cooperative Services	x	x	x	x	x	x	x	x	x	x	x	x
Supplies and Equipment:												
Capital Equipment	4,865	4,740	125	-	1,000	1,000	-	-	1,000	1,000	-	-
Other	2,906	2,275	631	-	1,890	1,425	465	-	1,200	695	505	-
Total, Supplies and Equipment	7,771	7,015	756	-	2,890	2,425	465	-	2,200	1,695	505	-
U.S. Employed Technicians (Cost)	433	-	433	-	765	15	750	-	1,070	-	1,070	-
Total Number Authorized for Employment During Year	(48)	-	(48)	x	(68)	(1)	(67)	x	(74)	-	(74)	x
Number on Duty Close of Year	(25)	-	(25)	x	(67)	(1)	(66)	x	(71)	-	(71)	x
Participants (Cost)	73	-	73	-	370	-	370	-	375	-	375	-
Number Authorized During Year	(56)	-	(56)	x	(201)	-	(201)	x	(189)	-	(189)	x
Contract Services (Total Cost U. S. Technicians)	3,919	3,240	679	-	6,975	6,560	415	-	855	305	550	-
Total Number Authorized for Employment During Year	(70)	(15)	(55)	x	(296)	(252)	(44)	x	(51)	(14)	(37)	x
Number on Duty Close of Year	(39)	(15)	(24)	x	(290)	(252)	(38)	x	(31)	(13)	(18)	x
Contract Services - Participants Authorized During Year	-	-	-	x	-	-	-	x	-	-	-	x
Other	-	-	-	-	-	-	-	-	-	-	-	-
Total, Project Assistance	12,196	10,255	1,941	-	11,000	9,000	2,000	-	4,500	2,000	2,500	-
NON-PROJECT ASSISTANCE												
Commodity Imports:												
Surplus Agricultural Commodities:												
Bread Grains	602	602	-	602	1,000	1,000	-	1,000	1,000	1,000	-	1,000
Dairy Products	1,375	1,375	-	1,375	1,000	1,000	-	1,000	1,000	1,000	-	1,000
Sugar	492	492	-	492	-	-	-	-	-	-	-	-
Total, Surplus Agricultural Commodities	2,469	2,469	-	2,469	2,000	2,000	-	2,000	2,000	2,000	-	2,000
Deduct Sales to This Country for Benefit of Other Countries	-	-	-	-	-	-	-	-	-	-	-	-
Add Sales to Other Countries for Bendfit of This Country	1,100	1,100	-	1,100	3,000	3,000	-	3,000	-	-	-	-
Net Sales for Benefit of This Country	3,569	3,569	-	3,569	5,000	5,000	-	5,000	2,000	2,000	-	2,000
Other Commodities:												
Food, Feed and Fertilizer	940	940	-	940	300	300	-	300	600	600	-	600
Fuel	2,160	2,160	-	2,160	2,200	2,200	-	2,200	3,000	3,000	-	3,000
Raw Materials and Semi-Finished Products	5,450	5,450	-	5,450	3,000	3,000	-	3,000	3,500	3,500	-	3,500
Machinery and Vehicles	4,850	4,850	-	4,850	3,000	3,000	-	3,000	3,500	3,500	-	3,500
Miscellaneous	15,924	15,924	-	15,924	7,500	7,500	-	7,500	15,400	15,400	-	15,400
Total, Other Commodities	29,324	29,324	-	29,324	16,000	16,000	-	16,000	26,000	26,000	-	26,000
Total Commodity Imports	32,893	32,893	-	32,893	21,000	21,000	-	21,000	28,000	28,000	-	28,000
Cash Grants	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-
Total, Non-Project Assistance	32,893	32,893	-	32,893	21,000	21,000	-	21,000	28,000	28,000	-	28,000
TOTAL, NON-MILITARY PROGRAMS	45,089	43,148	1,941	32,893	32,000	30,000	2,000	21,000	32,500	30,000	2,500	28,000
Of Which Dollar Loans	-	-	-	-	-	-	-	-	-	-	-	-
Of Which Dollar Grants	45,089	43,148	1,941	32,893	32,000	30,000	2,000	21,000	32,500	30,000	2,500	28,000

TABLE 3

CAMBODIA

MUTUAL SECURITY PROGRAM LOCAL CURRENCY GENERATION AND PROGRAMMED UTILIZATION

(In thousands of dollars equivalent)

	ACTUAL FY 1956			ESTIMATED FY 1957			PROPOSED FY 1958		
	TOTAL	DEFENSE SUPPORT	TECHNICAL COOPERATION	TOTAL	DEFENSE SUPPORT	TECHNICAL COOPERATION	TOTAL	DEFENSE SUPPORT	TECHNICAL COOPERATION
LOCAL CURRENCY GENERATION									
Dollar Programs Initiating Local Currency Generation	32,893	x	x	21,000	x	x	28,000	x	x
Less: Local Currency Reserved for U.S. Uses	649	x	x	860	x	x	920	x	x
Subtotal Local Currency Availability	32,244	x	x	20,140	x	x	27,080	x	x
Add: Estimated Local Currency Unprogrammed Beginning of Year	5,598	x	x	6,740	x	x	60	x	x
Total Local Currency Available for Programming	37,842	x	x	26,880	x	x	27,140	x	x
PROGRAMMED UTILIZATION									
Mutual Security Project Requirements:									
Military	4,000	4,000	-	-	-	-	650	650	-
Non-Military	9,245	4,612	4,633	8,940	5,670	3,270	8,590	4,800	3,790
Total Project Requirements	13,245	8,612	4,633	8,940	5,670	3,270	9,240	5,450	3,790
Non-Project Budget Support:									
Military	17,857	17,857	-	17,880	17,880	-	17,740	17,740	-
Non-Military	-	-	-	-	-	-	-	-	-
Total Non-Project Budget Support	17,857	17,857	-	17,880	17,880	-	17,740	17,740	-
Other	-	-	-	-	-	-	-	-	-
Total Programmed Utilization	31,102	26,469	4,633	26,820	23,550	3,270	26,980	23,190	3,790
Local Currency Unprogrammed Close of Year	6,740	x	x	60	x	x	160	x	x

[redacted]

CAMBODIA

TABLE 4

MUTUAL SECURITY PROGRAM LOCAL CURRENCY ACCRUAL, REALIZATION AND UTILIZATION

(In thousands of dollars equivalent)

	ACTUAL FY 1956		ESTIMATED FY 1957		PROPOSED FY 1958	
	LOCAL CURRENCY		LOCAL CURRENCY		LOCAL CURRENCY	
	ON DEPOSIT	TO BE DEPOSITED	ON DEPOSIT	TO BE DEPOSITED	ON DEPOSIT	TO BE DEPOSITED
LOCAL CURRENCY REALIZATION						
Unutilized Balance Beginning of Year	1,825	16,516	7,405	19,615	1,905	11,755
Add: Current Year Local Currency Generation	x	32,244	x	20,140	x	27,080
Subtotal Availability on Accrual Basis	x	48,760	x	39,755	x	38,835
Local Currency Realization During Year	+29,145	-29,145	+28,000	-28,000	+26,105	-26,105
Total Local Currency Available for Utilization	30,970	x	35,405	x	28,010	x
UTILIZATION						
Mutual Security Project Requirements:						
Military	815	x	8,385	x	650	x
Non-Military	4,715	x	7,300	x	8,700	x
Total Project Requirements	5,530	x	15,685	x	9,350	x
Non-Project Budget Support:						
Military	18,035	x	17,815	x	17,835	x
Non-Military	-	x	-	x	-	x
Total Non-Project Budget Support	18,035	x	17,815	x	17,835	x
Other	-	x	-	x	-	x
Total Utilization	23,565	x	33,500	x	27,185	x
Local Currency Unutilized Close of Year	7,405	19,615	1,905	11,755	825	12,730

[redacted]

TABLE 5

CAMBODIA

MUTUAL SECURITY PROJECT ASSISTANCE BY FIELD OF ACTIVITY

(In thousands of dollars and equivalent)

FIELD OF ACTIVITY	ACTUAL FY 1956						ESTIMATED FY 1957						PROPOSED FY 1958					
	DOLLAR PROGRAM			LOCAL CURRENCY PROGRAMMED UTILIZATION			DOLLAR PROGRAM			LOCAL CURRENCY PROGRAMMED UTILIZATION			DOLLAR PROGRAM			LOCAL CURRENCY PROGRAMMED UTILIZATION		
	TOTAL	DEFENSE SUPPORT	TECHNICAL COOPERATION	TOTAL	DEFENSE SUPPORT	TECHNICAL COOPERATION	TOTAL	DEFENSE SUPPORT	TECHNICAL COOPERATION	TOTAL	DEFENSE SUPPORT	Technical Cooperation	TOTAL	DEFENSE SUPPORT	TECHNICAL COOPERATION	TOTAL	DEFENSE SUPPORT	TECHNICAL COOPERATION
Direct Military Support	x	x	x	4,000	4,000	-	x	x	x	-	-	-	x	x	x	650	650	-
Agriculture and Natural Resources	952	620	332	1,596	634	962	520	25	495	1,300	600	700	800	25	775	1,625	500	1,125
Industry and Mining	453	100	353	245	230	15	160	80	80	1,610	1,500	110	440	295	145	1,500	1,300	200
Transportation	9,068	8,980	88	2,910	2,253	657	8,575	8,500	75	2,645	2,555	90	1,055	950	105	2,305	2,180	125
Labor	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Health and Sanitation	623	555	68	936	814	122	460	395	65	545	490	55	800	730	70	710	650	60
Education	326	-	326	1,237	316	921	505	-	505	1,620	-	1,620	660	-	660	1,430	-	1,430
Public Administration	36	-	36	112	-	112	245	-	245	255	-	255	275	-	275	325	-	325
Community Development, Social Welfare and Housing	63	-	63	419	365	54	60	-	60	375	285	90	50	-	50	195	-	195
General and Miscellaneous	675	-	675	1,790	-	1,790	475	-	475	590	240	350	420	-	420	500	170	330
TOTAL PROJECT ASSISTANCE	12,196	10,255	1,941	13,245	8,612	4,633	11,000	9,000	2,000	8,940	5,670	3,270	4,500	2,000	2,500	9,240	5,450	3,790

CAMBODIA

MUTUAL SECURITY PROJECT LISTING FOR FISCAL YEAR 1958

(In thousands of dollars)

PROJECT TITLE AND DESCRIPTION	STATUS	TOTAL COST	TECHNICIANS		PARTICIPANTS		CONTRACT SERVICES			SUPPLIES AND EQUIPMENT	OTHER COSTS
			NUMBER	COSTS	NUMBER	COSTS	NUMBER		COSTS		
							TECHNICIANS	PARTICIPANTS			
TECHNICAL COOPERATION											
Agriculture and Natural Resources											
1. Agriculture Production, Extension and Education a/	207	390	5	68	55	52	4	-	150	120	-
2. Organization of Bureau of Reclamation for Irrigation and Drainage b/	218	202	10	137	5	5	17	-	60	-	-
3. Development of Cooperatives and Production Credit	118	73	1	15	6	8	-	-	-	50	-
4. Forestry Resources	214	65	2	20	7	20	1	-	15	10	-
5. Technical Support	000	45	3	45	-	-	-	-	-	-	-
Total For Activity		775	21	285	73	85	22	-	225	180	-
Industry and Mining											
1. Industrial Development Service To establish a service for industrial research and to provide technical-managerial assistance to entrepreneurs. Project is related to Small Industry Loan activity, financed with counter-part funds.	New	145	4	55	4	5	-	-	-	85	-
Total For Activity		145	4	55	4	5	-	-	-	85	-
Transportation											
1. Technical Support	000	105	7	105	-	-	-	-	-	-	-
Total For Activity		105	7	105	-	-	-	-	-	-	-

[redacted]

CAMBODIA

MUTUAL SECURITY PROJECT LISTING FOR FISCAL YEAR 1958

(In thousands of dollars)

PROJECT TITLE AND DESCRIPTION	STATUS	TOTAL COST	TECHNICIANS		PARTICIPANTS		CONTRACT SERVICES			SUPPLIES AND EQUIPMENT	OTHER COSTS
			NUMBER	COSTS	NUMBER	COSTS	NUMBER		COSTS		
							TECHNICIANS	PARTICIPANTS			
Health and Sanitation											
1. Technical Support	000	70	3	45	4	25	-	-	-	-	-
Total For Activity		70	3	45	4	25	-	-	-	-	-
Education											
1. Vocational Education	216	330	2	30	15	50	8	-	150	100	-
2. Rural Development Through Education	217	270	8	120	50	140	-	-	-	10	-
3. Technical Support	000	60	4	60	-	-	-	-	-	-	-
Total For Activity		660	14	210	65	190	8	-	150	110	-
Public Administration											
1. Civil Police	163	110	6	90	19	20	-	-	-	-	-
2. Total Resources Survey (National Census)	224	40	1	15	2	10	-	-	-	15	-
3. Improvement of Government Finance	219	110	-	-	2	10	4	-	100	-	-
4. Technical Support	000	15	1	15	-	-	-	-	-	-	-
Total For Activity		275	8	120	23	40	4	-	100	15	-
Community Development, Social Welfare and Housing											
1. Development of Town Planning and Housing	168	50	1	15	10	15	1	-	15	5	-
Total For Activity		50	1	15	10	15	1	-	15	5	-

[redacted]

CAMBODIA

MUTUAL SECURITY PROJECT LISTING FOR FISCAL YEAR 1958

(In thousands of dollars)

PROJECT TITLE AND DESCRIPTION	STATUS	TOTAL COST	TECHNICIANS		PARTICIPANTS		CONTRACT SERVICES			SUPPLIES AND EQUIPMENT	OTHER COSTS
			NUMBER	COSTS	NUMBER	COSTS	NUMBER		COSTS		
							TECHNICIANS	PARTICIPANTS			
General and Miscellaneous											
1. Improvement of Mass Communications	110	175	5	70	10	15	2	-	20	70	-
2. Technical Support	000	245	11	165	-	-	-	-	40	40	-
Total For Activity		420	16	235	10	15	2	-	60	110	-
TOTAL TECHNICAL COOPERATION PROGRAM		2,500	74	1,070	189	375	37	-	550	505	-

a/ Includes FY 1957 projects 13-126, Crop Development, and 13-141, Livestock Improvement.
b/ Includes FY 1957 project 12-054, Development of Irrigation and Drainage Systems.

CAMBODIA

MUTUAL SECURITY PROJECT LISTING FOR FISCAL YEAR 1958

(In thousands of dollars)

PROJECT TITLE AND DESCRIPTION	STATUS	TOTAL COST	TECHNICIANS		PARTICIPANTS		CONTRACT SERVICES			SUPPLIES AND EQUIPMENT	OTHER COSTS
			NUMBER	COSTS	NUMBER	COSTS	NUMBER		COSTS		
							TECHNICIANS	PARTICIPANTS			
DEFENSE SUPPORT											
Agriculture and Natural Resources											
1. Organization of Bureau of Reclamation for Irrigation and Drainage	218	25	-	-	-	-	-	-	-	25	-
Total For Activity		25	-	-	-	-	-	-	-	25	-
Industry and Mining											
1. Hydroelectric Power Station Construction To construct a small hydroelectric power station, following a survey to be undertaken in FY 1957; power distribution will possibly include Kampot and the new port at Kompong Som.	New	295	-	-	-	-	2	-	45	250	-
Total For Activity		295	-	-	-	-	2	-	45	250	-
Transportation											
1. Highway and Bridge Repair, Maintenance and Rehabilitation	090	410	-	-	-	-	-	-	-	410	-
2. Dredging	085	80	-	-	-	-	1	-	30	50	-
3. River Navigation Improvement	225	10	-	-	-	-	-	-	-	10	-
4. Siem Riap Airfield Survey and Construction To survey and upgrade Siam Riap airport in order to promote tourist trade as a means of increasing Cambodian foreign exchange earnings.	New	450	-	-	-	-	10	-	200	250	-
Total For Activity		950	-	-	-	-	11	-	230	720	-

[redacted]

CAMBODIA

MUTUAL SECURITY PROJECT LISTING FOR FISCAL YEAR 1958

(In thousands of dollars)

PROJECT TITLE AND DESCRIPTION	STATUS	TOTAL COST	TECHNICIANS		PARTICIPANTS		CONTRACT SERVICES			SUPPLIES AND EQUIPMENT	OTHER COSTS
			NUMBER	COSTS	NUMBER	COSTS	NUMBER		COSTS		
							TECHNICIANS	PARTICIPANTS			
Health and Sanitation											
1. Control of Contagious Diseases	281	50	-	-	-	-	-	-	-	50	-
2. Improvement of Water Supply and Sewage Systems a/	169	680	-	-	-	-	1	-	30	650	-
Total For Activity		730	-	-	-	-	1	-	30	700	-
TOTAL DEFENSE SUPPORT PROJECTS		2,000	-	-	-	-	14	-	305	1,695	-

a/ Includes FY 1957 project 59-223, Health Support to Basic Education.

TABLE 7

CAMBODIA

ANALYSIS OF EXPENDITURE RATES FOR NON-MILITARY MUTUAL SECURITY PROGRAMS

(In thousands of dollars)

PROGRAM	UNLIQUIDATED OBLIGATIONS 6/30/55	ACTUAL OBLIGATIONS FY 1956	TOTAL AVAILABLE FOR EXPENDITURE FY 1956	ACTUAL EXPENDITURES FY 1956	UNLIQUIDATED OBLIGATIONS 6/30/56	ESTIMATED OBLIGATIONS FY 1957	TOTAL AVAILABLE FOR EXPENDITURE FY 1957	ESTIMATED EXPENDITURES FY 1957	UNLIQUIDATED OBLIGATIONS 6/30/57	PROPOSED OBLIGATIONS FY 1958	TOTAL AVAILABLE FOR EXPENDITURE FY 1958	ESTIMATED EXPENDITURES FY 1958	UNLIQUIDATED OBLIGATIONS 6/30/58
FY 1955 AND PRIOR YEAR FUNDS													
Defense Support													
Project Assistance	2,539.5	0.5	2,540.0	721.7	1,818.3	x	1,818.3	1,318.3	500.0	x	500.0	500.0	-
Non-Project Assistance	21,372.8	-244.2	21,128.6	17,270.5	3,858.1	x	3,858.1	3,558.1	300.0	x	300.0	300.0	-
Total, Defense Support	23,912.3	-243.7	23,668.6	17,992.2	5,676.4	x	5,676.4	4,876.4	800.0	x	800.0	800.0	-
Technical Cooperation													
Project Assistance	x	x	x	x	x	x	x	x	x	x	x	x	x
Total FY 1955 and Prior Year Funds	23,912.3	-243.7	23,668.6	17,992.2	5,676.4	x	5,676.4	4,876.4	800.0	x	800.0	800.0	-
FY 1956 FUNDS													
Defense Support													
Project Assistance	x	10,255.0	10,255.0	194.3	10,060.7	x	10,060.7	5,600.0	4,460.7	x	4,460.7	2,900.0	1,560.7
Non-Project Assistance	x	32,893.5	32,893.5	7,587.3	25,306.2	x	25,306.2	20,819.0	4,487.2	x	4,487.2	3,487.2	1,000.0
Total Defense Support	x	43,148.5	43,148.5	7,781.6	35,366.9	x	35,366.9	26,419.0	8,947.9	x	8,947.9	6,387.2	2,560.7
Technical Cooperation													
Project Assistance	x	1,940.7	1,940.7	444.7	1,496.0	x	1,496.0	510.0	986.0	x	986.0	620.0	366.0
Total, FY 1956 Funds	x	45,089.2	45,089.2	8,226.3	36,862.9	x	36,862.9	26,929.0	9,933.9	x	9,933.9	7,007.2	2,926.7
FY 1957 FUNDS													
Defense Support													
Project Assistance	x	x	x	x	x	9,000.0	9,000.0	3,000.0	6,000.0	x	6,000.0	4,000.0	2,000.0
Non-Project Assistance	x	x	x	x	x	21,000.0	21,000.0	5,000.0	16,000.0	x	16,000.0	14,880.0	1,120.0
Total, Defense Support	x	x	x	x	x	30,000.0	30,000.0	8,000.0	22,000.0	x	22,000.0	18,880.0	3,120.0
Technical Cooperation													
Project Assistance	x	x	x	x	x	2,000.0	2,000.0	900.0	1,100.0	x	1,100.0	700.0	400.0
Total, FY 1957 Funds	x	x	x	x	x	32,000.0	32,000.0	8,900.0	23,100.0	x	23,100.0	19,580.0	3,520.0
FY 1958 FUNDS													
Defense Support													
Project Assistance	x	x	x	x	x	x	x	x	x	2,000.0	2,000.0	90.0	1,910.0
Non-Project Assistance	x	x	x	x	x	x	x	x	x	28,000.0	28,000.0	9,000.0	19,000.0
Total, Defense Support	x	x	x	x	x	x	x	x	x	30,000.0	30,000.0	9,090.0	20,910.0
Technical Cooperation													
Project Assistance	x	x	x	x	x	x	x	x	x	2,500.0	2,500.0	1,100.0	1,400.0
Total, FY 1958 Funds	x	x	x	x	x	x	x	x	x	32,500.0	32,500.0	10,190.0	22,310.0
TOTAL ALL PROGRAMS													
Defense Support													
Project Assistance	2,539.5	10,255.5	12,795.0	916.0	11,879.0	9,000.0	20,879.0	9,918.3	10,960.7	2,000.0	12,960.7	7,490.0	5,470.7
Non-Project Assistance	21,372.8	32,649.3	54,022.1	24,857.8	29,164.3	21,000.0	50,164.3	29,377.1	20,787.2	28,000.0	48,787.2	27,667.2	21,120.0
Total, Defense Support	23,912.3	42,904.8	66,817.1	25,773.8	41,043.3	30,000.0	71,043.3	39,295.4	31,747.9	30,000.0	61,747.9	35,157.2	26,590.7
Technical Cooperation													
Project Assistance	x	1,940.7	1,940.7	444.7	1,496.0	2,000.0	3,496.0	1,410.0	2,086.0	2,500.0	4,586.0	2,420.0	2,166.0
TOTAL, ALL PROGRAMS	23,912.3	44,845.5	68,757.8	26,218.5	42,539.3	32,000.0	74,539.3	40,705.4	33,833.9	32,500.0	66,333.9	37,577.2	28,756.7

[redacted]

[redacted] TABLE 8

ANALYSIS OF EXPENDITURE RATES FOR SELECTED PROJECTS WITH UNLIQUIDATED OBLIGATIONS OF $100,000 OR MORE ON 6/30/56 AND FOR WHICH ADDITIONAL FUNDS ARE PROPOSED IN FY 1958

(In thousands of dollars)

PROJECT TITLE AND NUMBER	UNLIQUIDATED OBLIGATIONS 6/30/55	ACTUAL OBLIGATIONS FY 1956	TOTAL AVAILABLE FOR EXPENDITURE FY 1956	ACTUAL EXPENDITURES FY 1956	UNLIQUIDATED OBLIGATIONS 6/30/56	ESTIMATED OBLIGATIONS FY 1957	TOTAL AVAILABLE FOR EXPENDITURE FY 1957	ESTIMATED EXPENDITURES FY 1957	UNLIQUIDATED OBLIGATIONS 6/30/57	PROPOSED OBLIGATIONS FY 1958	TOTAL AVAILABLE FOR EXPENDITURE FY 1958	ESTIMATED EXPENDITURES FY 1958	UNLIQUIDATED OBLIGATIONS 6/30/58
AGRICULTURE AND NATURAL RESOURCES													
Organization of Bureau of Reclamation for Irrigation and Drainage													
56-054	x	620	620	8	612	x	612	580	32	x	32	32	-
57-054	x	x	x	x	x	10	10	-	10	x	10	10	-
58-218	x	x	x	x	x	x	x	x	x	227	227	-	227
Total	x	620	620	8	612	10	622	580	42	227	269	42	227
TRANSPORTATION													
Highway and Bridge Repair, Maintenance and Rehabilitation													
56-089, 56-176	x	1,400	1,400	21	1,379	x	1,379	500	879	x	879	700	179
57-090	x	x	x	x	x	430	430	12	418	x	418	360	58
58-090	x	x	x	x	x	x	x	x	x	410	410	8	402
Total	x	1,400	1,400	21	1,379	430	1,809	512	1,297	410	1,707	1,068	639
HEALTH AND SANITATION													
Improvement of Water Supply and Sewage Systems													
56-169	x	406	406	5	401	x	401	240	161	x	161	161	-
57-169	x	x	x	x	x	300	300	25	275	x	275	220	55
58-169	x	x	x	x	x	x	x	x	x	680	680	30	650
Total	x	406	406	5	401	300	701	265	436	680	1,116	411	705
EDUCATION													
Vocational Education for Economic Development													
56-216	x	300	300	-	300	x	300	205	95	x	95	90	5
57-216	x	x	x	x	x	60	60	30	30	x	30	30	-
58-216	x	x	x	x	x	x	x	x	x	300	300	25	275
Total	x	300	300	-	300	60	360	235	125	300	425	145	280
PUBLIC ADMINISTRATION													
Civil Police Administration													
55-163	775	x	775	53	722	x	722	170	552	x	552	522	30
57-163	x	x	x	x	x	20	20	10	10	x	10	10	-
58-163	x	x	x	x	x	x	x	x	x	110	110	50	60
Total	775	x	775	53	722	20	742	180	562	110	672	582	90

[redacted]

CAMBODIA

TABLE 9

CENTRAL GOVERNMENT FINANCES AND RELATED MUTUAL SECURITY LOCAL CURRENCY PROGRAMS

(Exchange Rate Used To Convert To Dollars: _____)

(In thousands of dollars equivalent)

	FISCAL YEAR ENDING: *(Indicate Month)* _____							
	1955		1956		1957		1958	
EXPENDITURES								
National Defense								
Capital Outlay								
Other Non-Defense Expenditures								
Total Expenditures								
Total Revenue, Excluding U.S. and Other Foreign Aid								
Deficit (-) or Surplus (+) Before Aid								
FINANCING OF EXPENDITURES BY SOURCE OF FUNDS	PERCENT	AMOUNT	PERCENT	AMOUNT	PERCENT	AMOUNT	PERCENT	AMOUNT
Revenue, Excluding U.S. and Other Foreign Aid								
Counterpart Withdrawals and MSP Local Currency Grants								
Defense Budget Support								
Civilian Budget Support								
Mutual Security Program Projects								
Total Counterpart and U.S. Local Currency Grants								
P.L. 480 Grants								
Grants from Other Countries								
Borrowings (+) or Debt Retirement (-)								
Mutual Security Loan								
P.L. 480 - Sec. 104(g)								
Export-Import Bank								
International Bank for Reconstruction and Development								
Other Foreign Borrowing								
Domestic Borrowing:								
Bond Issues								
Treasury Notes								
Borrowing from Central and Private Banks								
Total Domestic Borrowing								
Total Borrowing								
Net Change (+) or (-) in Bank Balances and Other Reserves								
Total Financing								

DATA NOT AVAILABLE

NOTE: Government Gross Debt: Amount Domestic _____ Amount Foreign _____ Date _____

TABLE 10

CAMBODIA

BALANCE OF PAYMENTS AND RESERVES

(Million of dollar equivalent converted at 35 per dollar)

ITEM	CALENDAR YEARS 1954	1955	1956	1957	1958
Balance of Payments					
Goods and Services					
Exports, F.O.B.	n.a.	27.1	32.1	40.0	42.0
Imports, F.O.B.	n.a.	- 39.6	- 56.5	- 56.0	- 60.0
Trade balance	n.a.	- 12.5	- 24.4	- 16.0	- 18.0
Nonmonetary gold movements (net)	n.a.	n.a.	n.a.	n.a.	n.a.
Foreign travel	n.a.	- 0.8	n.a.	n.a.	n.a.
Transportation and insurance	n.a.	- 2.6	n.a.	n.a.	n.a.
Investment income	n.a.	- 1.1	n.a.	n.a.	n.a.
Government, not included elsewhere	n.a.	- 1.1	n.a.	n.a.	n.a.
Other services	n.a.	- 1.1	n.a.	n.a.	n.a.
Total services	n.a.	- 6.7	- 10.4	- 11.0	- 12.0
Total goods and services	n.a.	- 19.2	- 34.8	- 27.0	- 30.0
Private Financing					
Remittances	n.a.	- 1.5	- 3.0	- 4.0	- 5.0
Direct investment	n.a.	0.3	1.0	2.0	3.0
Other	n.a.	-	-	-	-
Total private financing	n.a.	- 1.2	- 2.0	- 2.0	- 2.0
Net Errors and Omissions	n.a.	0.2	-	-	-
Surplus (+) or Deficit (-)	n.a.	- 20.2	- 36.8	- 29.0	- 32.0
Official Financing					
Grants					
Grants from U.S.					
MSP	n.a.	27.0	38.0	23.0	26.0
P.L. 480 Titles I, II	-	-	-	-	-
Other	n.a.	9.0	4.4	2.0	2.0
Total grants	n.a.	36.0	42.4	25.0	28.0
Long-Term Capital					
Loan repayments, including Government					
Loans from MSP					
Loans from P.L. 480, Title I.					
Loans from Export-Import Bank					
Loans from IBRD					
Other					
Total long-term capital					
Short-Term Capital					
Change in reserves (increase -)	n.a.	- 12.9	- 5.6	4.0	4.0
Monetary gold (increase -)	n.a.				
Other	n.a.	- 2.9			
Total short-term capital	n.a.	- 15.8	- 5.6	4.0	4.0
Total Official Financing	n.a.	20.2	36.8	29.0	32.0
Status of Reserves (end of period)					
Gold	n.a.	-	n.a.	n.a.	n.a.
Dollars	n.a.	17.6	n.a.	n.a.	n.a.
Sterling	n.a.	-	n.a.	n.a.	n.a.
Other - Francs	n.a.	29.5	n.a.	n.a.	n.a.
All Other	n.a.	2.6	n.a.	n.a.	n.a.

[redacted]

TABLE II

CAMBODIA

SUMMARY ECONOMIC DATA

ITEM	CALENDAR YEARS 1954	1955	1956	1957	1958
Population (Mid-year in millions)	3.90	4.00	4.06	4.12	4.18
Gross National Product at market prices--Total ($ Millions)	n.a.	320.0	352.0	375.0	409.0
(Expressed in 1955 prices. Foreign Exchange Conversion Rate: 35 riels = US $1)	n.a.	320.0	330.0	340.0	355.0
By Type of Expenditure:					
Private consumption	n.a.	252.0	270.0	270.0	283.0
Gross investment (public and private)	n.a.	22.0	29.0	30.0	34.0
Government expenditures on goods and services	n.a.	66.0	68.0	69.0	70.0
Net foreign balance (+) or (-)	n.a.	- 20.0	- 37.0	- 29.0	- 32.0
Per capita GNP	n.a.	$80.00	$81.28	$82.52	$84.92
Prices (Index, 1949 = 100)					
a. Wholesale	n.a.	n.a.	n.a.	n.a.	n.a.
b. Cost of living	185	205	219	226	236
Industrial production	n.a.	n.a.	n.a.	n.a.	n.a.

Major commodities	Unit of quantity
None	

	CROP YEARS 1954/55	1955/56	1956/57	1957/58	1958/59
Agricultural production (Total Index, 1935-39 = 100)	88	92	98	101	107

Major crops	Unit of quantity					
Rubber	Metric ton	27,800	30,800	34,000	38,000	42,000
Rice (paddy)	Metric ton	1,200,000	1,100,000	1,200,000	1,200,000	1,300,000

TABLE 15

CAMBODIA

HOST COUNTRY CONTRIBUTIONS

(In thousands of dollars equivalent)

	ACTUAL FY 1956			ESTIMATED FY 1957			ESTIMATED FY 1958		
	TOTAL	DEFENSE SUPPORT	TECHNICAL COOPERATION	TOTAL	DEFENSE SUPPORT	TECHNICAL COOPERATION	TOTAL	DEFENSE SUPPORT	TECHNICAL COOPERATION
Contributions to Other Than Cooperative Services									
Value in Cash:									
By Central Government a/	2,905	2,295	610	12,195	815	11,380	4,245	2,000	2,245
By Local Governments or Other Parties	-	-	-	-	-	-	-	-	-
Total	2,905	2,295	610	12,195	815	11,380	4,245	2,000	2,245
Value in Kind: b/									
By Central Government	-	-	-	-	-	-	-	-	-
By Local Governments or Other Parties	-	-	-	-	-	-	-	-	-
Total	-	-	-	-	-	-	-	-	-
Total Contributions to Other than Cooperative Services	2,905	2,295	610	12,195	815	11,380	4,245	2,000	2,245
Contributions to Cooperative Services									
Value in Cash:									
By Central Government									
By Local Governments or other Parties									
Total									
Value in Kind:									
By Central Government									
By Local Governments or Other Parties									
Total									
Total Contributions to Cooperative Services									
GRAND TOTAL CONTRIBUTIONS	2,905	2,295	610	12,195	815	11,380	4,245	2,000	2,245

a/ Estimated RKG National Budget contributions to mutual security projects.
b/ Data not available.

[redacted]

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FAR EAST

FY 1958 ILLUSTRATIVE PRESENTATION

CHINA (TAIWAN)

OFFICE OF FAR EASTERN OPERATIONS

INTERNATIONAL COOPERATION ADMINISTRATION

[redacted]

CHINA (Taiwan)

TABLE I

NON-MILITARY MUTUAL SECURITY PROGRAMS BY FUNCTION

(In thousands of dollars)

FUNCTIONS	ACTUAL FY 1956	ESTIMATED FY 1957	PROPOSED FY 1958
Defense Support			
Project Assistance	26,260	45,000	44,000
Non-Project Assistance	43,748 a/	35,000 b/	44,000 c/
Total, Defense Support	70,008 a/	80,000 b/	88,000 c/
Technical Cooperation			
Project Assistance	3,284	3,550	3,000
TOTAL PROGRAMS	73,292	83,550	91,000
Of Which MSP Loans d/	20,000	20,000	20,000
Of Which MSP Sales of Surplus Agricultural Commodities	26,161	21,800	33,800

a/ Includes 10.06 million for local currency support of Kung Kuan airfield project.

b/ Excludes 6.0 million for Kung Kuan airfield, pending completion of engineering study to determine whether these funds are needed to meet dollar (Military Assistance) or local currency (DS) costs.

c/ Includes 8.0 million for raw materials for military use.

d/ Provided from U.S. owned local currency.

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CHINA (Taiwan)

Narrative Statement

U. S. OBJECTIVES

1. To deny Taiwan and Penghu to the communists.

2. To foster a friendly, stable and responsible Chinese Government on Taiwan.

3. To increase the effectiveness of the government's armed forces.

4. To help the government to maintain its international and internal standing and prestige.

5. To strengthen the economy of Taiwan as an essential element in progress toward the above objectives.

OBSTACLES TO ACHIEVEMENT OF OBJECTIVES

A. Political and Social Problems

1. The Government of the Republic of China (GRC) comprises a large and unwieldy bureaucracy. The fact that the Central Government is superimposed upon the Taiwan Provincial Government structure makes for considerable overlapping of functions and inefficiency of operation. Due to a plethora of civil servants and low pay scales, incentives for efficient work are further weakened.

2. The objective of "return-to-the-mainland", although somewhat de-emphasized in the last several years, is paramount in official policy and often leads to actions which are prejudicial to GRC efficiency and prestige as well as to U. S. objectives.

3. Although the government is stable and President Chiang is accepted as the embodiment of resistance to the communist regime on the mainland, the native Taiwanese who comprise 80 percent of the population have no effective voice in government above the municipal level.

4. International prestige of the GRC suffers from lack of knowledge on the part of other Asian peoples of the economic, social, political and military progress being achieved on Taiwan.

5. The 2.75 percent annual increase in population causes pressure on land resources and aggravates unemployment and underemployment problems in both rural and urban areas. Relief rolls are large and available funds for social welfare work are inadequate.

6. There is a lack of adequate health facilities and well-trained medical personnel; certain preventable diseases are not sufficiently controlled; and housing, particularly for low-income workers, is inadequate and often substandard.

B. Economic Problems

The basic economic problem of Taiwan is the inadequacy of resources in terms of the demands placed upon them. The economy is unable to supply the basic needs of the rapidly increasing

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civilian population and at the same time support a military program of the size and scope consistent with Chinese and U. S. interests. Illustrative of the inadequacy of local currency and foreign exchange resources is the fact that in FY 1955 and 1956 Chinese local currency revenues covered only about two-thirds of total local currency expenditures (including those financed by U. S. aid), and foreign exchange earnings financed only about half of total import requirements (including U. S. aid).

Closely related to this basic problem is the difference between GRC and U. S. Government viewpoints regarding the relative emphasis to be placed on competing uses of available resources. Stemming from GRC policy toward the communist mainland is a desire to allocate the largest practicable share of resources to the military. In allocating the balance remaining for the civilian economy, the GRC wishes to emphasize increased living standards in order to retain popular support. While recognizing the need for a level of military expenditures consistent with national security and for the maintenance of reasonable living standards, the U. S. has emphasized the necessity for allocation of the largest practicable share of resources to capital investment and increase of productive capacity.

Possibilities for agricultural development in Taiwan are limited, with only 0.2 acres of cultivable land available per person and little further increase in cultivable land area attainable. Industry is relatively underdeveloped and industrial capacity is low, relative to the size of the population. Significant obstacles to increased production are (1) scarcity of local capital for productive investment, due to low per capita incomes and more attractive alternative uses for savings, (2) low level of foreign private investment due primarily to the threat of war, and (3) lack of skilled industrial workers as well as properly trained engineers and technicians for industrial development.

The difficulty of overcoming the inadequacy of local resources is compounded by the high rate of population growth in Taiwan. This is illustrated by the experience of the past few years, when sizeable gains in local production were sufficient only to keep pace with the rapid increase in population. Appendix A, Selected Economic Indicators, reflects some of the current problems discussed above, and projects future trends through 1960.

ROLE OF U. S. ASSISTANCE

A. Why U. S. Assistance Is Required

Because of the inability of the local economy to support military and civilian requirements, U. S. assistance is needed to supplement GRC foreign exchange and local currency resources. Current government expenditures cannot be entirely financed from current revenues, nor can requirements from abroad be covered by foreign exchange earnings. Besides meeting these current shortages, U. S. assistance is required to stimulate and assist in a more fundamental long-range strengthening of the economy through increases in productive capacity sufficient to keep living standards from declining and permit progress toward self-support.

B. Other Potential Sources of Assistance

Attempts to utilize the resources of the U. S. Export-Import Bank have not succeeded because of the large outstanding indebtedness carried over from the mainland and because of the balance of payments position of the GRC. These same factors, together with international political considerations, prevent any active interest on the part of the IBRD, and the GRC is not

a member of the newly-created IFC. Moreover, since U. S. aid finances such a large share of GRC imports and because it is expected that Taiwan will be unable to balance its external payments until the military load is reduced, loans obtained from any of these sources would, in reality, have to be serviced indirectly from U. S. aid. Any sizeable inflow of foreign private investment is not to be expected in the near future.

C. Consequences of Reduction or Withdrawal of U. S. Aid

If the U. S. economic aid program were eliminated or sharply curtailed, it is doubtful that the GRC could for long maintain its authority on Taiwan. Specific ills which would soon result include a serious slow-down in the military program, inflation, a sharp decline in productive capital formation, and a dangerous drop in living standards.

The GRC would have to cut back or terminate its industrial development program in an effort to conserve foreign exchange. This single measure, however, would be insufficient to equate foreign exchange earnings and payments. Curtailment of food and textile raw material imports also would be necessary, and the people would resort to commodity hoarding. In an effort to combat the resulting inflation, the government would drastically reduce rice exports, and the consequent decline in export receipts would lead in turn to a further curtailment of consumable imports.

All available foreign exchange receipts would be used to support the military program and to import a minimum level of consumables and spare parts for industry. As prices and interest rates rose, the climate for productive investment would become less favorable. Public enterprises would be unable to expand production inasmuch as the government's demands for revenue would increase, thus forcing the enterprises to turn over as contributions to the government all earnings and even cash balances. It would still not be possible to balance the government budget, and the resulting deficit would add to the inflation.

D. Form and Direction of Economic Aid

To avoid perpetual and increasing dependence on U. S. assistance, the economic aid program should continue to be directed basically toward increasing Taiwan's productivity per worker. In the Taiwan economy, characterized by absence of unused arable land resources and an already intensive degree of cultivation, this means that economic aid must be concentrated on development of electric power, communications and manufacturing capacity. However, a part of development funds must be allocated to agriculture to permit farm production to keep pace with population growth. Assistance to health, education and self-help housing should also be continued, insofar as there is a clear and direct benefit to productivity.

Carrying out of the above course of action will involve allocation of an increasing proportion of Defense Support assistance for capital improvement projects. While non-project (commodity) assistance cannot be entirely eliminated, it should be progressively reduced in succeeding years as GRC local currency revenues increase.

Loan assistance requiring repayment in U. S. dollars would not be practicable in view of the balance of payments situation. On the other hand, loan assistance repayable in local currency, particularly for revenue-producing industrial projects, should continue. The amount of aid funds made available as loans to small private industries should be increased.

LONG-RANGE PROGRAM

A. Objective

The following specific program objectives have been developed in order to deal with problems obstructing achievement of the overall U. S. objectives in Taiwan.

1. Support for joint U. S.-Chinese Government efforts to improve the effectiveness of the Chinese military forces.

2. Maintenance of economic stability.

3. Expansion of production to increase capacity for self-support and to keep living standards from declining.

4. Assistance in maintaining the international and internal standing and prestige of the Chinese Government.

B. Magnitude and General Composition

The type and magnitude of aid that would be required to continue progress toward the achievement of U. S. objectives in Taiwan is projected through 1960 in Appendix B. Under the proposed plan, total Defense Support aid would decline from $88 million in FY 1958 to $76 million in FY 1960, while Technical Cooperation assistance would remain at the FY 1958 level of $3 million. Project aid would be increased from $26 million in FY 1956 to $48 million in FY 1960, while non-project assistance would decline from $44 million in FY 1958 to $28 million in FY 1960.

The proposed long-range program would help to improve the combat efficiency of the Chinese military forces through continuation of the present plan for the release from active duty of all personnel suffering from physical infirmities. It would help also to maintain economic stability by providing basic essential commodities as well as local currency to supplement budgetary resources of the Chinese Government.

To increase production and keep standards of living from declining, the programs through 1960 will emphasize the expansion of local productive capacity. The goal is an overall increase in production of 43 percent, or 26 percent per capita, from 1955 to 1960. To bring about such an increase, the rate of investment must be accelerated during that period.

It is expected that, with increasing economic stability and financial efficiency the Chinese could step up their investment rate substantially, but the U. S. contribution would have to increase at a somewhat more rapid rate in order to reach the required total investment level. By 1960, however, U. S. investment would account for only slightly more than one-fourth of the total investment in that year. Other potential sources of investment funds, such as the Export-Import Bank, the IBRD and private foreign capital, could not be relied upon for any substantial proportion of capital requirements during this period.

The projected increases in production are expected to permit a gradual reduction in Taiwan's balance of payments deficit after 1958. A rapid improvement in its external payments position is precluded, in part, because all production increases cannot be immediately translated into higher exports or reduced imports, and a portion of the increased production therefore tends to be consumed locally. There is, moreover, considerable political pressure for increased internal consumption, as available data indicate that living standards in Taiwan are still slightly below those prevailing under the Japanese regime before World War II.

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In the long-range plan, some increase in per capita private consumption expenditure is projected through 1958; in subsequent years it is estimated there would be a levelling off at the 1958 figure, and a larger share of production increases from 1959 on would be channeled into investment.

C. Summary of Long-Range Plan

The following summary relates the proposed scope and content of the long-range Mutual Security Program, and the complementary efforts required of the GRC, to the objectives listed in Section A above. Many of the problems, goals and activities below are applicable to more than one program objective. For simplicity of presentation, however, each is related to only one objective.

1. Program Objective: To support joint U.S.-GRC efforts to increase effectiveness of Free Chinese military forces.

a. Problems:

(1) Burden on Taiwan resources of imports and local currency expenditures for support of military forces.

(2) Presence of approximately 80,000 physically disabled personnel in military forces.

b. Goals:

(1) Reduce burden of military imports and local currency expenditures.

(2) Release disabled personnel from active military service and integrate them into civilian economy.

c. Planned MSP Activities:

(1) Local currency support for military construction projects and local procurement of items such as jet fuel; importation of raw materials for processing into items for military use.

(2) Technical advisory services in planning and implementation of program for disabled servicemen; construction of hospitals and convalescent homes; job training and public works projects.

d. Chinese Efforts:

(1) Allocation of more than 60 percent of government revenues to national defense and about 15 percent of export receipts to military imports.

(2) Establishment of government agency to direct program for disabled servicemen; provision of land for resettlement; increasing assumption of financial responsibility.

2. Program Objective: To help maintain economic stability.

a. Problems:

(1) Shortage of basic commodities.

(2) Rapid expansion of money supply.

b. Goals:

(1) Increase supply of basic foodstuffs and industrial raw materials.

(2) Reduce government budgetary deficits and control expansion of bank credit.

c. Planned MSP Activities:

(1) Importation under non-project assistance of protein foods, carbohydrates, and basic industrial raw materials.

(2) Local currency financing of certain military and economic development expenditures; technical advice in public finance and banking fields.

d. Chinese Efforts:

(1) Allocation of approximately 15 percent of export receipts for foodstuffs and industrial raw materials.

(2) Continued increase of government revenues; improved budgetary controls; more active role of Economic Stabilization Board in screening loan applications of government enterprises and recommending measures for supervision of commercial bank practices.

3. Program Objective: To assist in expansion of production in order to increase capacity for self-support and keep living standards from declining.

a. Problems:

Unfavorable balance of payments; low rate of domestic and foreign investment; pressures for higher living standards; lack of technical and managerial skills; inadequate domestic production, medical, sanitary, technical education and low-cost housing facilities.

b. Goals:

(1) Reduce balance of payments deficits and improve climate for domestic and foreign investment.

(2) Increase production of basic crops by at least 10 percent by 1960 and provide for greater utilization of local raw materials for increased industrial output.

(3) Improve health, technical education, sanitary and low-cost housing facilities.

(4) Restrict short-run increases in living standards to assure adequate levels over longer run periods.

c. Planned MSP Activities:

(1) Technical assistance in fields of trade, investment, taxation, budgeting and other aspects of public administration and economic planning.

(2) Capital equipment and technical assistance for expansion of industrial production for domestic consumption, increased export potential and displacement of imports by local production. Increased agricultural crop yields will be required to meet needs of growing population.

(3) Dollar and local currency financing of projects such as power, highways, railways, port and harbor facilities, coastal ships, air navigational aids and communication networks.

(4) Technical assistance and demonstration equipment in the fields of public health, technical education, and community development for such projects as rural

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first-aid stations, improved curricula in agricultural and industrial vocational schools, and self-help housing for low income workers.

(5) Local currency loans for approved program activities as, for example, expansion of private industrial plants.

(6) Continuing increased emphasis on project assistance for investment purposes, and decreasing aid for non-project assistance by reason of projected improvement in Taiwan's economy.

d. Chinese Efforts:

(1) Trade expansion programs, particularly with Southeast Asia.

(2) Improvement in tax laws, establishment of favorable tax and exchange concessions to induce domestic and foreign investment.

(3) Improvement in public administration, for example, adoption of appropriate budgeting practices.

(4) Assumption by Chinese Government and private entities of greater responsibilities for project implementation and local currency project costs.

(5) Increased support for schools, public health and housing activities, with assistance from WHO, UNICEF and private agencies.

(6) Preparation of second Four-Year Economic Development Plan.

4. Program Objective: To assist in maintaining the international and internal standing and prestige of the Chinese Government.

a. Problems:

(1) Southeast Asia's lack of knowledge of Taiwan products and overall progress achieved in Taiwan.

(2) Sizeable flow of overseas Chinese students to mainland China.

b. Goals:

(1) Promote trade and informational contacts with Southeast Asia.

(2) Provide educational facilities in Taiwan to attract overseas Chinese students.

c. Planned MSP Activities:

(1) Technical advice in promotion of trade, and centralization and expansion of informational facilities; local currency support for participation in trade fairs.

(2) Dollar and local currency financing of equipment and construction facilities for more than 2,000 new overseas students a year.

d. Chinese Efforts:

(1) Expanded government and private support for trade promotion; reorganization of overseas informational activities.

(2) Increased government financial and administrative support for overseas Chinese education program.

STATUS AND ACCOMPLISHMENTS OF MSP

Economic aid programs in the past have made possible the transformation of the Chinese military forces into relatively modern fighting units, without runaway price inflation or a fall in civilian living standards. Prices rose 91 percent in 1950; in the first 8 months of 1956, despite substantially increased military expenditures, the price level remained constant, but rose about 7 percent in September and October. Economic assistance also has helped to build up agricultural production, thereby increasing Taiwan's capacity for self-support and contributing to internal peace and order.

Production of goods and services per person in 1956 was 40 percent above 1950; in the same period total industrial output rose 107 percent; combined agricultural, forestry and fisheries production increased 30 percent; electric power generation increased 112 percent; and railway freight ton-kilometers increased 80 percent. Despite these gains, Taiwan's own resources are still wholly inadequate to support the present military program without a reduction of civilian living standards and a slow-down of vital economic growth.

THE FY 1958 PROGRAM

The proposed FY 1958 program for Taiwan totals $91.0 million, broken down as shown below (U.S. $ millions):

	DS	TC	Total	Percent of Total
Project Assistance	44.0	3.0	47.0	51.6
Capital Development	41.5	-	41.5	45.6
Non-project (saleables)	44.0 a/	-	44.0	48.4
	88.0	3.0	91.0	100.0

a/ Includes $8 million of wheat and cotton for military use.

A. Program Magnitude

The $91.0 million total is the minimum amount believed necessary to assure local currency and foreign exchange availabilities, above those obtainable from Chinese sources, needed to achieve the U. S. and program objectives previously enumerated. Adequate progress toward these objectives cannot be realized with a smaller magnitude of aid.

B. Program Composition

The breakdown of aid between project and non-project assistance reflects a continuation of major emphasis, begun in FY 1957, on development of productive capacity, with a view to increased per capita production and lessened future dependence on U. S. economic aid. Calculation of the non-project assistance magnitude is based on the estimated size of the budgetary and balance-of-payments deficits, the anticipated volume of commodity arrivals from prior year programs, and the probable price situation. The project magnitude is based on estimated investment requirements, above those which can be expected to be Chinese-financed, for maintaining a rate of production increase slightly above the rate of population growth. Only if production outstrips population can dependence on U. S. aid reasonably be reduced. Thus, the FY 1958 program composition is geared both to short-run economic problems and the long-range economic plan.

1. Project Assistance

The FY 1958 DS project assistance component of $44.0 million is $1 million less than in FY 1957, but $17.7 million above FY 1956. It is an integral part of the longer-range capital development program which aims at a gradual lessening of dependence on U. S. aid.

Electric power development is the most important component of the FY 1958 project category, accounting for about

$17.0 million of the capital development total of $41.5 million. Power development will continue for the next several years to have a high priority, since current capacity is insufficient to satisfy the demand of established industrial producers and scarcity of power is a bottleneck to further industrial growth. According to current estimates, installed capacity would not be adequate to meet normal demands until 1962.

Under the FY 1958 program a 75,000 KW thermal unit will be started. Approximately $5.5 million will be required for this purpose. Initial financing also will be provided for a hydroelectric generating plant with an ultimate installed capacity of 120,000 KW, for which $2.1 million of programmed funds will be required in FY 1958. Other funds proposed for power development will be used for improvement of the transmission and distribution, and primary power systems to carry the increased load of an expanded generating system.

The second most important component of the capital development planned for FY 1958 provides a necessary stimulus for industrial growth. The program includes $10.7 million for this purpose, of which $3.0 million (or double the amount in FY 1956 and 1957) will be used for the development of small private industrial plants. The industrial component of the program will emphasize investment in export-increasing or import-replacing industries, with a view to future reduction in the external payments deficit.

As part of the FY 1958 program, industrial productivity will be enhanced through the China Productivity Center, industrial advisory services, and the Handicraft Promotion Center.

A Technical Cooperation Program of $3.0 million is proposed for FY 1958 -- all project assistance, for the

fundamental purpose of advancing agricultural and industrial productivity.

2. Non-Project Assistance

The non-project assistance (saleables) component, totaling $44.0 million, is broken down as follows: (US$ millions)

Surplus agricultural commodities	33.8
Industrial raw materials and semi-manufactures	10.2
Total	44.0

The surplus agricultural commodity component includes approximately $8.0 million of wheat and cotton for direct military consumption, after processing in civilian mills. This item formerly was included in the Direct Forces Support program. Consequently, that part of the saleables sector which compares with prior programs is $36.0 million rather than $44.0 million.

With the anticipated improvement in the balance of payments situation, the GRC will be able to provide for imports of some of the essential materials now financed as part of the aid program, so that non-project assistance can be gradually reduced. Such items as raw rubber, lumber and similar commodities will become the responsibility of the Chinese Government, while certain other basic essentials will continue to be financed from aid funds. Local currency generated from these imports will be utilized mainly to support military and capital development projects.

Careful estimation of local currency requirements for FY 1958, and subsequent years of the long-range program,

indicates that the magnitude of non-project assistance proposed for FY 1958 may be insufficient by about $2.5 million. No adjustment is suggested at this time, however, pending a reassessment of the situation at the time of the FY 1957 midyear program review.

C. Loan Arrangements

As in prior years, local currency proceeds generated by the sale of Section 402 commodities will be made available to the Chinese Government as a loan, repayable in local currency. This loan will be used for industrial expansion. The amount programmed for this purpose will be the local currency equivalent of $20 million. There are some indications that loan applications for industrial projects capable of meeting established criteria may exceed the $20 million now proposed. If actual FY 1957 experience should confirm this and there should be evidence that the GRC could service an increased local currency debt, consideration would be given to increasing the loan component of the FY 1958 program. The large balance of payments deficit makes impracticable loans requiring repayment in U.S. dollars.

D. Impact of P. L. 480 Program

The magnitude of a P. L. 480 sales agreement in FY 1958 is tentatively estimated at $4.5 million, of which approximately $2.3 million would be programmed for the common defense and $2.2 million for other purposes. The activities expected to be financed with P. L. 480 local currency will be supplemental to present MSP-financed activities; therefore, the P.L. 480 funds should not be regarded as substitutable for any part of the MS program.

E. Pipeline Analysis

Unexpended balances for the Taiwan program, as of June 30, 1957 and June 30, 1958, are estimated as follows:

	June 30, 1957		June 30, 1958	
	(in million dollars)			
Project Assistance:				
Defense Support	75.1		87.3	
Technical Cooperation	4.4	79.5	4.3	91.6
Non-Project Assistance		17.5		12.2
Total		97.0		103.8

The project pipelines at the close of FY 1957 and 1958, currently estimated at $79.5 million and $91.6 million, respectively, compare with $61.5 million at the end of FY 1956. These increases reflect the large capital development component of the FY 1957 and FY 1958 programs.

Completion of electric power and industrial plants in Taiwan, which account for most of the capital development component of the U. S. aid program, requires three years beyond the year in which initial dollar funds are made available. In the case of complicated capital equipment, fabrication alone may require from 18 to 26 months of the total time span. When further complicated by such factors as delays in contract negotiations, changes in specifications or sources of supply, unavailability of shipping and strikes, project schedules are delayed beyond original expectations.

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In implementation of capital development projects, equipment orders are phased in accordance with project time schedules. This means that, even under normal conditions, equipment ordered the first year will still be in the pipeline when new funds are requested for additional items in subsequent years. Yet the new funds are required in order to carry out the project plan and permit completion as scheduled.

Because of the normal time phasing involved in project implementation, increased emphasis on capital development in the Taiwan program will result in a substantial build-up in the project assistance pipeline and a continuation of that build-up during the period of increasing emphasis on capital investment.

Partially offsetting the estimated increase in unexpended balances of project assistance at the end of FY 1957 and 1958 is an anticipated decline in the non-project pipeline to $17.5 million and $12.2 million, as compared with $35.6 million at the end of FY 1956. To assure the continuity of supply necessary to maintain internal stability, the saleable commodity pipeline at the end of any one year should be large enough to meet requirements for a period of 12 to 18 months ahead. This is the approximate average length of time that elapses between the date of obligation of non-project funds and arrival in Taiwan of the major commodities involved (agricultural products, POL, industrial raw materials and semi-manufactures).

At assumed expenditure rates similar to actual experience in FY 1956, the estimated non-project pipelines at the close of FY 1957 and 1958 are equivalent to less than a year's supply of goods and therefore represent a potentially dangerous factor should any stringency of Chinese foreign exchange resources develop. Any disruption of the flow of commodity supplies into Taiwan contributes to an inflationary spiral, because the supply-demand situation is so precariously balanced that even the possibility of pipeline depletion is reflected in advancing prices.

SUMMARY OF FY 1959 PROGRAM

The FY 1959 segment of the long-range program is estimated at a total of $83.0 million. The component elements of the program are as follows:

	(Millions of dollars)
Project Assistance	45.0
Non-Project Assistance	38.0
Total	83.0

The FY 1959 program will continue the increased emphasis on capital development. An allocation of $44.8 million is planned for this purpose, as compared with $41.5 million in FY 1958. While maintaining the capital development component at this high level, the contemplated program continues the trend toward reduction of the saleables component. The estimated reduction in non-project assistance, as compared with FY 1958, is $6.0 million. Both years include an estimated $8.0 million of commodities for direct military consumption, to be processed within the civilian economy. Under favorable circumstances, expenditures during FY 1959 might reach a total of $91.0 million, as compared with an estimated $84.2 million in FY 1958.

The anticipated economic impact in FY 1959 of capital development financed with prior years' funds would appear to warrant a decrease of about $8.0 million in the level of aid, as compared with the previous year, and should establish a trend for future years.

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APPENDIX A

SELECTED ECONOMIC INDICATORS

(Values in U. S. $ millions)

Item	Calendar Years 1956	1957	1958	1959	1960
1. Population (in millions)	10.7	11.0	11.3	11.6	11.9
2. Gross National Product at Market Prices	1,152.8	1,244.3	1,344.2	1,433.6	1,507.3
a. Percentage Increase over Previous Year	9.6	7.9	8.0	6.7	5.1
3. Total Available Product (GNP plus Net Foreign Balance) (Expressed in 1955 prices; foreign exchange conversion rate US$1 = NT$ 24.78)	1,263.8	1,371.3	1,464.5	1,547.6	1,619.7
4. By Type of Expenditure:					
a. Private Consumption	753.4	814.0	879.2	909.8	928.2
b. Gross Investment (Public and Private)	191.8	218.0	242.3	263.3	288.5
(1) Ratio Gross Investment to Total Available Product (%)	15.2	115.9	16.5	17.0	17.8
c. Government Expenditures on Goods and Services	318.6	339.3	343.0	374.5	403.0
d. Net Foreign Balance (+) or (-)	-111.0	-127.0	-120.3	-114.0	-112.4
5. Per Capita GNP ($)	108	113	119	124	127
6. Per Capita Private Consumption ($)	70	74	78	78	78
7. Prices (Index 1952 = 100):					
a. Wholesale	141	141	141	141	141
b. Cost of Living	155	155	155	155	155
8. Industrial Production (Index 1952 = 100)	161	189	219	245	262
9. Agriculture, Forestry and Fisheries Production (Index 1952 = 100)	128	132	135	139	144
10. Total Fixed Capital Formation	155.1	180.9	206.0	226.4	248.1
a. Chinese-Financed Fixed Capital Formation (Gross)	117.1	133.9	150.4	163.0	178.6
b. U.S.-Financed Fixed Capital Formation (Gross)	38.0	47.0	55.6	63.4	69.5
11. Total Imports	219.4	239.0	235.7	233.8	235.0
a. Chinese-Financed Imports	121.1	129.0	125.6	123.8	123.4
b. Economic-Aid-Financed Imports	98.3	110.4	110.1	110.0	111.6

Note: Figures for items in above table represent Mission projections, based primarily on earlier years' data estimated by the Mission in the absence of reliable local statistics.

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APPENDIX B(1)

REQUIREMENTS FOR U. S. ASSISTANCE

CHINA (Taiwan)

(Obligations in millions of dollars)

	Fiscal Years				
	1956	1957	1958	1959	1960
Defense Support					
Capital Development	22.1	40.7	41.5	44.8	48.0
Agriculture	0.8	1.0	0.6	0.8	0.9
Transportation, Power and Communications	9.6	21.7	21.6	23.0	24.0
Manufacturing and Industry	7.1	10.2	10.7	15.0	18.1
Multi-purpose and Other	4.6	7.8	8.6	6.0	5.0
Retired Servicemen's Program	3.8	3.5	0.7	0.2	-
Other Projects	0.4	0.8	1.8	-	-
Non-Project Assistance a/	43.7	35.0	44.0	38.0	28.0
Total DS	70.0	80.0	88.0	83.0	76.0
Technical Cooperation					
Agriculture	0.5	0.9	1.2	1.2	1.2
Industry, Mining and Transportation	0.1	0.1	0.1	0.1	0.1
Public Health	0.4	0.3	0.3	0.3	0.3
Education	1.1	1.0	0.9	1.0	1.0
Other	1.2	1.2	0.5	0.4	0.4
Total TC	3.3	3.5	3.0	3.0	3.0
P.L. 480 b/					
Local Currency: 104(c)	-	5.7	2.3	-	-
104(d)(e)(g)	-	-	-	-	-
104(a)(f)(h)(j)	-	5.6	2.2	-	-
Total	-	11.3	4.5	-	-

a/ Currently provides the bulk of U.S.-generated currency for military and non-military purposes. Figures for FY 1958-60 not comparable with earlier years which exclude cotton and wheat requirements for military use.

b/ Data highly tentative except for $9.8 million sales agreement signed August 14, 1956, of which $4.9 million is programmed for Section 104(c) and $4.9 million for Section 104(a)(f)(h)(j).

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APPENDIX B(2)

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REQUIREMENTS FOR U. S. ASSISTANCE

CHINA (Taiwan)

(Local currency utilization in million dollar equivalents) a/

	Fiscal Years				
	1956	1957	1958	1959	1960
Defense Support					
Capital Development	22.6	28.3	35.0	40.0	46.0
Agriculture	0.5	0.4	0.4	0.5	0.6
Transportation, Power and Communications	12.0	15.0	22.6	23.0	25.0
Manufacturing and Industry	6.1	7.4	5.2	10.0	12.0
Multi-purpose and Other	4.0	5.5	6.8	6.5	8.4
Military Support	27.6	35.3	26.7	26.2	26.2
Retired Servicemen's Program	15.2	13.0	9.1	5.0	1.0
Other Projects	8.5	11.3	0.1	-	-
Total DS	73.9	87.9	70.9	71.2	73.2
Technical Cooperation					
Agriculture	4.6	4.2	7.3	7.2	7.5
Industry, Mining and Transportation	0.3	0.3	0.2	0.2	0.3
Public Health	1.3	1.5	1.4	1.5	1.8
Education	2.5	0.9	1.1	1.2	1.5
Other	0.7	1.0	0.8	0.9	0.9
Total TC	9.4	7.9	10.8	11.0	12.0
P.L. 480 b/					
Local Currency: 104(c)	-	2.0	4.0	1.5	0.5
104(d)(e)(g)	-	-	-	-	-
104(a)(f)(h)(j)	-	1.0	3.0	2.5	1.3
Total	-	3.0	7.0	4.0	1.8

a/ Data on this table are local currency to be utilized during the stated fiscal years. Generation will be primarily from prior years' saleable commodities, and to a lesser extent from current year's saleables and prior years' project aid on a deferred payment basis.

b/ Data highly tentative except for $9.8 million sales agreement signed August 14, 1956, of which $4.9 million is programmed for Section 104(c) and $4.9 million for Section 104(a)(f)(h)(j).

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CHINA (Taiwan)

NON-MILITARY MUTUAL SECURITY DOLLAR PROGRAMS AND RELATED LOCAL CURRENCY GENERATION

(In thousands of dollars and equivalent)

	ACTUAL FY 1956				ESTIMATED FY 1957				PROPOSED FY 1958			
	DOLLAR PROGRAM			INITIATING LOCAL CURRENCY GENERATION	DOLLAR PROGRAM			INITIATING LOCAL CURRENCY GENERATION	DOLLAR PROGRAM			INITIATING LOCAL CURRENCY GENERATION
	TOTAL	DEFENSE SUPPORT	TECHNICAL COOPERATION		TOTAL	DEFENSE SUPPORT	TECHNICAL COOPERATION		TOTAL	DEFENSE SUPPORT	TECHNICAL COOPERATION	
PROJECT ASSISTANCE												
Contributions to Cooperative Services	x	x	x	x	x	x	x	x	x	x	x	x
Supplies and Equipment:												
Capital Equipment	20,542	19,953	589	16,896	31,063	30,639	424	29,655	29,115	28,548	567	29,000
Other	4,365	3,906	459	2,560	10,747	10,176	571	6,870	13,245	12,597	648	10,450
Total, Supplies and Equipment	24,907	23,859	1,048	19,456	41,810	40,815	995	36,525	42,360	41,145	1,215	39,450
U.S. Employed Technicians (Cost)	1,049	551	498	251	1,355	667	688	85	1,380	645	735	50
Total Number Authorized for Employment During Year	(99)	(40)	(59)	x	(96)	(40)	(56)	x	(92)	(42)	(50)	x
Number on Duty Close of Year	(63)	(20)	(43)	x	(75)	(35)	(40)	x	(73)	(31)	(42)	x
Participants (Cost)	856	203	653	123	925	269	656	85	1,065	310	755	150
Number Authorized During Year	(267)	(26)	(241)	x	(279)	(69)	(210)	x	(284)	(83)	(201)	x
Contract Services (Total Cost U. S. Technicians)	2,673	1,647	1,026	1,478	4,125	3,055	1,070	2,095	1,900	1,750	150	450
Total Number Authorized for Employment During Year	(90)	(34)	(56)	x	(152)	(100)	(52)	x	(70)	(63)	(7)	x
Number on Duty Close of Year	(80)	(40)	(40)	x	-	-	-	x	-	-	-	x
Contract Services - Participants Authorized During Year	(6)	-	(6)	x	(6)	-	(6)	x	-	-	-	x
Other	59	-	59	23,704	335	194	141	26,050	295	150	145	20,500
Total, Project Assistance	29,544	26,260	3,284	45,012	48,550	45,000	3,550	64,840	47,000	44,000	3,000	60,600
NON-PROJECT ASSISTANCE												
Commodity Imports:												
Surplus Agricultural Commodities:												
Bread Grains	13,243	13,243	-	13,243	6,000	6,000	-	6,000	14,500	14,500	-	14,500
Coarse Grains	631	631	-	631	-	-	-	-	-	-	-	-
Raw Cotton	10,150	10,150	-	10,150	14,000	14,000	-	14,000	16,500	16,500	-	16,500
Dairy Products	350	350	-	350	-	-	-	-	1,000	1,000	-	1,000
Fats and Oils	1,787	1,787	-	1,787	1,800	1,800	-	1,800	1,800	1,800	-	1,800
Total, Surplus Agricultural Commodities	26,161	26,161	-	26,161	21,800	21,800	-	21,800	33,800	33,800	-	33,800
Deduct Sales to This Country for Benefit of Other Countries	-	-	-	-	-	-	-	-	-	-	-	-
Add Sales to Other Countries for Bendfit of This Country	-	-	-	-	-	-	-	-	-	-	-	-
Net Sales for Benefit of This Country	26,161	26,161	-	26,161	21,800	21,800	-	21,800	33,800	33,800	-	33,800
Other Commodities:												
Food, Feed and Fertilizer	8,966	8,966	-	8,966	8,500	8,500	-	8,500	8,400	8,400	-	8,400
Fuel	-	-	-	-	-	-	-	-	-	-	-	-
Raw Materials and Semi-Finished Products	1,910	1,910	-	1,910	1,400	1,400	-	1,400	-	-	-	-
Machinery and Vehicles	195	195	-	195	400	400	-	400	-	-	-	-
Miscellaneous	2,456	2,456	-	2,456	2,900	2,900	-	2,900	1,800	1,800	-	1,800
Total, Other Commodities	13,527	13,527	-	13,527	13,200	13,200	-	13,200	10,200	10,200	-	10,200
Total Commodity Imports	39,688	39,688	-	39,688	35,000	35,000	-	35,000	44,000	44,000	-	44,000
Cash Grants	4,060	4,060	-	4,060	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-
Total, Non-Project Assistance	43,748	43,748	-	43,748	35,000	35,000	-	35,000	44,000	44,000	-	44,000
TOTAL, NON-MILITARY PROGRAMS	73,292	70,008	3,284	88,760	83,550	80,000	3,550	99,840	91,000	88,000	3,000	104,600
Of Which Dollar Loans	-	-	-	-	-	-	-	-	-	-	-	-
Of Which Dollar Grants	73,292	70,008	3,284	88,760	83,550	80,000	3,550	99,840	91,000	88,000	3,000	104,600

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TABLE 2

[redacted]

CHINA (Taiwan)

NON-MILITARY MUTUAL SECURITY DOLLAR PROGRAMS AND RELATED LOCAL CURRENCY GENERATION

(In thousands of dollars and equivalent)

	ACTUAL FY 1956				ESTIMATED FY 1957				PROPOSED FY 1958			
	DOLLAR PROGRAM			INITIATING LOCAL CURRENCY GENERATION	DOLLAR PROGRAM			INITIATING LOCAL CURRENCY GENERATION	DOLLAR PROGRAM			INITIATING LOCAL CURRENCY GENERATION
	TOTAL	DEFENSE SUPPORT	TECHNICAL COOPERATION		TOTAL	DEFENSE SUPPORT	TECHNICAL COOPERATION		TOTAL	DEFENSE SUPPORT	TECHNICAL COOPERATION	
Footnotes:												
a/ Capital Equipment:												
Woodworking, Printing, Textile and Other Industrial Machinery	5,937	5,747	190	n.a.	9,087	8,975	112	n.a.				
Transformers and other Major Electrical Apparatus	4,974	4,974	-	n.a.	9,201	9,201	-	n.a.				
Construction and Mining Equipment	3,682	3,672	10	n.a.	6,292	6,228	64	n.a.				
Other	5,949	5,560	389	n.a.	6,483	6,235	248	n.a.				
Total	20,542	19,953	589	16,896	31,063	30,639	424	29,654				
b/ Other Equipment:												
Steel Bars and Other Metals	2,613	2,613	-	n.a.	5,304	5,304	-	n.a.				
Miscellaneous	1,752	1,293	459	n.a.	5,445	4,872	573	n.a.				
Total	4,365	3,906	459	2,560	10,749	10,176	573	6,870				
c/ All requirements are for soybeans.												
d/ Raw Materials and Semi-Finished Products:												
Pulp and Paper	700	700	-	700	1,000	1,000	-	1,000	-	-	-	-
Other	1,210	1,210	-	1,210	400	400	-	400	-	-	-	-
Total	1,910	1,910	-	1,910	1,400	1,400	-	1,400	-	-	-	-
e/ Miscellaneous Commodities:												
Petroleum Products	1,596	1,596	-	1,596	1,600	1,600	-	1,600	1,800	1,800	-	1,800
Other	860	860	-	860	1,300	1,300	-	1,300	-	-	-	-
Total	2,456	2,456	-	2,456	2,900	2,900	-	2,900	1,800	1,800	-	1,800

DELETIONS

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TABLE 3

CHINA (Taiwan)

MUTUAL SECURITY PROGRAM LOCAL CURRENCY GENERATION AND PROGRAMMED UTILIZATION

(In thousands of dollars equivalent)

	ACTUAL FY 1956			ESTIMATED FY 1957			PROPOSED FY 1958		
	TOTAL	DEFENSE SUPPORT	TECHNICAL COOPERATION	TOTAL	DEFENSE SUPPORT	TECHNICAL COOPERATION	TOTAL	DEFENSE SUPPORT	TECHNICAL COOPERATION
LOCAL CURRENCY GENERATION									
Dollar Programs Initiating Local Currency Generation	88,760	x	x	99,840	x	x	104,600	x	x
Less: Local Currency Reserved for U.S. Uses	- 300	x	x	- 300	x	x	- 300	x	x
Subtotal Local Currency Availability	88,460	x	x	99,540	x	x	104,300	x	x
Add: Estimated Local Currency Unprogrammed Beginning of Year	20,732	x	x	5,460	x	x	6,250	x	x
Total Local Currency Available for Programming	109,192	x	x	105,000	x	x	110,550	x	x
PROGRAMMED UTILIZATION									
Mutual Security Project Requirements:									
Military	27,603	27,603	-	35,310	35,310	-	26,700	26,700	-
Non-Military	76,129	66,709	9,420	63,440	55,560	7,880	76,350	65,550	10,800
Total Project Requirements	103,732	94,312	9,420	98,750	90,870	7,880	103,050	92,250	10,800
Non-Project Budget Support:									
Military	-	-	-	-	-	-	-	-	-
Non-Military	-	-	-	-	-	-	-	-	-
Total Non-Project Budget Support	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Total Programmed Utilization a/	103,732	94,312	9,420	98,750	90,870	7,880	103,050	92,250	10,800
Local Currency Unprogrammed Close of Year	5,460	x	x	6,250	x	x	7,500	x	x

a/ Totals include the equivalent of $20.0 million in Section 505 loans for development of small industries.

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CHINA (Taiwan)

MUTUAL SECURITY PROGRAM LOCAL CURRENCY ACCRUAL, REALIZATION AND UTILIZATION

(In thousands of dollars equivalent)

	ACTUAL FY 1956 LOCAL CURRENCY		ESTIMATED FY 1957 LOCAL CURRENCY		PROPOSED FY 1958 LOCAL CURRENCY	
	ON DEPOSIT	TO BE DEPOSITED	ON DEPOSIT	TO BE DEPOSITED	ON DEPOSIT	TO BE DEPOSITED
LOCAL CURRENCY REALIZATION						
Unutilized Balance Beginning of Year	7,659	141,390 a/	8,644	141,168 a/	-	154,398 a/
Add: Current Year Local Currency Generation	x	88,460	x	99,540	x	104,300
Subtotal Availability on Accrual Basis	x	229,850	x	240,708	x	258,698
Local Currency Realization During Year	+ 84,288 b/	- 88,682 c/	+ 86,310	- 86,310	+ 79,211	- 79,211
Total Local Currency Available for Utilization	91,947	x	94,954	x	79,211	x
UTILIZATION						
Mutual Security Project Requirements:						
Military	27,603	x	35,310	x	26,700	x
Non-Military	55,700	x	59,644	x	52,511	x
Total Project Requirements	83,303	x	94,954	x	79,211	x
Non-Project Budget Support:						
Military	-	x	-	x	-	x
Non-Military	-	x	-	x	-	x
Total Non-Project Budget Support	-	x	-	x	-	x
Other	-	x	-	x	-	x
Total Utilization	83,303 d/	x	94,954 d/	x	79,211 d/	x
Local Currency Unutilized Close of Year	8,644	141,168	- e/	154,398	- e/	179,487

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Footnotes:

a/ Includes deposits due on deferred basis over 20 year period.

b/ Computed at exchange rate of NT $24.78: US $1.

c/ Computed at actual rate prevailing at date aid furnished.

d/ Includes a minimum of $20.0 million equivalent industrial development loans. Loan component subject to adjustment in FY 1957 and FY 1958 after mid-year program review.

e/ If all estimated requirements were met, net deficit in FY 1957 and FY 1958 would be $875,000 and $2,489,000 equivalent respectively.

TABLE 5

CHINA (Taiwan)

MUTUAL SECURITY PROJECT ASSISTANCE BY FIELD OF ACTIVITY

(In thousands of dollars and equivalent)

FIELD OF ACTIVITY	ACTUAL FY 1956						ESTIMATED FY 1957						PROPOSED FY 1958					
	DOLLAR PROGRAM			LOCAL CURRENCY PROGRAMMED UTILIZATION			DOLLAR PROGRAM			LOCAL CURRENCY PROGRAMMED UTILIZATION			DOLLAR PROGRAM			LOCAL CURRENCY PROGRAMMED UTILIZATION		
	TOTAL	DEFENSE SUPPORT	TECHNICAL COOPERATION	TOTAL	DEFENSE SUPPORT	TECHNICAL COOPERATION	TOTAL	DEFENSE SUPPORT	TECHNICAL COOPERATION	TOTAL	DEFENSE SUPPORT	Technical Cooperation	TOTAL	DEFENSE SUPPORT	TECHNICAL COOPERATION	TOTAL	DEFENSE SUPPORT	TECHNICAL COOPERATION
Direct Military Support	x	x	x	27,603	27,603	-	x	x	x	35,310	35,310	-	x	x	x	26,700	26,700	-
Agriculture and Natural Resources	1,047	533	514	17,525	12,931	4,594	2,985	2,100	885	10,920	6,730	4,190	2,740	1,685	1,055	15,550	8,250	7,300
Industry and Mining	17,017	16,963	54	21,023	20,769	254	31,545	31,490	55	25,250	25,005	245	29,670	29,620	50	32,760	32,560	200
Transportation	1,287	1,259	28	8,095	8,087	8	3,655	3,640	15	6,990	6,985	5	4,665	4,650	15	11,120	11,110	10
Labor	15	-	15	15	-	15	15	-	15	10	-	10	15	-	15	10	-	10
Health and Sanitation	3,177	2,825	352	12,564	11,219	1,345	2,755	2,435	320	7,900	6,365	1,535	1,435	1,105	330	5,215	3,865	1,350
Education	1,144	-	1,144	2,499	-	2,499	1,055	-	1,055	3,480	2,580	900	1,040	-	1,040	4,025	2,925	1,100
Public Administration	283	101	182	2,038	1,752	286	250	90	160	1,100	785	315	270	90	180	1,430	1,100	330
Community Development, Social Welfare and Housing	438	437	1	6,357	6,254	103	45	40	5	2,870	2,575	295	75	75	-	4,440	4,040	400
General and Miscellaneous	5,136	4,142	994	6,013	5,697	316	6,245	5,205	1,040	4,920	4,535	385	7,090	6,775	315	1,800	1,700	100
TOTAL PROJECT ASSISTANCE	29,544	26,260	3,284	103,732	94,312	9,420	48,550	45,000	3,550	98,750	90,870	7,880	47,000	44,000	3,000	103,050	92,250	10,800

CHINA (Taiwan)

MUTUAL SECURITY PROJECT LISTING FOR FISCAL YEAR 1958

(In thousands of dollars)

PROJECT TITLE AND DESCRIPTION a/	STATUS b/	TOTAL COST	TECHNICIANS		PARTICIPANTS		CONTRACT SERVICES			SUPPLIES AND EQUIPMENT	OTHER COSTS
			NUMBER	COSTS	NUMBER	COSTS	NUMBER		COSTS		
							TECHNICIANS	PARTICIPANTS			
TECHNICAL COOPERATION											
Agriculture and Natural Resources											
1. Agriculture and Rural Improvement (JCRR) To provide for all JCRR requirements in the field of agriculture and natural resources, such as extension work, crop development, credit organization, etc.	C	970	17	255	76	245	-	-	-	470	-
2. Forestry Development (JCRR) To provide for JCRR activities in forestry development, management and utilization of forestry resources on sustaining yield basis.	C	70	1	15	3	15	-	-	-	40	-
3. Fisheries (JCRR) To provide for JCRR needs in the field of fisheries to increase fish catch, marketing and distribution to help eliminate present dietary deficiencies.	C	15	-	-	3	15	-	-	-	-	-
Total For Activity		1,055	18	270	82	275	-	-	-	510	-
Industry and Mining											
1. General Industrial Training To furnish technical industrial training and improved skill at managerial and sub-managerial levels.	C	50	-	-	13	50	-	-	-	-	-
Total For Activity		50	-	-	13	50	-	-	-	-	-

[redacted]

CHINA (Taiwan)

MUTUAL SECURITY PROJECT LISTING FOR FISCAL YEAR 1958

(In thousands of dollars)

PROJECT TITLE AND DESCRIPTION a/	STATUS b/	TOTAL COST	TECHNICIANS		PARTICIPANTS		CONTRACT SERVICES			SUPPLIES AND EQUIPMENT	OTHER COSTS
			NUMBER	COSTS	NUMBER	COSTS	NUMBER		COSTS		
							TECHNICIANS	PARTICIPANTS			
Transportation											
1. General Transportation Training To provide for training in modern transportation techniques in operation of land and sea transportation facilities.	New	15	-	-	3	15	-	-	-	-	-
Total For Activity		15	-	-	3	15	-	-	-	-	-
Labor											
1. Labor Activities To provide technical assistance in labor safety, education, welfare, and develop administrative organization for collection of labor statistical data.	C	15	1	15	-	-	-	-	-	-	-
Total For Activity		15	1	15	-	-	-	-	-	-	-
Health and Sanitation											
1. Sanitation and Water Supply To improve sanitary practices and provide assistance in improving rural water supply systems through technical assistance.	C	67	1	15	9	45	-	-	-	7	-
2. Rural Health and Sanitation (JCRR) To provide for JCRR rural health needs, such as simple clinics and first aid stations.	C	50	-	-	-	-	-	-	-	50	-

[redacted]

CHINA (Taiwan)

MUTUAL SECURITY PROJECT LISTING FOR FISCAL YEAR 1958

(In thousands of dollars)

PROJECT TITLE AND DESCRIPTION a/	STATUS b/	TOTAL COST	TECHNICIANS		PARTICIPANTS		CONTRACT SERVICES			SUPPLIES AND EQUIPMENT	OTHER COSTS
			NUMBER	COSTS	NUMBER	COSTS	NUMBER: TECHNICIANS	NUMBER: PARTICIPANTS	COSTS		
3. Medical, Nursing and Health Practices To assist in the improvement of medical, nursing and health practices through technical assistance, and provide minimal supplies and equipment for demonstration purposes.	C	143	3	45	14	70	-	-	-	28	-
4. National Defense Medical Center To expand the facilities of the military medical center to accommodate the Overseas Chinese students matriculating at the center.	C	70	2	15	2	10	-	-	-	45	-
Total For Activity		330	6	75	25	125	-	-	-	130	-
Education											
1. Vocational School Assistance To furnish technical assistance and equipment to improve the training facilities of vocational schools.	C	345	2	30	13	61	-	-	-	254	-
2. Teacher Training To improve teacher training through cooperation of U.S. universities under contract for exchange of teachers and technical assistance in curriculum improvement and teaching techniques.	C	189	1	15	6	29	5	-	100	45	-
3. Engineering Education To assist the Chinese university specializing in engineering to provide necessary skills for the technological requirements of Taiwan's economy.	C	115	-	-	3	15	2	-	50	50	-

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CHINA (Taiwan)

MUTUAL SECURITY PROJECT LISTING FOR FISCAL YEAR 1958

(In thousands of dollars)

PROJECT TITLE AND DESCRIPTION a/	STATUS b/	TOTAL COST	TECHNICIANS		PARTICIPANTS		CONTRACT SERVICES			SUPPLIES AND EQUIPMENT	OTHER COSTS
			NUMBER	COSTS	NUMBER	COSTS	NUMBER		COSTS		
							TECHNICIANS	PARTICIPANTS			
4. Education Materials Center To provide technical assistance and supplies and equipment for developing and disseminating educational material.	C	34	1	15	3	9	-	-	-	10	-
5. Overseas Chinese Education To provide a program designed to attract Overseas Chinese students who otherwise might return to the Communist Mainland for educational purposes.	C	275	4	60	3	15	-	-	-	60	140
6. Education Advisory Services To provide technical assistance on an overall basis in the field of education.	C	31	2	30	-	-	-	-	-	1	-
7. Community School Demonstration To assist in providing demonstrations of self-help steps local communities may take to improve local community schools.	C	51	1	15	12	36	-	-	-	-	-
Total For Activity		1,040	11	165	40	165	7	-	150	420	140
Public Administration											
1. Public Safety To provide training in the U.S. in police techniques.	C	3	-	-	1	3	-	-	-	-	-
2. Public Administration Advisory Service To provide U.S. technicians in the fields of budgets, economic planning and jurisprudence.	C	130	8	120	2	10	-	-	-	-	-

[redacted]

CHINA (Taiwan)

MUTUAL SECURITY PROJECT LISTING FOR FISCAL YEAR 1958

(In thousands of dollars)

PROJECT TITLE AND DESCRIPTION a/	STATUS b/	TOTAL COST	TECHNICIANS		PARTICIPANTS		CONTRACT SERVICES			SUPPLIES AND EQUIPMENT	OTHER COSTS
			NUMBER	COSTS	NUMBER	COSTS	NUMBER		COSTS		
							TECHNICIANS	PARTICIPANTS			
3. General Public Administration Training To furnish training in the general field of public administration such as government management, public personnel administration, statistics, stock exchange administration, etc.	C	47	-	-	17	47	-	-	-	-	-
Total For Activity		180	8	120	20	60	-	-	-	-	-
General and Miscellaneous											
1. Information To furnish technical assistance, supplies and equipment for public information service.	C	110	4	60	4	20	-	-	-	25	5
2. Technical Support To provide necessary technical support, supplies and equipment needed for the Mission's operation.	C	130	-	-	-	-	-	-	-	130	-
3. Miscellaneous Advisory Services To provide technical advisory services in special fields of activity as requested by the Chinese Government.	C	36	2	30	2	6	-	-	-	-	-
4. General Training To finance training in atomic energy utilization and participation in capital development training courses.	C	39	-	-	12	39	-	-	-	-	-
Total For Activity		315	6	90	18	65	-	-	-	155	5
TOTAL TECHNICAL COOPERATION PROGRAM		3,000	50	735	201	755	7	-	150	1,215	145

a/ Descriptions are provided for all activities, continuing and new, because of a general regrouping and consolidation of projects in the FY 1958 program.

b/ Project numbers are still to be designated.

[redacted]

CHINA (Taiwan)

MUTUAL SECURITY PROJECT LISTING FOR FISCAL YEAR 1958

(In thousands of dollars)

PROJECT TITLE AND DESCRIPTION a/	STATUS b/	TOTAL COST	TECHNICIANS		PARTICIPANTS		CONTRACT SERVICES			SUPPLIES AND EQUIPMENT	OTHER COSTS
			NUMBER	COSTS	NUMBER	COSTS	NUMBER		COSTS		
							TECHNICIANS	PARTICIPANTS			
DEFENSE SUPPORT											
Agriculture and Natural Resources											
1. RETSER Agricultural Development To provide for the reclamation and development of agricultural lands for the resettlement of personnel released from military service by reason of age, disease or disability.	C- 4 N- 206	210	-	-	-	-	-	-	-	210	-
2. Logging Development To procure machinery and equipment to build access roads and a sawmill for the economic exploitation of the timber resources of Taiwan on a sustained yield basis.	C	656	-	-	2	6	7	-	150	500	-
3. Fisheries Development To purchase fishing vessels, equipment and shore facilities for ocean and inland fisheries operations, and expand refrigeration and cold storage facilities of fish markets.	C- 615 N- 203	819	1	15	1	4	-	-	-	800	-
Total For Activity		1,685	1	15	3	10	7	-	150	1,510	-
Industry and Mining											
1. Coal Mine Development To continue provision of equipment to improve production and efficiency of private coal mines to meet rising domestic demands and export possibilities.	C	556	2	40	4	16	-	-	-	500	-

CHINA (Taiwan)

MUTUAL SECURITY PROJECT LISTING FOR FISCAL YEAR 1958

(In thousands of dollars)

PROJECT TITLE AND DESCRIPTION a/	STATUS b/	TOTAL COST	TECHNICIANS		PARTICIPANTS		CONTRACT SERVICES			SUPPLIES AND EQUIPMENT	OTHER COSTS
			NUMBER	COSTS	NUMBER	COSTS	NUMBER		COSTS		
							TECHNICIANS	PARTICIPANTS			
2. Minerals (other than coal) Development To cover salary and administrative costs of two geologists from the U.S. Geological Survey to advise the Chinese Government on minerals exploration; also provide equipment for increasing output of copper and pyrite ores.	C	275	1	15	2	10	-	-	-	250	-
3. Hydroelectric Power Development To finance engineering design and inspection, importation of equipment, partial construction costs and training programs for Chinese technicians; undertaken in connection with the development of power facilities to help avert an acute shortage in 1959 and provide the requisite for broadening the industrial base of the economy.	C	2,948	3	50	2	10	6	-	- c/	2,888	-
4. Thermal Power Development To finance expansion of thermal power to supplement hydroelectric power facilities, as part of the over-all plan to provide sufficient power capacity for a sizeable expansion of manufacturing and industrial facilities.	C- 520 N-5,000	5,520	-	-	-	-	5	-	- c/	5,520	-
5. Power Distribution System Development To provide machinery and equipment and finance construction of transmission and distribution facilities required to keep pace	C- 708 N-6,435	7,143	-	-	10	40	-	-	-	7,103	-

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CHINA (Taiwan)

MUTUAL SECURITY PROJECT LISTING FOR FISCAL YEAR 1958

(In thousands of dollars)

PROJECT TITLE AND DESCRIPTION a/	STATUS b/	TOTAL COST	TECHNICIANS		PARTICIPANTS		CONTRACT SERVICES			SUPPLIES AND EQUIPMENT	OTHER COSTS
			NUMBER	COSTS	NUMBER	COSTS	NUMBER		COSTS		
							TECHNICIANS	PARTICIPANTS			
with the increase in generating capacity, ensure its effective use and improve flexibility and safety of operations.											
6. Power Primary System Improvement To purchase machinery and equipment and finance construction of additional substations to match the increase in electric power generating capacity and load demand.	C- 310 N-1,000	1,310	-	-	2	10	-	-	-	1,300	-
7. Telecommunications Development To provide dollar and local currency financing of machinery and equipment as well as training of Chinese technicians required in expansion of the Taiwan telecommunications system.	C	559	-	-	3	9	-	-	-	550	-
8. Fertilizer Production To provide training programs for Chinese technicians and finance local currency loans for facilities construction costs, as a continuation of the expansion of chemical fertilizer production capacity required to meet major portion of domestic requirements and reduce imports of fertilizer.	N	610	-	-	2	10	-	-	-	600	-
9. Iron, Steel and Metals Plant Development To furnish financial and technological assistance in the development and expansion of the ferrous and non-ferrous metals industry for the purpose of meeting both local and export demands.	C- 355 N- 203	558	-	-	1	3	-	-	-	555	-

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CHINA (Taiwan)

MUTUAL SECURITY PROJECT LISTING FOR FISCAL YEAR 1958

(In thousands of dollars)

PROJECT TITLE AND DESCRIPTION a/	STATUS b/	TOTAL COST	TECHNICIANS		PARTICIPANTS		CONTRACT SERVICES			SUPPLIES AND EQUIPMENT	OTHER COSTS
			NUMBER	COSTS	NUMBER	COSTS	NUMBER		COSTS		
							TECHNICIANS	PARTICIPANTS			
10. Chemicals and Plastics Development To provide financial and technological assistance in the development of production facilities of a limited range of basic chemicals, and utilize by-products of existing plants for plastics manufactures to meet industrial and consumer demands.	N	2,710	-	-	2	10	-	-	-	2,700	-
11. Other Industrial Base Expansion To provide financial and technological assistance in the development of industrial production facilities designed to expand the industrial base of Taiwan and enable it to meet a greater portion of domestic requirements from local production, as well as increasing export potentials.	C- 434 N- 685	1,119	-	-	7	19	-	-	-	1,100	-
12. Other Industrial Plant Rehabilitation To provide for the rehabilitation or expansion of existing industrial plants through installation of modern machinery, production techniques and improved management to achieve a more efficient and economic basis of production.	C- 706 N-1,968	2,673	-	-	3	11	-	-	-	2,662	-
13. Small Industry Fund To continue a project initiated in FY 1954 to make available dollar and local currency funds to small privately-owned	C	3,000	-	-	-	-	-	-	-	3,000	-

CHINA (Taiwan)

MUTUAL SECURITY PROJECT LISTING FOR FISCAL YEAR 1958

(In thousands of dollars)

PROJECT TITLE AND DESCRIPTION a/	STATUS b/	TOTAL COST	TECHNICIANS		PARTICIPANTS		CONTRACT SERVICES			SUPPLIES AND EQUIPMENT	OTHER COSTS
							NUMBER				
			NUMBER	COSTS	NUMBER	COSTS	TECHNICIANS	PARTICIPANTS	COSTS		
industries for plant expansion. Installment payment terms on imported aid equipment and local currency loans are provided through three commercial banks, which contribute 20 percent of the local funds loaned.											
14. China Productivity Center To continue support of the Center through provision of services of U.S. technicians in industrial management and engineering, small industry development and technical exchange, and through training programs in the U.S. for participants in industrial management and engineering.	C	164	6	90	8	24	-	-	-	50	-
15. Handicraft Promotion Center To provide training programs for technicians in handicraft design, production and marketing. Prior year funding was provided to the Center through utilization of contract services of Russel Wright Associates of New York to furnish guidance, backstopping, design and marketing services.	C	40	-	-	6	18	2	-	- c/	22	-
16. Water Resources Survey To continue dollar and local currency financing of contract services from the U.S., as well as provide support for Chinese Water Resources Planning Commission, in connection with development of water resources of Taiwan.	C	300	-	-	-	-	6	-	300	-	-

[redacted]

CHINA (Taiwan)

MUTUAL SECURITY PROJECT LISTING FOR FISCAL YEAR 1958

(In thousands of dollars)

PROJECT TITLE AND DESCRIPTION a/	STATUS b/	TOTAL COST	TECHNICIANS		PARTICIPANTS		CONTRACT SERVICES			SUPPLIES AND EQUIPMENT	OTHER COSTS
			NUMBER	COSTS	NUMBER	COSTS	NUMBER		COSTS		
							TECHNICIANS	PARTICIPANTS			
17. Industrial Advisory Services To finance salaries and administrative costs of consultants and technicians to assist the Nationalist Government in general planning and administration of industrial development programs.	C	135	9	135	-	-	-	-	-	-	-
Total For Activity		29,620	21	330	52	190	19	-	300	28,800	-
Transportation											
1. Railway Facilities Development To provide dollar funds and Sec. 402 sales proceeds loan for replacement of worn-out railway equipment and expansion of facilities; also provide U.S. training for participants in construction and maintenance of railroad facilities.	C	3,205	-	-	5	15	-	-	-	3,190	-
2. Harbor and Shipping Development To furnish dollar and local currency funds for construction of coastal ships and improvement of harbor facilities; also cover salary and administrative costs of U.S. consultant in shipping management and provide training programs in U.S. for participants in maritime administration and harbor management.	C	1,221	1	15	2	6	-	-	-	1,200	-
3. CAA Improvement To continue assistance to Chinese CAA to establish modern communication, landing and navigational	C	209	6	90	3	9	-	-	-	110	-

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CHINA (Taiwan)

MUTUAL SECURITY PROJECT LISTING FOR FISCAL YEAR 1958

(In thousands of dollars)

PROJECT TITLE AND DESCRIPTION a/	STATUS b/	TOTAL COST	TECHNICIANS		PARTICIPANTS		CONTRACT SERVICES			SUPPLIES AND EQUIPMENT	OTHER COSTS
			NUMBER	COSTS	NUMBER	COSTS	NUMBER		COSTS		
							TECHNICIANS	PARTICIPANTS			
aid facilities for civilian air traffic in Taiwan; also utilize services of team from U.S. CAA, finance procurement of equipment and provide training programs in U.S.											
4. Transportation Advisory Services To finance salary and administrative costs of a U.S. transportation specialist to assist in development and implementation of balanced program for transportation, including coordination of facilities to prevent overlapping and duplication of effort.	C	15	1	15	-	-	-	-	-	-	-
Total For Activity		4,650	8	120	10	30	-	-	-	4,500	-
Health and Sanitation											
1. City Water Supply To assist in increasing capacity of Taipei city water purification plant and distribution system, through importation of filtration plant equipment and provision of local currency for purchase of locally manufactured materials.	N	705	-	-	1	5	-	-	-	700	-
2. Hospital Construction (RETSER) To provide dollar and counterpart funds to complete construction and equipment of hospital facilities and clinics for combat-ineffective servicemen being retired from the armed forces.	C	400	-	-	-	-	-	-	-	400	-
Total For Activity		1,105	-	-	1	5	-	-	-	1,100	-

[redacted]

CHINA (Taiwan)

MUTUAL SECURITY PROJECT LISTING FOR FISCAL YEAR 1958

(In thousands of dollars)

PROJECT TITLE AND DESCRIPTION a/	STATUS b/	TOTAL COST	TECHNICIANS		PARTICIPANTS		CONTRACT SERVICES			SUPPLIES AND EQUIPMENT	OTHER COSTS
			NUMBER	COSTS	NUMBER	COSTS	NUMBER		COSTS		
							TECHNICIANS	PARTICIPANTS			
Public Administration											
1. Program Planning Advisory Services To continue provision of services of U.S. technicians to assist in development of economic plans and programs, administration of aid programs, and analysis and review of aid programs to assure effective utilization of funds.	C	45	3	45	-	-	-	-	-	-	-
2. RETSER Program Administration To provide services of a U.S. technician to assist the GRC in administration of its retirement program for discharging combat-ineffectives from the armed forces and integrating them into the civilian economy.	C	15	1	15	-	-	7	-	- c/	-	-
3. CUSA/CTM Administration To continue provision of services of U.S. technicians to assist the Council for U.S. Aid (CUSA), and to advise on supply and procurement procedures and effective implementation of program plans and objectives.	C	30	2	30	-	-	-	-	-	-	-
Total For Activity		90	6	90	-	-	7	-	- c/	-	-
Community Development											
1. Public Housing Program To provide services of a U.S. Specialist in housing finance and training programs for Chinese housing technicians;	C	25	1	15	4	10	-	-	-	-	-

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CHINA (Taiwan)

MUTUAL SECURITY PROJECT LISTING FOR FISCAL YEAR 1958

(In thousands of dollars)

PROJECT TITLE AND DESCRIPTION a/	STATUS b/	TOTAL COST	TECHNICIANS		PARTICIPANTS		CONTRACT SERVICES			SUPPLIES AND EQUIPMENT	OTHER COSTS
			NUMBER	COSTS	NUMBER	COSTS	NUMBER		COSTS		
							TECHNICIANS	PARTICIPANTS			
also provide local currency funds to supplement Chinese resources for construction of low-cost dwellings for low-income workers.											
2. East-West Highway Resettlement (RETSER)	C	50	-	-	-	-	-	-	-	50	-
To provide equipment and local currency funds for financing resettlement projects for retired servicemen in the areas to be opened up by the new East-West cross-island highway.											
Total For Activity		75	1	15	4	10	-	-	-	50	-
General and Miscellaneous											
1. Multi-purpose projects	C-5,000 N- 300	5,300	1	15	5	25	- d/	-	300	4,960	-
To continue dollar financing of equipment, procurement and contract services for construction of multi-purpose dams to provide water for irrigation and hydro-power generation for agricultural and industrial use.											
2. Engineering Services	C	1,000	-	-	-	-	30	-	1,000	-	-
To continue assistance to the Nationalist Government in planning and implementing the Taiwan industrial development program by providing general engineering and consulting engineering services.											

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CHINA (Taiwan)

MUTUAL SECURITY PROJECT LISTING FOR FISCAL YEAR 1958

(In thousands of dollars)

PROJECT TITLE AND DESCRIPTION a/	STATUS b/	TOTAL COST	TECHNICIANS		PARTICIPANTS		CONTRACT SERVICES			SUPPLIES AND EQUIPMENT	OTHER COSTS
			NUMBER	COSTS	NUMBER	COSTS	NUMBER		COSTS		
							TECHNICIANS	PARTICIPANTS			
3. Mass Communications To continue assistance to the Chinese Government in the improvement and expansion of mass communications facilities, through procurement of limited imported equipment and supplies, provision of services of U.S. technicians and training programs for participants in U.S.	C	475	4	60	8	40	-	-	-	225	150
Total For Activity		6,775	5	75	13	65	30	-	1,300	5,185	150
TOTAL DEFENSE SUPPORT PROJECTS		44,000	42	645	83	310	63	-	1,750	41,145	150

a/ Descriptions are provided for all activities, continuing and new, because of a general regrouping and consolidation of projects in the FY 1958 program.

b/ Where both new (N) and continuing (C) phases of projects are contemplated, the number shown represents the amount tentatively programmed for each phase. Project numbers are still to be designated.

c/ Contract technicians are funded from prior year program.

d/ Number of contract technicians required is still to be determined.

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TABLE 7

CHINA (Taiwan)

ANALYSIS OF EXPENDITURE RATES FOR NON-MILITARY MUTUAL SECURITY PROGRAMS

(In thousands of dollars)

PROGRAM	UNLIQUIDATED OBLIGATIONS 6/30/55	ACTUAL OBLIGATIONS FY 1956	TOTAL AVAILABLE FOR EXPENDITURE FY 1956	ACTUAL EXPENDITURES FY 1956	UNLIQUIDATED OBLIGATIONS 6/30/56	ESTIMATED OBLIGATIONS FY 1957	TOTAL AVAILABLE FOR EXPENDITURE FY 1957	ESTIMATED EXPENDITURES FY 1957	UNLIQUIDATED OBLIGATIONS 6/30/57	PROPOSED OBLIGATIONS FY 1958	TOTAL AVAILABLE FOR EXPENDITURE FY 1958	ESTIMATED EXPENDITURES FY 1958	UNLIQUIDATED OBLIGATIONS 6/30/58
FY 1955 AND PRIOR YEAR FUNDS													
Defense Support													
Project Assistance	55,384.8	(581.8)	54,803.0	22,037.3	32,765.7	x	32,765.7	22,000.0	10,765.7	x	10,765.7	10,765.7	-
Non-Project Assistance	50,626.1	(2,243.5)	48,382.6	32,384.6	15,998.0	x	15,998.0	15,000.0	998.0	x	998.0	998.0	-
Total, Defense Support	106,010.9	(2,825.3)	103,185.6	54,421.9	48,763.7	x	48,763.7	37,000.0	11,763.7	x	11,763.7	11,763.7	-
Technical Cooperation													
Project Assistance	2,215.2	128.2	2,343.4	1,222.9	1,120.5	x	1,120.5	800.0	320.5	x	320.5	320.5	-
Total FY 1955 and Prior Year Funds	108,226.1	(2,697.1)	105,529.0	55,644.8	49,884.2	x	49,884.2	37,800.0	12,084.2	x	12,084.2	12,084.2	-
FY 1956 FUNDS													
Defense Support													
Project Assistance	x	26,260.0	26,260.0	923.2	25,336.8	x	25,336.8	5,000.0	20,336.8	x	20,336.8	15,000.0	5,336.8
Non-Project Assistance	x	43,748.4	43,748.4	24,193.6	19,554.8	x	19,554.8	18,000.0	1,554.8	x	1,554.8	1,554.8	-
Total Defense Support	x	70,008.4	70,008.4	25,116.8	44,891.6	x	44,891.6	23,000.0	21,891.6	x	21,891.6	16,554.8	5,336.8
Technical Cooperation													
Project Assistance	x	3,283.8	3,283.8	958.6	2,325.2	x	2,325.2	1,000.0	1,325.2	x	1,325.2	750.0	575.2
Total, FY 1956 Funds	x	73,292.2	73,292.2	26,075.4	47,216.8	x	47,216.8	24,000.0	23,216.8	x	23,216.8	17,304.8	5,912.0
FY 1957 FUNDS													
Defense Support													
Project Assistance	x	x	x	x	x	45,000.0	45,000.0	1,000.0	44,000.0	x	44,000.0	5,000.0	39,000.0
Non-Project Assistance	x	x	x	x	x	35,000.0	35,000.0	20,000.0	15,000.0	x	15,000.0	15,000.0	-
Total, Defense Support	x	x	x	x	x	80,000.0	80,000.0	21,000.0	59,000.0	x	59,000.0	20,000.0	39,000.0
Technical Cooperation													
Project Assistance	x	x	x	x	x	3,550.0	3,550.0	800.0	2,750.0	x	2,750.0	1,250.0	1,500.0
Total, FY 1957 Funds	x	x	x	x	x	83,550.0	83,550.0	21,800.0	61,750.0	x	61,750.0	21,250.0	40,500.0
FY 1958 FUNDS													
Defense Support													
Project Assistance	x	x	x	x	x	x	x	x	x	44,000.0	44,000.0	1,000.0	43,000.0
Non-Project Assistance	x	x	x	x	x	x	x	x	x	44,000.0	44,000.0	31,800.0	12,200.0
Total, Defense Support	x	x	x	x	x	x	x	x	x	88,000.0	88,000.0	32,800.0	55,200.0
Technical Cooperation													
Project Assistance	x	x	x	x	x	x	x	x	x	3,000.0	3,000.0	800.0	2,200.0
Total, FY 1958 Funds	x	x	x	x	x	x	x	x	x	91,000.0	91,000.0	33,600.0	57,400.0
TOTAL ALL PROGRAMS													
Defense Support													
Project Assistance	55,384.8	25,678.2	81,063.0	22,960.5	58,102.5	45,000.0	103,102.5	28,000.0	75,102.5	44,000.0	119,102.5	31,765.7	87,336.8
Non-Project Assistance	50,626.1	41,504.9	92,131.0	56,578.2	35,552.8	35,000.0	70,552.8	53,000.0	17,552.8	44,000.0	61,552.8	49,352.8	12,200.0
Total, Defense Support	106,010.9	67,183.1	173,194.0	79,538.7	93,655.3	80,000.0	173,655.3	81,000.0	92,655.3	88,000.0	180,655.3	81,118.5	99,536.8
Technical Cooperation													
Project Assistance	2,215.2	3,412.0	5,627.2	2,181.5	3,445.7	3,550.0	6,995.7	2,600.0	4,395.7	3,000.0	7,395.7	3,120.5	4,275.2
TOTAL, ALL PROGRAMS	108,226.1	70,595.1	178,821.2	81,720.2	97,101.0	83,550.0	180,651.0	83,600.0	97,051.0	91,000.0	188,051.0	84,239.0	103,812.0

[redacted]

CHINA (Taiwan)

TABLE 8

ANALYSIS OF EXPENDITURE RATES FOR SELECTED PROJECTS WITH UNLIQUIDATED OBLIGATIONS OF $100,000 OR MORE ON 6/30/56 AND FOR WHICH ADDITIONAL FUNDS ARE PROPOSED IN FY 1958

(In thousands of dollars)

PROJECT TITLE AND NUMBER	UNLIQUIDATED OBLIGATIONS 6/30/55	ACTUAL OBLIGATIONS FY 1956	TOTAL AVAILABLE FOR EXPENDITURE FY 1956	ACTUAL EXPENDITURES FY 1956	UNLIQUIDATED OBLIGATIONS 6/30/56	ESTIMATED OBLIGATIONS FY 1957	TOTAL AVAILABLE FOR EXPENDITURE FY 1957	ESTIMATED EXPENDITURES FY 1957	UNLIQUIDATED OBLIGATIONS 6/30/57	PROPOSED OBLIGATIONS FY 1958	TOTAL AVAILABLE FOR EXPENDITURE FY 1958	ESTIMATED EXPENDITURES FY 1958	UNLIQUIDATED OBLIGATIONS 6/30/58
AGRICULTURE AND NATURAL RESOURCES													
Logging Development													
56-056	x	700	700	-	700	x	700	100	600	x	600	600	-
57-056	x	x	x	x	x	481	481	81	400	x	400	-	400
58-	x	x	x	x	x	x	x	x	x	656	656	156	500
Total	x	700	700	-	700	481	1,181	181	1,000	656	1,656	756	900
INDUSTRY AND MINING													
Hydro Electric Power Development													
55-018	1,089	(-199)	890	201	689	x	689	600	89	x	89	89	-
56-018	x	198	198	-	198	x	198	150	48	x	48	48	-
57-018	x	x	x	x	x	400	400	-	400	x	400	100	300
58-	x	x	x	x	x	x	x	x	x	50	50	13	37
Total	1,089	(-1)	1,088	201	887	400	1,287	750	537	50	587	250	337
Thermal Power Development													
56-372	x	2,000	2,000	-	2,000	x	2,000	250	1,750	x	1,750	500	1,250
57-372	x	x	x	x	x	3,489	3,489	-	3,489	x	3,489	189	3,300
58-	x	x	x	x	x	x	x	x	x	520	520	-	520
Total	x	2,000	2,000	-	2,000	3,489	5,489	250	5,239	520	5,759	689	5,070
Telecommunications Development													
55-030	195	x	195	-	195	x	195	195	-	x	-	-	-
56-030	x	226	226	-	226	x	226	200	26	x	26	26	-
57-030	x	x	x	x	x	550	550	25	525	x	525	415	110
58-	x	x	x	x	x	x	x	x	x	559	559	59	500
Total	195	226	421	-	421	550	971	420	551	559	1,110	500	610
Small Industry Fund													
55-077	4,100	(-1,473)	2,627	1,320	1,307	x	1,307	1,307	-	x	-	-	-
56-077	x	1,500	1,500	-	1,500	x	1,500	500	1,000	x	1,000	1,000	-
57-077	x	x	x	x	x	1,500	1,500	-	1,500	x	1,500	1,300	200
58-	x	x	x	x	x	x	x	x	x	3,000	3,000	800	2,200
Total	4,100	27	4,127	1,320	2,807	1,500	4,307	1,807	2,500	3,000	5,500	3,100	2,400
Water Resources Survey													
55-282	160	x	160	-	160	x	160	160	-	x	-	-	-
57-282	x	x	x	x	x	300	300	25	275	x	275	275	-
58-	x	x	x	x	x	x	x	x	x	300	300	100	200
Total	160	x	160	-	160	300	460	185	275	300	575	375	200
Other Industrial Plant Rehabilitation													
56-309	x	670	670	-	670	x	670	450	220	x	220	220	-
57-309	x	x	x	x	x	271	271	50	221	x	221	121	100
58-	x	x	x	x	x	x	x	x	x	520	520	20	500
Total	x	670	670	-	670	271	941	500	441	520	961	361	600

CHINA (Taiwan)

TABLE 8
P[redacted] of 3

ANALYSIS OF EXPENDITURE RATES FOR SELECTED PROJECTS WITH UNLIQUIDATED OBLIGATIONS OF $100,000 OR MORE ON 6/30/56 AND FOR WHICH ADDITIONAL FUNDS ARE PROPOSED IN FY 1958

(In thousands of dollars)

PROJECT TITLE AND NUMBER	UNLIQUIDATED OBLIGATIONS 6/30/55	ACTUAL OBLIGATIONS FY 1956	TOTAL AVAILABLE FOR EXPENDITURE FY 1956	ACTUAL EXPENDITURES FY 1956	UNLIQUIDATED OBLIGATIONS 6/30/56	ESTIMATED OBLIGATIONS FY 1957	TOTAL AVAILABLE FOR EXPENDITURE FY 1957	ESTIMATED EXPENDITURES FY 1957	UNLIQUIDATED OBLIGATIONS 6/30/57	PROPOSED OBLIGATIONS FY 1958	TOTAL AVAILABLE FOR EXPENDITURE FY 1958	ESTIMATED EXPENDITURES FY 1958	UNLIQUIDATED OBLIGATIONS 6/30/58
TRANSPORTATION													
CAA Improvement													
55-109	198	x	198	53	145	x	145	125	20	x	20	20	-
56-109	x	130	130	-	130	x	130	75	55	x	55	55	-
57-109	x	x	x	x	x	453	453	-	453	x	453	300	153
58-	x	x	x	x	x	x	x	x	x	209	209	100	109
Total	198	130	328	53	275	453	728	200	528	209	737	475	262
HEALTH AND SANITATION													
Hospital Construction (RETSER)													
56-359	x	1,040	1,040	-	1,040	x	1,040	540	500	x	500	400	100
56-360	x	1,292	1,292	-	1,292	x	1,292	500	792	x	792	492	300
56-361	x	438	438	-	438	x	438	438	-	x	-	-	-
57-359	x	x	x	x	x	750	750	-	750	x	750	300	450
57-360	x	x	x	x	x	795	795	-	795	x	795	195	600
57-361	x	x	x	x	x	220	220	120	100	x	100	100	-
58-	x	x	x	x	x	x	x	x	x	110	110	-	110
58-	x	x	x	x	x	x	x	x	x	106	106	-	106
58-	x	x	x	x	x	x	x	x	x	160	160	100	60
Total	x	2,770	2,770	-	2,770	1,765	4,535	1,598	2,937	376	3,313	1,587	1,726
EDUCATION													
Vocational School Assistance													
55-012	311	x	311	145	166	x	166	166	-	x	-	-	-
56-012	x	266	266	-	266	x	266	86	180	x	180	180	-
57-012	x	x	x	x	x	120	120	-	120	x	120	40	80
58-	x	x	x	x	x	x	x	x	x	245	245	-	245
Total	311	266	577	145	432	120	552	252	300	245	545	220	325
Engineering Education													
55-009	223	x	223	55	168	x	168	168	-	x	-	-	-
56-009	x	490	490	2	488	x	488	388	100	x	100	100	-
57-009	x	x	x	x	x	220	220	-	220	x	220	150	70
58-	x	x	x	x	x	x	x	x	x	265	265	-	265
Total	223	490	713	57	656	220	876	556	320	265	585	250	335
PUBLIC ADMINISTRATION													
RETSER Program Administration													
55-278	1,000	x	1,000	191	809	x	809	609	200	x	200	200	-
57-278	x	x	x	x	x	415	415	15	400	x	400	200	200
58-	x	x	x	x	x	x	x	x	x	15	15	15	-
Total	1,000	x	1,000	191	809	415	1,224	624	600	15	615	415	200

[redacted]

CHINA (Taiwan)

TABLE 8

ANALYSIS OF EXPENDITURE RATES FOR SELECTED PROJECTS WITH UNLIQUIDATED OBLIGATIONS OF $100,000 OR MORE ON 6/30/56 AND FOR WHICH ADDITIONAL FUNDS ARE PROPOSED IN FY 1958

(In thousands of dollars)

PROJECT TITLE AND NUMBER	UNLIQUIDATED OBLIGATIONS 6/30/55	ACTUAL OBLIGATIONS FY 1956	TOTAL AVAILABLE FOR EXPENDITURE FY 1956	ACTUAL EXPENDITURES FY 1956	UNLIQUIDATED OBLIGATIONS 6/30/56	ESTIMATED OBLIGATIONS FY 1957	TOTAL AVAILABLE FOR EXPENDITURE FY 1957	ESTIMATED EXPENDITURES FY 1957	UNLIQUIDATED OBLIGATIONS 6/30/57	PROPOSED OBLIGATIONS FY 1958	TOTAL AVAILABLE FOR EXPENDITURE FY 1958	ESTIMATED EXPENDITURES FY 1958	UNLIQUIDATED OBLIGATIONS 6/30/58
GENERAL AND MISCELLANEOUS													
Multi-Purpose Projects													
56-258	x	3,978	3,978	-	3,978	x	3,978	100	3,878	x	3,878	500	3,378
57-258	x	x	x	x	x	4,982	4,982	-	4,982	x	4,982	100	4,882
58-	x	x	x	x	x	x	x	x	x	5,000	5,000	-	5,000
Total	x	3,978	3,978	-	3,978	4,982	8,960	100	8,860	5,000	13,860	600	13,260
Engineering Services													
56-163	x	910	910	291	619	x	619	619	-	x	-	-	-
57-163	x	x	x	x	x	770	770	381	389	x	389	389	-
58-	x	x	x	x	x	x	x	x	x	1,000	1,000	900	100
Total	x	910	910	291	619	770	1,389	1,000	389	1,000	1,389	1,289	100
Mass Communications													
56-325	x	125	125	-	125	x	125	100	25	x	25	25	-
57-325	x	x	x	x	x	224	224	-	224	x	224	100	124
58-	x	x	x	x	x	x	x	x	x	45	45	-	45
Total	x	125	125	-	125	224	349	100	249	45	294	125	169

CHINA (Taiwan)

TABLE 0

(PRELIMINARY a/)

CENTRAL GOVERNMENT FINANCES AND RELATED MUTUAL SECURITY LOCAL CURRENCY PROGRAMS

(Exchange Rate Used To Convert To Dollars: 24.78)

(In thousands of dollars equivalent)

	FISCAL YEAR ENDING: June 30							
	1955		1956		1957		1958	
EXPENDITURES								
National Defense	143,785		190,435		203,390		201,130	
Capital Outlay	4,641		9,282		10,008		12,106	
Other Non-Defense Expenditures	82,244		107,708		121,913		120,420	
Total Expenditures	230,670		307,425		335,311		333,656	
Total Revenue, Excluding U.S. and Other Foreign Aid	159,403		205,085		209,362		221,953	
Deficit (-) or Surplus (+) Before Aid	- 71,267		-102,340		-125,949		-111,703	
FINANCING OF EXPENDITURES BY SOURCE OF FUNDS	PERCENT	AMOUNT	PERCENT	AMOUNT	PERCENT	AMOUNT	PERCENT	AMOUNT
Revenue, Excluding U.S. and Other Foreign Aid	69.1	159,403	66.7	205,085	62.4	209,362	66.5	221,953
Counterpart Withdrawals and MSP Local Currency Grants								
Defense Budget Support	22.2	51,332	21.8	66,949	22.9	76,796	20.4	68,200
Civilian Budget Support	5.8	13,358	11.2	34,463	10.8	36,077	7.5	24,859
Mutual Security Program Projects	-	-	-	-	-	-	-	-
Total Counterpart and U.S. Local Currency Grants	28.0	64,690	33.0	101,412	33.7	112,873	27.9	93,059
P.L. 480 Grants	-	-	-	-	0.6	2,018	0.9	2,882
Grants from Other Countries	-	-	-	-	-	-	-	-
Borrowings (+) or Debt Retirement (-)								
Mutual Security Loan	-	-	-	-	-	-	-	-
P.L. 480 - Sec. 104(g)	-	-	-	-	-	-	-	-
Export-Import Bank	-	-	-	-	-	-	-	-
International Bank for Reconstruction and Development	-	-	-	-	-	-	-	-
Other Foreign Borrowing	-	-	-	-	-	-	-	-
Domestic Borrowing:								
Bond Issues	0.1	363	- 0.1	- 444	-	-	-	-
Treasury Notes	-	-	-	-	-	-	-	-
Borrowing from Central and Private Banks	3.2	7,304	0.9	2,825	2.4	8,071	-	-
Total Domestic Borrowing	3.3	7,667	0.8	2,381	2.4	8,071	-	-
Total Borrowing	3.3	7,667	0.8	2,381	2.4	8,071	-	-
Net Change (+) or (-) in Bank Balances and Other Reserves	- 0.4	- 1,090	- 0.5	- 1,453	0.9	2,987	4.7	15,762
Total Financing	100.0	230,670	100.0	307,425	100.0	335,311	100.0	333,656

NOTE: Government Gross Debt: Amount Domestic $81,558 Amount Foreign $825,434 Date June 30, 1956

a/ Mission will submit final table by December 31.

TABLE 10

CHINA (Taiwan)

BALANCE OF PAYMENTS AND RESERVES

(Million of dollar equivalent converted at 24.78 per dollar)

ITEM	CALENDAR YEARS 1954	1955	1956	1957	1958
Balance of Payments					
Goods and Services					
Exports, F.O.B.	93.8	130.6	118.8	122.9	126.4
Imports, C.I.F.	-211.2	-193.2	-219.4	-239.0	-235.7
Trade balance	-117.4	- 62.6	-100.6	-116.1	-109.3
Nonmonetary gold movements (net)	0.4	0.6	n.a.	-	-
Foreign travel	- 1.1	- 1.0	n.a.	n.a.	n.a.
Transportation and insurance	- 5.8	- 3.2	n.a.	n.a.	n.a.
Investment income	- 2.6	- 0.5	n.a.	n.a.	n.a.
Government, not included elsewhere	- 1.0	- 1.0	n.a.	n.a.	n.a.
Other services	8.8	- 4.3	n.a.	n.a.	n.a.
Total services	- 1.3	- 9.4	- 10.4	- 10.9	- 11.0
Total goods and services	-118.7	- 72.0	-111.0	-127.0	-120.3
Private Financing					
Remittances	-	0.8	-	-	-
Direct investment (Net Investment Loans)	-	0.6	2.8	1.0	1.0
Self-provided exchange	5.9	6.7	8.2	9.0	9.0
Total private financing	5.9	8.1	11.0	10.0	10.0
Net Errors and Omissions	7.5	- 1.6	-	-	-
Surplus (+) or Deficit (-)	-105.3	- 65.5	-100.0	-117.0	-110.3
Official Financing					
Grants					
Grants from U.S.					
MSP (Including DFS-type activities)	85.3	90.7	98.3	110.4	110.1
P.L. 480 Titles I, II	-	-	2.8	6.7	5.1
Other	-	-	-	-	-
Total grants	85.3	90.7	101.1	117.1	115.2
Long-Term Capital					
Loan repayments, including Government	-	- 1.5	- 2.9	- 5.0	- 3.5
Loans from MSP	-	-	-	-	-
Loans from P.L. 480, Title I.	-	-	-	-	-
Loans from Export-Import Bank	-	-	-	-	-
Loans from IBRD	-	-	-	-	-
Investment Loans	-	1.2	3.6	6.0	5.0
Total long-term capital	- 2.8 a/	- 0.3	0.7	1.0	1.5
Short-Term Capital					
Change in reserves (increase -)	23.2	- 24.3	- 1.2	- 0.5	- 5.4
Monetary gold (increase -)	- 0.4	- 0.6	- 0.6	- 0.6	- 1.0
Other	-	-	-	-	-
Total short-term capital	22.8	- 24.9	- 1.8	- 1.1	- 6.4
Total Official Financing	105.3	65.5	100.0	117.0	110.3
Status of Reserves (end of period)					
Gold	42.0	42.6	43.2	43.8	44.8
Dollars, Sterling and Other Currencies	7.0	31.3	31.5	33.0	38.4
Total Reserves	49.0	73.9	74.7	76.8	83.2

a/ Source(s) of loans not known.

[redacted]

TABLE II

CHINA (Taiwan)

SUMMARY ECONOMIC DATA

ITEM	CALENDAR YEARS 1954	1955	1956	1957	1958
Population (Mid-year in millions)	10.1	10.4	10.7	11.0	11.3
Gross National Product at market prices--Total ($ Millions)	932.7	1,051.8	-	-	-
(Expressed in 1955 prices. Foreign Exchange Conversion Rate: NT $24.78 = US $1)	1,047.7	1,051.8	1,152.8	1,244.3	1,344.2
By Type of Expenditure:					
Private consumption	747.3	665.4	753.4	814.0	879.2
Gross investment (public and private)	157.2	170.5	191.8	218.0	242.3
Government expenditures on goods and services	261.9	288.1	318.6	339.3	343.0
Net foreign balance (+) or (-)	- 118.7	- 72.2	- 111.0	- 127.0	- 120.3
Per capita GNP	104	101	108	113	119
Prices (Index, 1952 = 100)					
a. Wholesale	111	127	141	141	141
b. Cost of living	131	145	155	155	155
Industrial production (Index, 1952 = 100)	136	152	161	189	219
Major commodities — Unit of quantity					
Chemical Fertilizer — 1,000 MT	164	169	177	307	482
Cement — 1,000 MT	536	590	504	630	810
Cotton Yarn — 1,000 Bales at 400 lbs.	126	139	140	155	162
Crude Oil Processed — 1,000 Kiloliter	525	726	747	828	882
Electric Power — million KWH	1,805	1,966	2,209	2,434	2,897
	CROP YEARS 1954/55	1955/56	1956/57	1957/58	1958/59
Agricultural (forestry and fisheries) production (Total Index, 1952 = 100)	116	116	128	132	135
Major crops — Unit of quantity					
Rice (rough) — 1,000 MT	2,240	2,130	2,440	2,510	2,570
Sweet Potatoes — 1,000 MT	2,557	2,437	2,580	2,602	2,605
Peanuts — 1,000 MT	66	67	89	94	101
Sugarcane — 1,000 MT	6,310	6,089	5,934	6,235	6,674

[redacted]

TABLE 42

CHINA (Taiwan)

SUMMARY SALES PROGRAMS UNDER PL 480, AGRICULTURAL TRADE AND DEVELOPMENT ACT OF 1954

(In thousands of dollars)

FISCAL YEAR IN WHICH SALES AGREEMENT SIGNED	TOTAL SALES CONTEMPLATED BY AGREEMENT	PLANNED USE OF LOCAL CURRENCY PROCEEDS (In Dollar Equivalent)					
		FOR ECONOMIC DEVELOPMENT UNDER SECTIONS				FOR COMMON DEFENSE 104(c)	FOR OTHER PURPOSES
		104(d)	104(e)	104(g)	TOTAL		
FY 1955 (Actual)	-	-	-	-	-	-	-
FY 1956 (Actual)	-	-	-	-	-	-	-
FY 1957 (Estimated)	11,300 a/	-	-	-	-	5,700 b/	5,600 b/
FY 1958 (Estimated)	4,500 c/	-	-	-	-	2,300 c/	2,200 d/
Total	15,800	-	-	-	-	8,000	7,800

a/ Includes agreement for $9.8 million signed August 14, 1956, and $1.5 million agreement currently under consideration.

b/ Signed agreement allocates $4.9 million for subsection 104(c) and $4.9 million for subsections 104(a), (f), (h). Pending agreement of $1.5 million tentatively allocates $20.8 million for subsection 104(c) and $0.7 million for subsection 104(j).

c/ Estimated by S/FOOD.

d/ Not allocated by subsection.

[redacted]

CHINA (Taiwan)

TABLE 13

ACCRUAL, REALIZATION AND UTILIZATION OF LOCAL CURRENCIES UNDER P.L. 480, AGRICULTURAL TRADE AND DEVELOPMENT ACT OF 1954

(In thousands of dollars equivalent)

	ACTUAL FY 1956		ESTIMATED FY 1957		PROPOSED FY 1958	
	ON DEPOSIT	TO BE DEPOSITED	ON DEPOSIT	TO BE DEPOSITED	ON DEPOSIT	TO BE DEPOSITED
Balance beginning of year	-	-	-	-	1,500	6,800
To be generated from Current Year Sales Agreements	x	-	x	11,300	x	4,500
Availability (on accrual basis)	x	-	x	11,300	x	11,300
Local Currency Realization during year	-	-	+ 4,500	- 4,500	+ 8,000	- 8,000
Available for Utilization during year	-	x	4,500	x	9,500	x
Utilization during the year						
For Section 104(d)	-	x	-	x	-	x
For Section 104(e)	-	x	-	x	-	x
For Section 104(g)	-	x	-	x	-	x
Total For Economic Development	-	x	-	x	-	x
For Section 104(c)	-	x	2,000	x	4,500	x
For Other Purposes	-	x	1,000	x	3,000	x
Total Utilization during year	-	x	3,000	x	7,500	x
Balance Close of Year	-	-	1,500	6,800	2,000	3,300

TABLE 15

CHINA (Taiwan)

HOST COUNTRY CONTRIBUTIONS a/

(In thousands of dollars equivalent)

	ACTUAL FY 1956			ESTIMATED FY 1957			ESTIMATED FY 1958		
	TOTAL	DEFENSE SUPPORT	TECHNICAL COOPERATION	TOTAL	DEFENSE SUPPORT	TECHNICAL COOPERATION	TOTAL	DEFENSE SUPPORT	TECHNICAL COOPERATION
Contributions to Other Than Cooperative Services									
Value in Cash:									
By Central Government	-	-	-	-	-	-	-	-	-
By Local Governments or Other Parties	-	-	-	-	-	-	-	-	-
Total b/	57,000	37,670	19,330	65,420	46,455	18,965	74,555	55,000	19,555
Value in Kind:									
By Central Government	-	-	-	-	-	-	-	-	-
By Local Governments or Other Parties	-	-	-	-	-	-	-	-	-
Total	-	-	-	-	-	-	-	-	-
Total Contributions to Other than Cooperative Services	57,000	37,670	19,330	65,420	46,455	18,965	74,555	55,000	19,555
Contributions to Cooperative Services									
Value in Cash:									
By Central Government									
By Local Governments or other Parties									
Total									
Value in Kind:									
By Central Government									
By Local Governments or Other Parties									
Total									
Total Contributions to Cooperative Services									
GRAND TOTAL CONTRIBUTIONS	57,000	37,670	19,330	65,420	46,455	18,965	74,555	55,000	19,555

a/ Includes estimated government budgetary allocations to general fields in which ICA is providing assistance, as well as estimated government and private contributions to specific ICA-financed projects.

b/ Breakdown by appropriation function not available.

FAR EAST

FY 1958 ILLUSTRATIVE PRESENTATION

INDONESIA

OFFICE OF FAR EASTERN OPERATIONS

INTERNATIONAL COOPERATION ADMINISTRATION

TABLE I

INDONESIA

NON-MILITARY MUTUAL SECURITY PROGRAMS BY FUNCTION

(In thousands of dollars)

FUNCTIONS	ACTUAL FY 1956	ESTIMATED FY 1957	PROPOSED FY 1958
Development Assistance			
Project Assistance	4,100 a/	19,000 b/	25,000 c/
Non-Project Assistance	-	-	-
Total, Development Assistance	4,100 a/	19,000 b/	25,000 c/
Technical Cooperation			
Project Assistance	6,995	7,000	7,000
TOTAL PROGRAMS	11,095	26,000	32,000
Of Which MSP Loans	-	15,000	21,000
Of Which MSP Sales of Surplus Agricultural Commodities	-	-	-

a/ Financed from President's Fund for Asian Economic Development.

b/ Includes 15.0 million initial tranche against 25.0 million line of credit.

c/ Includes 10.0 million against FY 1957 line of credit and 11.0 million against new line of credit.

[redacted]

INDONESIA

Narrative Statement

U. S. OBJECTIVES

1. To strengthen Indonesia's independence and internal security, through helping to strengthen non-communist elements within the country and counter increased communist economic penetration.

2. To encourage political solidarity with other non-communist countries.

3. To encourage and stimulate the sound economic development necessary for internal political and social stability.

OBSTACLES TO ACHIEVING OBJECTIVES

A. Political and Social Problems

1. The present non-communist coalition government has not achieved any great success in meeting Indonesia's pressing economic problems, although it recognizes that the future of its constituent parties depends to a large extent on the success of its economic program. If this government should continue to fail in providing some of the tangible material benefits which the people feel should flow from political independence, the influence of the Indonesian communists will be greatly increased.

2. It is prepared, therefore, in pursuit of its economic objectives, to accept aid from any country which is willing to provide such aid without political preconditions or commitments. The Soviet Union and other countries of the communist bloc have shown themselves prepared to provide assistance on this basis. While suspicious of Soviet motives, and unfamiliar with Soviet products, the government coalition may feel obliged to turn to the communist bloc for support if denied increased development assistance by the U. S.

3. Indonesia is spread over 3,000 islands, and there is a lack of cohesion and a feeling of antagonism between the outlying islands and the central government in Djakarta. Outer islands believe that they contribute heavily to the support of the central government and receive relatively nothing in return.

4. Other problems are: Civil insecurity in some areas due to action of dissident groups, widespread illiteracy, weakness in government organization, and a large and influential communist party and communist members in parliament (though not in the present government).

B. Economic Problems

1. The Indonesian economy has been slow in regaining prewar levels of activity. Per capita income is still below prewar and the current rate of economic growth is barely adequate to meet an annual 1.7 percent increase in population (see Appendix A). Indonesia's main economic problem, therefore, is to increase total production in order to keep pace with its growing population and provide some improvement in the standard of living.

2. Indonesia's rate of new investment does not provide for any appreciable part of the economic improvements the people expect, and will be insufficient even to maintain present living standards for long, in the face of population growth. The Indonesian

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Government has drafted a five-year economic development plan, outlining investments that must be undertaken to meet the internal social and political pressures created by this situation. External assistance, however, will be required to implement this plan.

3. With dependence on a few raw materials exports (rubber, tin, petroleum and copra), Indonesia's economy, foreign exchange earnings and, to a certain extent, government revenues are extremely sensitive to the vagaries of world markets. Balance of payments deficits are expected to continue in 1957 and 1958, and the deficit in the central government budget is expected to increase from $205 million in 1956 to $370 million in 1958.

4. A large part of Indonesia's rich resources has not been exploited. Where resources have been tapped, low production and low productivity are characteristic. The country also lacks basic facilities such as electric power capacity and the transportation within and between the 3,000 islands needed to develop its resources.

5. The distribution of population is extremely uneven. Java is one of the most densely populated islands in the world, while Sumatra and the Celebes are only sparsely populated.

6. Indonesian antagonism toward colonialism and imperialism in general, and the Dutch in particular, combined with an uncertain policy toward foreign investors, have resulted in considerable foreign disinvestment and discouragement of new private foreign investment.

ROLE OF U. S. ASSISTANCE

A. Why U. S. Assistance is Needed

The basic justification for U. S. assistance to Indonesia is a political one -- the influence which such aid can have in keeping this large, strategically located and potentially rich area independent of communist control and oriented toward the free west. Indonesia's need for technical and financial assistance for development purposes is of such magnitude that U. S. aid in the amounts proposed could be an effective means of achieving this basic objective. The broadening of U. S. relationships with Indonesia, made possible through friendly and effective assistance in meeting deeply felt needs, will further strengthen free world influences in Indonesia and augment U. S. prestige with both the people and their government.

B. How U. S. Assistance Should be Provided

Assistance recommended, to achieve the above objective, includes:

1. Continuation of a balanced technical cooperation program, emphasizing technical training in such fields as: (a) agricultural extension; (b) engineering, agricultural, vocational and public health training through university affiliates; (c) assistance in planning development projects; and (d) civil police administration.

2. Development assistance on a grant basis to assist in equipping the 105,000-man Indonesian civil police force, and to provide supplies and equipment for a continuation of a malaria control program.

3. Development assistance loans for capital development in fields such as road construction and rehabilitation, which do not lend themselves to financing by private investors or international lending institutions.

4. Loans through the Ex-Im Bank, which has indicated its willingness to consider applications for such credits on a project-by-project basis.

[redacted]

5. Provision of U. S. agricultural surpluses under a P. L. 480 program.

LONG-RANGE PLAN

The plan for which the funds detailed in Appendix B are proposed centers around the following program objectives:

1. To help provide the technical and managerial skills needed for economic development and the maintenance of internal stability. To meet this objective it is planned to:

(a) Send participants abroad for technical training, and provide on-the-job training in the Ministries and agencies where USOM technicians work. Collateral assistance will be provided through the Ford Foundation, which plans to assist secondary technical schools, and Colombo Plan training of several hundred engineering students in Australia.

(b) Develop teachers for Indonesian institutions by means of university contracts, such as those between the University of Kentucky and Bandung, and the University of California and the Indonesian Medical School. Collateral assistance will be provided by UNESCO and the Ford and Asia Foundations.

(c) Provide training in public and business administration.

2. To assist Indonesia in establishing the basic facilities and services needed for sound economic development. Since there is as yet no agreement covering capital development projects in this program, no firm list of projects can now be given. On the basis of information thus far available, it is expected that this objective will be accomplished through projects helping to:

(a) Provide power facilities in areas outside of Java, mainly small diesel generating units.

(b) Improve the road network and inter-island transportation facilities. This assistance, illustratively, would take the form of loans for highway construction in the outlying islands; loans for the purchase of inter-island aircraft, possibly small ships; and training officials and technicians of the Ministry of Communications. Collateral assistance in air communication will be provided by ICAO, which is now conducting an Indonesian Air Academy, and by technical assistance through the various U. N. affiliates.

(c) Expand agricultural extension activities, continue agricultural education activities through a university contract, provide loan funds for agricultural credit, and assist in agricultural research.

3. To assist in maintaining political and social stability by:

(a) Providing essential equipment strengthening the national police, making available 14 U. S. technicians to carry on police training activities in Indonesia, and training participants in the U. S. and third countries.

(b) Continuing the malaria control program, planned eventually to provide protection to 30 million people estimated to be suffering from malaria, which provides a tangible demonstration, at the grass roots level, of U. S. assistance to Indonesia. Eight million people have been protected to date.

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(c) Assisting the cooperative operated by the leading free trade union, in order to encourage membership in that group; and sending trade union leaders abroad to observe U. S. union organization and the role of labor in U. S. affairs.

4. To assist in improving government organization and public administration techniques, by a government in-service training program; an institute of public administration; and training grants to provincial and other government officials.

STATUS AND ACCOMPLISHMENTS OF MUTUAL SECURITY PROGRAM

A. Status

The Technical Cooperation component of the U. S. aid program in Indonesia has been in operation since FY 1951. Development Assistance on a grant basis for malaria control and civil police activities was added in FY 1955. A FY 1957 program, providing for $7 million in Technical Cooperation funds and $4 million in Development Assistance funds (grants for malaria control and civil police), has been tentatively approved.

An Executive Determination making it possible to offer Indonesia increased Development Assistance through a line of credit of up to $25 million to be available for a period of more than one year, has been approved by ICA and the Department of State and is awaiting concurrence by the Bureau of the Budget. This includes $15 million planned for obligation in FY 1957, supplementing the $4 million of Development Assistance now programmed for malaria control and police. This amount will be made available to the extent that firm projects are agreed upon. Discussions are currently in process with the Indonesian Government concerning the projects to be financed with these funds.

B. Accomplishments

1. The civil police program has made an important contribution to improved internal security and has increased the pro-Western orientation of the 105,000-man police force.

2. U. S. interest in the welfare of the Indonesian people has been widely demonstrated by assistance for a malaria control program which has protected 8 million Indonesians to date, and by other projects in agriculture and education.

3. From the longer-range point of view, U. S. assistance in technical training, which has been well received by the Indonesian Government, may represent a very significant factor in Indonesia's achievement of economic stability under a government oriented toward the West. Such training also is providing personnel essential to an effective utilization of the increased capital needed for sound economic development.

THE FY 1958 PROGRAM

A. Magnitude and Composition

1. Development Assistance - Indonesia has 80 million people, and comprises 2,000 islands with a 3,000-mile East-West spread. Its approximate annual budget is $1.5 billion; and its five-year development program calls for an expenditure of $2.6 billion. Judged against figures of such magnitude the $25 million in U. S. Development Assistance, recommended for FY 1958, could hardly be expected to produce very significant effects. Viewed, however, against the fact that other funds will be available for development purposes, and the further fact that a shortage of managerial

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and technical personnel severely limits the amount of development that can be soundly undertaken at this time, $25 million in this program will be significant and appreciated. A substantially smaller amount would not be.

Of this $25 million, $4 million would be a grant for continuation of civil police and malaria control activities and $21 million a loan for economic development, including at least $10 million of the proposed FY 1957 line of credit not to be obligated in that year. This program would be a continuation of the $19 million program, to be financed with FY 1957 funds.

Discussions with the Indonesian Government regarding the capital development component of the program have only just begun. Based on previous information, however, it is believed that this assistance will be used for such projects as essential road construction and improvement; expanding power production, primarily through installation of small diesel units in outlying areas; inter-island transport and shipping; loans to small and medium-size industry; and agricultural credit. These projects are basic to the whole future development of the country, and to the continued support of the present government by the Indonesian people.

The proposed industry loan project would serve to stimulate the initiation and expansion of small and medium-size private Indonesian industrial enterprises, demonstrating to the Indonesian Government and people the effectiveness of private enterprise.

2. Technical Cooperation - In the proposed $7 million Technical Cooperation program for FY 1958, every effort has been made to concentrate on those projects which are most essential and where the U. S. contribution can be most effective. The program emphasizes technical training in agricultural extension, the strengthening of colleges of medicine and engineering, vocational training, malaria control, planning of economic development activities, civil police administration and public administration. The program provides for some 98 U. S. direct-hire technicians; training through contracts with university affiliates; the bringing of approximately 500 participants to the U. S.; and the provision of necessary commodities for demonstration purposes.

Although the proposed TC program lays greatest emphasis on technical education and training, it is planned to increase emphasis on the training of teachers for the university level, in view of the serious shortage of Indonesians qualified for such work. This training will be provided through a direct participant program and under university contracts.

B. Relationship between P. L. 480 Program and FY 1958 Mutual Security Program

The existing and projected P. L. 480 programs supplement the proposed Mutual Security Program, but neither is a substitute for the other. Of the $97.5 million under the P. L. 480 sales agreement already concluded, about $77 million will be available for economic development purposes. It is expected that these local currency resources will be used to meet in part the local costs of MSP-financed capital development projects to be included in both FY 1957 and FY 1958. They also will assist in meeting local currency requirements for capital development projects financed by Ex-Im Bank loans. There is no duplication between the proposed dollar aid and P. L. 480 assistance because none of the dollar aid funds will be used to import commodities for the purpose of generating local currency.

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C. Pipeline

Projected unliquidated year-end balances for the Indonesia program in FY 1957 and FY 1958 compare with the actual balance on June 30, 1956, as follows:

	Unliquidated Obligations (Millions of Dollars)		
	FY 1956	FY 1957	FY 1958
Development Assistance	3.7	18.4	33.4
Technical Cooperation	10.1	11.2	10.5

The increase in unliquidated DA obligations reflected in the year-end figures above for FY 1957 and FY 1958, is expected to result from an expansion of that program in each of those two years. Although it is expected that $15 million will be obligated under the new line of credit in FY 1957, it is not likely that expenditures against that amount will be significant this year. Because of an anticipated higher obligation level against the expanded program in FY 1958, amounting to $21 million, and the fact that both FY 1957 and FY 1958 obligations will be made for long lead-time capital imports, the June 30, 1958 pipeline is expected to increase further. The full impact of expenditures under the new capital development program is not expected to be felt until later years.

The situation reflected in the level of unliquidated TC obligations shown above, is fairly typical for the Far East area. In the case of Indonesia, a substantial portion of TC funds is utilized for multi-year contracts, mainly with universities. Consequently, a substantial amount of TC funds remains unexpended for as much as three years. In order to maintain continuity in the TC program, therefore, it has been generally necessary to initiate extensions of continuing projects, or begin new projects, long before existing obligations are fully liquidated. In terms of the TC program level of approximately $7 million which is being maintained in Indonesia, therefore, a pipeline of approximately 18 months does not seem unreasonable.

D. Loans

Of the proposed $25 million Development Assistance program for FY 1958, $21 million would be loans, repayable in dollars or local currency at the option of the Indonesian Government. The $4 million for malaria control and civil police would be provided as a grant.

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APPENDIX A

SIGNIFICANT ECONOMIC INDICATORS

INDONESIA

Item	Calendar Years 1956	1957	1958	1959	1960	1961	1962
1. Population (midyear in millions)	83.3	84.7	86.1	87.6	89.1	90.6	92.1
2. Gross National Product (1954 prices $ millions)	7,356.0	7,482.0	7,608.0	7,744.0	7,875.6	8,027.1	8,178.0
3. Increase in GNP (%)		1.7	1.8	1.7	1.7	1.9	1.9
4. Per Capita GNP ($)	88.3	88.3	88.4	88.4	88.4	88.6	88.8
5. Cost of Living: Food in Djakarta (Index 1953 = 100)	150.0	135.0	140.0	-	-	-	-
6. Agricultural Production: (Index 1935-39 = 100)	112.0	112.0	114.0	114.0	116.0	116.0	118.0
7. Industrial Production:							
Petroleum (1,000 MT)	12,790.0	13,790.0	14,790.0	15,790.0	16,000.0	17,000.0	18,000.0
Tin (1,000 MT)	35.5	35.9	35.9	35.9	35.9	35.9	35.9
8. Deficit in Central Government Budget before Foreign Aid ($ millions)	-205.0	-260.0	-370.0	-	-	-	-
9. Balance of Payments Surplus or Deficit on Current Account ($ millions)	-248.2	- 70.7	- 17.4	-	-	-	-

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APPENDIX B

REQUIREMENTS FOR U. S. ASSISTANCE

INDONESIA

(Obligations in millions of dollars)

	Fiscal Years						
	1956	1957	1958	1959	1960	1961	1962
Development Assistance	4.2	19.0	25.0	25.0	25.0	25.0	25.0
Capital Development	-	15.0	21.0	22.0	22.0	23.0	24.0
Malaria Program (Supplies and Equipment)	2.7	2.5	3.0	2.5	2.5	2.0	1.0
Civil Police Program (Supplies and Equipment)	1.5	1.5	1.0	0.5	0.5	-	-
Technical Cooperation	7.6	7.0	7.0	8.0	6.5	6.5	6.5
Agriculture	1.3	1.0	1.5	1.0	1.0	1.0	1.0
Industry	1.6	1.4	0.9	2.0	1.5	1.5	1.5
Transportation	0.2	0.3	0.4	0.5	0.5	0.5	0.5
Labor	0.4	0.5	0.3	-	-	-	-
Health	1.0	0.4	0.5	1.0	1.0	1.0	1.0
Education	1.2	1.3	1.2	1.2	1.0	1.0	1.0
Public Administration	0.8	1.4	1.3	1.5	1.0	1.0	1.0
Housing	0.4	0.1	0.2	-	-	-	-
General and Miscellaneous	0.7	0.6	0.7	0.8	0.5	0.5	0.5
P. L. 480							
Local Currency: 104(g)	-	17.4	14.4	15.0	15.0	15.0	15.0

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TABLE 2

INDONESIA

NON-MILITARY MUTUAL SECURITY DOLLAR PROGRAMS AND RELATED LOCAL CURRENCY GENERATION

(In thousands of dollars and equivalent)

	ACTUAL FY 1958				ESTIMATED FY 1957				PROPOSED FY 1958			
	DOLLAR PROGRAM			INITIATING LOCAL CURRENCY GENERATION	DOLLAR PROGRAM			INITIATING LOCAL CURRENCY GENERATION	DOLLAR PROGRAM			INITIATING LOCAL CURRENCY GENERATION
	TOTAL	Development Assistance	TECHNICAL COOPERATION		TOTAL	Development Assistance	TECHNICAL COOPERATION		TOTAL	Development Assistance	TECHNICAL COOPERATION	
PROJECT ASSISTANCE												
Contributions to Cooperative Services	x	x	x	x	x	x	x	x	x	x	x	x
Supplies and Equipment:												
Capital Equipment	-	-	-	-	14,000	14,000	-	-	16,000	16,000	-	-
Other	5,689	4,100	1,589	5,689	4,830	4,000	830	4,830	4,920	4,000	920	4,920
Total, Supplies and Equipment	5,689	4,100	1,589	5,689	18,830	18,000	830	4,830	20,920	20,000	920	4,920
U.S. Employed Technicians (Cost)	961	-	961	-	1,300	-	1,300	-	1,435	-	1,435	-
Total Number Authorized for Employment During Year	(89)	-	(89)	x	(107)	-	(107)	x	(98)	-	(98)	x
Number on Duty Close of Year	(76)	-	(76)	x	(93)	-	(93)	x	(91)	-	(91)	x
Participants (Cost)	2,126	-	2,126	-	3,000	-	3,000	-	3,085	-	3,085	-
Number Authorized During Year	(468)	-	(468)	x	(498)	-	(498)	x	(506)	-	(506)	x
Contract Services (Total Cost U. S. Technicians)	2,319	-	2,319	-	2,870	1,000	1,870	-	5,560	5,000	1,560	-
Total Number Authorized for Employment During Year	(28)	-	(28)	x	(132)	(30)	(102)	x	(103)	(30)	(73)	x
Number on Duty Close of Year	(28)	-	(28)	x	(112)	(30)	(82)	x	(103)	(30)	(73)	x
Contract Services - Participants Authorized During Year	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-
Total, Project Assistance	11,095	4,100	6,995	5,689	26,000	19,000	7,000	4,830	32,000	25,000	7,000	4,920
NON-PROJECT ASSISTANCE												
Commodity Imports												
Surplus Agricultural Commodities												
Total, Surplus Agricultural Commodities												
Deduct Sales to This Country for Benefit of Other Countries												
Add Sales to Other Countries for Bendfit of This Country												
Net Sales for Bensfit of This Country												
Other Commodities:												
Total, Other Commodities												
Total Commodity Imports												
Cash Grants												
Other												
Total, Non-Project Assistance												
TOTAL, NON-MILITARY PROGRAMS	11,095	4,100	6,995	5,689	26,000	19,000	7,000	4,830	32,000	25,000	7,000	4,920
Of Which Dollar Loans	-	-	-	-	15,000	15,000	-	-	21,000	21,000	-	-
Of Which Dollar Grants	11,095	4,100	6,995	5,689	11,000	4,000	7,000	4,830	11,000	4,000	7,000	4,920

[redacted]

TABLE 3

INDONESIA

MUTUAL SECURITY PROGRAM LOCAL CURRENCY GENERATION AND PROGRAMMED UTILIZATION

(In thousands of dollars equivalent)

	ACTUAL FY 1956			ESTIMATED FY 1957			PROPOSED FY 1958		
	TOTAL	Development Assistance	TECHNICAL COOPERATION	TOTAL	Development Assistance	TECHNICAL COOPERATION	TOTAL	Development Assistance	TECHNICAL COOPERATION
LOCAL CURRENCY GENERATION									
Dollar Programs Initiating Local Currency Generation	5,689	x	x	4,830	x	x	4,920	x	x
Less: Local Currency Reserved for U.S. Uses	-	x	x	-	x	x	-	x	x
Subtotal Local Currency Availability	5,689	x	x	4,830	x	x	4,920	x	x
Add: Estimated Local Currency Unprogrammed Beginning of Year a/	61,321	x	x	51,560	x	x	26,390	x	x
Total Local Currency Available for Programming	67,010	x	x	56,390	x	x	31,310	x	x
PROGRAMMED UTILIZATION									
Mutual Security Project Requirements:									
Military	x	x	x	x	x	x	x	x	x
Non-Military	15,450	-	15,450	30,000	5,000	25,000	30,000	8,000	22,000
Total Project Requirements	15,450	-	15,450	30,000	5,000	25,000	30,000	8,000	22,000
Non-Project Budget Support:									
Military	x	x	x	x	x	x	x	x	x
Non-Military	-	-	-	-	-	-	-	-	-
Total Non-Project Budget Support	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Total Programmed Utilization	15,450	-	15,450	30,000	5,000	25,000	30,000	8,000	22,000
Local Currency Unprogrammed Close of Year	51,560	x	x	26,390	x	x	1,310	x	x

a/ Prior years' accumulations not utilized because of disagreement, only recently resolved, as to counterpart withdrawal procedures.

[redacted]

TABLE 4

INDONESIA

MUTUAL SECURITY PROGRAM LOCAL CURRENCY ACCRUAL, REALIZATION AND UTILIZATION

(In thousands of dollars equivalent)

	ACTUAL FY 1956		ESTIMATED FY 1957		PROPOSED FY 1958	
	LOCAL CURRENCY		LOCAL CURRENCY		LOCAL CURRENCY	
	ON DEPOSIT	TO BE DEPOSITED	ON DEPOSIT	TO BE DEPOSITED	ON DEPOSIT	TO BE DEPOSITED
LOCAL CURRENCY REALIZATION						
Unutilized Balance Beginning of Year	53,603 a/	7,715	38,153	13,404	23,153	3,234
Add: Current Year Local Currency Generation	x	5,689	x	4,830	x	4,920
Subtotal Availability on Accrual Basis	x	13,404	x	18,234	x	8,154
Local Currency Realization During Year	-	-	- 15,000	- 15,000	- 8,000	- 8,000
Total Local Currency Available for Utilization	53,603	x	53,153	x	31,153	x
UTILIZATION						
Mutual Security Project Requirements:						
Military	x	x	x	x	x	x
Non-Military	15,450	x	30,000	x	30,000	x
Total Project Requirements	15,450	x	30,000	x	30,000	x
Non-Project Budget Support:						
Military	x	x	x	x	x	x
Non-Military	-	x	-	x	-	x
Total Non-Project Budget Support		x				
Other	-	x	-	-	-	-
Total Utilization	15,450	-	30,000	-	30,000	-
Local Currency Unutilized Close of Year	38,153	13,404	23,153	3,234	1,153	154

a/ Prior years' accumulations not utilized because of disagreements, only recently resolved, as to counterpart withdrawal procedures.

TABLE 5

INDONESIA

MUTUAL SECURITY PROJECT ASSISTANCE BY FIELD OF ACTIVITY

(In thousands of dollars and equivalent)

FIELD OF ACTIVITY	ACTUAL FY 1956						ESTIMATED FY 1957						PROPOSED FY 1958					
	DOLLAR PROGRAM			LOCAL CURRENCY PROGRAMMED UTILIZATION			DOLLAR PROGRAM			LOCAL CURRENCY PROGRAMMED UTILIZATION			DOLLAR PROGRAM			LOCAL CURRENCY PROGRAMMED UTILIZATION		
	TOTAL	Development Assistance	TECHNICAL COOPERATION	TOTAL	Development Assistance	TECHNICAL COOPERATION	TOTAL	Development Assistance	TECHNICAL COOPERATION	TOTAL	Development Assistance	Technical Cooperation	TOTAL	Development Assistance	TECHNICAL COOPERATION	TOTAL	Development Assistance	TECHNICAL COOPERATION
Direct Military Support	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x
Agricultural and Natural Resources	1,347	-	1,347	2,707	-	2,707	1,000	-	1,000	3,000	-	3,000	1,500	-	1,500	3,000	-	3,000
Industry and Mining	1,406	-	1,406	3,200	-	3,200	1,445	-	1,445	5,500	-	5,500	900	-	900	7,000	2,000	5,000
Transportation	249	-	249	525	-	525	345	-	345	2,500	-	2,500	405	-	405	5,000	1,000	4,000
Labor	149	-	149	732	-	732	465	-	465	500	-	500	330	-	330	500	-	500
Health and Sanitation	3,657	2,600	1,057	2,131	-	2,131	2,920	2,500	420	6,000	3,500	2,500	3,470	3,000	470	6,000	3,000	3,000
Education	944	-	944	2,380	-	2,380	1,285	-	1,285	5,000	-	5,000	1,170	-	1,170	3,000	-	3,000
Public Administration	2,246	1,500	746	1,534	-	1,534	2,850	1,500	1,350	5,500	1,500	4,000	2,260	1,000	1,260	5,000	2,000	3,000
Community Development, Social Welfare and Housing	396	-	396	804	-	804	110	-	110	500	-	500	175	-	175	-	-	-
General and Miscellaneous	701	-	701	1,437	-	1,437	15,580	15,000 a/	580	1,500	-	1,500	21,790	21,000 a/	790	500	-	500
TOTAL PROJECT ASSISTANCE	11,095	4,100	6,995	15,450	-	15,450	26,000	19,000	7,000	30,000	5,000	25,000	32,000	25,000	7,000	30,000	8,000	22,000

a/ To be made available as line-of-credit under expanded Development Assistance program. No distribution by activity field is shown inasmuch as discussions were only recently initiated with the Indonesian Government as to specific projects to be financed.

INDONESIA

MUTUAL SECURITY PROJECT LISTING FOR FISCAL YEAR 1958

(In thousands of dollars)

PROJECT TITLE AND DESCRIPTION	STATUS	TOTAL COST	TECHNICIANS		PARTICIPANTS a/		CONTRACT SERVICES			SUPPLIES AND EQUIPMENT	OTHER COSTS
			NUMBER	COSTS	NUMBER	COSTS	NUMBER		COSTS		
							TECHNICIANS	PARTICIPANTS			
TECHNICAL COOPERATION											
Agriculture and Natural Resources											
1. Agricultural Extension and Experiment Station	004	370	10	150	25	150	-	-	-	70	-
2. Agricultural College	088	510	-	-	12	80	10	-	300	130	-
3. Land Development and Conservation	023	100	3	50	4	28	-	-	-	22	-
4. Smallholder Rubber To provide technical advisory services and participant training.	New	50	1	15	5	35	-	-	-	-	-
5. Agricultural Credit and Cooperatives	026	157	1	15	6	42	-	-	-	100	-
6. Expansion and Modernization of Marine and Inland Fisheries	001	253	6	90	12	85	-	-	-	78	-
7. Technical Support	000	60	4	60	-	-	-	-	-	-	-
Total For Activity		1,500	25	380	64	420	10	-	300	400	-
Industry and Mining											
1. Mining Operations	043	185	7	105	8	55	-	-	-	25	-
2. Consumer Industry Development Techniques	017	386	6	75	50	311	-	-	-	-	-
3. Engineering Survey Contracts	000	150	-	-	-	-	15	-	150	-	-
4. Highway Construction To train technical staff of an Indonesian roadbuilding organization; primarily in connection with important road rehabilitation project financed under DA program.	New	84	1	8	12	76	-	-	-	-	-

INDONESIA

MUTUAL SECURITY PROJECT LISTING FOR FISCAL YEAR 1958

(In thousands of dollars)

PROJECT TITLE AND DESCRIPTION	STATUS	TOTAL COST	TECHNICIANS		PARTICIPANTS a/		CONTRACT SERVICES			SUPPLIES AND EQUIPMENT	OTHER COSTS
			NUMBER	COSTS	NUMBER	COSTS	NUMBER		COSTS		
							TECHNICIANS	PARTICIPANTS			
5. Power Plant Installation To provide technical advisory services and finance training of Indonesians, as a supplement to a DA project under which power generating equipment of 20,000 KVA is to be installed in 35 separate plants.	New	35	1	7	4	28	-	-	-	-	-
6. Technical Support		60	4	60	-	-	-	-	-	-	-
Total For Activity		900	19	255	74	470	15	-	150	25	-
Transportation											
1. Development of Transportation and Communication Facilities Project combines all previous training activities in the field of transportation.	New	405	2	30	50	350	-	-	-	25	-
Total For Activity		405	2	30	50	350	-	-	-	25	-
Labor											
1. Labor Leadership Training	093	145	-	-	30	145	-	-	-	-	-
2. Railway Workers Welfare Services	024	155	2	30	15	75	-	-	-	50	-
3. Technical Support	000	30	2	30	-	-	-	-	-	-	-
Total For Activity		330	4	60	45	220	-	-	-	50	-

INDONESIA

MUTUAL SECURITY PROJECT LISTING FOR FISCAL YEAR 1958

(In thousands of dollars)

PROJECT TITLE AND DESCRIPTION	STATUS	TOTAL COST	TECHNICIANS		PARTICIPANTS a/		CONTRACT SERVICES			SUPPLIES AND EQUIPMENT	OTHER COSTS
							NUMBER		COSTS		
			NUMBER	COSTS	NUMBER	COSTS	TECHNICIANS	PARTICIPANTS			
Health and Sanitation											
1. Malaria Control	006	160	7	105	12	55	-	-	-	-	-
2. Medical Education	029	155	1	15	25	140	-	-	-	-	-
3. Public Health Education and Administration	067	125	-	-	15	75	-	-	-	50	-
4. Technical Support	000	30	2	30	-	-	-	-	-	-	-
Total For Activity		470	10	150	52	270	-	-	-	50	-
Education											
1. Vocational Education Teacher Training	020	600	3	45	20	140	10	-	300	115	-
2. Gadjah Mada Technical Faculty Affiliation	052	-	-	-	-	-	5	-	-	-	-
3. Development of Technical Science Faculty, University of Indonesia	065	300	-	-	-	-	12	-	300	-	-
4. Development of University Level Staff	071	225	-	-	25	175	-	-	-	50	-
5. Technical Support	000	45	3	45	-	-	-	-	-	-	-
Total For Activity		1,170	6	90	45	315	27	-	600	165	-
Public Administration											
1. Police Administration	036	600	14	200	80	365	2	-	35	-	-
2. Government Administration Training	035	620	1	15	50	350	10	-	200	55	-
3. Central Bank Advisor	100	10	-	-	-	-	1	-	10	-	-
4. Technical Support	000	30	2	30	-	-	-	-	-	-	-
Total For Activity		1,260	17	245	130	715	13	-	245	55	-

INDONESIA

MUTUAL SECURITY PROJECT LISTING FOR FISCAL YEAR 1958

(In thousands of dollars)

PROJECT TITLE AND DESCRIPTION	STATUS	TOTAL COST	TECHNICIANS		PARTICIPANTS a/		CONTRACT SERVICES			SUPPLIES AND EQUIPMENT	OTHER COSTS
			NUMBER	COSTS	NUMBER	COSTS	NUMBER		COSTS		
							TECHNICIANS	PARTICIPANTS			
Community Development, Social Welfare and Housing											
1. Low Cost Housing	057	175	1	15	20	140	-	-	-	20	-
Total For Activity		175	1	15	20	140	-	-	-	20	-
General and Miscellaneous											
1. National Film Service	016	225	-	-	7	50	7	-	165	10	-
2. Support for Radio Republic Indonesia	063	15	-	-	2	15	-	-	-	-	-
3. Audio-Visual Advisory	058	215	1	15	12	85	1	-	100	15	-
4. Technical Support for Audio-Visual Activities	059	95	3	45	-	-	-	-	-	50	-
5. Atoms for Peace	098	50	-	-	5	35	-	-	-	15	-
6. Technical Support for Mission	000	190	10	150	-	-	-	-	-	40	-
Total For Activity		790	14	210	26	185	8	-	265	130	-
TOTAL TECHNICAL COOPERATION PROGRAM		7,000	98	1,435	506	3,085	73	-	1,560	920	-

a/ Includes about 50 participants trained under contracts.

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INDONESIA

MUTUAL SECURITY PROJECT LISTING FOR FISCAL YEAR 1958

(In thousands of dollars)

PROJECT TITLE AND DESCRIPTION	STATUS	TOTAL COST	TECHNICIANS		PARTICIPANTS		CONTRACT SERVICES			SUPPLIES AND EQUIPMENT	OTHER COSTS
			NUMBER	COSTS	NUMBER	COSTS	NUMBER		COSTS		
							TECHNICIANS	PARTICIPANTS			
DEVELOPMENT ASSISTANCE											
Public Health											
1. Malaria Control	085	3,000	-	-	-	-	-	-	-	3,000	-
Total For Activity		3,000	-	-	-	-	-	-	-	3,000	-
Public Administration											
1. Police Administration	084	1,000	-	-	-	-	-	-	-	1,000	-
Total For Activity		1,000	-	-	-	-	-	-	-	1,000	-
General and Miscellaneous											
In FY 1958, the second year of the expanded DA program, it is contemplated that funding will be proposed for various activities, such as highway improvement, power development, communications expansion, agricultural and industrial credit. Inasmuch as discussions were only recently initiated with the Indonesian Government as to specific projects to be financed under the expanded program in FY 1957, it is not known which activities are to be considered for continued or new financing in FY 1958. For this reason, the total amount recommended for continuation of the expanded DA program next year is included under the General and Miscellaneous category, with tentative estimates for contractual services and supplies and equipment.	New	21,000	-	-	-	-	30	-	5,000	16,000	-
Total for Activity		21,000	-	-	-	-	30	-	5,000	16,000	-
TOTAL DEVELOPMENT ASSISTANCE PROGRAM		25,000	-	-	-	-	30	-	5,000	20,000	-

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INDONESIA

TABLE 7

ANALYSIS OF EXPENDITURE RATES FOR NON-MILITARY MUTUAL SECURITY PROGRAMS

(In thousands of dollars)

PROGRAM	UNLIQUIDATED OBLIGATIONS 6/30/55	ACTUAL OBLIGATIONS FY 1956	TOTAL AVAILABLE FOR EXPENDITURE FY 1956	ACTUAL EXPENDITURES FY 1956	UNLIQUIDATED OBLIGATIONS 6/30/56	ESTIMATED OBLIGATIONS FY 1957	TOTAL AVAILABLE FOR EXPENDITURE FY 1957	ESTIMATED EXPENDITURES FY 1957	UNLIQUIDATED OBLIGATIONS 6/30/57	PROPOSED OBLIGATIONS FY 1958	TOTAL AVAILABLE FOR EXPENDITURE FY 1958	ESTIMATED EXPENDITURES FY 1958	UNLIQUIDATED OBLIGATIONS 6/30/58
FY 1955 AND PRIOR YEAR FUNDS													
Development Assistance													
Project Assistance	1,500.0	57.8	1,557.8	1,320.8	237.0	x	237.0	237.0	-	x	-	-	-
Non-Project Assistance	-	-	-	-	-	x	-	-	-	x	-	-	-
Total, **Development Assistance**	1,500.0	57.8	1,557.8	1,320.8	237.0	x	237.0	237.0	-	x	-	-	-
Technical Cooperation													
Project Assistance	10,133.0	(1,005.7)	9,127.3	4,901.5	4,225.8	x	4,225.8	2,263.8	1,962.0	x	1,962.0	1,225.0	737.0
Total FY 1955 and Prior Year Funds	11,633.0	(947.9)	10,685.1	6,222.3	4,462.8	x	4,462.8	2,500.8	1,962.0	x	1,962.0	1,225.0	737.0
FY 1956 FUNDS													
Development Assistance													
Project Assistance	x	4,100.0	4,100.0	664.0	3,436.0	x	3,436.0	2,000.0	1,436.0	x	1,436.0	1,000.0	436.0
Non-Project Assistance	x	-	-	-	-	x	-	-	-	x	-	-	-
Total **Development Assistance**	x	4,100.0	4,100.0	664.0	3,436.0	x	3,436.0	2,000.0	1,436.0	x	1,436.0	1,000.0	436.0
Technical Cooperation													
Project Assistance	x	6,995.2	6,995.2	1,118.0	5,877.2	x	5,877.2	2,200.2	3,677.0	x	3,677.0	2,500.0	1,177.0
Total, FY 1956 Funds	x	11,095.2	11,095.2	1,782.0	9,313.2	x	9,313.2	4,200.2	5,113.0	x	5,113.0	3,500.0	1,613.0
FY 1957 FUNDS													
Development Assistance													
Project Assistance	x	x	x	x	x	19,000.0	19,000.0	2,000.0	17,000.0	x	17,000.0	5,000.0	12,000.0
Non-Project Assistance	x	x	x	x	x	-	-	-	-	x	-	-	-
Total, **Development Assistance**	x	x	x	x	x	19,000.0	19,000.0	2,000.0	17,000.0	x	17,000.0	5,000.0	12,000.0
Technical Cooperation													
Project Assistance	x	x	x	x	x	7,000.0	7,000.0	1,400.0	5,600.0	x	5,600.0	2,500.0	3,100.0
Total, FY 1957 Funds	x	x	x	x	x	26,000.0	26,000.0	3,400.0	22,600.0	x	22,600.0	7,500.0	15,100.0
FY 1958 FUNDS													
Development Assistance													
Project Assistance	x	x	x	x	x	x	x	x	x	25,000.0	25,000.0	4,000.0	21,000.0
Non-Project Assistance	x	x	x	x	x	x	x	x	x	-	-	-	-
Total, **Development Assistance**	x	x	x	x	x	x	x	x	x	25,000.0	25,000.0	4,000.0	21,000.0
Technical Cooperation													
Project Assistance	x	x	x	x	x	x	x	x	x	7,000.0	7,000.0	1,500.0	5,500.0
Total, FY 1958 Funds	x	x	x	x	x	x	x	x	x	32,000.0	32,000.0	5,500.0	26,500.0
TOTAL ALL PROGRAMS													
Development Assistance													
Project Assistance	1,500.0	4,157.8	5,657.8	1,984.8	3,673.0	19,000.0	22,673.0	4,237.0	18,436.0	25,000.0	43,436.0	10,000.0	33,436.0
Non-Project Assistance	-	-	-	-	-	-	-	-	-	-	-	-	-
Total, **Development Assistance**	1,500.0	4,157.8	5,657.8	1,984.8	3,673.0	19,000.0	22,673.0	4,237.0	18,436.0	25,000.0	43,436.0	10,000.0	33,436.0
Technical Cooperation													
Project Assistance	10,133.0	5,989.5	16,122.5	6,019.5	10,103.0	7,000.0	17,103.0	5,864.0	11,239.0	7,000.0	18,239.0	7,725.0	10,514.0
TOTAL, ALL PROGRAMS	11,633.0	10,147.3	21,780.3	8,004.3	13,776.0	26,000.0	39,776.0	10,101.0	29,675.0	32,000.0	61,675.0	17,725.0	43,950.0

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TABLE 8

Page 1 of 3

ANALYSIS OF EXPENDITURE RATES FOR SELECTED PROJECTS WITH UNLIQUIDATED OBLIGATIONS OF $100,000 OR MORE ON 6/30/56 AND FOR WHICH ADDITIONAL FUNDS ARE PROPOSED IN FY 1958

(In thousands of dollars)

PROJECT TITLE AND NUMBER	UNLIQUIDATED OBLIGATIONS 6/30/55	ACTUAL OBLIGATIONS FY 1956	TOTAL AVAILABLE FOR EXPENDITURE FY 1956	ACTUAL EXPENDITURES FY 1956	UNLIQUIDATED OBLIGATIONS 6/30/56	ESTIMATED OBLIGATIONS FY 1957	TOTAL AVAILABLE FOR EXPENDITURE FY 1957	ESTIMATED EXPENDITURES FY 1957	UNLIQUIDATED OBLIGATIONS 6/30/57	PROPOSED OBLIGATIONS FY 1958	TOTAL AVAILABLE FOR EXPENDITURE FY 1958	ESTIMATED EXPENDITURES FY 1958	UNLIQUIDATED OBLIGATIONS 6/30/58
AGRICULTURE AND NATURAL RESOURCES													
Agricultural Extension and Experiment Station													
55-004	203	x	203	59	144	x	144	131	13	x	13	13	-
56-004	x	476	476	120	356	x	356	230	126	x	126	116	10
57-004	x	x	x	x	x	325	325	100	225	x	225	190	35
58-004	x	x	x	x	x	x	x	x	x	370	370	200	170
Total	203	476	679	179	500	325	825	461	364	370	734	519	215
Agricultural College													
56-088	x	218	218	2	216	x	216	100	116	x	116	116	-
57-088	x	x	x	x	x	223	223	-	223	x	223	223	-
58-088	x	x	x	x	x	x	x	x	x	510	510	50	460
Total	x	218	218	2	216	223	439	100	339	510	849	389	460
Land Development and Conservation													
55-023	367	x	367	55	312	x	312	282	30	x	30	30	-
56-023	x	396	396	167	229	x	229	179	50	x	50	40	10
57-023	x	x	x	x	x	173	173	133	40	x	40	30	10
58-023	x	x	x	x	x	x	x	x	x	100	100	90	10
Total	367	396	763	222	541	173	714	594	120	100	220	190	30
Extension and Modernization of Marine and Inland Fisheries													
55-001	220	x	220	53	167	x	167	140	27	x	27	27	-
56-001	x	145	145	36	109	x	109	50	59	x	59	59	-
57-001	x	x	x	x	x	182	182	x	182	x	182	182	-
58-001	x	x	x	x	x	x	x	x	x	253	253	93	160
Total	220	145	365	89	276	182	458	190	268	253	521	361	160
INDUSTRY AND MINING													
Consumer Industry Development Techniques													
55-017	364	x	364	1	363	x	363	250	113	x	113	113	-
56-017	x	78	78	-	78	x	78	60	18	x	18	18	-
57-017	x	x	x	x	x	450	450	150	300	x	300	250	50
58-017	x	x	x	x	x	x	x	x	x	386	386	200	186
Total	364	78	442	1	441	450	891	460	431	386	817	581	236
LABOR													
Railway Workers Welfare Services													
56-024	x	100	100	-	100	x	100	100	-	x	-	-	-
57-024	x	x	x	x	x	290	290	50	240	x	240	240	-
58-024	x	x	x	x	x	x	x	x	x	155	155	45	110
Total	x	100	100	-	100	290	390	150	240	155	395	285	110

[redacted]

ANALYSIS OF EXPENDITURE RATES FOR SELECTED PROJECTS WITH UNLIQUIDATED OBLIGATIONS OF $100,000 OR MORE ON 6/30/56 AND FOR WHICH ADDITIONAL FUNDS ARE PROPOSED IN FY 1958

(In thousands of dollars)

PROJECT TITLE AND NUMBER	UNLIQUIDATED OBLIGATIONS 6/30/55	ACTUAL OBLIGATIONS FY 1956	TOTAL AVAILABLE FOR EXPENDITURE FY 1956	ACTUAL EXPENDITURES FY 1956	UNLIQUIDATED OBLIGATIONS 6/30/56	ESTIMATED OBLIGATIONS FY 1957	TOTAL AVAILABLE FOR EXPENDITURE FY 1957	ESTIMATED EXPENDITURES FY 1957	UNLIQUIDATED OBLIGATIONS 6/30/57	PROPOSED OBLIGATIONS FY 1958	TOTAL AVAILABLE FOR EXPENDITURE FY 1958	ESTIMATED EXPENDITURES FY 1958	UNLIQUIDATED OBLIGATIONS 6/30/58
HEALTH AND SANITATION													
Malaria Control													
55-006	1,423	x	1,423	1,158	265	x	265	265	-	x	-	-	-
56-006, 56-085	x	2,663	2,663	42	2,621	x	2,621	2,100	521	x	521	471	50
57-006, 57-085	x	x	x	x	x	2,652	2,652	1,652	1,000	x	1,000	500	500
58-006, 58-085	x	x	x	x	x	x	x	x	x	3,160	3,160	2,150	1,010
Total	1,423	2,663	4,086	1,200	2,886	2,652	5,538	4,017	1,521	3,160	4,681	3,121	1,560
Medical Education													
55-029	541	x	541	131	410	x	410	400	10	x	10	10	-
56-029	x	913	913	19	894	x	894	394	500	x	500	420	80
57-029	x	x	x	x	x	166	166	-	166	x	166	16	150
58-029	x	x	x	x	x	x	x	x	x	155	155	15	140
Total	541	913	1,454	150	1,304	166	1,470	794	676	155	831	461	370
EDUCATION													
Vocational Education Teacher Training													
55-020	50	x	50	41	9	x	9	9	-	x	-	-	-
56-020	x	363	363	-	363	x	363	363	-	x	-	-	-
57-020	x	x	x	x	x	400	400	100	300	x	300	300	-
58-020	x	x	x	x	x	x	x	x	x	600	600	250	350
Total	50	363	413	41	372	400	772	472	300	600	900	550	350
Development of Technical Science Faculty, Bandung													
55-065	400	x	400	-	400	x	400	300	100	x	100	100	-
56-065	x	150	150	-	150	x	150	50	100	x	100	50	50
57-065	x	x	x	x	x	315	315	-	315	x	315	150	165
58-065	x	x	x	x	x	x	x	x	x	300	300	25	275
Total	400	150	550	-	550	315	865	350	515	300	815	325	490
PUBLIC ADMINISTRATION													
Police Administration													
55-036	1,111	x	1,111	404	707	x	707	557	150	x	150	150	-
56-036, 56-084	x	1,944	1,944	98	1,846	x	1,846	846	1,000	x	1,000	800	200
57-036, 57-084	x	x	x	x	x	2,073	2,073	873	1,200	x	1,200	700	500
58-036, 58-084	x	x	x	x	x	x	x	x	x	1,600	1,600	800	800
Total	1,111	1,944	3,055	502	2,553	2,073	4,626	2,276	2,350	1,600	3,950	2,450	1,500
Government Administration Training													
55-035	38	x	38	27	11	x	11	11	-	x	-	-	-
56-035	x	105	105	3	102	x	102	98	4	x	4	4	-
57-035	x	x	x	x	x	732	732	322	410	x	410	200	210
58-035	x	x	x	x	x	x	x	x	x	620	620	300	320
Total	38	105	143	30	113	732	845	431	414	620	1,034	504	530

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TABLE 8

ANALYSIS OF EXPENDITURE RATES FOR SELECTED PROJECTS WITH UNLIQUIDATED OBLIGATIONS OF $100,000 OR MORE ON 6/30/56 AND FOR WHICH ADDITIONAL FUNDS ARE PROPOSED IN FY 1958

(In thousands of dollars)

PROJECT TITLE AND NUMBER	UNLIQUIDATED OBLIGATIONS 6/30/55	ACTUAL OBLIGATIONS FY 1956	TOTAL AVAILABLE FOR EXPENDITURE FY 1956	ACTUAL EXPENDITURES FY 1956	UNLIQUIDATED OBLIGATIONS 6/30/56	ESTIMATED OBLIGATIONS FY 1957	TOTAL AVAILABLE FOR EXPENDITURE FY 1957	ESTIMATED EXPENDITURES FY 1957	UNLIQUIDATED OBLIGATIONS 6/30/57	PROPOSED OBLIGATIONS FY 1958	TOTAL AVAILABLE FOR EXPENDITURE FY 1958	ESTIMATED EXPENDITURES FY 1958	UNLIQUIDATED OBLIGATIONS 6/30/58
COMMUNITY DEVELOPMENT, SOCIAL WELFARE AND HOUSING													
Low Cost Housing													
55-057	77	x	77	19	58	x	58	58	-	x	-	-	-
56-057	x	238	238	34	204	x	204	154	50	x	50	50	-
57-057	x	x	x	x	x	110	110	90	20	x	20	20	-
58-057	x	x	x	x	x	x.	x	x	x	175	175	125	50
Total	77	238	315	53	262	110	372	302	70	175	245	195	50
GENERAL AND MISCELLANEOUS													
National Film Service													
55-016	94	x	94	94	-	x	-	-	-	x	-	-	-
56-016	x	363	363	51	312	x	312	208	104	x	104	84	20
57-016	x	x	x	x	x	214	214	34	180	x	180	130	50
58-016	x	x	x	x	x	x	x	x	x	225	225	50	175
Total	94	363	457	145	312	214	526	242	284	225	509	264	245

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TABLE 9

CENTRAL GOVERNMENT FINANCES AND RELATED MUTUAL SECURITY LOCAL CURRENCY PROGRAMS

(Exchange Rate Used To Convert To Dollars: 11.40)

(In thousands of dollars equivalent)

	FISCAL YEAR ENDING: December 31							
	1955		1956		1957		1958	
EXPENDITURES								
National Defense		345,395		357,456		360,000		370,000
Capital Outlay		192,982		347,123		400,000		400,000
Other Non-Defense Expenditures		892,895		1,049,911		1,100,000		1,200,000
Total Expenditures		1,431,272		1,754,490		1,860,000		1,970,000
Total Revenue, Excluding U.S. and Other Foreign Aid		1,247,939		1,548,621		1,600,000		1,600,000
Deficit (-) or Surplus (+) Before Aid		- 183,333		- 205,869		- 260,000		- 370,000
FINANCING OF EXPENDITURES BY SOURCE OF FUNDS	PERCENT	AMOUNT	PERCENT	AMOUNT	PERCENT	AMOUNT	PERCENT	AMOUNT
Revenue, Excluding U.S. and Other Foreign Aid	87.2	1,247,939	88.3	1,548,621	86.0	1,600,000	81.2	1,600,000
Counterpart Withdrawals and MSP Local Currency Grants								
Defense Budget Support	-	-	-	-	-	-	-	-
Civilian Budget Support	-	-	-	-	-	-	-	-
Mutual Security Program Projects	0.4	6,000	1.8	32,000	2.3	42,000	2.2	43,000
Total Counterpart and U.S. Local Currency Grants	0.4	6,000	1.8	32,000	2.3	42,000	2.2	43,000
P.L. 480 Grants	-	-	-	-	-	-	-	-
Grants from Other Countries	- a/	1,000	- a/	1,000	- a/	1,000	- a/	1,000
Borrowings (+) or Debt Retirement (-)								
Mutual Security Loan	-	-	-	1,000	0.2	4,000	0.3	7,000
P.L. 480 - Sec. 104(g)	-	-	-	-	1.1	21,000	1.1	21,000
Export-Import Bank	0.3	4,000	0.8	14,000	0.3	6,000	0.5	9,000
International Bank for Reconstruction and Development	-	-	-	-	-	-	-	-
Other Foreign Borrowing	-	-	-	-	-	-	-	-
Domestic Borrowing:								
Bond Issues	-	n.a.	-	n.a.	-	n.a.	-	n.a.
Treasury Notes	0.7	9,737	0.7	11,667	0.7	13,000	0.7	15,000
Borrowing from Central and Private Banks	10.8	154,212	7.7	135,351	8.1	150,000	8.4	165,000
Total Domestic Borrowing	11.5	163,949	8.4	147,018	8.8	163,000	9.1	180,000
Total Borrowing	11.8	167,949	9.2	162,018	10.4	194,000	11.0	217,000
Net Change (+) or (-) in Bank Balances and Other Reserves	0.6	8,384	0.7	10,851	1.3	23,000	5.6	109,000
Total Financing	100.0	1,431,272	100.0	1,754,490	100.0	1,860,000	100.0	1,970,000

NOTE: Government Gross Debt: Amount Domestic 1,188,860 Amount Foreign 440,965 Date December 31, 1955

a/ Less than 0.1 percent.

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TABLE 10

INDONESIA

BALANCE OF PAYMENTS AND RESERVES

(Million of dollar equivalent converted at 11.4 per dollar)

ITEM	CALENDAR YEARS 1954	1955	1956	1957	1958
Balance of Payments					
Goods and Services					
Exports, F.O.B.	801.1	881.5	894.7	984.2	935.0
Imports, C.I.F.	-610.7	-549.2	-880.7	-777.9	-717.0
Trade balance	190.4	332.3	14.0	206.3	218.0
Nonmonetary gold movements (net)	0.3	0.1	0.2	0.5	0.5
Foreign travel	- 6.8	- 7.1	- 7.5	- 8.5	- 9.0
Transportation and insurance	- 25.9	- 25.9	- 26.1	- 25.5	- 23.0
Investment income	- 96.8	-108.0	-118.8	-130.6	-137.1
Government, not included elsewhere	- 7.5	- 8.5	- 7.0	- 1.5	15.0
Other services	-100.5	- 80.7	- 97.0	-106.9	-100.6
Total services	-237.2	-230.1	-256.2	-272.5	-254.2
Total goods and services	- 46.8	102.2	-242.2	- 66.2	- 36.2
Private Financing					
Remittances	- 19.2	- 28.8	- 35.0	- 35.5	- 32.0
Direct investment	18.0	30.0	32.0	34.0	35.5
Other	-	-	-	-	-
Total private financing	- 1.2	1.2	- 3.0	- 1.5	3.5
Net Errors and Omissions	1.8	- 0.6	-	-	-
Surplus (+) or Deficit (-)	- 46.2	102.8	-245.2	- 67.7	- 32.7
Official Financing					
Grants					
Grants from U.S.					
MSP	2.1	1.0	7.0	8.5	8.0
P.L. 480 Titles I, II	-	-	-	-	-
Other	0.6	0.4	0.5	0.5	0.5
Total grants	2.7	1.4	7.5	8.5	8.5
Long-Term Capital					
Loan repayments, including Government	- 26.1	- 21.7	- 13.2	- 15.0	- 15.0
Loans from MSP	-	-	1.0	6.0	12.0
Loans from P.L. 480, Title I.	-	-	-	21.0	21.0
Loans from Export-Import Bank	19.1	4.0	14.0	6.0	9.0
Loans from IBRD	-	-	-	-	-
Other	-13.5	3.2	5.0	5.0	5.0
Total long-term capital	-20.5	- 14.5	6.8	23.0	32.0
Short-Term Capital					
Change in reserves (increase -)	- 87.0	- 78.0	158.0	-	- 7.8
Monetary gold (increase -)	64.0	-	33.0	-	-
Other	87.0 a/	- 11.7 a/	39.9 a/	36.2	-
Total short-term capital	64.0	- 89.7	230.9	36.2	- 7.8
Total Official Financing	46.2	-102.8	245.2	67.7	32.7
Status of Reserves (end of period)					
Gold	81	81	48	48	48
Dollars	90	159	-	-	-
Sterling	58	103	-	-	-
Other (EPU-Currency)	70	34	138	138	146
Total Reserves	299	377	186	186	194

a/ Includes following liability to IMF: 1954, 15.0; 1955, -11.7; 1956, 40.0. Amount shown for 1956 also includes -0.1 for other short-term capital.

TABLE II

INDONESIA

SUMMARY ECONOMIC DATA

ITEM		CALENDAR YEARS				
		1954	1955	1956	1957	1958
Population (Mid-year in millions)		81.0	82.2	83.3	84.7	86.1
Gross National Product at market prices--Total ($ Millions)		n.a.	n.a.	n.a.	n.a.	n.a.
(Expressed in 1955 prices. Foreign Exchange Conversion Rate: 11.4 rupiahs = US $1)		7,137.0	7,233.6	7,356.8	7,480.0	7,660.0
By Type of Expenditure:						
Private consumption		5,650.6	5,544.2	5,743.1	5,696.2	5,826.2
Gross investment (public and private)		428.2	434.0	441.4	490.0	500.0
Government expenditures on goods and services		1,105.0	1,152.6	1,414.5	1,360.0	1,370.0
Net foreign balance (+) or (-)		-46.8	+102.8	-242.2	-66.2	-36.2
Per capita GNP		88.0	88.0	88.0	88.0	88.0
Prices (Index, 1953=100)						
a. Wholesale		109	145	150	150	155
b. Cost of living		106	141	150	135	140
Industrial production		n.a.	n.a.	n.a.	n.a.	n.a.
Major commodities	Unit of quantity					
Petroleum (Crude Oil)	1,000 tons	10,775.0	11,790.0	12,790.0	13,790.0	14,790.0
Tin	1,000 tons	35.9	33.4	35.5	35.9	35.9
		CROP YEARS				
		1954/55	1955/56	1956/57	1957/58	1958/59
Agricultural production (Total Index, 1935-39=100)		120	117	112	112	114
Major crops	Unit of quantity					
Rice (rough)	1,000 tons/net	10,960	11,230	10,700	11,000	11,400
Corn	1,000 tons/net	2,720	1,882	2,000	2,250	2,300
Rubber	1,000 tons/net	759	731	705	700	690

[redacted]

TABLE 12

INDONESIA

SUMMARY SALES PROGRAMS UNDER PL 480, AGRICULTURAL TRADE AND DEVELOPMENT ACT OF 1954

(In thousands of dollars)

FISCAL YEAR IN WHICH SALES AGREEMENT SIGNED	TOTAL SALES CONTEMPLATED BY AGREEMENT	PLANNED USE OF LOCAL CURRENCY PROCEEDS (In Dollar Equivalent)					
		FOR ECONOMIC DEVELOPMENT UNDER SECTIONS				FOR COMMON DEFENSE 104(c)	FOR OTHER PURPOSES
		104(d)	104(e)	104(g)	TOTAL		
FY 1955 (Actual)	-	-	-	-	-	-	-
FY 1956 (Actual)	97,500	-	-	78,000	78,000	-	19,500
FY 1957 (Estimated)	21,800	-	-	17,400	17,400	-	4,400
FY 1958 (Estimated)	18,000	-	-	14,400	14,400	-	3,600
Total	137,300	-	-	109,800	109,800	-	27,500

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TABLE 13

INDONESIA

ACCRUAL, REALIZATION AND UTILIZATION OF LOCAL CURRENCIES UNDER P.L. 480, AGRICULTURAL TRADE AND DEVELOPMENT ACT OF 1954

(In thousands of dollars equivalent)

	ACTUAL FY 1956		ESTIMATED FY 1957		PROPOSED FY 1958	
	ON DEPOSIT	TO BE DEPOSITED	ON DEPOSIT	TO BE DEPOSITED	ON DEPOSIT	TO BE DEPOSITED
Balance beginning of year	-	-	-	97,500	71,250	21,800
To be generated from Current Year Sales Agreements	x	97,500	-	21,800	x	18,000
Availability (on accrual basis)	x	97,500	x	119,300	71,250	39,800
Local Currency Realization during year	-	-	↓ 97,500	- 97,500	↓ 30,000	- 30,000
Available for Utilization during year	-	x	97,500	x	101,250	x
Utilization during the year						
For Section 104(d)	-	x	-	x	-	x
For Section 104(e)	-	x	-	x	-	x
For Section 104(g)	-	x	21,000	x	21,000	x
Total For Economic Development	-	x	21,000	x	21,000	x
For Section 104(c)	-	x	-	x	-	x
For Other Purposes	-	x	5,250	x	15,750	x
Total Utilization during year	-	x	26,250	x	36,750	x
Balance Close of Year	-	97,500	71,250	21,800	64,500	9,800

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TABLE 15

INDONESIA

HOST COUNTRY CONTRIBUTIONS

(In thousands of dollars equivalent)

	ACTUAL FY 1956			ESTIMATED FY 1957			ESTIMATED FY 1958		
	TOTAL	Development Assistance	TECHNICAL COOPERATION	TOTAL	Development Assistance	TECHNICAL COOPERATION	TOTAL	Development Assistance	TECHNICAL COOPERATION
Contributions to Other Than Cooperative Services									
Value in Cash:									
By Central Government	10,145	2,000	8,145	10,675	2,000	8,675	12,620	2,000	10,620
By Local Governments or Other Parties	165	-	165	160	-	160	70	-	70
Total	10,310	2,000	8,310	10,835	2,000	8,835	12,690	2,000	10,690
Value in Kind:									
By Central Government	465	-	465	610	100	510	640	100	540
By Local Governments or Other Parties	-	-	-	-	-	-	-	-	-
Total	465	-	465	610	100	510	640	100	540
Total Contributions to Other than Cooperative Services	10,775	2,000	8,775	11,445	2,100	9,345	13,330	2,100	11,230
Contributions to Cooperative Services									
Value in Cash:									
By Central Government									
By Local Governments or other Parties									
Total									
Value in Kind:									
By Central Government									
By Local Governments or Other Parties									
Total									
Total Contributions to Cooperative Services									
GRAND TOTAL CONTRIBUTIONS	10,775	2,000	8,775	11,445	2,100	9,345	13,330	2,100	11,230

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FAR EAST

FY 1958 ILLUSTRATIVE PRESENTATION

JAPAN

OFFICE OF FAR EASTERN OPERATIONS

INTERNATIONAL COOPERATION ADMINISTRATION

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TABLE I

JAPAN

NON-MILITARY MUTUAL SECURITY PROGRAMS BY FUNCTION

(In thousands of dollars)

FUNCTIONS	ACTUAL FY 1956	ESTIMATED FY 1957	PROPOSED FY 1958
Defense Support			
Project Assistance	-	-	-
Non-Project Assistance	-	-	-
Total, Defense Support	-	-	-
Technical Cooperation			
Project Assistance	950	2,300	3,100
TOTAL PROGRAMS	950	2,300	3,100
Of Which MSP Loans	-	-	-
Of Which MSP Sales of Surplus Agricultural Commodities	-	-	-

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JAPAN

Narrative Statement

U. S. OBJECTIVES

The U. S. objectives in Japan are as follows:

1. To maintain a friendly, cooperative and economically sound Japan, capable of increasing the living standards of its people and contributing to the economic development of Free Asia.

2. To encourage the development of a stable government sufficiently strong to make an effective contribution to the military and political stability of Free Asia.

3. To assist Japan to develop military forces capable of suppressing internal subversion and of ultimately assuming primary responsibility for its defense.

OBSTACLES TO ACHIEVEMENT OF OBJECTIVES

A. Political and Social Problems

The main obstacles to achievement of U. S. objectives in Japan are the disunity of the Conservative Party and Japanese traditionalism. The Conservative Party is in power and is expected to control the government during the next few years. The Socialists, however, like the Conservatives, have recently united into a single party and there are leftist tendencies in the trade union movement and among intellectuals. These pose a threat to the Conservatives, whose effectiveness is already impeded by factionalism and the lack of effective leadership.

SOHYO, Japan's largest trade union movement, with a membership of over 3 million, is leftist dominated. It has refused to participate in the productivity program and actively opposes most U. S. objectives in Japan, including expansion of Japanese defense forces and facilities. Contention among the Conservatives has inspired considerable public disillusionment, especially among the youth. This, together with leftist influence in some universities, poses the possibility of an increased Socialist vote in the future, despite fundamental compulsion toward conservatism.

To an unusual degree the Japanese feel constrained to conform to traditional practices, methods and procedures. This rigidity, combined with overpopulation in a country having too few natural resources, encourages the Japanese frequently to ignore change and progress, and to seek instead the security of protective groupings within which competition is diminished or eliminated. Management often displays a disturbing lack of interest in labor relations, market research and public relations. Japanese labor leaders are firm in their belief that the economy is so closely connected with government policy that the final solution of social or economic problems depends on political action.

Additional obstacles are lingering, though diminishing, suspicion of the Japanese among other free Asian countries, and the rather widespread belief that Japan can and should achieve neutrality as between the Communist Bloc and the Free World. The forthcoming establishment of a Soviet Embassy in Tokyo is expected to increase Soviet efforts to subvert Japan.

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B. Economic Problems

Currently, the Japanese economic situation is favorable and projections through 1960, shown in Appendix A, indicate a continuing expansion of the economy with a very favorable rate of growth in the gross national product (GNP). These projections, however, are based on the assumptions of (1) continuation of a high level of world trade and (2) acceptance by world markets of an increasing volume of Japanese exports. These assumptions may or may not materialize. To a large extent, they are external factors beyond the control of Japan. They do not provide a firm foundation for optimism. Moreover, it was only because of "special" dollar earnings in the amount of $545 million for support of U. S. military and other programs that a favorable balance of payments was achieved in 1955.

Japan's economy is of a dual nature, consisting of a relatively modernized sector existing side by side with an antiquated sector. On the one hand, there is modernization and dynamism characterized by the large steel mills, shipyards, textile plants and automotive industries; on the other hand is the obsolete sector of the economy characterized by lack of labor mobility, large wage differentials not justified by corresponding differences in skills, cottage industries dependent on hand labor, and localized rather than mass distribution of products.

Domestic economic expansion must spring in large measure from an external factor, namely, a continued high level of world demand for Japanese products as well as changed attitudes toward exploitation of the domestic market potential. Further, fluctuations in raw material prices, unfavorable tariff actions by buying countries, or a domestic crop failure - individually or combined, could quickly reduce present foreign exchange reserves. If exports were to decline, a sharp psychological reaction would undoubtedly occur, resulting in continuing heavy overhead costs which would be difficult to finance, reduced output, business retrenchment, and increased labor-management problems, as well as political problems arising from the constant threat of the voluble left-wing socialist and communist groups. The future contains uncertainties against which precaution appears to be required and toward which the ICA-financed productivity program is directed.

1. Overpopulation - Japan's ever increasing population, now 90 million, and expanding at the rate of one million per year, continues to emphasize the insecurity of the individual in an economy of a country already poor in natural resources. Emigration is fraught with economic and political obstacles that are unlikely ever to offset the natural increase in population. By 1960, the number of persons aged 14 or over seeking employment is expected to increase by 1.6 million annually until 1963. Unless there is an unforeseen improvement of job opportunities, this will pose a serious unemployment problem. In addition to the increase in population, the steady increase in the work force is attributable to: (a) increasing employment of women desiring to supplement family earnings; (b) rising standards of expectation for the better things of life on the part of most people; and (c) a desire on the part of the agricultural population to supplement its income through industrial employment.

2. Land Shortage and Raw Material Resources - Japan ranks among the most poorly endowed nations of the world, seriously deficient in such basic raw materials as coking coal, petroleum, phosphate rock, iron ore, rubber, cotton, wool, hemp, hides and rayon pulp. Furthermore, only 15 percent of its land surface is considered arable.

3. Shortage of Capital - Japan's chronic shortage of domestic capital is indicated in part by interest rates. Commercial bank loans now average 8.9 percent, agricultural cooperative loans average 11 percent, mutual savings banks and credit associations nearly 11 percent, and public utility bonds about 9 percent. Although gross private investment is estimated to average about 17 percent of the gross national product, this figure should be viewed in the context of overall capital requirements. Enormous unmet capital needs still exist, stemming largely from wartime destruction and postwar neglect.

Within the public sector it is to be recognized that a substantial portion of all government expenditures become capital savings for the economy as a whole. Government expenditures on goods and services, including capital outlays, will probably continue in the vicinity of approximately 20 percent of GNP. Such expenditures, either directly or through financial institutions, help to stimulate exports and foreign investments, and include the financing of equipment improvements, plant construction for industry, working capital, and electric power development. The Japanese Government also expends substantial sums on soil reclamation, soil improvements, and industrial and agricultural research.

4. Shortage of Export Markets - Japanese trade is currently dependent not only upon the levels of business activity in major American and European markets, but also upon the willingness of foreign trading partners to afford Japanese products liberal tariff and customs treatment. Were it not for the heavy demands on the industrial capacity of the United States and Europe in such lines as steel, shipbuilding, chemicals and cement, and the high level of prices prevailing in world markets, current demands for such Japanese goods would quickly be met from other sources. The desire to reestablish formal relations with Soviet Russia, and the increasing pressures for an expansion of trade with Communist China, as well as Japanese efforts toward the development of expanded markets in South and Southeast Asia, are significant factors in Japan's constant search for new outlets for its products.

ROLE OF U. S. ASSISTANCE

The ICA productivity program is designed to strengthen Japan's ability to make a major contribution to free world objectives in the Far East, by serving as a catalyst for initiating changes in Japanese attitudes and techniques necessary for a continuous expansion of the economy. Such expansion is required to prepare Japan against the day when the reduction of U. S. special expenditures forces the country to rely to a greater extent on its export earnings. The creation of an expanding Japanese economy would also render less likely the need for U. S. economic assistance in the event a crisis occurs. A substantial economic reversal for Japan would unquestionably result in widespread disillusionment and a setback for the successful postwar political, social and economic reforms.

The productivity program was selected as the most effective means of extending assistance to Japan because of its feasibility of execution, its anticipated impact upon the economy, and the contribution it can make to long-range U. S. interests. The groups in Japan which most urgently need training in modern techniques are unable themselves, and sometimes unwilling, to bear the expenses of study abroad. They also lack the influence to secure foreign exchange allocations. These groups include universities, small industry, trade unions, and even such government

agencies as the Civil Aviation Bureau and the Ministry of Agriculture. Awareness of the need to modernize, although clearly recognized in certain quarters, is still insufficient to generate support for foreign exchange allocations except on a very minor scale. For the program to have an impact on areas where attitudes and practices are retarding economic expansion, continued U. S. financing is necessary.

In FY 1958, the productivity program in Japan will continue to work toward the modernization of attitudes and practices in industry, upland agriculture, and education related to these fields. Three principal techniques will be employed:

1. Japanese nationals will be sent to the U. S. (and a limited number to Europe and Asian workshops), where a careful itinerary and study program will be prepared for them and sufficient interpreters provided to assure a thorough understanding of the information made available.

2. Experts will be provided, as requested by the Japanese Government, to serve as short-term advisers, seminar leaders, or consultants to Japanese business associations, plants, universities, trade union groups, and government agencies.

3. Demonstration projects will be initiated in selected fields such as grasslands development, model plants, and industrial research.

LONG-RANGE PLAN

The proposed long-range program of U. S. assistance to Japan, for which funding requirements are projected in Appendix B, reflects an increase in FY 1958 which will be devoted principally to financing (1) new affiliations between American and Japanese universities, in order to strengthen training in fields related to productivity, and (2) an increased number of teams to be sent to the U. S. for study. By the end of FY 1958, it is believed that the program will have demonstrated its worth and that thereafter Japanese financial participation will increase and the U.S. contribution will diminish.

At the present time, all the local operating costs of the Japan Productivity Center are borne by the Japanese. While this contribution and numerous expressions by Japanese Government leaders and industrialists favoring the productivity program demonstrate increasing realization of the benefits of such assistance to Japan, it is clear that such understanding is not yet sufficiently widespread to enable the government, in the face of competing priorities, to assume the foreign exchange costs of the program. However, this should be feasible by FY 1959. After 1960 the program is expected to phase out completely as the Japanese assume full responsibility, both operationally and financially.

STATUS OF TECHNICAL COOPERATION - PRODUCTIVITY PROGRAM

Following the signing of the Productivity Agreement in 1955, the Japanese Government designated the Japan Productivity Center (JPC) to coordinate the domestic aspects of the productivity program. The JPC has benefitted from government appropriations and loans, and has received additional financial support from private sources, principally industry. In FY 1957, Japanese Government and private contributions are expected to total $1.2 million, as compared with $163,000 in FY 1955.

Since April 1955, the program has emphasized the sending of Japanese nationals to the U. S. for observation in such fields as industry, mining, transportation, labor-management relations

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methods, and agriculture. Other groups being sent are composed entirely of participants from trade unions, universities, or agricultural organizations. In all, 360 Japanese nationals were sent to the U. S. in FY 1956; 649 in FY 1957; and 673 are planned for FY 1958. In the reverse direction, 26 American consultants went to Japan in FY 1956, 50 in FY 1957, and 40 are planned for FY 1958.

One of the results of this program is a more favorable attitude toward the American economic system and methods, which has developed as a result of visits by Diet members, business and labor leaders. From an economic viewpoint, the program to date has begun to have a discernible effect on the organization and practices of Japanese institutions. There has been an increasing volume of favorable editorial comment in the Japanese press directed toward productivity, as well as a growing feeling in some quarters that productivity, with its concept of sharing benefits among consumers, labor and management, can be an effective factor in offsetting socialist and communist influences.

Also, in the fields of transportation and atomic energy, training of Japanese personnel is assisting Japan to assume control of civil aviation traffic and is providing an understanding of U. S. techniques in the peaceful uses of atomic energy. A program initiated in FY 1957 to provide training for the Japanese police in the arts of countering internal subversion will be continued in FY 1958.

FY 1958 PROGRAM

The Technical Cooperation program recommended for FY 1958, totalling $3.1 million, is designed to stimulate further the actions initiated in prior fiscal years, with particular emphasis on the productivity program, in order to acquaint leading and influential Japanese with modern American experience in industry, labor and agriculture. In addition, the program will continue to give minor attention to other activities initiated in FY 1957: (1) to the field of civil aviation, in order to train Japanese in modern systems of managing civilian air traffic; (2) to peaceful uses of atomic energy; and (3) to the art of countering internal subversion by training in the U. S. of selected members of the Japanese police. The USOM in Japan also will administer ICA responsibilities under Public Law 480.

A. Composition of Technical Cooperation Program

1. Productivity Program - $2,690,000

a. Industry - $1,905,000

The industry program will provide for the sending of 430 participants to the United States and 27 technicians from the United States to Japan. Participants visiting the United States will observe American methods in such fields as mass production, materials handling, cost and quality controls, market research, personnel management, life insurance practices and tourism. The FY 1958 program will continue to stress the sending of representatives of Japan's depressed smaller industries, a domestic program of demonstration plants, and a promotional effort to better acquaint Japanese industry and labor with the importance of modernizing outdated practices. The industry program includes three university affiliations, emphasizing industrial engineering, business administration, and market and industrial research.

b. Labor - $270,000

The labor program will concentrate on the sending of participants to the United States from trade unions now

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cooperating with the productivity movement. The principal objective will be to demonstrate to the Japanese how higher productivity and improved labor-management relations will benefit labor. Visiting participants will examine the American method of labor contracts, witness collective bargaining in action, and study procedures for arbitration, conciliation and mediation. They will be given the opportunity to consult with labor organizations on the national and local level. This program will finance the visits of 84 participants as all-labor teams, and 24 labor participants as members of industry teams.

c. Agriculture - $515,000

In agriculture the principal emphasis will be placed on the encouragement of better utilization of uplands, hitherto traditionally neglected in favor of lowland paddy rice cultivation. Efforts will be made to stimulate the development of Japan's livestock industry in these uplands as a means of (1) supplementing individual farm income, (2) augmenting the animal protein content in the Japanese diet, and (3) retarding the tendency of farm children to seek employment in over-crowded urban areas. Included in the program is a university contract between Hokkaido and the University of Massachusetts, emphasizing livestock, poultry, food preservation and forage crop research. In addition, the program provides for the sending of 94 participants to the United States and 6 technicians to Japan.

2. Other Program Activities - $410,000

As a part of the total ICA program, but not directly related to productivity, assistance is planned in certain areas of mutual benefit to the United States and Japan for which special need exists.

a. Transportation (Civil Aviation) - $280,000

The transportation program in FY 1958 will continue the activities initiated in FY 1957 in the field of civil aviation. Japanese selected from the Civil Aviation Bureau of the Japanese Ministry of Transportation will be trained in the United States in modern systems of managing civil aviation, for periods ranging from 3 to 18 months. At the present time, due to a shortage of qualified personnel, Japan's civil air traffic is controlled by FEAF with minimum help from the CAA. The transportation program provides for the sending of 41 participants to the United States, and the continued services in Japan of 6 civil aviation technicians from the United States, the latter provided for in FY 1957.

b. Public Administration (Civil Police) - $25,000

The United States plans to assist Japan in the training of 5 selected Japanese police as specialists in the art of countering internal subversion. This new responsibility, recently assigned to ICA in accordance with NSC policy, will entail TC financing of the training of Japanese police by the International Policemen's Association of America.

c. Peaceful Uses of Atomic Energy - $25,000

This component of the FY 1958 program contemplates the continued training of Japanese nationals in peaceful uses of atomic energy. Five Japanese, particularly those in policy positions, will be familiarized with the latest developments in the United States so that they can incorporate U. S. findings in Japanese planning for atomic energy.

d. Technical Support - $80,000

Included in this component are such items as a pro-rated share of office rent and housing rentals related to the expenses of personnel concerned with program activities as a whole, rather than any one of the above components.

B. P. L. 480 Program

Although it is expected that additional P. L. 480 agreements of substantial amounts will be negotiated in the future, local currency proceeds from P. L. 480 sales cannot be used to fund the dollar-financed activities described above. Future P. L. 480 agreements, however, can be expected to provide additional financing for economic development projects such as were included in the 1955-56 agreements. To the extent such agreements provide for local currency support of such projects, the Government of Japan will be able to use its own revenues for other high priority requirements.

SUMMARY OF PROJECTED FY 1959 PROGRAM

It is estimated that TC funding of $2.3 million will be required for FY 1959. The $800,000 reduction from FY 1958 is expected to result from:

1. Reduction in the number of ICA-financed participants and technicians required for the projects of the Japan Productivity Center.

2. Curtailed financing in FY 1959 of (a) international travel of participants and (b) promotional activities within Japan, which in FY 1957 and 1958 are considered essential to stimulate further Japanese interest in small business, consumer study, and plant demonstration projects. It is assumed that by FY 1959 the Japanese Government and industry will be prepared to finance a larger share of such costs from their own resources.

3. Termination of U. S. financing of the Waseda University contract which will be completed in FY 1958. It is assumed that Waseda University may be prepared to continue the affiliation with the University of Michigan, although on a sharply reduced scale, after ICA support is withdrawn.

REPARATIONS AGREEMENTS

The following Japanese reparations agreements have already been concluded:

Country	Date Concluded	Amount (in millions)	Time Period (in years)
Burma	1954	$250.0	10
Thailand	1955	41.7	5
Philippines	1956	800.0	20

In addition to the above, reparations negotiations have been initiated with Viet Nam and Indonesia. It is estimated that the settlement with Viet Nam will be somewhere between $50 and $100 million, and that the agreement with Indonesia may take the form of the Philippine agreement and amount to approximately $500 million.

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Conjecture on Japan's long-range economic development and future prosperity cannot overlook the impact of reparations obligations. Furthermore, payments under these agreements will represent an important item in the external financing of most of the receiving countries. Since utilization of capital goods received under the reparations program in many instances will require a substantial investment of local currency to meet payments for land, buildings, wages and working capital, the effect will be to augment any existing inflationary pressures in the recipient countries. Although reparation payments may prove burdensome to Japan in the early stages of repayment, in the long run they are apt to prove a strong stimulant to trade with recipient countries.

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JAPAN

APPENDIX A

SIGNIFICANT ECONOMIC INDICATORS

Item	Calendar or Crop Years				
	1956	1957	1958	1959	1960
1. Population (in millions)	90.0	90.7	91.4	92.1	92.8
2. Gross National Product (1955 Prices $millions)	23,500	25,100	26,800	28,600	30,600
3. Percentage Increase from year to year		(6.9)	(6.8)	(6.7)	(6.9)
4. By type of expenditure (%):					
5. Private Consumption	63	63	63	63	63
6. Gross Investment (private)	17	17	17	17	17
7. Government Expenditures on Goods and Services	20	21	21	21	21
8. Net Foreign Balance (+) or (-)	0	-1	-1	-1	-1
9. Total	100	100	100	100	100
10. Per Capita GNP	(261)	(277)	(293)	(311)	(330)
11. Industrial Production (Index 1953 = 100)	125	135	145	155	165
12. Agricultural Production (Index 1935-39 = 100)	120	118	120	114	116
13. MSP Aid Level ($ millions)	0.9	2.3	3.1	2.3	1.5
14. P. L. 480 Sales Agreements ($ millions)	65.8	50.0	30.0	25.0	20.0

[redacted]

[redacted]

[redacted]

APPENDIX B

REQUIREMENTS FOR U. S. ASSISTANCE

JAPAN

(In thousands of dollars)

	Fiscal Years				
	1956	1957	1958	1959	[redacted]
Defense Support	-	-	-	-	-
Technical Cooperation					
Productivity Program					
Agriculture	109	509	515	450	250
Industry	694	1,159	1,905	1,300	750
Labor	59	212	270	250	200
Other Activities	86	420	410 a/	300	300
Total	948	2,300	3,100	2,300	1,500
P. L. 480					
Local Currency from 104(c)	-	17,000 b/	8,060	5,100	4,800
Local Currency from 104(c)(e)(g)	57,787	55,163 b/	45,229	25,000	21,000

a/ This figure is related to the amount requested in FY 1957 under the component General and Miscellaneous plus the additional support requested ($25,000) for the training of 5 Japanese police in the U.S.

b/ Some doubt exists as to the acceptance by the Japanese Government of this P. L. 480 Agreement to be signed in 1957.

[redacted]

JAPAN

TABLE 2

NON-MILITARY MUTUAL SECURITY DOLLAR PROGRAMS AND RELATED LOCAL CURRENCY GENERATION

(In thousands of dollars and equivalent)

	ACTUAL FY 1956				ESTIMATED FY 1957				PROPOSED FY 1958			
	DOLLAR PROGRAM			INITIATING LOCAL CURRENCY GENERATION a/	DOLLAR PROGRAM			INITIATING LOCAL CURRENCY GENERATION a/	DOLLAR PROGRAM			INITIATING LOCAL CURRENCY GENERATION a/
	TOTAL	DEFENSE SUPPORT	TECHNICAL COOPERATION		TOTAL	DEFENSE SUPPORT	TECHNICAL COOPERATION		TOTAL	DEFENSE SUPPORT	TECHNICAL COOPERATION	
PROJECT ASSISTANCE												
Contributions to Cooperative Services	x	x	x		x	x	x		x	x	x	
Supplies and Equipment:												
Capital Equipment	-	x	-		-	x	-		-	x	-	
Other	15	x	15		160	x	160		200	x	200	
Total, Supplies and Equipment	15	x	15		160	x	160		200	x	200	
U.S. Employed Technicians (Cost)	158	x	158		445	x	445		295	x	295	
Total Number Authorized for Employment During Year	(24)	x	(24)		(39)	x	(39)		(23)	x	(23)	
Number on Duty Close of Year	(24)	x	(24)		(36)	x	(36)		(23)	x	(23)	
Participants (Cost)	469	x	469		1,085	x	1,085		1,325	x	1,325	
Number Authorized During Year	(348)	x	(348)		(618)	x	(618)		(659)	x	(659)	
Contract Services (Total Cost U. S. Technicians)	293	x	293		520	x	520		945	x	945	
Total Number Authorized for Employment During Year	(23)	x	(23)		(35)	x	(35)		(37)	x	(37)	
Number on Duty Close of Year	(-)	x	(-)		(10)	x	(10)		(16)	x	(16)	
Contract Services - Participants Authorized During Year	(12)	x	(12)		(31)	x	(31)		(44)	x	(44)	
Other	15	x	15		90	x	90		335	x	335	
Total, Project Assistance	950	x	950		2,300	x	2,300		3,100	x	3,100	
NON-PROJECT ASSISTANCE												
Commodity Imports:												
Surplus Agricultural Commodities												
Total, Surplus Agricultural Commodities	-	x	-		-	x	-		-	x	-	
Deduct Sales to This Country for Benefit of Other Countries	-	-	-		-	-	-		-	-	-	
Add Sales to Other Countries for Bendfit of This Country	-	x	-		-	x	-		-	x	-	
Net Sales for Benefit of This Country	-	x	-		-	x	-		-	x	-	
Other Commodities:												
Total, Other Commodities	-	x	-		-	x	-		-	x	-	
Total Commodity Imports	-	x	-		-	x	-		-	x	-	
Cash Grants												
Other	-	x	-		-	x	-		-	x	-	
Total, Non-Project Assistance	-	x	-		-	x	-		-	x	-	
TOTAL, NON-MILITARY PROGRAMS	950	x	950		2,300	x	2,300		3,100	x	3,100	
Of Which Dollar Loans	-	x	-		-	x	-		-	x	-	
Of Which Dollar Grants	950	x	950		2,300	x	2,300		3,100	x	3,100	

a/ Not applicable.

[redacted]

TABLE 3

JAPAN

MUTUAL SECURITY PROGRAM LOCAL CURRENCY GENERATION AND PROGRAMMED UTILIZATION

(In thousands of dollars equivalent)

	ACTUAL FY 1956			ESTIMATED FY 1957			PROPOSED FY 1958		
	TOTAL	DEFENSE SUPPORT	TECHNICAL COOPERATION	TOTAL	DEFENSE SUPPORT	TECHNICAL COOPERATION	TOTAL	DEFENSE SUPPORT	TECHNICAL COOPERATION
LOCAL CURRENCY GENERATION									
Dollar Programs Initiating Local Currency Generation									
Less: Local Currency Reserved for U.S. Uses									
Subtotal Local Currency Availability									
Add: Estimated Local Currency Unprogrammed Beginning of Year									
Total Local Currency Available for Programming									
PROGRAMMED UTILIZATION									
Mutual Security Project Requirements:									
Military									
Non-Military									
Total Project Requirements									
Non-Project Budget Support:									
Military									
Non-Military									
Total Non-Project Budget Support									
Other									
Total Programmed Utilization									
Local Currency Unprogrammed Close of Year									

NOT APPLICABLE

JAPAN

TABLE 4

MUTUAL SECURITY PROGRAM LOCAL CURRENCY ACCRUAL, REALIZATION AND UTILIZATION

(In thousands of dollars equivalent)

	ACTUAL FY 1956 LOCAL CURRENCY		ESTIMATED FY 1957 LOCAL CURRENCY		PROPOSED FY 1958 LOCAL CURRENCY	
	ON DEPOSIT	TO BE DEPOSITED	ON DEPOSIT	TO BE DEPOSITED	ON DEPOSIT	TO BE DEPOSITED
LOCAL CURRENCY REALIZATION a/						
Unutilized Balance Beginning of Year	4,711	323	29	323	-	-
Add: Current Year Local Currency Generation	x	-	x	-	x	-
Subtotal Availability on Accrual Basis	x	323	x	323	x	-
Local Currency Realization During Year	-	-	323	-323	-	-
Total Local Currency Available for Utilization	4,711	x	352	x	-	x
UTILIZATION						
Mutual Security Project Requirements:						
Military	-	x	-	x	-	x
Non-Military	4,682	x	352	x	-	x
Total Project Requirements	4,682	x	352	x	-	x
Non-Project Budget Support:						
Military	-	x	-	x	-	x
Non-Military	-	x	-	x	-	x
Total Non-Project Budget Support	-	x	-	x	-	x
Other	-	x	-	x	-	x
Total Utilization	4,682	x	352	x	-	x
Local Currency Unutilized Close of Year	29	323	-	-	-	-

a/ Availabilities are from FY 1954 Section 550 program.

[redacted]

TABLE 5

JAPAN

MUTUAL SECURITY PROJECT ASSISTANCE BY FIELD OF ACTIVITY

(In thousands of dollars and equivalent)

FIELD OF ACTIVITY	ACTUAL FY 1956						ESTIMATED FY 1957						PROPOSED FY 1958					
	DOLLAR PROGRAM			LOCAL CURRENCY PROGRAMMED UTILIZATION a/			DOLLAR PROGRAM			LOCAL CURRENCY PROGRAMMED UTILIZATION a/			DOLLAR PROGRAM			LOCAL CURRENCY PROGRAMMED UTILIZATION a/		
	TOTAL	DEFENSE SUPPORT	TECHNICAL COOPERATION	TOTAL	DEFENSE SUPPORT	TECHNICAL COOPERATION	TOTAL	DEFENSE SUPPORT	TECHNICAL COOPERATION	TOTAL	DEFENSE SUPPORT		TOTAL	DEFENSE SUPPORT	TECHNICAL COOPERATION	TOTAL	DEFENSE SUPPORT	TECHNICAL COOPERATION
Direct Military Support	x	x	x				x	x	x				x	x	x			
Agriculture and Natural Resources	109	x	109				510	x	510				515	x	515			
Industry and Mining	694	x	694				1,160	x	1,160				1,905	x	1,905			
Transportation	4	x	4				295	x	295				280	x	280			
Labor	59	x	59				210	x	210				270	x	270			
Health and Sanitation	-	x	-				-	x	-				-	x	-			
Education	-	x	-				-	x	-				-	x	-			
Public Administration	-	x	-				25	x	25				25	x	25			
Community Development, Social Welfare and Housing	-	x	-				-	x	-				-	x	-			
General and Miscellaneous	84	x	84				100	x	100				105	x	105			
TOTAL PROJECT ASSISTANCE	950	x	950				2,300	x	2,300				3,100	x	3,100			

a/ Not applicable.

JAPAN

MUTUAL SECURITY PROJECT LISTING FOR FISCAL YEAR 1958

(In thousands of dollars)

PROJECT TITLE AND DESCRIPTION	STATUS	TOTAL COST	TECHNICIANS		PARTICIPANTS		CONTRACT SERVICES			SUPPLIES AND EQUIPMENT	OTHER COSTS
			NUMBER	COSTS	NUMBER	COSTS	NUMBER		COSTS		
							TECHNICIANS	PARTICIPANTS			
TECHNICAL COOPERATION											
Agriculture and Natural Resources											
1. Hokkaido University Affiliation	025	176	-	-	-	-	2	14	176	-	-
2. Grassland Development Demonstration	018	100	-	-	-	-	-	-	-	100	-
3. Agriculture Productivity Teams	017	194	-	-	94	160	4	-	19	15	-
4. Technical Support	000	45	2	20	-	-	-	-	-	-	25
Total For Activity		515	2	20	94	160	6	14	195	115	25
Industry and Mining											
1. Waseda University Affiliation	009	198	-	-	-	-	5	10	198	-	-
2. Keio University Affiliation	023	175	-	-	-	-	3	10	175	-	-
3. Kansai University Affiliation	022	175	-	-	-	-	3	10	175	-	-
4. Japan Productivity Center	006	1,195	-	-	430	765	16	-	172	82	176
5. Technical Support	000	162	6	95	-	-	-	-	-	3	64
Total For Activity		1,905	6	95	430	765	27	30	720	85	240
Transportation											
1. Japan Civil Aviation Bureau (JCAB)	016	241	6	81	41	160	-	-	-	-	-
2. Technical Support	000	39	2	14	-	-	-	-	-	-	25
Total For Activity		280	8	95	41	160	-	-	-	-	25
Labor											
1. Japan Trade Unions	020	220	-	-	84	190	4	-	30	-	-
2. Technical Support	000	50	2	30	-	-	-	-	-	-	20
Total For Activity		270	2	30	84	190	4	-	30	-	20

[redacted]

JAPAN

MUTUAL SECURITY PROJECT LISTING FOR FISCAL YEAR 1958

(In thousands of dollars)

PROJECT TITLE AND DESCRIPTION	STATUS	TOTAL COST	TECHNICIANS		PARTICIPANTS		CONTRACT SERVICES			SUPPLIES AND EQUIPMENT	OTHER COSTS
			NUMBER	COSTS	NUMBER	COSTS	NUMBER		COSTS		
							TECHNICIANS	PARTICIPANTS			
Public Administration											
1. Civil Police Administration	021	25	-	-	5	25	-	-	-	-	-
Total For Activity		25	-	-	5	25	-	-	-	-	-
General and Miscellaneous											
1. Peaceful Uses of Atomic Energy	010	25	-	-	5	25	-	-	-	-	-
2. Technical Support	000	80	5	55	-	-	-	-	-	-	25
Total For Activity		105	5	55	5	25	-	-	-	-	25
TOTAL TECHNICAL COOPERATION PROGRAM		3,100	23	295	659	1,325	37	44	945	200	335

TABLE 7

JAPAN

ANALYSIS OF EXPENDITURE RATES FOR NON-MILITARY MUTUAL SECURITY PROGRAMS

(In thousands of dollars)

PROGRAM	UNLIQUIDATED OBLIGATIONS 6/30/55	ACTUAL OBLIGATIONS FY 1956	TOTAL AVAILABLE FOR EXPENDITURE FY 1956	ACTUAL EXPENDITURES FY 1956	UNLIQUIDATED OBLIGATIONS 6/30/56	ESTIMATED OBLIGATIONS FY 1957	TOTAL AVAILABLE FOR EXPENDITURE FY 1957	ESTIMATED EXPENDITURES FY 1957	UNLIQUIDATED OBLIGATIONS 6/30/57	PROPOSED OBLIGATIONS FY 1958	TOTAL AVAILABLE FOR EXPENDITURE FY 1958	ESTIMATED EXPENDITURES FY 1958	UNLIQUIDATED OBLIGATIONS 6/30/58
FY 1955 AND PRIOR YEAR FUNDS													
Defense Support													
Project Assistance	x	x	x	x	x	x	x	x	x	x	x	x	x
Non-Project Assistance	x	x	x	x	x	x	x	x	x	x	x	x	x
Total, Defense Support	x	x	x	x	x	x	x	x	x	x	x	x	x
Technical Cooperation													
Project Assistance	308.0	(0.1)	307.9	199.6	108.3	x	108.3	108.3	-	x	-	-	-
Total FY 1955 and Prior Year Funds	308.0	(0.1)	307.9	199.6	108.3	x	108.3	108.3	-	x	-	-	-
FY 1956 FUNDS													
Defense Support													
Project Assistance	x	x	x	x	x	x	x	x	x	x	x	x	x
Non-Project Assistance	x	x	x	x	x	x	x	x	x	x	x	x	x
Total Defense Support	x	x	x	x	x	x	x	x	x	x	x	x	x
Technical Cooperation													
Project Assistance	x	949.6	949.6	286.7	662.9	x	662.9	500.0	162.9	x	162.9	162.9	-
Total, FY 1956 Funds	x	949.6	949.6	286.7	662.9	x	662.9	500.0	162.9	x	162.9	162.9	-
FY 1957 FUNDS													
Defense Support													
Project Assistance	x	x	x	x	x	x	x	x	x	x	x	x	x
Non-Project Assistance	x	x	x	x	x	x	x	x	x	x	x	x	x
Total, Defense Support	x	x	x	x	x	x	x	x	x	x	x	x	x
Technical Cooperation													
Project Assistance	x	x	x	x	x	2,300.0	2,300.0	800.0	1,500.0	x	1,500.0	1,300.0	200.0
Total, FY 1957 Funds	x	x	x	x	x	2,300.0	2,300.0	800.0	1,500.0	x	1,500.0	1,300.0	200.0
FY 1958 FUNDS													
Defense Support													
Project Assistance	x	x	x	x	x	x	x	x	x	x	x	x	x
Non-Project Assistance	x	x	x	x	x	x	x	x	x	x	x	x	x
Total, Defense Support	x	x	x	x	x	x	x	x	x	x	x	x	x
Technical Cooperation													
Project Assistance	x	x	x	x	x	x	x	x	x	3,100.0	3,100.0	800.0	2,300.0
Total, FY 1958 Funds	x	x	x	x	x	x	x	x	x	3,100.0	3,100.0	800.0	2,300.0
TOTAL ALL PROGRAMS													
Defense Support													
Project Assistance	x	x	x	x	x	x	x	x	x	x	x	x	x
Non-Project Assistance	x	x	x	x	x	x	x	x	x	x	x	x	x
Total, Defense Support	x	x	x	x	x	x	x	x	x	x	x	x	x
Technical Cooperation													
Project Assistance	308.0	949.5	1,257.5	486.3	771.2	2,300.0	3,071.2	1,408.3	1,662.9	3,100.0	4,762.9	2,262.9	2,500.0
TOTAL, ALL PROGRAMS	308.0	949.5	1,257.5	486.3	771.2	2,300.0	3,071.2	1,408.3	1,662.9	3,100.0	4,762.9	2,262.9	2,500.0

JAPAN

TABLE 8

ANALYSIS OF EXPENDITURE RATES FOR SELECTED PROJECTS WITH UNLIQUIDATED OBLIGATIONS OF $100,000 OR MORE ON 6/30/56 AND FOR WHICH ADDITIONAL FUNDS ARE PROPOSED IN FY 1958

(In thousands of dollars)

PROJECT TITLE AND NUMBER	UNLIQUIDATED OBLIGATIONS 6/30/55	ACTUAL OBLIGATIONS FY 1956	TOTAL AVAILABLE FOR EXPENDITURE FY 1956	ACTUAL EXPENDITURES FY 1956	UNLIQUIDATED OBLIGATIONS 6/30/56	ESTIMATED OBLIGATIONS FY 1957	TOTAL AVAILABLE FOR EXPENDITURE FY 1957	ESTIMATED EXPENDITURES FY 1957	UNLIQUIDATED OBLIGATIONS 6/30/57	PROPOSED OBLIGATIONS FY 1958	TOTAL AVAILABLE FOR EXPENDITURE FY 1958	ESTIMATED EXPENDITURES FY 1958	UNLIQUIDATED OBLIGATIONS 6/30/58
INDUSTRY AND MINING													
Waseda University Affiliation													
55-009	34	x	34	-	34	x	34	34	-	x	-	-	-
56-009	x	148	148	-	148	x	148	131	17	x	17	17	-
57-009	x	x	x	x	x	200	200	36	164	x	164	120	44
58-009	x	x	x	x	x	x	x	x	x	200	200	46	154
Total	34	148	182	-	182	200	382	201	181	200	381	183	198
Japan Productivity Center													
55-006	206	x	206	65	141	x	141	130	11	x	11	11	-
56-006	x	447	447	1	446	x	446	360	86	x	86	86	-
57-006	x	x	x	x	x	375	375	135	240	x	240	205	35
58-006	x	x	x	x	x	x	x	x	x	1,195	1,195	460	735
Total	206	447	653	66	587	375	962	625	337	1,195	1,532	762	770

JAPAN

TABLE 9

CENTRAL GOVERNMENT FINANCES AND RELATED MUTUAL SECURITY LOCAL CURRENCY PROGRAMS

(Exchange Rate Used To Convert To Dollars: _____)

(In thousands of dollars equivalent)

	FISCAL YEAR ENDING: *(Indicate Month)* _____							
	1955		1956		1957		1958	
EXPENDITURES								
National Defense								
Capital Outlay								
Other Non-Defense Expenditures								
Total Expenditures								
Total Revenue, Excluding U.S. and Other Foreign Aid								
Deficit (-) or Surplus (+) Before Aid								
FINANCING OF EXPENDITURES BY SOURCE OF FUNDS	PERCENT	AMOUNT	PERCENT	AMOUNT	PERCENT	AMOUNT	PERCENT	AMOUNT
Revenue, Excluding U.S. and Other Foreign Aid								
Counterpart Withdrawals and MSP Local Currency Grants								
Defense Budget Support								
Civilian Budget Support								
Mutual Security Program Projects								
Total Counterpart and U.S. Local Currency Grants								
P.L. 480 Grants								
Grants from Other Countries								
Borrowings (+) or Debt Retirement (-)								
Mutual Security Loan								
P.L. 480 - Sec. 104(g)								
Export-Import Bank								
International Bank for Reconstruction and Development								
Other Foreign Borrowing								
Domestic Borrowing:								
Bond Issues								
Treasury Notes								
Borrowing from Central and Private Banks								
Total Domestic Borrowing								
Total Borrowing								
Net Change (+) or (-) in Bank Balances and Other Reserves								
Total Financing								

DATA NOT AVAILABLE

NOTE: In accordance with ICA/W instructions, Mission will submit data by December 31.

NOTE: Government Gross Debt: Amount Domestic _____ Amount Foreign _____ Date _____

TABLE 10

JAPAN

BALANCE OF PAYMENTS AND RESERVES

(Million of dollar equivalent converted at 360 per dollar)

ITEM	CALENDAR YEARS 1954	1955	1956	1957	1958
Balance of Payments					
Goods and Services					
Exports, F.O.B.	1,611	2,007	2,350	2,500	2,600
Imports, F.O.B.	-2,040	-2,081	-2,170	-2,300	-2,400
Trade balance	-429	-74	180	200	200
Nonmonetary gold movements (net)	3	2	1	2	1
Foreign travel	4	6	6	6	6
Transportation and insurance	-177	-157	-160	-160	-170
Investment income	-39	-42	-45	-45	-46
Government, not included elsewhere	603	511	500	350	230
Other services	-45	-60	-50	-50	-50
Total services	349	260	252	103	-29
Total goods and services	-80	186	432	303	171
Private Financing					
Remittances	29	30	30	30	30
Direct investment	16	-	-	-	-
Other	-2	85	10	10	10
Total private financing	43	115	40	40	40
Net Errors and Omissions	13	-	-	-	-
Surplus (+) or Deficit (-)	-24	301	472	343	211
Official Financing					
Reparations	-	-22	-20	-40	-80
Grants					
Grants from U.S.					
MSP	-	13	1	2	3
P.L. 480 Titles I, II	-	-	10	10	10
Other	-	-	-	-	-
Total grants	-	-9	-9	-28	-67
Long-Term Capital					
Loan repayments, including Government					
Loans from MSP	-	-	-	-	-
Loans from P.L. 480, Title I.	-	-	60	50	40
Loans from Export-Import Bank	-	-	-	-	-
Loans from IBRD	11	23	-	-	-
Other	-15	-15	-20	-	-
Total long-term capital	-4	8	40	50	40
Short-Term Capital					
Change in reserves (increase -)	-105	-329	-150	-160	-
Monetary gold (increase -)	-3	-2	-	-	-
Other	136	31	-353	-205	-184
Total short-term capital	28	-300	-503	-365	-184
Total Official Financing	24	-301	-472	-343	-211
Status of Reserves (end of period)					
Gold	21	23	23	23	23
Dollars	655	910	1,316	1,446	1,446
Sterling	214	292	280	300	300
Other	240	244	-	-	-
Total Reserves	1,130	1,469	1,619	1,769	1,769

TABLE II

JAPAN

SUMMARY ECONOMIC DATA

ITEM	CALENDAR YEARS 1954	1955	1956	1957	1958
Population (Mid-year in millions)	88.0	88.9	90.0	90.7	91.4
Gross National Product at market prices--Total ($ Millions)	20,429	21,950	23,500	25,100	26,800
(Expressed in 1955 prices. Foreign Exchange Conversion Rate: 360 yen = US $1)	20,200	21,950	23,500	25,100	26,800
By Type of Expenditure:					
Private consumption	13,100	13,800	14,350	15,250	16,200
Gross investment (public and private)	4,950	5,200	5,750	6,150	6,850
Government expenditures on goods and services	2,250	2,750	2,950	3,400	3,600
Net foreign balance (+) or (-)	- 100	200	450	300	150
Per capita GNP	230	247	261	277	293
Prices (Index, 1953 =100)					
a. Wholesale	99	98	99	100	100
b. Cost of living	106	105	106	106	106
Industrial production (Index, 1953 =100)	108	117	125	135	145
Major commodities / Unit of quantity					
Steel (ordinary) / 1,000 MT	5,352	6,672	7,500	8,300	9,100
Woven Cotton Fabric / Million sq. yds.	3,180	3,024	3,400	3,700	3,800

	CROP YEARS a/ 1954/55	1955/56	1956/57	1957/58	1958/59
Agricultural production (Total Index, 1935-39 =100)	109	130	120	118	120
Major crops / Unit of quantity					
Rice (rough) / 1,000 MT	11,330	14,740	13,150	13,200	13,800
Sweet Potatoes / 1,000 MT	5,230	7,180	6,000	6,600	7,000

a/ Japanese rice year begins November 1.

[redacted]

TABLE 12

JAPAN

SUMMARY SALES PROGRAMS UNDER PL 480, AGRICULTURAL TRADE AND DEVELOPMENT ACT OF 1954

(In thousands of dollars)

FISCAL YEAR IN WHICH SALES AGREEMENT SIGNED	TOTAL SALES CONTEMPLATED BY AGREEMENT	PLANNED USE OF LOCAL CURRENCY PROCEEDS (In Dollar Equivalent)					
		FOR ECONOMIC DEVELOPMENT UNDER SECTIONS				FOR COMMON DEFENSE 104(c)	FOR OTHER PURPOSES
		104(d)	104(e)	104(g)	TOTAL		
FY 1955 (Actual)	85,000	5,500	-	59,500	65,000	17,000	3,000
FY 1956 (Actual)	65,800	5,429	-	49,350	54,779	8,060	2,961
FY 1957 (Estimated)	50,000 a/	2,000	-	40,000	42,000	5,000	3,000
FY 1958 (Estimated)	30,000 a/	-	-	24,000	24,000	3,000	3,000
Total	230,800	12,929	-	172,850	185,779	33,060	11,961

a/ Estimated by Agricultural Attache.

TABLE 13

JAPAN

ACCRUAL, REALIZATION AND UTILIZATION OF LOCAL CURRENCIES UNDER P.L. 480, AGRICULTURAL TRADE AND DEVELOPMENT ACT OF 1954

(In thousands of dollars equivalent)

	ACTUAL FY 1956		ESTIMATED FY 1957		PROPOSED FY 1958	
	ON DEPOSIT	TO BE DEPOSITED	ON DEPOSIT	TO BE DEPOSITED	ON DEPOSIT	TO BE DEPOSITED
Balance beginning of year	-	85,000	23,968	68,247	14,250	52,000
To be generated from Current Year Sales Agreements	x	65,800	x	50,000	x	30,000
Availability (on accrual basis)	x	150,800	x	118,247	x	82,000
Local Currency Realization during year	+ 82,553	- 82,553	+ 66,247	- 66,247	+ 50,000	- 50,000
Available for Utilization during year	82,553	x	90,215	x	64,250	x
Utilization during the year						
For Section 104(d)	-	x	5,500	x	5,430	x
For Section 104(e)	-	x	-	x	-	x
For Section 104(g)	57,787	x	49,665	x	39,800	x
Total For Economic Development	57,787	x	55,165	x	45,230	x
For Section 104(c)	-	x	17,000	x	8,060	x
For Other Purposes	798	x	3,800	x	3,760	x
Total Utilization during year	58,585	x	75,965	x	57,050	x
Balance Close of Year	23,968	68,247	14,250	52,000	7,200	32,000

JAPAN

HOST COUNTRY CONTRIBUTIONS

(In thousands of dollars equivalent)

	ACTUAL FY 1956			ESTIMATED FY 1957			ESTIMATED FY 1958		
	TOTAL	DEFENSE SUPPORT	TECHNICAL COOPERATION	TOTAL	DEFENSE SUPPORT	TECHNICAL COOPERATION	TOTAL	DEFENSE SUPPORT	TECHNICAL COOPERATION
Contributions to Other Than Cooperative Services									
Value in Cash:									
By Central Government	196	x	196	510	x	510	565	x	565
By Local Governments or Other Parties	414	x	414	600	x	600	655	x	655
Total	610	x	610	1,110	x	1,110	1,220	x	1,220
Value in Kind:									
By Central Government	-	x	-	-	x	-	-	x	-
By Local Governments or Other Parties	-	x	-	-	x	-	-	x	-
Total	-	x	-	-	x	-	-	x	-
Total Contributions to Other than Cooperative Services	610	x	610	1,110	x	1,110	1,220	x	1,220
Contributions to Cooperative Services									
Value in Cash:									
By Central Government									
By Local Governments or other Parties									
Total									
Value in Kind:									
By Central Government									
By Local Governments or Other Parties									
Total									
Total Contributions to Cooperative Services									
GRAND TOTAL CONTRIBUTIONS	610	x	610	1,110	x	1,110	1,220	x	1,220

[redacted]

FAR EAST

FY 1958 ILLUSTRATIVE PRESENTATION

KOREA

OFFICE OF FAR EASTERN OPERATIONS

INTERNATIONAL COOPERATION ADMINISTRATION

TABLE I

KOREA

NON-MILITARY MUTUAL SECURITY PROGRAMS BY FUNCTION

(In thousands of dollars)

FUNCTIONS	ACTUAL FY 1956	ESTIMATED FY 1957	PROPOSED FY 1958
Defense Support			
Project Assistance	95,333	98,000	90,000
Non-Project Assistance	226,600	199,000	210,000
Total, Defense Support	321,933	297,000 a/	300,000
Technical Cooperation			
Project Assistance	4,998	5,500	7,000
TOTAL PROGRAMS	326,931	302,500	307,000
Of Which MSP Loans	-	25,000	25,000
Of Which MSP Sales of Surplus Agricultural Commodities	50,600	45,000	40,000

a/ Excludes 3.0 million for OEC Dependent Housing, but includes 12.0 million tentatively allocated from general reserve.

[redacted]

[redacted]

KOREA

Narrative Statement

U. S. OBJECTIVES

The immediate objectives of the U. S. in the Republic of Korea are to enable the country to:

1. Provide sufficient military strength to repel foreign aggression short of attack by a major power;

2. Assume responsibility for financing an increasing share of the cost of maintaining its armed forces;

3. Maintain living standards at approximately the 1949-50 level and establish an economy capable of maintaining such standards, with a minimum of external assistance; and

4. Expand capital investment as rapidly as possible without jeopardizing economic stability.

In order to advance these objectives, the U. S. aid program is focused on support of the military forces, prevention of runaway inflation, and rehabilitation and expansion of key sectors of the economy.

OBSTACLES TO ACHIEVEMENT OF OBJECTIVES

A. State of the ROK Economy

Prior to 1945, the economy of South Korea was an integral part of a much larger trading area. The northern and southern portions of the Korean peninsula were a single economic entity. Power production and heavy industry were concentrated in the north, whereas food processing and textile industries were furthest developed in the south. Rice was exported from the peninsula to Japan. Coarser grains moved into Korea from Manchuria. Railway, textile, mining and other industrial equipment moved from Japan to both areas. In short, the whole of the Korean peninsula was an integral part of the Japanese economy.

Events since 1946 have drastically changed this picture. Today, the Republic of Korea finds itself completely separated from the northern half of the peninsula and, for most practical purposes, economically divorced from Japan. In its basic structure, therefore, the economy has become unbalanced.

Although predominantly agrarian in character, South Korea is not self-sufficient in food, largely because of the heavy influx of population from the north. Moreover, except possibly for textiles and some food processing, its manufacturing facilities are not adequate to maintain its existing military forces and provide for the essential consumption requirements of the population. At present, approximately one-third of the goods and services required in Korea for all purposes, civilian and military, not including the requirements of U. S. military forces, is provided by external aid. The press of all demands - ordinary civilian, developmental and military - against available resources has resulted in budget and trade deficits and inflation of sometimes staggering proportions.

1. Budget Deficits - In the fiscal years 1955 and 1956, ordinary expenditures of the ROK consumed between 60 and 65 percent

[redacted]

of total revenues, leaving little for rehabilitation and support of the armed forces. Approximately the same proportion is expected to prevail in FY 1957 and 1958. If domestic revenues were applied to national defense costs alone, roughly two-thirds of such revenues would be consumed thereby. In order to help meet a budget which, in FY 1955 and 1956, was three times the amount of internal revenues, the U. S. has financed the import of massive quantities of commodities which have been sold in Korea to generate local currency. Even with such U. S. assistance, however, the ROK has been forced to borrow from its own banking system to cover the remaining deficit.

2. Inflation - Severe inflationary pressures have plagued the South Korean economy for more than a decade. Since 1946, wholesale prices increased on an average of approximately 100 percent per year, the figure for FY 1955 being 106 percent. In FY 1956 the price rise was reduced to 44 percent and the outlook for FY 1957 is that the rate of increase will be cut approximately in half.

3. Unfavorable Trade Balance - The low production, in relation to total demand, which characterizes the Korean economy is apparent in its sharpest form in the country's international trade balance. For calendar year 1956, exports are estimated at $25.6 million, whereas imports are expected to total $409.0 million, leaving an unfavorable trade balance of $383.4 million.

B. Basic Economic Problems

1. Paucity of Known Resources - As indicated above, Korea is unable for the present to supply its own food requirements, and it may never be able to export the volume of rice it once did. Tungsten and limited quantities of coal are its main mineral resources; marine products are plentiful but underdeveloped. The country's chief resource is its people. However, urban unemployment is substantial and underemployment in rural areas is widespread.

2. Shortage of Skills - Skilled technical personnel and managerial and administrative talent are scarce in all fields. Japan's 35-year practice of excluding Koreans from high-level positions left a void that will take years to fill. As program emphasis begins to shift from relief and rehabilitation to major industrial projects, ROK deficiency in the necessary skills becomes more apparent and a more serious hindrance to success in nearly the whole range of government and economic activities affecting U. S. objectives.

3. Ineffectual Government - Due to inexperience, a weak civil service system, and lack of a long tradition of integrity, the ROK uses neither its own nor U. S. aid resources as efficiently as might be expected from a more mature nation. Although ROK officials have become increasingly proficient since 1948, and the legislative branch has grown in maturity, the government still lacks the know-how, confidence, experience and ability achieved in Western countries and Japan.

4. Shortage of Capital - Korea is in great need of investment capital. However, domestic capital formation has not progressed to the point where it can provide investment requirements, and the economy has not achieved the degree of economic stability that would attract foreign capital in the form of sizeable private investment or IBRD loans.

Although the dollar volume of economic aid has increased annually since FY 1954, the dollar amounts allocated directly to investment projects in FY 1956 and FY 1957 were less than in FY 1954 or FY 1955.

[redacted]

The need to combat inflation necessitated that strong program emphasis be placed on the importation of saleable commodities.

ROLE OF U. S. ASSISTANCE

A. Why U. S. Aid is Required

The role of U. S. assistance to the Republic of Korea is to help build up that country's economic and military strength to the point where it can resist communist subversion, discourage external aggression, and increasingly meet its financial requirements from its own resources. This requires that the ROK economy be rehabilitated and developed while its current needs, both military and civilian, are being met.

To perform this complex role, U. S. aid is used to prevent the level of consumption from falling; provide financial assistance for the ROK military budget; generate local currency with which to fund the capital investment program; maintain price stability; expand productive capacity in agriculture, industry, mining and fisheries for export and domestic consumption purposes; train public administrators, teachers, managerial personnel and technicians; improve education and public health services; and give the ROK people the necessary hope and confidence to resist economic, military and political pressures from above the Korean armistice line.

B. Consequences of Reduction in U. S. Aid

Without U. S. aid at substantially its present level, ROK resources would be inadequate to support the present military forces and carry out the rehabilitation and capital investment program; inflationary pressures would rise; economic, political and military gains of the past three years would be endangered or nullified; general unrest would result from the inevitable decline in the level of consumption and inflation; the people's confidence in the U. S. and in themselves would be shaken; communist influences from above the armistice line would become more difficult to resist; and the effect on other free Asian countries would be serious.

LONG-RANGE PLAN

Korea is entering upon a new phase of economic development. With postwar relief and rehabilitation of war-damaged facilities approaching completion, and with continued progress toward price stability, a better basis exists for planning new investment to provide increasing capacity for self-support. The long-range program of economic assistance, estimated to total approximately $1.5 billion between FY 1958 and FY 1962, as indicated on an annual basis in Appendix A, is intended to maximize productive investment consistent with the requirements for increased budgetary support for the ROK armed forces and maintenance of internal financial stability.

On the basis of a judgment that the amount proposed by the OEC for investment in FY 1958 could not be absorbed effectively in that year, the total Defense Support funds requested in this presentation has been reduced from $328 to $300 million. However, no comparable adjustment has been made for other years of the plan submitted by the OEC, since no basis now exists for determining that, in FY 1959 for example, the capacity of the ROK to absorb investment at a higher rate will be less than planned.

[redacted]

[redacted]

[redacted]

Accordingly, it is planned to utilize approximately 25 percent of total DS funds for dollar imports for capital development projects, with principal emphasis on minerals exploitation, industrial plants, electric power, and transport and communication facilities. Investment-type goods financed with non-project funds would add another 5 percent. This assistance, properly balanced to supplement available Korean resources, should help to achieve the U. S. goals with regard to enhancing ROK economic and military strength.

Over a third of the total amount is required to generate local currency for support of the military budget. PROVMAAG-K has estimated that such military support requirements will rise from the equivalent of $100.5 million in FY 1958 to $115.0 million in FY 1962. This estimate assumes that $31.5 million of P. L. 480 proceeds will be available in each year of the plan to supplement the MSP contribution to the military budget.

Despite rising military support costs, a gradual reduction in total economic assistance after FY 1959 is believed to be possible without reducing the total rate of investment, public and private, in the Korean economy. The principal components of the proposed plan, by major fields of activity, and estimated funding requirements for the period FY 1958-1962 inclusive, are discussed below.

Composition of Long-Range Plan

1. Agriculture and Natural Resources

a. Goal: To modernize and expand research facilities and increase food, fiber and livestock production for the civilian population and ROK armed forces, and also to improve the ROK foreign exchange position.

b. MSP dollar requirements: $37.5 million, allocated as follows - $12.6 million for agricultural experiment stations and extension facilities; $1 million for seeds, plant material, essential equipment and technical services to increase food and fiber output and for food processing, livestock and plant disease control equipment and services; $10 million for effective control of erosion and improvement of irrigation facilities; $354,000 for equipment and technical services to increase production of ramie, mushrooms, persimmons, and pyrethrum; $3 million to establish farmer-owned and -operated purchasing and marketing cooperatives and a credit system for farmers; $10.5 million to help provide 2,000 tons of additional modern fishing vessel capacity annually, and equipment and technical assistance for related industrial development activities.

c. Local currency (L/C) requirements: $129 million equivalent.

2. Mining

a. Goal: To determine occurrence and extent of rare and strategic minerals and to maximize output for domestic consumption and export.

b. MSP dollar requirements: $35.5 million, as follows - $22.5 million to extend test drilling and geological work, help develop known deposits and improve processing facilities; $13 million for additional geophysical surveys and test drilling, and technical and material assistance to improve and increase output of copper and other base metals.

c. L/C requirements: $55.4 million equivalent.

[redacted]

[redacted]

3. Power

a. Goal: To increase electric power generating capacity by 220,000 KW to supply both present customers adequately and meet additional requirements resulting from population growth and economic expansion.

b. MSP dollar requirements: $72 million, as follows - $70 million for materials, equipment and services; $2 million for transmission lines and technical training.

c. L/C requirements: $26 million equivalent.

4. Communications

a. Goal: To build a self-sustaining telecommunications system capable of supporting national security objectives and the economic development program.

b. MSP dollar requirements: $9 million for facilities to service an additional 25,000 telephones.

c. L/C requirements: $10 million equivalent.

5. Manufacturing and Processing

a. Goal: To maximize exports, minimize imports, and alleviate unemployment.

b. MSP dollar requirements: $92.9 million as follows - $6 million to increase cement production; $6 million for increasing production of caustic soda, sulphuric acid, insecticides, and other chemicals; $21 million for synthetic fiber manufacturing facilities and technical assistance; $5.6 million for further development of existing steel mill projects (to increase steel production from an estimated 69,000 tons in FY 1958 to an estimated 105,000 tons in FY 1962); $600,000 to expand straw pulp production capacity by 18,000 tons; $46 million to assist in the development of over 115 medium and small industry projects initiated prior to FY 1958; $4 million to develop native handicrafts for domestic use and export; $3 million for the development of building materials utilizing primarily indigenous materials; $700,000 for a productivity center to improve management, increase technical competence and raise quality of output.

c. L/C requirements: $60 million equivalent.

6. Highways

a. Goal: To reconstruct 1,200 damaged bridges and build at least 25 additional new primary bridges to meet strategic and economic development requirements, to pave 600 miles of streets and highways, and to provide additional equipment and training in construction and maintenance of 9,000 miles of roads and related facilities.

b. MSP dollar requirements: $16 million for construction and maintenance equipment.

c. L/C requirements: $15 million equivalent.

7. Railways

a. Goal: To develop and maintain the Korean National Railway facilities at a level of operational capacity and efficiency necessary to support the developing economy and defense forces.

b. MSP dollar requirements: $79.2 million, as follows - $34 million for procurement of 65 Diesel locomotives and adequate rolling stock; $2.2 million to complete construction of a new 20-mile spur, connecting the Chungju Fertilizer Plant with Pongyong

and the spur between Nunkok and Uijungbu (to meet military needs and suburban traffic requirements in the Seoul area); $43 million for imported commodities needed for operation and maintenance, coal, petroleum products, spare parts and other materials.

c. L/C requirements: $11.2 million equivalent.

8. Port and Harbor and Coastal Shipping Facilities

a. Goal: To return ports and harbors to prewar operating efficiency, with sufficient expansion to accommodate requirements of the expanding economy.

b. MSP dollar requirements: $13 million, as follows - $11 million for construction materials and equipment, and technical assistance; $2 million for machine and woodworking equipment for lugger fleet construction and repair, and for technical assistance to coastal shipping operations and maintenance.

c. L/C requirements: $30 million equivalent.

9. Education

a. Goal: To develop and extend teacher training in vocational, technical and professional schools.

b. MSP dollar requirements: $22 million for restoring 10,000 war-damaged classrooms and constructing new schools; for building materials to improve university, normal school and vocational facilities; and for technical assistance.

c. L/C requirements: $3.5 million equivalent.

10. Public Administration [redacted]

a. Goal: To increase the overall efficiency of the ROK Government.

b. MSP dollar requirements: $7.4 million for advisors in various fields of government administration and for national police force training and equipment.

c. L/C requirements: $725,000 equivalent.

11. Aviation

a. Goal: To provide and improve communications and navigational equipment at Seoul, Pusan and Taegu, and to increase Korean proficiency in aeronautic sciences.

b. MSP dollar requirements: $11.5 million, to modernize tower installations; provide crash, fire fighting, meteorological and communications equipment, navigation aids and traffic controls; and technical services.

c. L/C requirements: $1.2 million equivalent.

12. Health and Sanitation

a. Goal: To prevent epidemics and treat chronic and acute infectious diseases; improve sanitary facilities; rehabilitate 11 established institutions; and construct 10 necessary hospitals and 225 health centers.

b. MSP dollar requirements: $19.7 million for control of contagious diseases, construction supplies, laboratory and other technical equipment, and training.

[redacted]

[redacted]

c. L/C requirements: $19.6 million equivalent.

13. Community Development

a. Goal: To resettle 41,500 refugee families; provide for widows, orphans and others; finance housing projects; and pay ocean freight on relief food and supplies.

b. MSP dollar requirements: $33.5 million for self-help housing materials, tools, equipment and workshops; establishment of cottage industry; ocean freight for UNICEF and other relief items.

c. L/C requirements: $19.6 million equivalent.

STATUS AND ACCOMPLISHMENTS OF MS PROGRAM

The eight-year old ROK has made marked progress in developing a stable and democratic government with an alert electorate. Its military force has been trained, equipped and maintained for substantial defense against renewed communist aggression.

On the economic side, as a result of U.S. and U.N. aid since 1953, rehabilitation is nearing completion. Railroads, electric power facilities, and numerous manufacturing plants have been restored to operation. In certain sectors, particularly in coal and power production, output is now larger than before the war. In other sectors, such as marine products and mining (other than coal), recovery has lagged. Production of grains and related food products, and cotton textiles has increased in absolute terms but remains below prewar per capita levels, due to the increase in the ROK population from 15 million in 1938 to 22 million in 1956. A rudimentary beginning has been made in expanding technical training for administration, engineering, management and other fields.

During the past year the ROK has made material progress toward financial stability. Inflation that plagued the economy for a decade was brought under control. Private domestic investment has been revived to a noticeable degree. Except for housing, the 1949-50 living standard has been reached and in some respects exceeded. These improvements would have been impossible without large-scale outside assistance and a continued high level of imports is required to maintain the pre-Korean war standard of living.

THE FY 1958 PROGRAM

A total program of $307 million is recommended for Korea in FY 1958 -- $300 million for Defense Support and $7 million for Technical Cooperation. The DS component consists of $90 million for project assistance and $210 million for non-project aid.

As indicated above, the DS aid level proposed for FY 1958 is $28 million lower than that recommended by the OEC. The decrease was effected by reducing both dollar and local currency requirements for investment projects. The amount proposed by the field for military budget was left intact.

A. Defense Support

1. Project Aid ($90 million) - The amount now recommended for the project sector, inclusive of $15 million for logistic support of the Korea National Railway, is approximately the same as in the two preceding years and will support the pattern of development outlined under the "Long-Range Plan". Capital development will continue to be emphasized in the fields of industry, mining and transportation.

Major new investment projects in these areas consist of the first phase of a new power plant and the second phase of a steel mill. A cement plant and various small and medium-size

industrial units round out what is contemplated in the industrial field. In mining, the most important of the proposed projects are a continued geophysical survey and core drilling operations and the development of various mines, especially anthracite coal. Highway and bridge construction will also continue. Nearly $8 million will go into railroad construction and rolling stock, including diesel locomotives. Agricultural projects include fisheries development and further expansion of irrigation.

In the broad area of government services, including health, education, public administration, community development and social welfare, no new major projects are proposed except for a $3.2 million home-loan program for low and moderate cost housing utilizing local materials. Another new item is $1.3 million in ocean freight for P.L. 480 supplies for the child milk feeding program previously financed by UNICEF. Among major continuing projects are water works rehabilitation, vocational education and classroom construction. In public administration, assistance will be given in modernizing facilities of the national police and fire-fighting organizations.

2. Non-Project Aid ($210 million) - The size of the proposed non-project sector has been determined by the needs of the Korean economy for essential raw materials, fuels and producers goods not already included in the project sector, and by local currency requirements. Full account has been taken of the hwan costs of supporting the military budget and the various development projects during FY 1958, of the necessity for providing for a pipeline of local currency collections into FY 1959, and of the anticipated accrual of local currency from the sale of commodities financed from prior years' MSP and P.L. 480 programs.

Nearly one-half, or just over $100 million, of the proceeds from the non-project assistance recommended for FY 1958 has been programmed for support of the ROK military budget. This is calculated on the assumption that ROK military strength will be maintained at present levels and that long-postponed pay increases will be made.

Local currency realized from the sale of imported commodities will be used to support a ROK military budget estimated by PROVMAAG-K at $251.2 million in FY 1958. Of the $134.0 million contemplated as the U. S. contribution to this budget, $24.9 million is expected to be derived from FY 1957 P.L. 480 sales and $109.1 million from the sales proceeds of the MS aid program in FY 1958 and prior years.

An estimated $102.3 million of local currency from the sale of aid goods financed under the FY 1958 and prior year programs will be used in FY 1958 for investment and technical cooperation projects.

MSP non-project assistance will provide dollar exchange for the import of food and basic agricultural and industrial raw materials, and for the purchase of machinery, equipment and building materials by privately-owned small and medium-size ROK plants. The largest single non-project item is fertilizer, costing $60 million; raw cotton, grains, dairy products, and fats and oils will cost another $40 million; POL, synthetic yarns, sugar and investment saleables (including industrial machinery, electrical equipment, iron and steel products, and lumber and logs) account for $65 million.

3. Technical Cooperation

A technical cooperation program of $7 million, in addition to the technical assistance often provided as part of DS projects, is required to provide maximum impetus to a greater effort to deal with the lack of skills and know-how in most fields, one of the most important obstacles in the path to greater ROK economic independence.

[redacted]

The Technical Cooperation program for FY 1958 will continue and expand training activities previously initiated in agriculture, industry, mining and communications through engineering advisory services, education, vocational education, teacher training, and training abroad. Important technical assistance activities are also tied to a number of DS projects in the program.

C. P.L. 480

The FY 1958 economic aid request for Korea assumes that P.L. 480 sales agreements amounting to $25 million and $35 million will be concluded with the Republic of Korea in FY 1957 and FY 1958, respectively, and that the same proportion of local currency proceeds as in 1956, i.e., 90 percent, will become available to provide additional local currency support for the Korean military budget. To the extent that shortfalls subsequently occur in these local currency estimates, or that the amount allocated to the Korean military budget is decreased because of a change in the 90:10 allocation of sales proceeds, DS aid will probably have to be increased accordingly.

D. Loans

It is contemplated that $25 million of the Defense Support component of the FY 1958 program will be provided on a loan basis. However, the ROK Government is again expected to raise strong objections to such a proposal.

E. Pipeline

Current estimates of unliquidated obligations at the close of FY 1957 and FY 1958 compare with the unliquidated balance on June 30, 1956, as follows:

	Unliquidated Obligations (in millions of dollars)		
	FY 1956	FY 1957	FY 1958
Defense Support	337.2	328.0	304.5
Project	173.3	166.3	150.7
Non-Project	163.8	161.7	153.9
Technical Cooperation	5.0	6.8	7.8
Total	342.2	334.8	312.3

The decline in unexpended balances indicated above reflects an increase in annual expenditure rates, estimated at approximately 50 percent in FY 1957 and about 7 percent in FY 1958. The estimated rate of expenditure for FY 1957 is about 5 percent higher than actual arrivals for the nine-month period ending October 31, when converted to an annual rate.

The estimated increases in expenditures are based on (1) the higher rate of arrivals during recent months; (2) recent improvements in OEC-ROK programming procedures; (3) elimination of the OEC-ROK friction that contributed to previous delays in implementing the aid program; (4) greater absorptive capacity resulting from past build-up of basic production industries; (5) a known backlog of investment saleables in demand by ROK industrialists; and (6) increased effective consumer demand.

Non-project DS expenditures, which were $124 million in FY 1956, are expected to increase to $201 million in FY 1957 and to $218 million in FY 1958. The 60 percent increase estimated for FY 1957 reflects the fact that the bulk of the saleables

component of the FY 1956 program was obligated late in the fiscal year. A late increment to the non-project segment of the program, amounting to $25 million, was obligated in June. It is expected that shipments against the funds obligated late in FY 1956 will be made before the end of FY 1957.

DS project expenditures are expected to increase from $84 million in FY 1956 to $109 million in FY 1957, and to $112 million in FY 1958. This estimated 30 percent increase for FY 1957 reflects substantial arrivals expected against prior-year programs, which include sizeable amounts of long-lead communications, transportation, power and industrial equipment, and construction materials, machinery, repair parts and other standard supplies.

The transfer to ICA of responsibility for projects in mining, agriculture, industry, transportation and education, all previously funded through UNKRA and KCAC, also will contribute to the higher expenditure rate forecast for FY 1957 and FY 1958.

SUMMARY OF FY 1959 PROGRAM

Within the framework of the preliminary five-year program developed by the OEC, a total DS program of $330 million is contemplated for FY 1959, to consist of a project sector of $110 million and a non-project sector of $220 million. Of the latter, the hwan equivalent of $102 million would be utilized for support of the ROK military budget. This assumes that the current force level will be maintained.

The contemplated project program would include increases over the FY 1958 program in industry and mining ($54 million or approximately one-half of the total project sector), health and sanitation, public administration, and community development. Reductions would be made in agriculture, transportation (in KNR logistic support), and public administration.

* * * * *

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APPENDIX A

REQUIREMENTS FOR U. S. ASSISTANCE

KOREA

(Obligations in millions of dollars)

	Fiscal Years						
	1956	1957	1958	1959	1960	1961	1962
Defense Support	321.9	297.0	300.0	330.0	307.0	277.0	272.0
Project Sector	95.3	98.0	90.0	110.0	92.0	77.0	67.0
Capital Development	64.9	62.5	65.5	89.0	75.0	62.0	54.5
Other	30.4	35.5	24.5	21.0	17.0	15.0	12.5
Non-Project	226.6	199.0	210.0	220.0	205.0	200.0	205.0
Military Support	85.5	81.2	100.5	102.0	105.0	110.0	115.0
Other	141.1	117.8	109.5	118.0	100.0	90.0	90.0
Technical Cooperation	5.0	5.5	7.0	5.0	4.5	3.5	3.0
Agriculture and Natural Resources	0.8	1.1	1.3	1.3	1.2	0.9	0.8
Industry and Mining	1.6	0.9	2.1	1.2	0.9	0.8	0.7
Transportation	0.3	0.1	0.3	0.2	0.2	0.1	0.1
Labor	-	-	-	-	-	-	-
Health and Sanitation	0.1	0.3	0.3	0.5	0.4	0.4	0.4
Education	2.0	1.8	1.9	1.3	1.3	0.8	0.6
Public Administration	0.2	0.8	0.8	0.4	0.4	0.4	0.4
Community Development	-	0.1	0.2	0.1	0.1	0.1	-
General and Miscellaneous	-	0.4	0.1	-	-	-	-
P. L. 480							
Local Currency for 104(c)	39.6	22.5	31.5	31.5	31.5	31.5	31.5

[redacted]

TABLE 2

KOREA

NON-MILITARY MUTUAL SECURITY DOLLAR PROGRAMS AND RELATED LOCAL CURRENCY GENERATION

(In thousands of dollars and equivalent)

	ACTUAL FY 1956				ESTIMATED FY 1957				PROPOSED [redacted]			
	DOLLAR PROGRAM			INITIATING LOCAL CURRENCY GENERATION	DOLLAR PROGRAM			INITIATING LOCAL CURRENCY GENERATION	DOLLAR PROGRAM			INITIATING LOCAL CURRENCY GENERATION
	TOTAL	DEFENSE SUPPORT	TECHNICAL COOPERATION		TOTAL	DEFENSE SUPPORT	TECHNICAL COOPERATION		TOTAL	DEFENSE SUPPORT	TECHNICAL COOPERATION	
PROJECT ASSISTANCE												
Contributions to Cooperative Services	x	x	x	x	x	x	x	x	x	x	x	x
Supplies and Equipment:												
Capital Equipment	37,590	36,832	758	37,590	41,640	41,015	625	40,622	38,650	37,855	795	38,655
Other	49,606	49,394	212	49,606	52,160	51,650	510	50,948	43,735	43,405	330	43,735
Total, Supplies and Equipment	87,196	86,226	970	87,196	93,800	92,665	1,135	91,570	82,385	81,260	1,125	82,390
U.S. Employed Technicians (Cost)	979	933	46	979	3,570	2,545	1,025	3,570	4,845	3,465	1,380	4,845
Total Number Authorized for Employment During Year	(255)	(250)	(5)	x	(317)	(231)	(86)	x	(322)	(231)	(91)	x
Number on Duty Close of Year	(130)	(126)	(4)	x	(290)	(215)	(75)	x	(300)	(215)	(85)	x
Participants (Cost)	978	132	846	978	1,465	325	1,140	1,465	1,940	495	1,445	1,940
Number Authorized During Year	(252)	(25)	(227)	x	(272)	(60)	(212)	x	(302)	(77)	(225)	x
Contract Services (Total Cost U. S. Technicians)	10,257	7,121	3,136	10,257	2,895	1,090	1,805	2,895	6,245	3,560	2,685	6,245
Total Number Authorized for Employment During Year	(200)	(133)	(67)	x	(124)	(32)	(92)	x	(211)	(112)	(99)	x
Number on Duty Close of Year	(11)	(3)	(8)	x	(46)	(-)	(46)	x	(100)	(28)	(72)	x
Contract Services - Participants Authorized During Year	-	-	-	x	-	-	-	x	(4)	-	(4)	x
Other	921	921	-	921	1,770	1,375	395	4,000	1,585	1,220	365	1,580
Total, Project Assistance	100,331	95,333	4,998	100,331	103,500	98,000	5,500	103,500	97,000	90,000	7,000	97,000
NON-PROJECT ASSISTANCE												
Commodity Imports:												
Surplus Agricultural Commodities:												
Bread Grains	9,100	9,100	-	9,100	9,500	9,500	-	9,500	15,000	15,000	-	15,000
Coarse Grains	5,100	5,100	-	5,100	11,000	11,000	-	11,000	-	-	-	-
Raw Cotton	30,000	30,000	-	30,000	22,500	22,500	-	22,500	25,000	25,000	-	25,000
Sugar	3,400	3,400	-	3,400	-	-	-	-	-	-	-	-
Miscellaneous	3,000	3,000	-	3,000	2,000	2,000	-	2,000	-	-	-	-
Total, Surplus Agricultural Commodities	50,600	50,600	-	50,600	45,000	45,000	-	45,000	40,000	40,000	-	40,000
Deduct Sales to This Country for Benefit of Other Countries	-	-	-	-	-	-	-	-	-	-	-	-
Add Sales to Other Countries for Bendfit of This Country	-	-	-	-	-	-	-	-	-	-	-	-
Net Sales for Benefit of This Country	50,600	50,600	-	50,600	45,000	45,000	-	45,000	40,000	40,000	-	40,000
Other Commodities:												
Food, Feed and Fertilizer	60,797	60,797	-	60,797	57,500	57,500	-	57,500	71,500	71,500	-	71,500
Fuel	28,652	28,652	-	28,652	26,400	26,400	-	26,400	28,500	28,500	-	28,500
Raw Materials and Semi-Finished Products	56,406	56,406	-	56,406	45,256	45,256	-	45,256	42,700	42,700	-	42,700
Machinery and Vehicles	8,055	8,055	-	8,055	14,200	14,200	-	14,200	18,900	18,900	-	18,900
Miscellaneous	22,090	22,090	-	22,090	10,644	10,644	-	10,644	8,400	8,400	-	8,400
Total, Other Commodities	176,000	176,000	-	176,000	154,000	154,000	-	154,000	170,000	170,000	-	170,000
Total Commodity Imports	226,600	226,600	-	226,600	199,000	199,000	-	199,000	210,000	210,000	-	210,000
Cash Grants	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-
Total, Non-Project Assistance	226,600	226,600	-	226,600	199,000	199,000	-	199,000	210,000	210,000	-	210,000
TOTAL, NON-MILITARY PROGRAMS	326,931	321,933	4,998	326,931	302,500	297,000	5,500	302,500	307,000	300,000	7,000	307,000
Of Which Dollar Loans	-	-	-	-	25,000	25,000	-	-	25,000	25,000	-	-
Of Which Dollar Grants	326,931	321,933	4,998	326,931	277,500	272,000	5,500	302,500	282,000	275,000	7,000	307,000

a/ Technicians assigned to both DS and TC projects in FY 1956 were classified as Technical Support and funded from DS. In FY 1957 and FY 1958 programs, costs of technicians in Technical Support category are apportioned between DS and TC.

[redacted]

KOREA

TABLE 3

MUTUAL SECURITY PROGRAM LOCAL CURRENCY GENERATION AND PROGRAMMED UTILIZATION

(In thousands of dollars equivalent)

	ACTUAL FY 1956			ESTIMATED FY 1957			PROPOSED FY 1958		
	TOTAL	DEFENSE SUPPORT	TECHNICAL COOPERATION	TOTAL	DEFENSE SUPPORT	TECHNICAL COOPERATION	TOTAL	DEFENSE SUPPORT	TECHNICAL COOPERATION
LOCAL CURRENCY GENERATION									
Dollar Programs Initiating Local Currency Generation	326,931	x	x	302,500	x	x	308,000	x	x
Less: Local Currency Reserved for U.S. Uses	1,000	x	x	1,000	x	x	1,000	x	x
Subtotal Local Currency Availability	325,931	x	x	301,500	x	x	307,000	x	x
Add: Estimated Local Currency Unprogrammed Beginning of Year	-	x	x	-	x	x	-	x	x
Total Local Currency Available for Programming	325,931	x	x	301,500	x	x	306,000	x	x
PROGRAMMED UTILIZATION									
Mutual Security Project Requirements:									
Military	-	-	-	-	-	-	-	-	-
Non-Military	98,986	96,929	2,057	99,370	96,370	3,000	94,600	90,480	4,120
Total Project Requirements	98,986	96,929	2,057	99,370	96,370	3,000	94,600	90,480	4,120
Non-Project Budget Support:									
Military	85,468	85,468	-	81,200	81,200	-	100,465	100,465	-
Non-Military	-	-	-	-	-	-	-	-	-
Total Non-Project Budget Support	85,468	85,468	-	81,200	81,200	-	100,465	100,465	-
Other a/	40,546	40,546	-	17,430	17,430	-	13,935	13,935	-
Total Programmed Utilization	225,000	222,943	2,057	198,000	195,000	3,000	209,000	204,880	4,120
Less: Amount not transferred to Collections Account	100,931	x	x	103,500	x	x	97,000	x	x
Local Currency Unprogrammed Close of Year	-	x	x	-	x	x	-	x	x

a/ Cost of distributing fertilizer to end-users.

[redacted]

TABLE 4

KOREA

MUTUAL SECURITY PROGRAM LOCAL CURRENCY ACCRUAL, REALIZATION AND UTILIZATION

(In thousands of dollars equivalent)

	ACTUAL FY 1956		ESTIMATED FY 1957		PROPOSED FY 1958	
	LOCAL CURRENCY		LOCAL CURRENCY		LOCAL CURRENCY	
	ON DEPOSIT	TO BE DEPOSITED	ON DEPOSIT	TO BE DEPOSITED	ON DEPOSIT	TO BE DEPOSITED
LOCAL CURRENCY REALIZATION						
Unutilized Balance Beginning of Year	21,405	111,179	26,512	249,297	23,817	205,587
Add: Current Year Local Currency Generation	x	325,931	x	301,500	x	306,000
Subtotal Availability on Accrual Basis	x	437,110	x	550,797	x	511,587
Local Currency Realization During Year	+187,813	-187,813	+345,210	-345,210	+322,375	-322,375
Total Local Currency Available for Utilization	209,218	x	371,722	x	346,192	x
UTILIZATION						
Mutual Security Project Requirements:						
Military	-	x	-	x	-	x
Non-Military	45,121	x	112,786	x	102,341	x
Total Project Requirements	45,121	x	112,786	x	102,341	x
Non-Project Budget Support:						
Military	53,212	x	77,990	x	109,100	x
Non-Military	-	x	-	x	-	x
Total Non-Project Budget Support	53,212	x	77,990	x	109,100	x
Other Mutual Security Requirements a/	31,800	x	24,500	x	17,000	x
Non-Mutual Security Requirements b/	52,573	x	132,629	x	96,054	x
Total Utilization	182,706	x	347,905	x	324,495	x
Local Currency Unutilized Close of Year	26,512	249,297	23,817	205,587	21,697	189,212

a/ Loan funds for distribution of fertilizer to end-users.
b/ Amount not transferred to Collections Account.

[redacted]

[redacted]

TABLE 5

KOREA

MUTUAL SECURITY PROJECT ASSISTANCE BY FIELD OF ACTIVITY

(In thousands of dollars and equivalent)

FIELD OF ACTIVITY	ACTUAL FY 1956						ESTIMATED FY 1957						PROPOSED FY 1958					
	DOLLAR PROGRAM			LOCAL CURRENCY PROGRAMMED UTILIZATION			DOLLAR PROGRAM			LOCAL CURRENCY PROGRAMMED UTILIZATION			DOLLAR PROGRAM			LOCAL CURRENCY PROGRAMMED UTILIZATION		
	TOTAL	DEFENSE SUPPORT	TECHNICAL COOPERATION	TOTAL	DEFENSE SUPPORT	TECHNICAL COOPERATION	TOTAL	DEFENSE SUPPORT	TECHNICAL COOPERATION	TOTAL	DEFENSE SUPPORT		TOTAL	DEFENSE SUPPORT	TECHNICAL COOPERATION	TOTAL	DEFENSE SUPPORT	TECHNICAL COOPERATION
Direct Military Support	x	x	x	-	-	-	x	x	x	-	-	-	x	x	x	-	-	-
Agriculture and Natural Resources	7,356	6,532	824	25,255	23,779	1,476	8,745	7,685	1,060	24,355	22,785	1,570	7,345	6,035	1,310	36,095	33,310	2,785
Industry and Mining	43,149	41,535	1,614	20,275	20,275	-	27,690	26,760	930	20,330	19,240	1,090	33,285	31,210	2,075	16,170	15,370	800
Transportation	32,829	32,546	283	35,592	35,011	581	41,730	41,600	130	30,900	30,805	95	31,360	31,080	280	25,360	25,260	100
Labor	27	-	27	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Health and Sanitation	2,396	2,350	46	15,549	15,549	-	5,585	5,250	335	15,300	15,270	30	5,700	5,360	340	4,635	4,500	135
Education	4,474	2,511	1,963	-	-	-	5,630	3,845	1,785	2,530	2,315	215	8,000	6,105	1,895	3,400	3,100	300
Public Administration	284	50	234	-	-	-	2,080	1,300	780	170	170	-	2,505	1,660	845	330	330	-
Community Development, Social Welfare and Housing	7,430	7,430	-	2,315	2,315	-	8,010	7,880	130	5,555	5,555	-	6,615	6,440	175	8,300	8,300	-
General and Miscellaneous	2,386	2,379	7	-	-	-	4,030 a/	3,680 a/	350 a/	230	230	-	2,190	2,110	80	310	310	-
TOTAL PROJECT ASSISTANCE	100,331	95,333 b/	4,998	98,986	96,929	2,057	103,500	98,000	5,500	99,370	96,370	3,000	97,000	90,000	7,000	94,600	90,480	4,120

a/ Includes following contingent amounts to amend procurement contracts in various activity fields: DS - $1,961,000; TC - $269,000.

b/ Includes all Technical Support costs.

[redacted]

KOREA

MUTUAL SECURITY PROJECT LISTING FOR FISCAL YEAR 1958

(In thousands of dollars)

PROJECT TITLE AND DESCRIPTION	STATUS a/	TOTAL COST	TECHNICIANS		PARTICIPANTS		CONTRACT SERVICES			SUPPLIES AND EQUIPMENT	OTHER COSTS
			NUMBER	COSTS	NUMBER	COSTS	NUMBER		COSTS		
							TECHNICIANS	PARTICIPANTS			
TECHNICAL COOPERATION											
Agriculture and Natural Resources											
1. Agricultural Extension Development	286	632	15	225	4	26	13	-	260	85	36
2. Crop Improvement b/	213	112	2	30	2	13	-	-	-	66	3
3. Livestock and Veterinary Improvement	214	113	2	30	2	13	-	-	-	65	5
4. Soil Management and Improvement	C	113	2	30	2	13	-	-	-	65	5
5. Crop Disease, Insect and Pest Control	C	78	1	15	2	13	-	-	-	48	2
6. Specialty Farm Enterprises	212	71	1	15	1	6	-	-	-	48	2
7. Food Management and Crop Storage	C	103	2	30	2	13	-	-	-	55	5
8. Agricultural Engineering Development	C	58	1	15	2	13	-	-	-	28	2
9. Improvement Cotton Procurement Techniques	C	30	2	30	-	-	-	-	-	-	-
Total For Activity		1,310	28	420	17	110	13	-	260	460	60
Industry and Mining											
1. Power Plant Operation Improvement	230	282	1	15	18	117	5	-	150	-	-
2. Power System Study	C	110	-	-	-	-	3	4	110	-	-
3. Communications Technical Improvement	206	580	1	15	10	65	14	-	500	-	-
4. Industrial Training	280	308	1	15	45	293	-	-	-	-	-
5. Advisory Engineering Services	282	795	-	-	-	-	16	-	795	-	-
Total For Activity		2,075	3	45	73	475	38	4	1,555	-	-
Transportation											
1. Marine Transportation Improvement	283	45	-	-	7	45	-	-	-	-	-
2. Civil Aviation Operations Improvement	267) 238)	235	6	105	20	130	-	-	-	-	-
Total For Activity		280	6	105	27	175	-	-	-	-	-

[redacted]

KOREA

MUTUAL SECURITY PROJECT LISTING FOR FISCAL YEAR 1958

(In thousands of dollars)

PROJECT TITLE AND DESCRIPTION	STATUS	TOTAL COST	TECHNICIANS		PARTICIPANTS		CONTRACT SERVICES			SUPPLIES AND EQUIPMENT	OTHER COSTS
			NUMBER	COSTS	NUMBER	COSTS	NUMBER		COSTS		
							TECHNICIANS	PARTICIPANTS			
Health and Sanitation											
1. Nursing Education To finance a contract with a U.S. nurses' college for the improvement of teaching methods in Seoul and in southern provinces.	New	75	-	-	5	30	3	-	45	-	-
2. Dentistry College Improvement	C	25	-	-	4	25	-	-	-	-	-
3. Technical Support	000	240	11	165	-	-	-	-	-	25	50
Total For Activity		340	11	165	9	55	3	-	45	25	50
Education											
1. Vocational Education	265	510	1	15	30	195	15	-	300	-	-
2. Improvement of Public Administration Teaching	296	201	-	-	12	79	4	-	62	60	-
3. Improvement of Business Administration Teaching	284	201	-	-	12	79	4	-	60	62	-
4. Improvement of Teacher Training	260	695	1	15	8	52	14	-	258	370	-
5. Technical Support	000	288	5	75	-	-	-	-	-	83	130
Total For Activity		1,895	7	105	62	405	37	-	680	575	130
Public Administration											
1. Public Administration Survey	C	100	-	-	-	-	6	-	100	-	-
2. Improvement of Government Management and Personnel Administration	C	242	10	150	14	92	-	-	-	-	-
3. Improvement of Government Fiscal Management	C	168	6	90	12	78	-	-	-	-	-
4. Improvement of Labor Legislation	231	20	-	-	3	20	-	-	-	-	-
5. Technical Support	000	315	12	180	-	-	-	-	-	50	85
Total For Activity		845	28	420	29	190	6	-	100	50	85

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KOREA

MUTUAL SECURITY PROJECT LISTING FOR FISCAL YEAR 1958

(In thousands of dollars)

PROJECT TITLE AND DESCRIPTION	STATUS	TOTAL COST	TECHNICIANS		PARTICIPANTS		CONTRACT SERVICES			SUPPLIES AND EQUIPMENT	OTHER COSTS
							NUMBER		COSTS		
			NUMBER	COSTS	NUMBER	COSTS	TECHNICIANS	PARTICIPANTS			
Community Development, Social Welfare and Housing											
1. Technical Support	000	175	8	120	-	-	-	-	-	15	40
Total For Activity		175	8	120	-	-	-	-	-	15	40
General and Miscellaneous											
1. Public Information	C	80	-	-	8	35	2	-	45	-	-
Total For Activity		80	-	-	8	35	2	-	45	-	-
TOTAL TECHNICAL COOPERATION PROGRAM		7,000	91	1,380	225	1,445	99	4	2,685	1,125	365

a/ Abbreviation "C" designates continuing projects for which no specific project number has been assigned in FY 1957.

b/ Formerly Seed Treatment and Seed Development, project number 215.

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KOREA

MUTUAL SECURITY PROJECT LISTING FOR FISCAL YEAR 1958

(In thousands of dollars)

PROJECT TITLE AND DESCRIPTION	STATUS a/	TOTAL COST	TECHNICIANS		PARTICIPANTS		CONTRACT SERVICES			SUPPLIES AND EQUIPMENT	OTHER COSTS
			NUMBER	COSTS	NUMBER	COSTS	NUMBER		COSTS		
							TECHNICIANS	PARTICIPANTS			
DEFENSE SUPPORT											
Agriculture and Natural Resources											
1. Agricultural Research Improvement	209	114	2	30	2	13	-	-	-	68	3
2. Irrigation Development	211	1,623	4	60	2	13	-	-	-	1,541	9
3. Upper Watershed Development	297) 217)	696	10	150	2	13	-	-	-	515	18
4. Agricultural Cooperatives and Rural Credit Development	C	685	4	60	4	25	-	-	-	592	8
5. Forest Development	298	129	2	30	2	13	-	-	-	83	3
6. Fisheries Development	281	2,284	5	75	6	38	8	-	200	1,962	9
7. Technical Support	000	504	15	225	-	-	-	-	-	79	200
Total For Activity		6,035	42	630	18	115	8	-	200	4,840	250
Industry and Mining											
1. Geophysical Survey	291	1,300	-	-	-	-	7	-	300	1,000	-
2. Mine Development	290	2,545	3	45	-	-	-	-	-	2,500	-
3. Very High Frequency (VHF) System and Related Installations To procure a section of VHF radio telephone circuits and related terminal facilities for interconnecting major telephone toll centers, ultimately to extend throughout Korea.	New	930	2	30	-	-	-	-	-	900	-
4. Repair and Rehabilitation of Power Distribution System	336	1,265	1	15	-	-	-	-	-	1,250	-
5. Rehabilitation of Power Transmission System	221	1,225	1	15	-	-	-	-	-	1,210	-
6. Yongwol Steam Power Plant Rehabilitation	220) 223)	500	-	-	-	-	2	-	75	425	-

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KOREA

MUTUAL SECURITY PROJECT LISTING FOR FISCAL YEAR 1958

(In thousands of dollars)

PROJECT TITLE AND DESCRIPTION	STATUS	TOTAL COST	TECHNICIANS		PARTICIPANTS		CONTRACT SERVICES			SUPPLIES AND EQUIPMENT	OTHER COSTS
			NUMBER	COSTS	NUMBER	COSTS	NUMBER		COSTS		
							TECHNICIANS	PARTICIPANTS			
7. Tangin-Ri Steam Power Plant Rehabilitation	200	400	-	-	-	-	2	-	50	350	-
8. Construction of Hydroelectric Generating Plant (60,000 KW First Phase)	New	6,000	-	-	-	-	30	-	1,000	5,000	-
To finance first phase activity, including overall engineering, of a new power plant with an estimated total dollar cost of $25 million and local currency cost of $12.34 million equivalent. Project will not be initiated unless ROK Government enters commitment to provide future years' financing if U.S. aid funds are unavailable.											
9. Steel Mill (Power Plant Phase)	C	5,600	-	-	-	-	30	-	1,000	4,600	-
10. Straw Pulp Plant	292	600	-	-	-	-	-	-	-	600	-
11. Chemical Plants	New	900	-	-	-	-	2	-	40	860	-
To construct several plants for the production of such chemicals as sulphuric acid, caustic soda, insecticides, bleaching materials and/or plastics.											
12. Cement Plant	New	1,000	-	-	-	-	1	-	20	980	-
To construct plant with additional cement production capacity of 20-30,000 metric tons.											
13. Small Industries	C	7,350	9	135	-	-	18	-	600	6,615	-
14. Domestic Buildings Materials Plants	C	400	-	-	-	-	-	-	-	400	-
15. Handicrafts and Cottage Industries	C	415	1	15	-	-	3	-	100	300	-
16. Technical Support	000	780	31	465	-	-	-	-	-	120	195
Total For Activity		31,210	48	720	-	-	95	-	3,185	27,110	195

[redacted]

MUTUAL SECURITY PROJECT LISTING FOR FISCAL YEAR 1958

(In thousands of dollars)

PROJECT TITLE AND DESCRIPTION	STATUS	TOTAL COST	TECHNICIANS		PARTICIPANTS		CONTRACT SERVICES			SUPPLIES AND EQUIPMENT	OTHER COSTS
			NUMBER	COSTS	NUMBER	COSTS	NUMBER		COSTS		
							TECHNICIANS	PARTICIPANTS			
Transportation											
1. Bridge and Culvert Construction	278	2,590	1	15	12	75	-	-	-	2,500	-
2. Paving Rehabilitation (Major Cities)	C	715	1	15	-	-	-	-	-	700	-
3. Streetcar Rehabilitation	232	500	-	-	-	-	-	-	-	500	-
4. Korean National Railway (KNR)											
Logistic Support	240	14,390	11	165	7	45	-	-	-	14,180	-
Maintenance, Repair and Operation (MRO)		(5,390)	-	(165)	-	(45)	-	-	-	(5,180)	-
Coal		(9,000)	-	-	-	-	-	-	-	(9,000)	-
5. Rehabilitation (Korean National Railway)	234	500	-	-	-	-	-	-	-	500	-
6. Diesel Locomotives	273	4,500	-	-	-	-	1	-	30	4,470	-
7. Procurement of Rolling Stock	233	1,950	-	-	-	-	-	-	-	1,950	-
8. Freight Car Rebuilding	New	500	-	-	-	-	-	-	-	500	-
To replace wood gondola and boxcar bodies with steel bodies to reduce freight car maintenance cost and "bad order" tie-up of cars in repair shops.											
9. Railroad Tract Construction (Chung Buk Line)	C	1,700	-	-	-	-	-	-	-	1,700	-
10. Port Rehabilitation	261	1,600	4	60	3	20	8	-	145	1,375	-
11. Cargo Handling Equipment	New	400	-	-	-	-	-	-	-	400	-
Project was initiated in FY 1955 under Military Roll-Up Program. The FY 1958 phase is to augment cargo handling equipment of the Korea Forwarding Co. and to replace items beyond economical repair in order to speed up movement of cargoes through badly congested ports.											
12. Harbor Maintenance	New	400	-	-	-	-	-	-	-	400	-
To procure earth-moving and other equipment for harbor maintenance at major ports.											

[redacted]

KOREA

MUTUAL SECURITY PROJECT LISTING FOR FISCAL YEAR 1958

(In thousands of dollars)

PROJECT TITLE AND DESCRIPTION	STATUS	TOTAL COST	TECHNICIANS		PARTICIPANTS		CONTRACT SERVICES			SUPPLIES AND EQUIPMENT	OTHER COSTS
			NUMBER	COSTS	NUMBER	COSTS	NUMBER		COSTS		
							TECHNICIANS	PARTICIPANTS			
13. Construction of Coast-wise Cargo Vessels To import essential materials and equipment for construction of approximately 25 luggers, marine engines for approximately 20 luggers, repair of approximately 55 luggers (all of 25-70 gross tons) for operation to outlying islands and small ports.	New	500	-	-	-	-	-	-	-	500	-
14. Improvement of Civil Aviation	C	440	-	-	-	-	-	-	-	440	-
15. Technical Support	000	395	15	225	-	-	-	-	-	60	110
Total For Activity		31,080	32	480	22	140	9	-	175	30,175	110
Health and Sanitation											
1. Disease Control	250	1,125	2	30	-	-	-	-	-	1,095	-
2. Construction of Wells and Sanitation Facilities	251	500	2	30	4	26	-	-	-	444	-
3. City Drainage Improvement	C	428	1	15	2	13	-	-	-	400	-
4. Waterworks Rehabilitation	300	2,237	1	15	5	32	-	-	-	2,190	-
5. Public Health Facilities Improvement	252	926	1	15	6	39	-	-	-	872	-
6. Improvement of Teaching Facilities at Medical and Pre-Medical Schools To provide teaching equipment for two national medical colleges and two recognized private medical colleges.	New	144	-	-	-	-	-	-	-	144	-
Total For Activity		5,360	7	105	17	110	-	-	-	5,145	-

KOREA

MUTUAL SECURITY PROJECT LISTING FOR FISCAL YEAR 1958

(In thousands of dollars)

PROJECT TITLE AND DESCRIPTION	STATUS	TOTAL COST	TECHNICIANS		PARTICIPANTS		CONTRACT SERVICES			SUPPLIES AND EQUIPMENT	OTHER COSTS
			NUMBER	COSTS	NUMBER	COSTS	NUMBER		COSTS		
							TECHNICIANS	PARTICIPANTS			
Education											
1. Vocational Education	265	1,000	-	-	-	-	-	-	-	1,000	-
2. Improvement of Vocational Training in Penal Institutions To procure equipment for vocational training of prisoners in six penal institutions (juvenile prisons and reformatories).	New	145	-	-	-	-	-	-	-	145	-
3. Improvement of Seoul National University Operating Facilities	259	460	-	-	-	-	-	-	-	460	-
4. Improvement of College Laboratories and Libraries To continue UNKRA projects to rehabilitate and improve college (public) laboratories and libraries by furnishing equipment and supplies.	New	500	1	15	-	-	-	-	-	485	-
5. Classroom Construction	263	2,000	1	15	-	-	-	-	-	1,985	-
6. Armed Forces Aid to Korea (AFAK)	C	2,000	-	-	-	-	-	-	-	2,000	-
Total For Activity		6,105	2	30	-	-	-	-	-	6,075	-
Public Administration											
1. National Police Modernization	C	910	6	90	10	65	-	-	-	755	-
2. Fire Fighting Equipment Modernization	C	750	1	15	-	-	-	-	-	735	-
Total For Activity		1,660	7	105	10	65	-	-	-	1,490	-
Community Development, Social Welfare and Housing											
1. Resettlement	270	760	1	15	3	20	-	-	-	725	-

KOREA

MUTUAL SECURITY PROJECT LISTING FOR FISCAL YEAR 1958

(In thousands of dollars)

PROJECT TITLE AND DESCRIPTION	STATUS	TOTAL COST	TECHNICIANS		PARTICIPANTS		CONTRACT SERVICES			SUPPLIES AND EQUIPMENT	OTHER COSTS
			NUMBER	COSTS	NUMBER	COSTS	NUMBER		COSTS		
							TECHNICIANS	PARTICIPANTS			
2. Rehabilitation of Welfare Institutions To provide building materials for self-help projects of selected welfare institutions in cooperation with public and voluntary organizations.	New	100	-	-	1	6	-	-	-	94	-
3. Ocean Freight Supplemental Nutrition To finance ocean freight for PL 480 supplies for child milk-feeding program, replacing UNICEF project and supplementing school lunch program.	New	1,315	-	-	-	-	-	-	-	1,315	-
4. Ocean Freight Voluntary Agencies	C	500	-	-	-	-	-	-	-	500	-
5. Public Health Relief	250	450	3	45	-	-	-	-	-	405	-
6. Housing Construction Materials To procure essential building materials for a ICA/ROK Government home loan, financial program for low and moderate cost housing.	New	3,215	3	45	-	-	-	-	-	3,170	-
7. Housing Research and Development To finance research, improvement and development of indigenous building materials, housing and community planning, and housing information; will also promote self-help housing.	New	100	1	15	6	39	-	-	-	46	-
Total For Activity		6,440	8	120	10	65	-	-	-	6,255	-
General and Miscellaneous											
1. Accessorial Charges on Aid Cargoes	C	50	-	-	-	-	-	-	-	50	-
2. Technical Support	000	2,060	85	1,275	-	-	-	-	-	120	665
Total For Activity		2,110	85	1,275	-	-	-	-	-	170	665
TOTAL DEFENSE SUPPORT PROJECTS		90,000	231	3,465	77	495	112	-	3,560	81,260	1,220

a/ Abbreviation "C" designates continuing projects for which no specific project number has been assigned in FY 1957.

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TABLE 7

KOREA

ANALYSIS OF EXPENDITURE RATES FOR NON-MILITARY MUTUAL SECURITY PROGRAMS

(In thousands of dollars)

PROGRAM	UNLIQUIDATED OBLIGATIONS 6/30/55	ACTUAL OBLIGATIONS FY 1956	TOTAL AVAILABLE FOR EXPENDITURE FY 1956	ACTUAL EXPENDITURES FY 1956	UNLIQUIDATED OBLIGATIONS 6/30/56	ESTIMATED OBLIGATIONS FY 1957	TOTAL AVAILABLE FOR EXPENDITURE FY 1957	ESTIMATED EXPENDITURES FY 1957	UNLIQUIDATED OBLIGATIONS 6/30/57	PROPOSED OBLIGATIONS FY 1958	TOTAL AVAILABLE FOR EXPENDITURE FY 1958	ESTIMATED EXPENDITURES FY 1958	UNLIQUIDATED OBLIGATIONS 6/30/58
FY 1955 AND PRIOR YEAR FUNDS													
Defense Support													
Project Assistance	162,735.1	(487.8)	162,247.3	78,312.7	83,934.6	x	83,934.6	50,500.0	33,434.6	x	33,434.6	18,166.5	15,268.1
Non-Project Assistance	62,189.3	(560.2)	61,629.1	47,677.8	13,951.3	x	13,951.3	12,117.8	1,833.5	x	1,833.5	1,833.5	-
Total, Defense Support	224,924.4	(1,048.0)	223,876.4	125,990.5	97,885.9	x	97,885.9	62,617.8	35,268.1	x	35,268.1	20,000.0	15,268.1
Technical Cooperation													
Project Assistance	x	x	x	x	x	x	x	x	x	x	x	x	x
Total FY 1955 and Prior Year Funds	224,924.4	(1,048.0)	223,876.4	125,990.5	97,885.9	x	97,885.9	62,617.8	35,268.1	x	35,268.1	20,000.0	15,268.1
FY 1956 FUNDS													
Defense Support													
Project Assistance	x	95,332.6	95,332.6	5,942.0	89,390.6	x	89,390.6	44,500.0	44,890.6	x	44,890.6	35,500.0	9,390.6
Non-Project Assistance	x	226,599.8	226,599.8	76,709.9	149,889.9	x	149,889.9	129,000.0	20,889.9	x	20,889.9	20,000.0	889.9
Total Defense Support	x	321,932.4	321,932.4	82,651.9	239,280.5	x	239,280.5	173,500.0	65,780.5	x	65,780.5	55,500.0	10,280.5
Technical Cooperation													
Project Assistance	x	4,998.3	4,998.3	6.9	4,991.4	x	4,991.4	2,200.0	2,791.4	x	2,791.4	2,000.0	791.4
Total, FY 1956 Funds	x	326,930.7	326,930.7	82,658.8	244,271.9	x	244,271.9	175,700.0	68,571.9	x	68,571.9	57,500.0	11,071.9
FY 1957 FUNDS													
Defense Support													
Project Assistance	x	x	x	x	x	98,000.0	98,000.0	10,000.0	88,000.0	x	88,000.0	40,000.0	48,000.0
Non-Project Assistance	x	x	x	x	x	199,000.0	199,000.0	60,000.0	139,000.0	x	139,000.0	115,000.0	24,000.0
Total, Defense Support	x	x	x	x	x	297,000.0	297,000.0	70,000.0	227,000.0	x	227,000.0	155,000.0	72,000.0
Technical Cooperation													
Project Assistance	x	x	x	x	x	5,500.0	5,500.0	1,500.0	4,000.0	x	4,000.0	2,000.0	2,000.0
Total, FY 1957 Funds	x	x	x	x	x	302,500.0	302,500.0	71,500.0	231,000.0	x	231,000.0	157,000.0	74,000.0
FY 1958 FUNDS													
Defense Support													
Project Assistance	x	x	x	x	x	x	x	x	x	90,000.0	90,000.0	12,000.0	78,000.0
Non-Project Assistance	x	x	x	x	x	x	x	x	x	210,000.0	210,000.0	81,000.0	129,000.0
Total, Defense Support	x	x	x	x	x	x	x	x	x	300,000.0	300,000.0	93,000.0	207,000.0
Technical Cooperation													
Project Assistance	x	x	x	x	x	x	x	x	x	7,000.0	7,000.0	2,000.0	5,000.0
Total, FY 1958 Funds	x	x	x	x	x	x	x	x	x	307,000.0	307,000.0	95,000.0	212,000.0
TOTAL ALL PROGRAMS													
Defense Support													
Project Assistance	162,735.1	94,844.8	257,579.9	84,254.7	173,325.2	98,000.0	271,325.2	105,000.0	166,325.2	90,000.0	256,325.2	105,666.5	150,658.7
Non-Project Assistance	62,189.3	226,039.6	288,228.9	124,387.7	163,841.2	199,000.0	362,841.2	201,117.8	161,723.4	210,000.0	371,723.4	217,833.5	153,889.9
Total, Defense Support	224,924.4	320,884.4	545,808.8	208,642.4	337,166.4	297,000.0	634,166.4	306,117.8	328,048.6	300,000.0	628,048.6	323,500.0	304,548.6
Technical Cooperation													
Project Assistance	x	4,998.3	4,998.3	6.9	4,991.4	5,500.0	10,491.4	3,700.0	6,791.4	7,000.0	13,791.4	6,000.0	7,791.4
TOTAL, ALL PROGRAMS	224,924.4	325,882.7	550,807.1	208,649.3	342,157.8	302,500.0	644,657.8	309,817.8	334,840.0	307,000.0	641,840.0	329,500.0	312,340.0

ANALYSIS OF EXPENDITURE RATES FOR SELECTED PROJECTS WITH UNLIQUIDATED OBLIGATIONS OF $100,000 OR MORE ON 6/30/56 AND FOR WHICH ADDITIONAL FUNDS ARE PROPOSED IN FY 1958

(In thousands of dollars)

PROJECT TITLE AND NUMBER	UNLIQUIDATED OBLIGATIONS 6/30/55	ACTUAL OBLIGATIONS FY 1956	TOTAL AVAILABLE FOR EXPENDITURE FY 1956	ACTUAL EXPENDITURES FY 1956	UNLIQUIDATED OBLIGATIONS 6/30/56	ESTIMATED OBLIGATIONS FY 1957	TOTAL AVAILABLE FOR EXPENDITURE FY 1957	ESTIMATED EXPENDITURES FY 1957	UNLIQUIDATED OBLIGATIONS 6/30/57	PROPOSED OBLIGATIONS FY 1958	TOTAL AVAILABLE FOR EXPENDITURE FY 1958	ESTIMATED EXPENDITURES FY 1958	UNLIQUIDATED OBLIGATIONS 6/30/58
AGRICULTURE AND NATURAL RESOURCES													
Agricultural Research Improvement													
55-FR 57, 58	225	x	225	-	225	x	225	225	-	x	-	-	-
56-209	x	180	180	-	180	x	180	180	-	x	-	-	-
57-209	x	x	x	x	x	214	214	-	214	x	214	214	-
58-209	x	x	x	x	x	x	x	x	x	114	114	-	114
Total	225	180	405	-	405	214	619	405	214	114	328	214	114
Agricultural Extension Development													
56-286	x	1,237	1,237	-	1,237	x	1,237	837	400	x	400	400	-
57-286	x	x	x	x	x	409	409	-	409	x	409	309	100
58-286	x	x	x	x	x	x	x	x	x	632	632	-	632
Total	x	1,237	1,237	-	1,237	409	1,646	837	809	632	1,441	709	732
Irrigation Development													
55-FR 92	2,930	x	2,930	2,930	-	x	-	-	-	x	-	-	-
56-211	x	3,000	3,000	-	3,000	x	3,000	1,800	1,200	x	1,200	1,200	-
57-211	x	x	x	x	x	2,377	2,377	-	2,377	x	2,377	1,377	1,000
58-211	x	x	x	x	x	x	x	x	x	1,623	1,623	-	1,623
Total	2,930	3,000	5,930	2,930	3,000	2,377	5,377	1,800	3,577	1,623	5,200	2,577	2,623
Upper Watershed Development													
55-FR 80	177	x	177	156	21	x	21	21	-	x	-	-	-
56-217, 56-297	-	654	654	-	654	x	654	334	320	x	320	320	-
57-217	x	x	x	x	x	590	590	-	590	x	590	300	290
58-217	x	x	x	x	x	x	x	x	x	696	696	-	696
Total	177	654	831	156	675	590	1,265	355	910	696	1,606	620	986
Livestock and Veterinary Improvement													
55-FR 84	564	-	564	564	-	x	-	-	-	x	-	-	-
56-214	x	260	260	-	260	x	260	260	-	x	-	-	-
57-214	x	x	x	x	x	175	175	-	175	x	175	175	-
58-214	x	x	x	x	x	x	x	x	x	113	113	-	113
Total	564	260	824	564	260	175	435	260	175	113	288	175	113
Crop Improvement													
55-FR 65, 69	74	-	74	74	-	x	-	-	-	x	-	-	-
56-212, 56-213	x	125	125	-	125	x	125	75	50	x	50	50	-
57-213, 57-215	x	x	x	x	x	195	195	-	195	x	195	195	-
58-213, 58-215	x	x	x	x	x	x	x	x	x	113	113	-	113
Total	74	125	199	74	125	195	320	75	245	113	358	245	113
Forest Development													
56-298	x	112	112	-	112	x	112	112	-	x	-	-	-
57-298	x	x	x	x	x	175	175	-	175	x	175	175	-
58-298	x	x	x	x	x	x	x	x	x	129	129	-	129
Total	x	112	112	-	112	175	287	112	175	129	304	175	129
Fisheries Development													
56-281	x	1,000	1,000	-	1,000	x	1,000	1,000	-	x	-	-	-
57-281	x	-	-	-	-	2,346	2,346	-	2,346	x	2,346	2,346	-
58-281	x	x	x	x	x	x	-	-	-	2,284	2,284	-	2,284
Total	x	1,000	1,000	-	1,000	2,346	3,346	1,000	2,346	2,284	4,630	2,346	2,284

KOREA

ANALYSIS OF EXPENDITURE RATES FOR SELECTED PROJECTS WITH UNLIQUIDATED OBLIGATIONS OF $100,000 OR MORE ON 6/30/56 AND FOR WHICH ADDITIONAL FUNDS ARE PROPOSED IN FY 1958

(In thousands of dollars)

PROJECT TITLE AND NUMBER	UNLIQUIDATED OBLIGATIONS 6/30/55	ACTUAL OBLIGATIONS FY 1956	TOTAL AVAILABLE FOR EXPENDITURE FY 1956	ACTUAL EXPENDITURES FY 1956	UNLIQUIDATED OBLIGATIONS 6/30/56	ESTIMATED OBLIGATIONS FY 1957	TOTAL AVAILABLE FOR EXPENDITURE FY 1957	ESTIMATED EXPENDITURES FY 1957	UNLIQUIDATED OBLIGATIONS 6/30/57	PROPOSED OBLIGATIONS FY 1958	TOTAL AVAILABLE FOR EXPENDITURE FY 1958	ESTIMATED EXPENDITURES FY 1958	UNLIQUIDATED OBLIGATIONS 6/30/58
INDUSTRY AND MINING													
Mining Rehabilitation and Development and Geophysical Survey													
56-290, 56-291	x	1,050	1,050	-	1,050	-	1,050	265	785	x	785	785	-
57-	x	x	x	x	x	4,024	4,024	424	3,600	x	3,600	2,100	1,500
58-	x	x	x	x	x	x	x	x	x	3,845	3,845	1,700	2,145
Total	x	1,050	1,050	-	1,050	4,024	5,074	689	4,385	3,845	8,230	4,585	3,645
Rehabilitation of Power Plants													
55-FR 42, 55-220	6,733	-	6,733	2,359	4,374	-	4,374	4,374	-	x	-	-	-
56-FR 15, 56-223, 56-224, 56-227, 56-228, 56-266, 56-323	x	4,853	4,853	121	4,732	-	4,732	2,000	2,732	x	2,732	1,294	1,438
57-	x	x	x	x	x	2,580	2,580	1,065	1,515	x	1,515	1,015	500
58-	x	x	x	x	x	x	x	x	x	6,900	6,900	1,450	5,450
Total	6,733	4,853	11,586	2,480	9,106	2,580	11,686	7,439	4,247	6,900	11,147	3,759	7,388
Rehabilitation of Power Transmission and Distribution													
56-221, 56-335, 56-336	x	4,562	4,562	-	4,562	x	4,562	1,700	2,862	x	2,862	1,842	1,020
57-	x	x	x	x	x	95	95	95	-	x	-	-	-
58-	x	x	x	x	x	x	x	x	x	2,490	2,490	900	1,590
Total	x	4,562	4,562	-	4,562	95	4,657	1,795	2,862	2,490	5,352	2,742	2,610
Straw Pulp Plant													
56-292	x	1,121	1,121	-	1,121	-	1,121	500	621	x	621	371	250
57-292	x	x	x	x	x	1,100	1,100	-	1,100	x	1,100	1,100	-
58-292	x	x	x	x	x	x	x	x	x	600	600	300	300
Total	x	1,121	1,121	-	1,121	1,100	2,221	500	1,721	600	2,321	1,771	550
Advisory Engineering Services													
56-282	x	990	990	-	990	x	990	300	690	x	690	690	-
57-282	x	x	x	x	x	x	x	x	x	x	-	-	-
58-282	x	x	x	x	x	x	x	x	x	795	795	125	670
Total	x	990	990	-	990	x	990	300	690	795	1,485	815	670
TRANSPORTATION													
Bridges and Culvert Construction													
55-FR 23, 53-134	3,236	-	3,236	3,236	-	x	-	-	-	x	-	-	-
56-278, 56-279	x	797	797	-	797	x	797	775	22	x	22	22	-
57-	x	x	x	x	x	3,560	3,560	1,500	2,060	x	2,060	1,815	245
58-	x	x	x	x	x	x	x	x	x	2,590	2,590	1,200	1,390
Total	3,236	797	4,033	3,236	797	3,560	4,357	2,275	2,082	2,590	4,672	3,037	1,635
Streetcar Rehabilitation													
55-FR 97, 99	1,110	-	1,110	68	1,042	x	1,042	742	300	x	300	300	-
56-232	x	180	180	-	180	x	180	-	180	x	180	180	-
57-232	x	x	x	x	x	100	100	-	100	x	100	100	-
58-232	x	x	x	x	x	x	x	x	x	500	500	-	500
Total	1,110	180	1,290	68	1,222	100	1,322	742	580	500	1,080	580	500

[redacted]

ANALYSIS OF EXPENDITURE RATES FOR SELECTED PROJECTS WITH UNLIQUIDATED OBLIGATIONS OF $100,000 OR MORE ON 6/30/56 AND FOR WHICH ADDITIONAL FUNDS ARE PROPOSED IN FY 1958

(In thousands of dollars)

PROJECT TITLE AND NUMBER	UNLIQUIDATED OBLIGATIONS 6/30/55	ACTUAL OBLIGATIONS FY 1956	TOTAL AVAILABLE FOR EXPENDITURE FY 1956	ACTUAL EXPENDITURES FY 1956	UNLIQUIDATED OBLIGATIONS 6/30/56	ESTIMATED OBLIGATIONS FY 1957	TOTAL AVAILABLE FOR EXPENDITURE FY 1957	ESTIMATED EXPENDITURES FY 1957	UNLIQUIDATED OBLIGATIONS 6/30/57	PROPOSED OBLIGATIONS FY 1958	TOTAL AVAILABLE FOR EXPENDITURE FY 1958	ESTIMATED EXPENDITURES FY 1958	UNLIQUIDATED OBLIGATIONS 6/30/58
Diesel Locomotives and Rolling Stock													
54-FR 7	1,000	-	1,000	-	1,000	-	1,000	1,000	-	x	-	-	-
55-FR 113	558	-	558	-	558	-	558	558	-	x	-	-	-
56-233, 56-273, 56-326	x	4,880	4,880	-	4,880	-	4,880	2,610	2,270	x	2,270	2,270	-
57-	x	x	x	x	x	7,000	7,000	-	7,000	x	7,000	3,500	3,500
58-	x	x	x	x	x	x	x	x	x	6,450	6,450	-	6,450
Total	1,558	4,880	6,438	-	6,438	7,000	13,438	4,168	9,270	6,450	15,720	5,770	9,950
Rehabilitation of Korean National Railway													
55-FR 9, 94, 98, 118, 155,164	2,155	-	2,155	307	1,848	-	1,848	1,848	-	x	-	-	-
56-234	x	320	320	-	320	-	320	320	-	x	-	-	-
57-234	x	x	x	x	x	1,325	1,325	-	1,325	x	1,325	900	425
58-234	x	x	x	x	x	x	x	x	x	500	500	-	500
Total	2,155	320	2,475	307	2,168	1,325	3,493	2,168	1,325	500	1,825	900	925
Railroad Tract Construction													
55-FR 78, 101, 102, 160	1,974	x	1,974	598	1,376	x	1,376	1,376	-	x	-	-	-
56-239	x	1,500	1,500	-	1,500	x	1,500	500	1,000	x	1,000	750	250
57-239	x	x	x	x	x	240	240	-	240	x	240	240	-
58-239	x	x	x	x	x	x	x	x	x	1,700	1,700	-	1,700
Total	1,974	1,500	3,474	598	2,876	240	3,116	1,876	1,240	1,700	2,940	990	1,950
Korean National Railway Logistic Support													
55-FR 95,122	16,000	x	16,000	1,820	14,180	x	14,180	14,180	-	x	-	-	-
56-240	x	31,039	31,039	-	31,039	x	31,039	25,039	6,000	x	6,000	6,000	-
57-240	x	x	x	x	x	22,093	22,093	9,000	13,093	x	13,093	9,900	3,193
58-240	x	x	x	x	x	x	x	x	x	14,390	14,390	9,000	5,390
Total	16,000	31,039	47,039	1,820	45,219	22,093	67,312	48,219	19,093	14,390	33,483	24,900	8,583
Port Rehabilitation													
55-FR 103	500	-	500	338	162	-	162	162	-	x	-	-	-
56-261	x	491	491	-	491	-	491	491	-	x	-	-	-
57-261	x	x	x	x	x	910	910	80	830	x	830	830	-
58-261	x	x	x	x	x	x	x	x	x	1,600	1,600	180	1,420
Total	500	491	991	338	653	910	1,563	733	830	1,600	2,430	1,010	1,420
Improvement of Civil Aviation													
55-FR 7, 40, 64	189	x	189	32	157	x	157	157	-	x	-	-	-
56-	x	x	x	x	x	x	-	-	-	x	-	-	-
57-	x	x	x	x	x	284	284	109	175	x	175	175	-
58-	x	x	x	x	x	x	x	x	x	440	440	140	300
Total	189	x	189	32	157	284	441	266	175	440	615	315	300
HEALTH AND SANITATION													
Disease Control													
55-DA Procurement	1,775	-	1,775	1,000	775	-	775	775	-	x	-	-	-
56-250	x	1,545	1,545	-	1,545	-	1,545	750	795	x	795	795	-
57-250	x	x	x	x	x	1,270	1,270	600	670	x	670	670	-
58-250	x	x	x	x	x	x	x	x	x	1,125	1,125	895	230
Total	1,775	1,545	3,320	1,000	2,320	1,270	3,590	2,125	1,465	1,125	2,590	2,360	230

KOREA

TABLE 8

ANALYSIS OF EXPENDITURE RATES FOR SELECTED PROJECTS WITH UNLIQUIDATED OBLIGATIONS OF $100,000 OR MORE ON 6/30/56 AND FOR WHICH ADDITIONAL FUNDS ARE PROPOSED IN FY 1958

(In thousands of dollars)

PROJECT TITLE AND NUMBER	UNLIQUIDATED OBLIGATIONS 6/30/55	ACTUAL OBLIGATIONS FY 1956	TOTAL AVAILABLE FOR EXPENDITURE FY 1956	ACTUAL EXPENDITURES FY 1956	UNLIQUIDATED OBLIGATIONS 6/30/56	ESTIMATED OBLIGATIONS FY 1957	TOTAL AVAILABLE FOR EXPENDITURE FY 1957	ESTIMATED EXPENDITURES FY 1957	UNLIQUIDATED OBLIGATIONS 6/30/57	PROPOSED OBLIGATIONS FY 1958	TOTAL AVAILABLE FOR EXPENDITURE FY 1958	ESTIMATED EXPENDITURES FY 1958	UNLIQUIDATED OBLIGATIONS 6/30/58
Construction of Wells and Sanitation Facilities													
56-251	x	800	800	-	800	x	800	800	-	x	-	-	-
57-251	x	x	x	x	x	520	520	270	250	x	250	250	-
58-251	x	x	x	x	x	x	x	x	x	500	500	300	200
Total	x	800	800	-	800	520	1,320	1,070	250	500	750	550	200
City Drainage Improvement													
55-FR 74	957	-	957	834	123	-	123	123	-	x	-	-	-
57-	x	x	x	x	x	760	760	-	760	x	760	760	-
58-	x	x	x	x	x	x	x	x	x	428	428	-	428
Total	957	-	957	834	123	760	883	123	760	428	1,188	760	428
Water Rehabilitation													
55-FR 77	1,477	-	1,477	544	933	-	933	933	-	-	-	-	-
56-299, 56-300	x	1,639	1,639	-	1,639	-	1,639	450	1,189	-	1,189	1,139	50
57	x	-	-	-	-	2,040	2,040	-	2,040	-	2,040	1,500	540
58	x	x	x	x	x	x	x	x	x	2,237	2,237	-	2,237
Total	1,477	1,639	3,116	544	2,572	2,040	4,612	1,383	3,229	2,237	5,466	2,639	2,827
Public Health Facilities Improvement													
56-252	x	700	700	-	700	-	700	600	100	-	100	100	-
57-252	x	x	x	x	x	661	661	200	461	-	461	461	-
58-252	x	x	x	x	x	x	x	x	x	927	927	164	763
Total	x	700	700	-	700	661	1,361	800	561	927	1,488	725	763
EDUCATION													
Vocational Education													
56-265	x	700	700	-	700	x	700	475	225	x	225	225	-
57-265	x	x	x	x	x	1,245	1,245	245	1,000	x	1,000	750	250
58-265	x	x	x	x	x	x	x	x	x	1,000	1,000	600	400
Total	x	700	700	-	700	1,245	1,945	720	1,225	1,000	2,225	1,575	650
Improvement of Seoul National University Operating Facilities													
55-165	547	4	551	15	536	-	536	536	-	x	-	-	-
56-16, 56-259	x	2,600	2,600	-	2,600	-	2,600	2,600	-	x	-	-	-
57-259	x	x	x	x	x	1,800	1,800	200	1,600	x	1,600	1,600	-
58-259	x	x	x	x	x	x	x	x	x	460	460	200	260
Total	547	2,604	3,151	15	3,136	1,800	4,936	3,336	1,600	460	2,060	1,800	260
Improvement of Teacher Training													
56-260	x	345	345	-	345	x	345	300	45	x	45	45	-
57-260	x	x	x	x	x	494	494	100	394	x	394	319	75
58-260	x	x	x	x	x	x	x	x	x	695	695	300	395
Total	x	345	345	-	345	494	839	400	439	695	1,134	664	470

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ANALYSIS OF EXPENDITURE RATES FOR SELECTED PROJECTS WITH UNLIQUIDATED OBLIGATIONS OF $100,000 OR MORE ON 6/30/56 AND FOR WHICH ADDITIONAL FUNDS ARE PROPOSED IN FY 1958

(In thousands of dollars)

PROJECT TITLE AND NUMBER	UNLIQUIDATED OBLIGATIONS 6/30/55	ACTUAL OBLIGATIONS FY 1956	TOTAL AVAILABLE FOR EXPENDITURE FY 1956	ACTUAL EXPENDITURES FY 1956	UNLIQUIDATED OBLIGATIONS 6/30/56	ESTIMATED OBLIGATIONS FY 1957	TOTAL AVAILABLE FOR EXPENDITURE FY 1957	ESTIMATED EXPENDITURES FY 1957	UNLIQUIDATED OBLIGATIONS 6/30/57	PROPOSED OBLIGATIONS FY 1958	TOTAL AVAILABLE FOR EXPENDITURE FY 1958	ESTIMATED EXPENDITURES FY 1958	UNLIQUIDATED OBLIGATIONS 6/30/58
Improvement of Business Administration Teaching													
56-284	x	125	125	-	125	-	125	80	45	x	45	45	-
57-284	x	x	x	x	x	161	161	-	161	x	161	161	-
58-284	x	x	x	x	x	x	x	x	x	201	201	-	201
Total	x	125	125	-	125	161	286	80	206	201	407	206	201
Improvement of Public Administration Teaching													
56-296	x	125	125	-	125	x	125	125	-	x	-	-	-
57-296	x	x	x	x	x	161	161	-	161	x	161	161	-
58-296	x	x	x	x	x	x	x	x	x	201	201	-	201
Total	x	125	125	-	125	161	286	125	161	201	362	161	201
Classroom Construction													
56-263	x	1,135	1,135	-	1,135	-	1,135	1,000	135	x	135	135	-
57-263	x	x	x	x	x	1,015	1,015	500	515	x	515	515	-
58-263	x	x	x	x	x	x	x	x	x	2,000	2,000	250	1,750
Total	x	1,135	1,135	-	1,135	1,015	2,150	1,500	650	2,000	2,650	900	1,750
COMMUNITY DEVELOPMENT, SOCIAL WELFARE AND HOUSING													
Resettlement													
55-270	512	-	512	512	-	-	-	-	-	x	-	-	-
56-270	x	500	500	-	500	-	500	500	-	x	-	-	-
57-270	x	x	x	x	x	828	828	480	348	x	348	300	48
58-270	x	x	x	x	x	x	x	x	x	760	760	200	560
Total	512	500	1,012	512	500	828	1,328	980	348	760	1,108	500	608
Public Health Relief													
55-250	350	-	350	350	-	-	-	-	-	x	-	-	-
56-250	x	855	855	-	855	-	855	500	355	x	355	300	55
57-250	x	x	x	x	x	780	780	500	280	x	280	200	80
58-250	x	x	x	x	x	x	x	x	x	450	450	200	250
Total	350	855	1,205	350	855	780	1,635	1,000	635	450	1,085	700	385

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KOREA

TABLE 8

CENTRAL GOVERNMENT FINANCES AND RELATED MUTUAL SECURITY LOCAL CURRENCY PROGRAMS

(Exchange Rate Used To Convert To Dollars: 500)

(In thousands of dollars equivalent)

	FISCAL YEAR ENDING: June 30							
	1955 a/		1956		1957		1958	
EXPENDITURES								
National Defense	119,836		139,908		204,200		251,200	
Capital Outlay	86,294		158,896		314,417		267,395	
Other Non-Defense Expenditures	103,638		158,404		189,800		225,800	
Total Expenditures	309,768		457,208		708,417		744,395	
Total Revenue, Excluding U.S. and Other Foreign Aid	160,030		257,692		300,000		350,000	
Deficit (-) or Surplus (+) Before Aid	-149,738		-199,516		-408,417		-394,395	
FINANCING OF EXPENDITURES BY SOURCE OF FUNDS	PERCENT	AMOUNT	PERCENT	AMOUNT	PERCENT	AMOUNT	PERCENT	AMOUNT
Revenue, Excluding U.S. and Other Foreign Aid	51.7	160,030	56.4	257,692	42.4	300,000	47.0	350,000
Counterpart Withdrawals and MSP Local Currency Grants								
Defense Budget Support	13.3	41,390	11.6	53,212	11.0	77,990	14.6	109,100
Civilian Budget Support	-	-	-	-	-	-	-	-
Mutual Security Program Projects	10.4	32,318	9.9	45,121	15.2	107,786	13.0	77,341
Non-Mutual Security Requirements	-	-	11.5	52,573	18.7	132,629	12.9	96,054
Total Counterpart and U.S. Local Currency Grants	23.7	73,708	33.0	150,906	44.9	318,405	40.5	282,495
P.L. 480 Grants	-	-	1.3	6,000	4.7	33,000	3.4	24,900
Grants from Other Countries	3.0	9,180	3.2	14,800	2.0	14,000	1.3	10,000
Borrowings (+) or Debt Retirement (-)								
Mutual Security Loan	-	-	-	-	0.7	5,000	0.8	25,000
P.L. 480 - Sec. 104(g)	-	-	-	-	-	-	-	-
Export-Import Bank	-	-	-	-	-	-	-	-
International Bank for Reconstruction and Development	-	-	-	-	-	-	-	-
Other Foreign Borrowing	-	-	-	-	-	-	-	-
Domestic Borrowing:								
Bond Issues	2.0	6,256	3.4	15,600	2.5	18,000	2.7	20,000
Treasury Notes	-	-	-	-	-	-	-	-
Borrowing from Central and Private Banks	23.5	72,732	4.5	20,466	2.8	20,012	4.3	32,000
Total Domestic Borrowing b/	25.5	78,988	7.9	36,066	5.3	38,012	7.0	52,000
Total Borrowing	25.5	78,988	7.9	36,066	5.3	38,012	7.0	52,000
Net Change (+) or (-) in Bank Balances and Other Reserves	-3.9	-12,138	-1.8	- 8,256	-	-	-	-
Total Financing	100.0	309,768	100.0	457,208	100.0	708,417	100.0	744,395

NOTE: Government Gross Debt: Amount Domestic 347,804 Amount Foreign 20,950 Date June 30, 1956

a/ Based on 15-month period.

b/ Excludes ROK Government borrowing from Central Bank for the purpose of making deposits into Counterpart Account.

TABLE 10

KOREA

BALANCE OF PAYMENTS AND RESERVES

(Million of dollar equivalent converted at 500 per dollar)

ITEM	CALENDAR YEARS 1954	1955	1956	1957	1958
Balance of Payments					
Goods and Services					
Exports, F.O.B.	24.2	17.6	25.6	30.0	35.0
Imports, F.O.B.	-264.0	-324.9	-409.0	-429.8	-460.2
Trade balance	-239.8	-307.3	-383.4	-399.8	-425.2
Nonmonetary gold movements (net)	0.9	0.1	0.1	0.1	0.1
Foreign travel	- 1.2	1.3	- 1.0	- 1.5	- 1.5
Transportation and insurance	- 0.3	0.8	3.0	3.0	3.0
Investment income	1.4	1.2	1.3	1.3	1.3
Government, not included elsewhere	34.0	34.0	20.8	21.3	21.0
Other services	1.1	- 0.2	- 0.7	- 0.5	- 0.5
Total services	35.9	34.6	23.5	23.7	23.4
Total goods and services	-203.9	-272.7	-359.9	-376.1	-401.8
Private Financing					
Remittances	4.0	3.2	4.0	4.0	4.0
Direct investment	-	-	-	-	-
Other	-	-	-	-	-
Total private financing	4.0	3.2	4.0	4.0	4.0
Net Errors and Omissions	4.2	6.1	-	-	-
Surplus (+) or Deficit (-)	-195.7	-263.4	-355.9	-372.1	-397.8
Official Financing					
Grants					
Grants from U.S.					
MSP	98.6	207.6	303.0	313.0	350.0
P.L. 480 Titles I, II and CRIK	36.0	13.0	22.0	29.2	27.9
Other	37.5	34.7	31.0	30.0	20.0
Total grants	172.1	255.3	356.0	372.2	397.9
Long-Term Capital					
Loan repayments, including Government	-	-	-	-	-
Loans from MSP	-	-	-	-	-
Loans from P.L. 480, Title I.	-	-	-	-	-
Loans from Export-Import Bank	-	-	-	-	-
Loans from IBRD	-	-	-	-	-
Other (Gold and Dollar Subscription to IMF and IBRD)	-	-3.4	-	-	-
Total long-term capital	-	-3.4	-	-	-
Short-Term Capital					
Change in reserves (increase -)	1.9	10.6	-	-	-
Monetary gold (increase -)	- 0.9	1.1	- 0.1	- 0.1	- 0.1
Other (Japan Open Account Liability)	22.6	- 0.2	-	-	-
Total short-term capital	23.6	11.5	- 0.1	- 0.1	- 0.1
Total Official Financing	195.7	263.4	355.9	372.1	397.8
Status of Reserves (end of period)					
Gold	2.3	1.2	1.3	1.4	1.5
Dollars	98.5	89.9	92.6	92.6	92.6
Sterling	6.9	4.7	2.0	2.0	2.0
Other	0.1	0.3	0.3	0.3	0.3
Total Reserves	107.8	96.1	96.2	96.3	96.4

TABLE II

KOREA

SUMMARY ECONOMIC DATA

ITEM	CALENDAR YEARS 1954	1955	1956	1957	1958
Population (Mid-year in millions)	21.1	21.4	21.8	22.2	22.6
Gross National Product at market prices—Total ($ Millions) a/	n.a.	1,793	-	-	-
(Expressed in 1955 prices. Foreign Exchange Conversion Rate: 500 hwan = US $1)	2,090	2,150	2,230	2,320	2,400
By Type of Expenditure:					
Private consumption	1,620	1,660	1,770	1,860	1,920
Gross investment (public and private)	230	310	340	340	360
Government expenditures on goods and services	440	450	480	500	520
Net foreign balance (+) or (-)	- 200	- 270	- 360	- 380	- 400
Per capita GNP a/	99	100	102	104	106
Prices (Index, 1953 =100)					
a. Wholesale	126	229	300	345	n.a.
b. Cost of living	135	229	285	320	n.a.
Industrial production	n.a.	n.a.	n.a.	n.a.	n.a.

Major commodities	Unit of quantity	1954	1955	1956	1957	1958
Marine Products	1,000 MT	248	257	288	305	328
Electric Power	million KWH	898	880	1,100	1,400	1,600
Coal	1,000 MT	891	1,308	1,440	1,612	1,884
Tungsten (64%-80%)	MT	3,831	3,146	4,400	4,400	4,500
Cotton Cloth	1,000 sq. yds.	115,120	120,960	120,000	120,000	140,000

	CROP YEARS 1954/55	1955/56	1956/57	1957/58	1958/59
Agricultural production (Total Index, 1935-39 =100)	109	105	108	112	114

Major crops	Unit of quantity	CALENDAR YEARS 1954	1955	1956	1957	1958
Polished Rice	1,000 MT	2,143	2,216	2,283	2,321	2,358
Other Grain	1,000 MT	1,023	879	1,020	1,072	1,124
Pulses	1,000 MT	188	176	182	191	201
Potatoes	1,000 MT	189	224	231	242	252

a/ Domestic product only, not total available resources.

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SUMMARY SALES PROGRAMS UNDER PL 480, AGRICULTURAL TRADE AND DEVELOPMENT ACT OF 1954

KOREA

(In thousands of dollars)

FISCAL YEAR IN WHICH SALES AGREEMENT SIGNED	TOTAL SALES CONTEMPLATED BY AGREEMENT	PLANNED USE OF LOCAL CURRENCY PROCEEDS (In Dollar Equivalent)					
		FOR ECONOMIC DEVELOPMENT UNDER SECTIONS				FOR COMMON DEFENSE 104(c)	FOR OTHER PURPOSES
		104(d)	104(e)	104(g)	TOTAL		
FY 1955 (Actual)	15,000	-	-	-	-	6,000	9,000
FY 1956 (Actual)	44,000	-	-	-	-	39,600	4,400
FY 1957 (Estimated)	25,000	-	-	-	-	22,500	2,500
FY 1958 (Estimated)	35,000	-	-	-	-	31,500	3,500
Total	119,000	-	-	-	-	99,600	19,400

[redacted]

TABLE 13

KOREA

ACCRUAL, REALIZATION AND UTILIZATION OF LOCAL CURRENCIES UNDER P.L. 480, AGRICULTURAL TRADE AND DEVELOPMENT ACT OF 1954

(In thousands of dollars equivalent)

	ACTUAL FY 1956		ESTIMATED FY 1957		PROPOSED FY 1958	
	ON DEPOSIT	TO BE DEPOSITED	ON DEPOSIT	TO BE DEPOSITED	ON DEPOSIT	TO BE DEPOSITED
Balance beginning of year	-	15,000	2,429	49,046	2,520	29,580
To be generated from Current Year Sales Agreements	x	44,000	x	25,000	-	35,000
Availability (on accrual basis)	x	59,000	x	74,046	-	64,580
Local Currency Realization during year	+ 9,954	- 9,954	+ 44,466	- 44,466	+ 25,880	- 25,880
Available for Utilization during year	9,954	x	46,895	x	28,400	x
Utilization during the year						
For Section 104(d)	-	x	-	x	-	x
For Section 104(e)	-	x	-	x	-	x
For Section 104(g)	-	x	-	x	-	x
Total For Economic Development	-	x	-	x	-	x
For Section 104(c)	6,000	x	33,000	x	24,900	x
For Other Purposes	1,525	x	11,375	x	2,600	x
Total Utilization during year	7,525	x	44,375	x	27,500	x
Balance Close of Year	2,429	49,046	2,520	29,580	900	38,700

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TABLE 15 [redacted]

KOREA

HOST COUNTRY CONTRIBUTIONS

(In thousands of dollars equivalent)

	ACTUAL FY 1956			ESTIMATED FY 1957			ESTIMATED FY 1958		
	TOTAL	DEFENSE SUPPORT	TECHNICAL COOPERATION	TOTAL	DEFENSE SUPPORT	TECHNICAL COOPERATION	TOTAL	DEFENSE SUPPORT	TECHNICAL COOPERATION
Contributions to Other Than Cooperative Services									
Value in Cash:									
By Central Government	13,265	12,950	315	16,015	15,380	635	26,485	25,780	705
By Local Governments or Other Parties	24,115	24,075	40	29,070	29,010	60	40,185	40,125	60
Total	37,380	37,025	355	45,085	44,390	695	66,670	65,905	765
Value in Kind:									
By Central Government	1,535	1,505	30	2,320	2,280	40	7,050	7,000	50
By Local Governments or Other Parties	1,975	1,850	125	3,440	3,280	160	4,635	4,465	170
Total	3,510	3,355	155	5,760	5,560	200	11,685	11,465	220
Total Contributions to Other than Cooperative Services	40,890	40,380	510	50,845	49,950	895	78,355	77,370	985
Contributions to Cooperative Services									
Value in Cash:									
By Central Government									
By Local Governments or other Parties									
Total									
Value in Kind:									
By Central Government									
By Local Governments or Other Parties									
Total									
Total Contributions to Cooperative Services									
GRAND TOTAL CONTRIBUTIONS	40,890	40,380	510	50,845	49,950	895	78,355	77,370	985

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FAR EAST

FY 1958 ILLUSTRATIVE PRESENTATION

LAOS

OFFICE OF FAR EASTERN OPERATIONS

INTERNATIONAL COOPERATION ADMINISTRATION

TABLE I

LAOS

NON-MILITARY MUTUAL SECURITY PROGRAMS BY FUNCTION

(In thousands of dollars)

FUNCTIONS	ACTUAL FY 1956	ESTIMATED FY 1957	PROPOSED FY 1958
Defense Support			
Project Assistance	5,613	3,320	7,000
Non-Project Assistance	42,039 a/	38,680 a/	35,000 a/
Total, Defense Support	47,652	42,000	42,000
Technical Cooperation			
Project Assistance	1,021	1,500 b/	2,000
TOTAL PROGRAMS	48,673	43,500	44,000
Of Which MSP Loans	-	-	-
Of Which MSP Sales of Surplus Agricultural Commodities	-	-	-

a/ Includes (in thousands of dollars) the following amounts for local currency support of military forces: FY 1956 - 35,650; FY 1957 - 30,000, of which 10,000 tentatively allocated from general reserve; FY 1958 - 25,000.

b/ Includes tentative allocation of 500 thousand from Far East TC regional account.

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LAOS

Narrative Statement

U. S. OBJECTIVES

The end of French colonial rule over Indochina signalled by the Geneva Agreements of July, 1954, led to the independence of Laos, which was fully achieved on January 1, 1955. The power vacuum created by withdrawal of the French and the presence of strong communist forces on the borders of Laos pointed to imminent collapse of the country and probable surrender to the communists. The United States decided to help Laos preserve its newly-won independence. By so doing, the U. S. acquired a dependent with literally no developed resources and with only a small nucleus of inexperienced officials, who found themselves suddenly faced with the leadership of a primitive country, only recently created.

In the two-year period since the full independence of Laos, the United States has evolved the following basic objectives designed to keep Laos among the free nations of the world:

1. Build up military strength, to support Lao independence.

2. Improve and provide the means of maintaining internal security, to preserve peace and order and resist communist subversion and infiltration.

3. Foster a stable, democratic and effective government with wide popular support.

4. Promote confidence, respect and friendship for the United States.

5. Assist in increasing the country's capacity for self-support and strengthen political and economic cooperation between Laos and Thailand.

OBSTACLES TO ACHIEVEMENT OF OBJECTIVES

A. Political and Social Problems

Laos has a serious security problem, posed by the threat of communist neighbors on its borders and increasing dangers from subversion and infiltration. The Government forces have been engaged until recently in a shooting war in two northern provinces with the Pathet Lao, a dissident group inspired and supported by the Communist Vietminh. Under an uneasy truce, the Government and the Pathet Lao are currently negotiating a political settlement, with strong communist pressure for integration of Pathet Lao forces in the National Army and for participation in the Lao Government. There is danger that the new situation will pave the way for increased Pathet Lao subversive activity.

Pressures on Laos to accept proffered assistance from Communist China and other Soviet bloc countries are increasing. The will and the ability to resist such pressures depend largely on continued U. S. support.

Laos emerged into independence with very meager resources, human as well as financial. Few officials are equipped,

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through education, training or experience, to discharge adequately the functions and responsibilities of a democratic government. Central governmental authority is a novelty in Laos, particularly among the large proportion of tribesmen and mountain people living in remote and inaccessible areas. Illiteracy and relative isolation of the Lao people from the outside world complicate the problem of demonstrating U. S. interest in their welfare and continuance of their freedom.

B. Economic Problems

Over 90 percent of the Lao people are subsistence farmers, in general producing only for their individual needs. Some agricultural and forestry products were produced in modest marketable quantities prior to the war, but many producing facilities were destroyed or neglected during the war. Productivity in Laos is extremely low. The country is broken up into many independent areas with little or no access to each other, due to lack of adequate transportation facilities. A shortfall in the 1954 rice crop resulted in suffering and near famine in many areas.

Poor transportation and communications facilities in and into Laos seriously hamper economic development of the country. A major immediate problem is to get goods into Laos and improve its distribution.

The Lao Government has three budgets: (1) military, (2) economic development, and (3) ordinary. The first two are financed by external aid. For the Lao fiscal year ending March 21, 1956, ordinary revenues were estimated at $8 million, plus non-recurring revenue of $3 million arising from assets derived from partition of the Indochina Monetary Union. Programmed expenditures against these funds were $16 million, or a deficit in the ordinary budget of $5 million. No figures have been published to indicate how this deficit was financed.

The approximate $40 million level of military expenditure in each of the calendar years 1955 and 1956, met entirely by the United States, is roughly 40 percent of Laos' gross national product, estimated at $100 million per annum, and consisting largely of rice produced and consumed on the farm.

Laos suffers from a serious imbalance of payments on commercial account. In 1955, total exports were about $1 million, and total imports, according to customs figures, were $18 million. There is no prospect of immediate improvement, as it will be necessary to import practically all non-agricultural commodities for some time in the future.

Economic development under the ICA program has been limited chiefly by (1) lack of experienced and qualified administrative personnel in the Lao Government; (2) lack of basic economic data; and (3) difficulties in the recruitment of qualified U. S. technicians who speak French.

Many observers doubt that Laos can ever exist on its own resources as a wholly independent nation, because it is so hopelessly weak economically and militarily. Any degree of viability is certainly a long way off.

ROLE OF U. S. ASSISTANCE

A. Why U. S. Aid is Required

Non-U.S. aid at present is limited largely to token economic assistance from the French and French military training of the Lao Army. Prospects for private investment and loans from abroad in the near future are meager, considering the lack of basic data on the country's resources and at least up to now, lack of foreign exchange for profit remittances and servicing of

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loans. Laos also has to compete with more attractive investment possibilities elsewhere. Without U. S. moral and substantial material aid, therefore, the present government would either disintegrate or succumb to proffered communist aid. In either event, Laos would be lost to free world forces, and the communist threat would be brought to the borders of Thailand and Cambodia.

B. Form and Direction of U. S. Aid

Current operating expenditures of the military are met in local currency. Due to the slowness of counterpart generation through the procurement authorization system, a system of "cash grants" was devised, under which U. S. dollars were made available to the Lao Government in exchange for local currency to meet military costs. Until counterpart accruals under the PA system can be significantly increased, the necessity for the cash grant system will continue, unless present negotiations with the government for advance deposit of counterpart against PA's succeed. As a result of the cash grants, the Lao Government has accumulated approximately $35 million which is being held in reserve as currency cover, thus in effect immobilizing resources which fail to contribute to the country's needs.

There is an additional serious problem in the fact that an increase in the commercial import level to $35 million is not desirable. It would (1) strain transportation and administrative facilities; (2) increase pressures for diversion of imports; and (3) provide more imports than the country can absorb and a living standard higher than the level Laos can hope to sustain by its own efforts. The generation of local currency through procurement authorizations is increasing, but cash grants will continue to be necessary until the PA pipeline is producing enough local currency to cover requirements.

There is a need for certain selected "impact" or "crash" projects to provide dramatic, visible evidence of U. S. aid to the government leaders and to the people of their government's interest (and U.S. interest) in their welfare. In view of the government's recent trend toward neutralism, and the increasing communist overtures to win over Laos, short-run political considerations have to be given considerable weight in determining the size and composition of the U. S. aid program.

LONG-RANGE PLAN

A. Magnitude of Aid Requirements (US$ millions)

The most significant trends currently projected in MSP funding requirements for Laos after FY 1957 are a reduction in local currency support for the armed forces and a substantial increase in non-military aspects of the program, as follows:

	Fiscal Years				
	1956	1957	1958	1959	1960
Technical Cooperation	1.0	1.5	2.0	2.0	2.0
Defense Support	47.6	42.0	42.0	38.0	38.0
Non-Project	42.0	38.7	35.0	30.0	30.0
Military	(35.6)	(30.0)	(25.0)	(20.0)	(20.0)
Non-Military	(6.4)	(8.7)	(10.0)	(10.0)	(10.0)
Project	5.6	3.3	7.0	8.0	8.0

The decline in military support costs projected above is based on the expectation that economies can be effected by tighter costing controls and that the Lao Government will be able to make a significant contribution to its military budget, possibly beginning in FY 1958. The increases estimated for development and technical assistance activities reflect an anticipated expansion in the country's capacity to absorb the resources necessary for even a modest rate of economic growth.

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B. Composition of Requirements

1. Support of the Lao Army - It is estimated that military support requirements will fall to $25 million in FY 1958, and $20 million in FY 1959 and 1960, for the reasons noted above.

2. Support of Civilian Police - In order to help combat communist subversion and infiltration, it is estimated that $5 million annually will be required to train, equip and maintain the civilian police force. The estimate is based on the assumptions that the present 2,800-man force will expand to a level of 4,000 men by FY 1958, and that the Lao Government will not be able to increase its present contribution of $1 million annually during the FY 1958-1960 period.

3. Support of Essential Government Operations - In order to foster a stable, democratic and effective government with wide popular support, it is essential that the operations of the new government be placed on a sound and more efficient basis. For the support of essential government services, it is estimated that approximately $5 million annually will be required to improve the operations of the Government Procurement and Trade Offices, Customs Service, Ministry of Education, Ministry of Agriculture and Ministry of Information, and to assist in the establishment of other essential services (statistical, topographic, cadastral, etc.).

4. Economic Development - The development portion of the proposed plan, estimated to require $17 million for dollar and local currency costs in FY 1958 and $18 million annually through FY 1960, will involve necessary engineering surveys, data collection, tests and experiments preliminary to future development, and a few selected and basic development projects, where feasible. The scope of the contemplated activities is as follows:

(a) Agriculture: Amelioration of water supply through irrigation and drainage; experimentation and possible introduction of improved varieties and new crops; introduction of improved types of livestock: cattle, hogs and poultry; development of teak production and other forest products; and development of an extension service.

(b) Industry and Mining: Survey of hydroelectric potential; mining and minerals survey and possible assistance for the exploitation of new minerals and ores; and development of power in the major centers.

(c) Transportation and Communications: Completion of engineering studies on overall transportation requirements of Laos; limited construction of new roads with U.S. contractors; construction of river crossings and the furnishing of ferries and pusher tugs on the Mekong River at Takhek, Savannakhet and Pakse; development of port and river facilities; and development of a communications system, especially for airfields.

(d) Health and Sanitation: Completion of 5-year malaria eradication project undertaken in FY 1956; development of Public Health Service; and a few small projects in the field of public sanitation, for example, privies and wells, nurses' training and health education.

(e) Education: Completion of teachers' training center at Vientiane; and completion of four model elementary schools at Vientiane, Pakse, Savannakhet and Luang Prabang; development of the Ministry of Education; introduction of new teaching techniques and amelioration of present curriculum in elementary schools; improvement of technical schools at Vientiane and Savannakhet; and additional secondary school facilities.

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(f) Public Administration: Technical assistance in the fields of taxation, budgetary practices, banking, government management, and economic planning and controls.

(g) Community Development: Development of a corps of multi-purpose community development workers at the village level, in coordination with the agricultural extension, public health and education services; technical assistance in town planning; development of the city of Vientiane, filling low areas with suction dredges to permit expansion; and a survey of requirements for the amelioration of water supply and other municipal services.

STATUS OF MUTUAL SECURITY PROGRAM

A. Military Support

The U.S. has financed the entire cost of the Lao National Army of 25,000 men. Successful operations against Pathet Lao forces were followed by cessation of hostilities in the North, and a political settlement is in process which is expected to result in the assimilation of about 1,000 Pathet Lao troops into the Lao Army, accompanied by the possibility of increased subversion by the release of several thousand potential agitators throughout Laos.

B. Civilian Police

The Civilian Police has been expanded from 450 men to the present force of 2,800. An increase to 4,000 men is expected in FY 1958. The police program was an important factor accounting for the orderly elections held in 1955.

C. Commercial Import Program

Total imports in calendar year 1955, according to customs figures, were $18 million, although the accuracy of this figure is questionable due to over-pricing and various other malpractices. Best estimates available indicate that import applications approved in 1956 are at the annual rate of some $34 million, as compared with payments figures (projected through 1956) estimated at some $22 million. It therefore appears that an import level in 1956 of some $25 million is probable, a level considered adequate in view of the limited absorptive capacity of the country, limitations on transportation and distribution facilities, and the need to avoid raising the standard of living too far above the level which Laos could maintain from its own resources.

Due in part to the imports financed under the U.S. aid program, inflation has not occurred, and some price reductions have been made possible. Import controls have been improved, the diversion of imports is being checked, and a Government Purchasing Office has been established. Subauthorizations under the PA system have been increased in recent months, but some cash grants are expected to be necessary in FY 1958.

D. Economic Development

1. Transportation and Communications - All major roads were reopened for dry season traffic with 4-wheel drive vehicles by April 1956. U.S. equipment is now arriving in quantity under the ICA project for the maintenance and rehabilitation of national roads. As part of the project, an American maintenance and training team of 11 members was due to arrive in Laos in November 1956.

U.S. aid has assisted in creating facilities enabling the shift of the major ocean port of entry for Laos from Saigon to Bangkok. This has decreased the shipment time from a minimum of four weeks to a maximum of ten days, while the average cost per ton has decreased. Ferries and tugboats for the vital Mekong River crossing at Thadeua (point of entry for the Vientiane area on the Mekong River) are in process of procurement. The road from Thadeua to Vientiane, over which 40 percent of imports into Laos is carried, has been improved to the extent that driving time has been cut down from 2 hours to 30 minutes, while vehicle and cargo wear and tear have been substantially reduced. A U.S.-financed highway and airport reconnaissance survey has been started.

2. Agriculture and Forestry - The agricultural program has consisted of the collection of basic data and various types of experimentation, demonstration and training.

A start has been made in irrigation and drainage, affecting over 4,000 hectares of land scattered throughout the country. Testing of improved varieties of glutinous rice is progressing; 200,000 Robusta coffee seedlings have been distributed, as well as quantities of fruit seedlings. The Xieng Khouang demonstration farm is now fully staffed and in operation.

Partly due to U.S. aid, the number of privately owned and operated sawmills in Laos has increased from 6 in 1952 to 22 in 1956, helping significantly to meet the increased demand for lumber for new construction. Experimentation in teak reforestation is taking place. The control of rinderpest in cattle is being spread over an increasing area. A national livestock survey is 35 percent completed.

During FY 1956, 28 Lao trainees were sent to the Philippines and Thailand to study crop improvement, inland fish culture, poultry production and extension work. The 16-man extension team, which spent three weeks in the Philippines, was headed by the Lao Secretary of State for Agriculture.

3. Health and Sanitation - The malaria eradication project initiated in January 1956 is now well underway. A Thai malaria team, consisting of five top malaria control officials of the Thai Government, arrived in Laos in September 1956. This team is under contract to USOM/Laos for technical assistance and supervision of this project, in cooperation with the Lao Ministry of Health. Malaria survey work is now starting and house spraying will commence in January 1957. The project is aimed at the total eradication of malaria in Laos by 1959.

4. Education - The first USOM education officer arrived in September of this year. The U.S.-financed technical school at Savannakhet, which has been in operation for one year, was formally dedicated during the same month. The Ministry of Education has been assisted in planning a teachers' training center at Vientiane, model elementary schools, and improvement of technical schools.

Clearing the Lao University site near Vientiane, on which the U.S.-financed teachers' training center will be built, is now in process.

5. Community Development - The Field Service began operations with the arrival of the USOM Chief of Field Service in July of this year. Plans for a sound, effective program, adapted to Laos, are being considered. Two field service stations are now in operation. Recruitment of the other three field service officers is in process.

FY 1958 PROGRAM

A program totalling $44 million is proposed for Laos in FY

1958 -- $42 million for Defense Support and $2 million for Technical Cooperation. The $500,000 increase over FY 1957 in the overall program is attributable to an expansion of TC activities. Although the recommended DS le el remains unchanged from FY 1957, it reflects a decrease of $5 million in military budget support and a corresponding increase in funds for developmental activities.

As in FY 1957, the magnitude and type of U. S. aid have been dictated in large measure by the results that would follow without such aid in the face of the communist threat to Laos. The Ambassador has recommended that no reductions in the aid programs should be effected without full prior review by the Country Team. He stated, "A sudden cut in aid will strengthen the hand of those who argue that the U. S. would cut off Laos at any time and, therefore, cannot be depended upon as a main source of support." In this connection, he also stated, "Only in a judicious and orderly manner can reductions be made; otherwise, the political consequences would surely be an invitation to Chinese Communists to take up the balance." (Ambassador's Program Evaluation Review - Laos, Embassy Despatch No. 63, Oct. 12, 1956, page 14.)

A. Technical Cooperation

The Technical Cooperation program in FY 1958 will require $2 million, in order to continue previous activities and expand operations along the following major lines: (1) provide training in the use of heavy roadbuilding equipment; (2) finance an agricultural extension service and demonstration project; (3) help train teachers, develop curricula, and prepare textbooks; (4) improve health centers and train local personnel in the techniques of public health; and (5) improve governmental administrative methods and procedures.

B. Defense Support

1. Project Sector - Direct dollar assistance recommended for DS projects amounts to $7.0 million. A major change is an increase of $3 million for new highway construction, required primarily as a base for economic development. It is expected that the need for this construction will be demonstrated by the transportation survey and engineering studies now underway, and will be necessitated by the reorientation from Saigon to Bangkok of commercial traffic destined for Laos.

An increase of $1 million is planned in the dollar costs of the civil police program, for construction and equipment.

Two new projects in community development are planned: (1) suction dredging at Vientiane, to permit growth of the city, and (2) a survey of Vientiane Municipal Services. The latter will help toward developing an effective central government. An increase is planned in Technical Support funds due to an expanded project program. An expansion of secondary education facilities is planned to increase the number of educated Laotians required for staffing key positions in various aspects of government activity.

2. Non-Project Sector - A total of $35 million in non-project assistance is planned for FY 1958, largely in the form of procurement authorizations for commodity imports and with a minimum of cash grants. Of this amount, $25 million will provide local currency for support of the Lao Army, and $10 million will cover local currency costs of economic aid projects and the civil police program. Civil police costs account for half of this $10 million, largely for pay and allowances. An increase of $1 million is planned for direct dollar costs of economic aid projects, reflecting the trend toward increasing the economic development portion of the program.

Military budget support of $25 million is $5 million less than anticipated at this juncture for FY 1957, a reduction planned on the assumption that economies will be effected in military costs through the budget control activities of the PEO group, a special staff which has been at work for some months reviewing budget and accounting procedures. Further reduction may be possible in the event of a Lao contribution.

SUMMARY OF FY 1959 PROGRAM

The 3-year plan envisages only gradual increases in Lao Government revenues and resources. The basic circumstances behind the program, and the costs, are expected to remain about the same as in FY 1958. The FY 1959 program, therefore, will be largely a continuation of the FY 1958 program.

The present type of aid program for Laos, in general, will continue to be necessary as long as (1) the U. S. considers it in its interest to support the independence of Laos, and (2) military and civil police forces remain at presently planned levels. It is hoped, however, that by and during FY 1959 much progress will have been made in laying a foundation on which an economic development program can be carried on.

By the end of FY 1959, the government should be functioning with improved efficiency and should have gained greater popular support than it now has. The basic studies and surveys necessary to the formulation of an economic development program also should have been largely completed. The transportation and communications network should be largely restored to prewar condition and in many cases improved, particularly as regards river-rail communications with Thailand. The capital city, Vientiane, should have an adequate power system; malaria should be almost totally eradicated; and educational facilities should be expanded and the quality of the educational system improved.

* * * * *

LAOS

TABLE 2

NON-MILITARY MUTUAL SECURITY DOLLAR PROGRAMS AND RELATED LOCAL CURRENCY GENERATION

(In thousands of dollars and equivalent)

	ACTUAL FY 1956				ESTIMATED FY 1957				PROPOSED FY 1958			
	DOLLAR PROGRAM			INITIATING LOCAL CURRENCY GENERATION	DOLLAR PROGRAM			INITIATING LOCAL CURRENCY GENERATION	DOLLAR PROGRAM			INITIATING LOCAL CURRENCY GENERATION
	TOTAL	DEFENSE SUPPORT	TECHNICAL COOPERATION		TOTAL	DEFENSE SUPPORT	TECHNICAL COOPERATION		TOTAL	DEFENSE SUPPORT	TECHNICAL COOPERATION	
PROJECT ASSISTANCE												
Contributions to Cooperative Services	x	x	x	x	x	x	x	x	x	x	x	x
Supplies and Equipment												
Capital Equipment	2,650	2,636	14	-	760	715	45	-	1,755	1,415	340	-
Other	2,205	1,735	470	-	2,010	1,750	260	-	2,385	2,285	100	-
Total, Supplies and Equipment	4,855	4,371	484	-	2,770	2,465	305	-	4,140	3,700	440	-
U.S. Employed Technicians (Cost)	217	54	163	-	720	110	610	-	1,235	390	845	-
Total Number Authorized for Employment During Year	(33)	(6)	(27)	x	(53)	(11)	(42)	x	(81)	(26)	(55)	x
Number on Duty Close of Year	(19)	(4)	(15)	x	(34)	(7)	(27)	x	(47)	(19)	(28)	x
Participants (Cost)	126	92	34	-	130	60	70	-	405	250	155	-
Number Authorized During Year	(421)	(366)	(55)	x	(114)	(60)	(54)	-	(320)	(200)	(120)	-
Contract Services (Total Cost U. S. Technicians)	1,135	1,078	57	-	660	260	400	-	2,290	1,895	395	-
Total Number Authorized for Employment During Year	(47)	(40)	(7)	x	(46)	(15)	(31)	x	(95)	(65)	(30)	x
Number on Duty Close of Year	(36)	(30)	(6)	x	(40)	(15)	(25)	x	(75)	(50)	(25)	x
Contract Services - Participants Authorized During Year	-	-	-	x	-	-	-	x	-	-	-	x
Other	301	18	283	-	540	425	115	-	930	765	165	-
Total, Project Assistance	6,634	5,613	1,021	-	4,820	3,320	1,500	-	9,000	7,000	2,000	-
NON-PROJECT ASSISTANCE												
Commodity Imports												
Surplus Agricultural Commodities												
Total, Surplus Agricultural Commodities	-	-	-	-	-	-	-	-	-	-	-	-
Deduct Sales to This Country for Benefit of Other Countries	-	-	-	-	-	-	-	-	-	-	-	-
Add Sales to Other Countries for Bendfit of This Country	-	-	-	-	-	-	-	-	-	-	-	-
Net Sales for Benefit of Thia Country	-	-	-	-	-	-	-	-	-	-	-	-
Other Commodities:												
Food, Feed and Fertilizer	820	820	-	820	1,400	1,400	-	1,400	2,100	2,100	-	2,100
Fuel	1,000	1,000	-	1,000	1,500	1,500	-	1,500	2,400	2,400	-	2,400
Raw Materials and Semi-Finished Products	7,095	7,095	-	7,095	7,800	7,800	-	7,800	10,000	10,000	-	10,000
Machinery and Vehicles	5,287	5,287	-	5,287	7,300	7,300	-	7,300	9,100	9,100	-	9,100
Miscellaneous	1,100	1,100	-	1,100	680	680	-	680	1,400	1,400	-	1,400
Total, Other Commodities	15,302	15,302	-	15,302	18,680	18,680	-	18,680	25,000	25,000	-	25,000
Total Commodity Imports	15,302	15,302	-	15,302	18,680	18,680	-	18,680	25,000	25,000	-	25,000
Cash Grants	26,737	26,737	-	26,737	20,000	20,000	-	20,000	10,000	10,000	-	10,000
Other	-	-	-	-	-	-	-	-	-	-	-	-
Total, Non-Project Assistance	42,039	42,039	-	42,039	38,680	38,680	-	38,680	35,000	35,000	-	35,000
TOTAL, NON-MILITARY PROGRAMS	48,673	47,652	1,021	42,039	43,500	42,000	1,500	38,680	44,000	42,000	2,000	35,000
Of Which Dollar Loans	-	-	-	-	-	-	-	-	-	-	-	-
Of Which Dollar Grants	48,673	47,652	1,021	42,039	43,500	42,000	1,500	38,680	44,000	42,000	2,000	35,000

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TABLE 3

LAOS

MUTUAL SECURITY PROGRAM LOCAL CURRENCY GENERATION AND PROGRAMMED UTILIZATION

(In thousands of dollars equivalent)

	ACTUAL FY 1956			ESTIMATED FY 1957			PROPOSED FY 1958		
	TOTAL	DEFENSE SUPPORT	TECHNICAL COOPERATION	TOTAL	DEFENSE SUPPORT	TECHNICAL COOPERATION	TOTAL	DEFENSE SUPPORT	TECHNICAL COOPERATION
LOCAL CURRENCY GENERATION									
Dollar Programs Initiating Local Currency Generation	42,039	x	x	38,680	x	x	35,000	x	x
Less: Local Currency Reserved for U.S. Uses	-	x	x	-	x	x	-	x	x
Subtotal Local Currency Availability	42,039	x	x	38,680	x	x	35,000	x	x
Add: Estimated Local Currency Unprogrammed Beginning of Year	-	x	x	-	x	x	-	x	x
Total Local Currency Available for Programming	42,039	x	x	38,680	x	x	35,000	x	x
PROGRAMMED UTILIZATION									
Mutual Security Project Requirements:									
Military	-	-	-	-	-	-	-	-	-
Non-Military	6,387	5,620	767	8,680	7,960	720	10,000	9,090	910
Total Project Requirements	6,387	5,620	767	8,680	7,960	720	10,000	9,090	910
Non-Project Budget Support:									
Military	35,652	35,652	-	30,000	30,000	-	25,000	25,000	-
Non-Military	-	-	-	-	-	-	-	-	-
Total Non-Project Budget Support	35,652	35,652	-	30,000	30,000	-	25,000	25,000	-
Other	-	-	-	-	-	-	-	-	-
Total Programmed Utilization	42,039	41,272	767	38,680	37,960	720	35,000	34,090	910
Local Currency Unprogrammed Close of Year	-	x	x	-	x	x	-	x	x

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LAOS

TABLE 4

MUTUAL SECURITY PROGRAM LOCAL CURRENCY ACCRUAL, REALIZATION AND UTILIZATION

(In thousands of dollars equivalent)

	ACTUAL FY 1956		ESTIMATED FY 1957		PROPOSED FY 1958	
	LOCAL CURRENCY		LOCAL CURRENCY		LOCAL CURRENCY	
	ON DEPOSIT	TO BE DEPOSITED	ON DEPOSIT	TO BE DEPOSITED	ON DEPOSIT	TO BE DEPOSITED
LOCAL CURRENCY REALIZATION						
Unutilized Balance Beginning of Year	6	15,638	574	23,348	564	23,328
Add: Current Year Local Currency Generation	x	42,039	x	38,680	x	35,000
Subtotal Availability on Accrual Basis	x	57,677	x	62,028	x	58,328
Local Currency Realization During Year	≠ 34,329	- 34,329	≠ 38,700	- 38,700	≠ 33,900	- 33,900
Total Local Currency Available for Utilization	34,335	x	39,274	x	34,464	x
UTILIZATION						
Mutual Security Project Requirements:						
Military	-	x	-	x	-	x
Non-Military	6,387	x	8,680	x	10,000	x
Total Project Requirements	6,387	x	8,680	x	10,000	x
Non-Project Budget Support:						
Military	27,345	x	30,000	x	25,000	x
Non-Military	-	x	-	x	-	x
Total Non-Project Budget Support	27,345	x	30,000	x	25,000	x
Other	29	x	30	x	30	x
Total Utilization	33,761	x	38,710	x	35,030	x
Local Currency Unutilized Close of Year	574	23,348	564	23,328	- 566	24,428

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LAOS

MUTUAL SECURITY PROJECT ASSISTANCE BY FIELD OF ACTIVITY

(In thousands of dollars and equivalent)

FIELD OF ACTIVITY	ACTUAL FY 1956						ESTIMATED FY 1957						PROPOSED FY 1958					
	DOLLAR PROGRAM			LOCAL CURRENCY PROGRAMMED UTILIZATION			DOLLAR PROGRAM			LOCAL CURRENCY PROGRAMMED UTILIZATION			DOLLAR PROGRAM			LOCAL CURRENCY PROGRAMMED UTILIZATION		
	TOTAL	DEFENSE SUPPORT	TECHNICAL COOPERATION	TOTAL	DEFENSE SUPPORT	TECHNICAL COOPERATION	TOTAL	DEFENSE SUPPORT	TECHNICAL COOPERATION	TOTAL	DEFENSE SUPPORT		TOTAL	DEFENSE SUPPORT	TECHNICAL COOPERATION	TOTAL	DEFENSE SUPPORT	TECHNICAL COOPERATION
Direct Military Support	x	x	x	-	-	-	x	x	x	-	-	-	x	x	x	-	-	-
Agriculture and Natural Resources	783	580	203	487	448	39	473	268	205	740	680	60	600	300	300	850	750	100
Industry and Mining	102	102	-	32	32	-	398	340	58	300	290	10	500	400	100	300	250	50
Transportation	2,989	2,989	-	2,020	2,020	-	1,125	1,000	125	2,515	2,500	15	2,700	2,600	100	3,500	3,450	50
Labor	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Health and Sanitation	346	238	108	160	140	20	290	290	-	240	240	-	500	450	50	250	240	10
Education	162	-	162	708	-	708	80	-	80	270	-	270	300	-	300	300	-	300
Public Administration	988	965	23	2,512	2,512	-	827	572	255	3,985	3,850	135	2,000	1,650	350	4,000	3,850	150
Community Development, Social Welfare and Housing	164	164	-	108	108	-	212	-	212	230	-	230	500	200	300	300	50	250
General and Miscellaneous	1,100	575	525	360	360	-	1,415	850	565	400	400	-	1,900	1,400	500	500	500	-
TOTAL PROJECT ASSISTANCE	6,634	5,613	1,021	6,387	5,620	767	4,820	3,320	1,500	8,680	7,960	720	9,000	7,000	2,000	10,000	9,090	910

LAOS

MUTUAL SECURITY PROJECT LISTING FOR FISCAL YEAR 1958

(In thousands of dollars)

PROJECT TITLE AND DESCRIPTION	STATUS	TOTAL COST	TECHNICIANS		PARTICIPANTS		CONTRACT SERVICES			SUPPLIES AND EQUIPMENT	OTHER COSTS
			NUMBER	COSTS	NUMBER	COSTS	NUMBER		COSTS		
							TECHNICIANS	PARTICIPANTS			
TECHNICAL COOPERATION											
Agriculture and Natural Resources											
1. Xieng Khouang Development (IVS)	024	100									
2. Extension Service	027	200									
Total For Activity		300									
Industry and Mining											
1. Mining and Minerals Survey	056	100									
Total For Activity		100									
Transportation											
1. Transportation Study	026	100									
Total For Activity		100									
Health and Sanitation											
1. Malaria Eradication	008	50									
Total For Activity		50									
Education											
1. Technical Education		50									
2. Elementary Education		250									
Total For Activity		300									

DETAIL NOT AVAILABLE

[redacted]

LAOS

MUTUAL SECURITY PROJECT LISTING FOR FISCAL YEAR 1958

(In thousands of dollars)

PROJECT TITLE AND DESCRIPTION	STATUS	TOTAL COST	TECHNICIANS		PARTICIPANTS		CONTRACT SERVICES			SUPPLIES AND EQUIPMENT	OTHER COSTS
							NUMBER		COSTS		
			NUMBER	COSTS	NUMBER	COSTS	TECHNICIANS	PARTICIPANTS			
Public Administration			DETAIL								
1. Organization of Procurement Office	017	230									
2. Trade Office	024	120									
Total For Activity		350									
Community Development, Social Welfare and Housing			NOT								
1. Field Service	041	100									
2. Village Development	023	100									
3. Emergency Famine Relief	019	100									
Total For Activity		300									
General and Miscellaneous			AVAILABLE								
1. Technical Support	000	500									
Total For Activity		500									
TOTAL TECHNICAL COOPERATION PROGRAM		2,000	55	845	120	155	30	-	395	440	165

[redacted]

LAOS

MUTUAL SECURITY PROJECT LISTING FOR FISCAL YEAR 1958

(In thousands of dollars)

PROJECT TITLE AND DESCRIPTION	STATUS	TOTAL COST	TECHNICIANS		PARTICIPANTS		CONTRACT SERVICES			SUPPLIES AND EQUIPMENT	OTHER COSTS
			NUMBER	COSTS	NUMBER	COSTS	NUMBER		COSTS		
							TECHNICIANS	PARTICIPANTS			
DEFENSE SUPPORT											
Agriculture and Natural Resources											
1. Major Crop Improvement	021	100									
2. Livestock	020	100									
3. Conservation and Development of Forest Resources	001	100									
Total For Activity		300									
Industry and Mining											
1. Extension of Electric Power Facilities	003	400									
Total For Activity		400									
Transportation											
1. Reopening and Establishing Maintenance on National Roads	005	500									
2. Operation Mekong	006	300									
3. Airfield Improvement	007	300									
4. Development of Highway System To initiate construction of key roads or stretches of road in accordance with recommendations of the transportation survey and engineering studies, now in progress.	New	1,500									
Total For Activity		2,600									

DEFICIT

NOT AVAILABLE

[redacted]

LAOS

MUTUAL SECURITY PROJECT LISTING FOR FISCAL YEAR 1958

(In thousands of dollars)

PROJECT TITLE AND DESCRIPTION	STATUS	TOTAL COST	TECHNICIANS		PARTICIPANTS		CONTRACT SERVICES			SUPPLIES AND EQUIPMENT	OTHER COSTS
			NUMBER	COSTS	NUMBER	COSTS	NUMBER		COSTS		
							TECHNICIANS	PARTICIPANTS			
Health and Sanitation											
1. Malaria Eradication	008	250									
2. Control of Specific Diseases	009	200									
Total For Activity		450									
Public Administration											
1. Civilian Police Program	022	1,500									
2. Government Purchasing Office	044	50									
3. Expansion of Customs Services	045	100									
Total For Activity		1,650									
Community Development, Social Welfare and Housing											
1. Suction Dredging at Vientiane To finance dredging of Mekong River at Vientiane to provide fill for low areas of city; filled areas are to be used as sites for new building construction. Project will aid in the orderly growth of the capital city and assist in establishing an indigenous sand and gravel industry.	New	150									
2. Survey of Vientiane Municipal Services To conduct a survey to determine requirements for sanitary water supply, sewage, garbage disposal, building codes, etc.	New	50									
Total For Activity		200									

DETAIL NOT AVAILABLE

[redacted]

LAOS

MUTUAL SECURITY PROJECT LISTING FOR FISCAL YEAR 1958

(In thousands of dollars)

PROJECT TITLE AND DESCRIPTION	STATUS	TOTAL COST	TECHNICIANS		PARTICIPANTS		CONTRACT SERVICES			SUPPLIES AND EQUIPMENT	OTHER COSTS
			NUMBER	COSTS	NUMBER	COSTS	NUMBER		COSTS		
							TECHNICIANS	PARTICIPANTS			
General and Miscellaneous											
1. Technical Support	000	1,400									
Total For Activity		1,400									
TOTAL DEFENSE SUPPORT PROJECTS		7,000	26	390	200	250	65	-	1,895	3,700	765

LAOS

ANALYSIS OF EXPENDITURE RATES FOR NON-MILITARY MUTUAL SECURITY PROGRAMS

(In thousands of dollars)

PROGRAM	UNLIQUIDATED OBLIGATIONS 6/30/55	ACTUAL OBLIGATIONS FY 1956	TOTAL AVAILABLE FOR EXPENDITURE FY 1956	ACTUAL EXPENDITURES FY 1956	UNLIQUIDATED OBLIGATIONS 6/30/56	ESTIMATED OBLIGATIONS FY 1957	TOTAL AVAILABLE FOR EXPENDITURE FY 1957	ESTIMATED EXPENDITURES FY 1957	UNLIQUIDATED OBLIGATIONS 6/30/57	PROPOSED OBLIGATIONS FY 1958	TOTAL AVAILABLE FOR EXPENDITURE FY 1958	ESTIMATED EXPENDITURES FY 1958	UNLIQUIDATED OBLIGATIONS 6/30/58
FY 1955 AND PRIOR YEAR FUNDS													
Defense Support													
Project Assistance	1,739.2	(361.9)	1,377.3	948.8	428.5	x	428.5	428.5	-	x	-	-	-
Non-Project Assistance	10,825.5	(3.7)	10,821.8	7,936.0	2,885.8	x	2,885.8	2,000.0	885.8	x	885.8	885.8	-
Total, Defense Support	12,564.7	(365.6)	12,199.1	8,884.8	3,314.3	x	3,314.3	2,428.5	885.8	x	885.8	885.8	-
Technical Cooperation													
Project Assistance	x	x	x	x	x	x	x	x	x	x	x	x	x
Total FY 1955 and Prior Year Funds	12,564.7	(365.6)	12,199.1	8,884.8	3,314.3	x	3,314.3	2,428.5	885.8	x	885.8	885.8	-
FY 1956 FUNDS													
Defense Support													
Project Assistance	x	5,613.0	5,613.0	488.1	5,124.9	x	5,124.9	2,806.0	2,318.9	x	2,318.9	2,000.0	318.9
Non-Project Assistance	x	42,039.0	42,039.0	26,816.8	15,222.2	x	15,222.2	9,946.0	5,276.2	x	5,276.2	4,000.0	1,276.2
Total Defense Support	x	47,652.0	47,652.0	27,304.9	20,347.1	x	20,347.1	12,752.0	7,595.1	x	7,595.1	6,000.0	1,595.1
Technical Cooperation													
Project Assistance	x	1,020.5	1,020.5	456.5	564.0	x	564.0	500.0	64.0	x	64.0	64.0	-
Total, FY 1956 Funds	x	48,672.5	48,672.5	27,761.4	20,911.1	x	20,911.1	13,252.0	7,659.1	x	7,659.1	6,064.0	1,595.1
FY 1957 FUNDS													
Defense Support													
Project Assistance	x	x	x	x	x	3,320.0	3,320.0	664.0	2,656.0	x	2,656.0	1,660.0	996.0
Non-Project Assistance	x	x	x	x	x	38,680.0	38,680.0	25,904.0	12,776.0	x	12,776.0	11,208.0	1,568.0
Total, Defense Support	x	x	x	x	x	42,000.0	42,000.0	26,568.0	15,432.0	x	15,432.0	12,868.0	2,564.0
Technical Cooperation													
Project Assistance	x	x	x	x	x	1,500.0	1,500.0	725.0	775.0	x	775.0	700.0	75.0
Total, FY 1957 Funds	x	x	x	x	x	43,500.0	43,500.0	27,293.0	16,207.0	x	16,207.0	13,568.0	2,639.0
FY 1958 FUNDS													
Defense Support													
Project Assistance	x	x	x	x	x	x	x	x	x	7,000.0	7,000.0	2,100.0	4,900.0
Non-Project Assistance	x	x	x	x	x	x	x	x	x	35,000.0	35,000.0	17,500.0	17,500.0
Total, Defense Support	x	x	x	x	x	x	x	x	x	42,000.0	42,000.0	19,600.0	22,400.0
Technical Cooperation													
Project Assistance	x	x	x	x	x	x	x	x	x	2,000.0	2,000.0	950.0	1,050.0
Total, FY 1958 Funds	x	x	x	x	x	x	x	x	x	44,000.0	44,000.0	20,550.0	23,450.0
TOTAL ALL PROGRAMS													
Defense Support													
Project Assistance	1,739.2	5,251.1	6,990.3	1,436.9	5,553.4	3,320.0	8,873.4	3,898.5	4,974.9	7,000.0	11,974.9	5,760.0	6,214.9
Non-Project Assistance	10,825.5	42,035.3	52,860.8	34,752.8	18,108.0	38,680.0	56,788.0	37,850.0	18,938.0	35,000.0	53,938.0	33,593.8	20,344.2
Total, Defense Support	12,564.7	47,286.4	59,851.1	36,189.7	23,661.4	42,000.0	65,661.4	41,748.5	23,912.9	42,000.0	65,912.9	39,359.8	26,559.1
Technical Cooperation													
Project Assistance	x	1,020.5	1,020.5	456.5	564.0	1,500.0	2,064.0	1,225.0	839.0	2,000.0	2,839.0	1,714.0	1,125.0
TOTAL, ALL PROGRAMS	12,564.7	48,306.9	60,871.6	36,646.2	24,225.4	43,500.0	67,725.4	42,973.5	24,751.9	44,000.0	68,751.9	41,067.8	27,684.1

LAOS

TABLE 8
Page 1 of 2

ANALYSIS OF EXPENDITURE RATES FOR SELECTED PROJECTS WITH UNLIQUIDATED OBLIGATIONS OF $100,000 OR MORE ON 6/30/56 AND FOR WHICH ADDITIONAL FUNDS ARE PROPOSED IN FY 1958

(In thousands of dollars)

PROJECT TITLE AND NUMBER	UNLIQUIDATED OBLIGATIONS 6/30/55	ACTUAL OBLIGATIONS FY 1956	TOTAL AVAILABLE FOR EXPENDITURE FY 1956	ACTUAL EXPENDITURES FY 1956	UNLIQUIDATED OBLIGATIONS 6/30/56	ESTIMATED OBLIGATIONS FY 1957	TOTAL AVAILABLE FOR EXPENDITURE FY 1957	ESTIMATED EXPENDITURES FY 1957	UNLIQUIDATED OBLIGATIONS 6/30/57	PROPOSED OBLIGATIONS FY 1958	TOTAL AVAILABLE FOR EXPENDITURE FY 1958	ESTIMATED EXPENDITURES FY 1958	UNLIQUIDATED OBLIGATIONS 6/30/58
AGRICULTURE AND NATURAL RESOURCES													
Major Crop Improvement													
56-021	x	301	301	-	301	x	301	213	88	x	88	88	-
57-021	x	x	x	x	x	63	63	42	21	x	21	21	-
58-021	x	x	x	x	x	x	x	x	x	100	100	46	54
Total	x	301	301	-	301	63	364	255	109	100	209	155	54
Community Development on Plain of Xieng Khouang													
56-024	x	137	137	15	122	x	122	90	32	x	32	32	-
57-024	x	x	x	x	x	95	95	44	51	x	51	51	-
58-024	x	x	x	x	x	x	x	x	x	100	100	63	37
Total	x	137	137	15	122	95	217	134	83	100	183	146	37
Conservation and Development of Forest Resources													
55-001	35	x	35	30	5	x	5	5	-	x	-	-	-
56-001	x	200	200	11	189	x	189	187	2	x	2	2	-
57-001	x	x	x	x	x	120	120	21	99	x	99	66	33
58-001	x	x	x	x	x	x	x	x	x	100	100	28	72
Total	35	200	235	41	194	120	314	213	101	100	201	96	105
TRANSPORTATION													
Reopening and Establishing Maintenance on National Roads													
56-005	x	2,663	2,663	-	2,663	x	2,663	537	2,126	x	2,126	1,485	641
57-005	x	x	x	x	x	600	600	60	540	x	540	360	180
58-055	x	x	x	x	x	x	x	x	x	500	500	50	450
Total	x	2,663	2,663	-	2,663	600	3,263	597	2,666	500	3,166	1,895	1,271
Operation Mekong													
55-006	65	x	65	42	23	x	23	23	-	x	-	-	-
56-006	x	265	265	-	265	x	265	225	40	x	40	40	-
57-006	x	x	x	x	x	300	300	66	234	x	234	156	78
58-006	x	x	x	x	x	x	x	x	x	300	300	66	234
Total	65	265	330	42	288	300	588	314	274	300	574	262	312
HEALTH AND SANITATION													
Malaria Eradication													
56-008	x	238	238	-	238	x	238	228	10	x	10	10	-
57-008	x	x	x	x	x	265	265	76	189	x	189	126	63
58-008	x	x	x	x	x	x	x	x	x	300	300	98	202
Total	x	238	238	-	238	265	503	304	199	300	499	234	265

ANALYSIS OF EXPENDITURE RATES FOR SELECTED PROJECTS WITH UNLIQUIDATED OBLIGATIONS OF $100,000 OR MORE ON 6/30/56 AND FOR WHICH ADDITIONAL FUNDS ARE PROPOSED IN FY 1958

(In thousands of dollars)

PROJECT TITLE AND NUMBER	UNLIQUIDATED OBLIGATIONS 6/30/55	ACTUAL OBLIGATIONS FY 1956	TOTAL AVAILABLE FOR EXPENDITURE FY 1956	ACTUAL EXPENDITURES FY 1956	UNLIQUIDATED OBLIGATIONS 6/30/56	ESTIMATED OBLIGATIONS FY 1957	TOTAL AVAILABLE FOR EXPENDITURE FY 1957	ESTIMATED EXPENDITURES FY 1957	UNLIQUIDATED OBLIGATIONS 6/30/57	PROPOSED OBLIGATIONS FY 1958	TOTAL AVAILABLE FOR EXPENDITURE FY 1958	ESTIMATED EXPENDITURES FY 1958	UNLIQUIDATED OBLIGATIONS 6/30/58
PUBLIC ADMINISTRATION													
Organization of Government Procurement Office													
55-017	300	x	300	64	236	x	236	236	-	x	-	-	-
56-017	x	14	14	-	14	x	14	14	-	x	-	-	-
57-017	x	x	x	x	x	235	235	118	117	x	117	117	-
58-017	x	x	x	x	x	x	x	x	x	230	230	115	115
Total	300	14	314	64	250	235	485	368	117	230	347	232	115
Civil Police Administration													
55-022	259	x	259	160	99	x	99	99	-	x	-	-	-
56-022	x	662	662	103	559	x	559	384	175	x	175	175	-
57-022	x	x	x	x	x	401	401	133	268	x	268	180	88
58-022	x	x	x	x	x	x	x	x	x	1,500	1,500	488	1,012
Total	259	662	921	263	658	401	1,059	616	443	1,500	1,943	843	1,100
COMMUNITY DEVELOPMENT, SOCIAL WELFARE AND HOUSING													
Emergency Famine Relief													
55-019	450	x	450	356	94	x	94	94	-	x	-	-	-
56-019	x	107	107	-	107	x	107	75	32	x	32	32	-
57-019	x	x	x	x	x	52	52	37	15	x	15	15	-
58-019	x	x	x	x	x	x	x	x	x	100	100	70	30
Total	450	107	557	356	201	52	253	206	47	100	147	117	30

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LAOS

TABLE 9

CENTRAL GOVERNMENT FINANCES AND RELATED MUTUAL SECURITY LOCAL CURRENCY PROGRAMS

(Exchange Rate Used To Convert To Dollars: _____)

(In thousands of dollars equivalent)

	FISCAL YEAR ENDING: *(Indicate Month)* _____							
	1955		1956		1957		1958	
EXPENDITURES								
National Defense								
Capital Outlay								
Other Non-Defense Expenditures	DATA NOT AVAILABLE							
Total Expenditures								
Total Revenue, Excluding U.S. and Other Foreign Aid								
Deficit (-) or Surplus (+) Before Aid								
FINANCING OF EXPENDITURES BY SOURCE OF FUNDS	PERCENT	AMOUNT	PERCENT	AMOUNT	PERCENT	AMOUNT	PERCENT	AMOUNT
Revenue, Excluding U.S. and Other Foreign Aid								
Counterpart Withdrawals and MSP Local Currency Grants								
Defense Budget Support								
Civilian Budget Support								
Mutual Security Program Projects								
Total Counterpart and U.S. Local Currency Grants								
P.L. 480 Grants								
Grants from Other Countries								
Borrowings (+) or Debt Retirement (-)								
Mutual Security Loan								
P.L. 480 - Sec. 104(g)								
Export-Import Bank								
International Bank for Reconstruction and Development								
Other Foreign Borrowing								
Domestic Borrowing:								
Bond Issues								
Treasury Notes								
Borrowing from Central and Private Banks								
Total Domestic Borrowing								
Total Borrowing								
Net Change (+) or (-) in Bank Balances and Other Reserves								
Total Financing								

NOTE: Government Gross Debt: Amount Domestic _____ Amount Foreign _____ Date _____

LAOS

BALANCE OF PAYMENTS AND RESERVES

(Million of dollar equivalent converted at _____ per dollar)

ITEM	CALENDAR YEARS				
	1954	1955	1956	1957	1958
Balance of Payments					
Goods and Services					
Exports, F.O.B.					
Imports, F.O.B.					
Trade balance					
Nonmonetary gold movements (net)					
Foreign travel					
Transportation and insurance					
Investment income					
Government, not included elsewhere					
Other services					
Total services					
Total goods and services					
Private Financing					
Remittances					
Direct investment					
Other					
Total private financing					
Net Errors and Omissions					
Surplus (+) or Deficit (-)					
Official Financing					
Grants					
Grants from U.S.					
MSP					
P.L. 480 Titles I, II					
Other					
Total grants					
Long-Term Capital					
Loan repayments, including Government					
Loans from MSP					
Loans from P.L. 480, Title I.					
Loans from Export-Import Bank					
Loans from IBRD					
Other					
Total long-term capital					
Short-Term Capital					
Change in reserves (increase -)					
Monetary gold (increase -)					
Other					
Total short-term capital					
Total Official Financing					
Status of Reserves (end of period)					
Gold					
Dollars					
Sterling					
Other					

DATA NOT AVAILABLE

TABLE II

LAOS

SUMMARY ECONOMIC DATA

ITEM	CALENDAR YEARS				
	1954	1955	1956	1957	1958
Population (Mid-year in millions)					
Gross National Product at market prices—Total ($ Millions)					
(Expressed in 1955 prices. Foreign Exchange Conversion Rate _____)					
By Type of Expenditure:					
Private consumption					
Gross investment (public and private)					
Government expenditures on goods and services					
Net foreign balance (+) or (-)					
Per capita GNP					
Prices (Index, _____=100)					
a. Wholesale					
b. Cost of living					
Industrial production (Index, _____=100)					
Major commodities / Unit of quantity					

DATA NOT AVAILABLE

	CROP YEARS				
	1954/55	1955/56	1956/57	1957/58	1958/59
Agricultural production (Total Index, _____=100)					
Major crops / Unit of quantity					

LAOS

HOST COUNTRY CONTRIBUTIONS

(In thousands of dollars equivalent)

	ACTUAL FY 1956			ESTIMATED FY 1957			ESTIMATED FY 1958		
	TOTAL	DEFENSE SUPPORT	TECHNICAL COOPERATION	TOTAL	DEFENSE SUPPORT	TECHNICAL COOPERATION	TOTAL	DEFENSE SUPPORT	TECHNICAL COOPERATION
Contributions to Other Than Cooperative Services									
Value in Cash:									
By Central Government									
By Local Governments or Other Parties									
Total									
Value in Kind:									
By Central Government									
By Local Governments or Other Parties									
Total									
Total Contributions to Other than Cooperative Services									
Contributions to Cooperative Services									
Value in Cash:									
By Central Government									
By Local Governments or other Parties									
Total									
Value in Kind:									
By Central Government									
By Local Governments or Other Parties									
Total									
Total Contributions to Cooperative Services									
GRAND TOTAL CONTRIBUTIONS									

DATA NOT AVAILABLE

FAR EAST

FY 1958 ILLUSTRATIVE PRESENTATION

PHILIPPINES

OFFICE OF FAR EASTERN OPERATIONS

INTERNATIONAL COOPERATION ADMINISTRATION

TABLE I

PHILIPPINES

NON-MILITARY MUTUAL SECURITY PROGRAMS BY FUNCTION

(In thousands of dollars)

FUNCTIONS	ACTUAL FY 1956	ESTIMATED FY 1957	PROPOSED FY 1958
Defense Support			
Project Assistance	7,800	9,800	6,000
Non-Project Assistance	15,400 a/	18,600 a/	25,000 a/
Total, Defense Support	23,200	28,400 b/	31,000
Technical Cooperation			
Project Assistance	5,882	5,000	4,000
TOTAL PROGRAMS	29,082	33,400	35,000
Of Which MSP Loans	10,000 c/	10,000 c/	15,000 c/
Of Which MSP Sales of Surplus Agricultural Commodities	15,400	18,600	20,000

a/ Includes (in thousands of dollars) the following amounts for local currency support of military construction projects; FY 1956 - 4,700; FY 1957 - 8,600; FY 1958 - 6,000 (excluding contingent amount).

b/ Includes (in thousands of dollars) tentative allocations of 3,400, of which 3,000 is from general reserve and 400 is from Far East special reserve.

c/ Includes (in thousands of dollars) the equivalent of U.S. owned local currency as follows: FY 1956 - 6,700; FY 1957 - 10,000; FY 1958 - 10,000.

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PHILIPPINES

Narrative Statement

OBJECTIVES

U. S. objectives are to help the Philippines achieve:

1. An effective government which will preserve and strengthen the pro-American and democratic orientation of the country, and serve as an example in the Far East of the application of Western ideas and institutions to Asian problems.

2. An expanding and diversified economy capable of furthering domestic stability and progress, and of competing successfully in the world market.

3. A military establishment capable of providing internal security, and of contributing to the defense of the country and of the free world.

4. A Philippine foreign policy which is based upon the traditional close relationship with the U. S. and which will lead the Philippines into a position of influence in non-communist Asia.

The aid program is designed to assist in achieving the above objectives by providing:

1. Technical assistance to improve government operations, particularly fiscal management methods and government services in rural areas.

2. Essential commodities to complete projects supporting the Philippines' defense effort, such as road construction, port facilities improvement, malaria eradication, and potable water supplies.

3. Peso capital, derived from sales of surplus agricultural commodities, extended as loans to expand and diversify privately-owned small and medium-sized industries.

4. Pesos, derived from sales of surplus agricultural commodities, to defray local costs of military construction needed to permit the armed forces of the Philippines to:

   a. maintain internal security,

   b. assist in defending the Philippines from external attack, and

   c. aid in protecting U. S. bases located in the Philippines.

5. Dollar funds, on a loan basis, for the importation of consumables to permit use of an equivalent amount of Philippine foreign exchange for industrial development.

OBSTACLES TO ACHIEVEMENT OF OBJECTIVES

A. Political and Social Problems

The Philippines became independent on July 4, 1946. Independence found the country devastated by war, threatened by

[redacted]

a local communist movement, and inexperienced in dealing with problems of a modern state. The Philippine population was then living at a subsistence level in an atmosphere in which, for five years, disregard for law and resort to violence were encouraged and regarded as acts of heroism.

By 1950 the situation had further deteriorated economically, since postwar emergency aid was dissipated, and it became apparent that U. S. economic and military aid was needed to prevent the displacement of the democratic form of government. A mission, headed by Daniel W. Bell, reviewed the situation and recommended aid in the form of loans and grants totalling $250 million over a period of five years. The Foster-Quirino Agreement of November 14, 1950, established the framework for such aid. Through FY 1957, MSP assistance totalling approximately $170 million will have been provided, largely as grants. In addition, the Export-Import Bank has authorized credits amounting to about $93 million.

Aid from 1950 to 1953 was not as effective as it might have been, due to lack of strong Philippine leadership. In November 1953 Ramon Magsaysay, who had achieved great success over the dissident Huks, was elected President, and hope for improvement flared in the rural villages.

Efforts of the Magsaysay administration toward economic development, however, have been hampered by such social and political problems as venality of many leaders, cultural and institutional rigidities inherited from the 300-year Spanish occupation, debilitating diseases, inexperienced government administrators and technical personnel, and - most important - lack of a realistic plan for reforms and strong legislative opposition, both within and without Magsaysay's party, to progressive reforms.

President Magsaysay has based his political career very largely on his ability to maintain cooperative and cordial Philippine-American relations and is under heavy political attack from a large number of influential Philippine politicians, on grounds that the U. S. has been taking the Philippines for granted. The President has pleaded for closer support, particularly more assistance in solving the growing unemployment problem, both to counteract the anti-American elements in Philippine politics and to reduce social discontent.

In November 1957, elections will be held for the Presidency, all of the lower House, one-third of the Senate, and most local offices. Any reduction in the level of U. S. aid would be taken as the most direct indication possible of slackening U. S. support for the Philippines and Magsaysay, and could very possibly lead to a political upset with serious effects on U. S. ties with the Philippines.

B. Economic Problems

The basic economic problem in the Philippines is a level of production insufficient to meet essential needs of an expanding population, and an inability to change the situation rapidly without outside assistance. While room for progress exists, unaided Philippine efforts cannot achieve results in time to meet U. S. objectives. This basic problem is reflected in widespread unemployment and underemployment (one-fourth to one-third of the labor force of 8 million is affected); recurring deficits in international trade ($115 million in 1956 and estimated at $140 million in 1958); and insufficient government revenues, due to lack of a broad tax base as well as inefficiencies in collection.

The low level of per capita GNP, estimated in Appendix A, at $209 in 1958, limits the capacity to accumulate

capital for development. Industrialization, coupled with continued expansion and diversification of agricultural production, is necessary to alleviate these problems. To stimulate a rate of economic growth in the Philippines essential to U. S. objectives, substantial additional development capital for industrialization will be required over a number of years.

Behind the difficulties impeding economic development are institutional as well as environmental problems. The Philippines possess a substantial supply of untrained labor and natural resources, but are hampered by lack of skilled workers and entrepreneurs. Extensive possibilities exist for expanding agricultural output, and a basis exists for certain forms of industrial growth and the exploitation of minerals; but the Philippine Government needs to make more effective use of its own foreign exchange, use more of its budgetary resources to increase production, induce foreign and domestic investment, and utilize reparations and foreign loans effectively. An important part of the problem is to persuade the Philippines to remove barriers hindering progress along these lines. Financial reforms which the Country Team believes should be undertaken are listed in Appendix B.

ROLE OF U. S. ASSISTANCE

The general role of non-military U. S. assistance to the Philippines should be to provide the missing elements in technical assistance and financial aid needed to help the Philippines make the most effective use of the various resources already available to it in a manner consistent with U. S. objectives.

The Philippines already have relatively large sources of external financing which, if effectively employed, could provide a significant contribution to economic development. Veterans' payments, U. S. military expenditures, Japanese reparations, and foreign exchange earnings provide substantial resources. As of September 1956, $130 million was available for industrial development in the form of grants and loans from economic aid, Japanese reparations, and the Export-Import Bank. However, considerable quantities of reparations in the form of capital equipment will not be available until late in FY 1958.

Technical assistance is required to utilize these credits effectively, not only for industrialization and to carry out financial reforms, but to maintain gains already made in improving agricultural production, rural living conditions, and training labor to man new industries, and to organize and staff a government capable of providing essential services and basic infrastructure to industry and agriculture. Assistance also is required in developing prospective industrial plants and financial and promotional institutions needed to attract investment, both domestic and foreign.

Even with maximum utilization of non-aid sources of capital a gap exists between total investment required to achieve U. S. objectives and available resources, including private investment, reparations and bank loans. Industrial loans, particularly, are needed to encourage entrepreneurs to finance worthwhile projects on which private interest rates are not competitive, or returns are smaller than can be realized on speculation in commodities; also to provide funds for offshore procurement of equipment not available or prohibitively priced in the U. S.

LONG-RANGE PLAN

A. Assumptions

The proposed long-range plan assumes that:

1. The Philippines will carry out the reforms detailed in Appendix B, and will provide a satisfactory framework for accelerated industrialization.

2. It is in the interest of the U. S. to aid the Philippines in developing the industrial sector of its economy as a solution to its basic economic problem.

3. Much larger capital inflows than are presently occuring will be required if major economic development is to materialize in a reasonable time, and a larger magnitude of economic aid is definitely needed to stimulate that flow and make it effective.

4. The larger magnitude of MSP financial assistance proposed for future years will be dependent upon the Philippines using its own available financial resources to good advantage and availing itself fully of capital from various potential foreign sources.

On the basis of the above assumptions, the magnitude of economic aid for industrial development is substantially increased in FY 1959 and FY 1960, as shown below. If legislative and organizational reforms detailed in Appendix B are not carried out, the current proposal will be modified downward. Recent conversations with Magsaysay and his top advisors, however, indicate that an intensive effort toward reforms will be made.

B. MSP Aid Requirements (US$ millions)

	Fiscal Years				
	1956	1957	1958	1959	1960
Defense Support	23.2	28.4	31.0	45.0	50.0
Industrial Development	6.7	10.0	15.0	30.0	45.0
Other Capital Development	4.4	4.7	1.4	2.0	-
Rural Development a/	7.4	5.1	8.6	7.0	5.0
Military Support	4.7	8.6	6.0	6.0	-
Technical Cooperation	5.9	5.0	4.0	3.0 b/	2.0 b/
Agriculture	1.4	1.5	0.9		
Industry and Mining	1.2	0.8	0.8		
Transportation	0.3	0.3	0.2		
Labor	0.2	0.1	0.1		
Health and Sanitation	0.9	0.5	0.4		
Education	0.9	0.7	0.7		
Public Administration	0.8	0.6	0.5		
Community Development	0.1	0.1	0.3		
Total	29.1	33.4	35.0	48.0	52.0
P. L. 480	-	5.0	10.0	13.0	15.0

a/ Includes Community Development and other activities carried out in rural areas.
b/ Breakdown not yet developed.

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C. Summary of Long-Range Plan

Recognizing that economic aid in a substantially greater magnitude than in the past is necessary to alter the pace of economic growth, and provide the incentive needed for ulitmate achievement of U. S. objectives, the following major recommendations are made:

1. Magnitude of Program - A successive expansion of the industrial development segment of the program, by phasing down project aid and expanding non-project industrial aid in FY 1958, and by increasing the industrial development segment of the program by approximately $15 million on a loan basis in both FY 1959 and FY 1960.

2. Duration of Program - A possible sharp phasing down of the program after FY 1960, but with the final decision dependent upon appraisal at that time of likely Philippine political reaction thereto, progress toward U. S. objectives, and upon U. S aid decisions vis-a-vis other countries in the same general region.

3. Composition of Program - Program composition to change beginning with FY 1958 as follows: phase down assistance to non-industrial projects; stress loan financing of private industrial development, constantly encouraging the Philippine Government to an expanded intensive effort; scale down the number of technicians to the extent consistent with the altered program composition.

STATUS AND ACCOMPLISHMENTS OF MUTUAL SECURITY PROGRAM

The program of U. S. assistance to the Philippines, started in 1951 in the face of deteriorating economic conditions and severe political and security problems, has combined technical assistance, defense support, and military assistance.

Conditions in earlier years required attention to many inadequacies and problems centering around government services and capital development. Before the Philippines could utilize available domestic and foreign resources, it had to develop more effective government services and strengthen its institutional framework.

As a result of assistance already given toward this end, improved government services are now being provided in the rural areas, in the form of roads, potable water supplies, rural health services, agricultural extension services, rural credit, improved land tenure, community development services, etc. The administration of other government functions also has been strengthened, in such areas as government-wide organization and management, civil service, revenue administration, management and procedures improvement, modernization of the Bureau of Lands, wage and position classification, and modernization of budgeting and accounting.

Training facilities have been established and improved in the fields of labor relations, health training, malaria eradication, technical education, public personnel administration, government management, statistical services, and information activities. The costs of the majority of these activities, often on an expanded scale, now have been largely absorbed into regular budgets of the Philippine Government.

Military assistance had by 1955 reduced the Huk menace, permitting reorganization and training of the armed forces to increase their ability to meet external aggression as well as maintain

internal security. This necessitated the establishment of new facilities. To meet the local currency requirement, commodities under Section 402 of the MS Act of 1954 were imported as part of this program. While there have been difficulties in reaching agreement on the location of training areas and in the acquisition of land, the construction of these facilities remains an integral part of the Defense Support program.

In 1955, aid was initiated to foster accelerated industrial investment, through the importation of U. S.-financed machinery and the mobilization of domestic capital. This part of the program developed around an Industrial Development Center (IDC) directed toward the improvement of manufacturing processes, industrial management, accounting, marketing, and allied activities, and the encouragement of additional investment in the private sector. This program has demonstrated that it is possible through commercial banks to encourage industrial development and place the risk on private enterprise rather than government.

THE FY 1958 PROGRAM	Proposed Aid Level (Millions of US$)	
Defense Support	31.0	
Project Aid	6.0	
Non-Project Aid	25.0	
Industrial Development		15.0
Community Development		4.0
Military Support		6.0
Technical Cooperation	4.0	
Total	35.0	

The proposed program is in line with changing conditions in the Philippines, the completion or near-completion of many activities initiated in earlier years, and the desire on all sides to concentrate on fewer activities requiring a lesser number of U. S. technicians. It will:

1. Bolster the position of the Magsaysay Administration, based on friendship and cooperation with the U. S. While U. S. aid in the past has been criticized severely and has been investigated by a special committee of the Philippine Congress, the recommended program is designed to remove sources of criticism and to assist, through aid to rural areas and to industrialization, to give backing to Magsaysay's programs.

2. Promote overall economic development, with increasing emphasis on private industrial development and decreasing emphasis on capital development in the government sector. The Philippine Government will be aided and encouraged to reduce its participation in business enterprises. Technical assistance activities will be concentrated on a few priority activities which contribute to the development of a framework of free institutions.

3. Improve internal stability and help bring about an improvement in the economic and social well-being of the rural population through broad assistance to activities contributing to community development.

4. Strengthen the capacity of the Philippines to undertake self-improvement, by providing technical advisors to a reduced number of projects designed to improve government services and operations.

A. Project Assistance - $10 million

Recommended projects total $10 million (DS-6; TC-4) and, with three exceptions, are continuations and completions of

activities in the broad program begun in FY 1951/52, to provide the basis for economic and political stability and good government in the Philippines. At that level, project assistance will have been reduced by about one-third from the $14.8 million tentatively approved for FY 1957 (DS-9.8; TC-5). This reduction reflects the phasing out of U. S. assistance to certain projects and/or the assumption of costs by the Philippine Government.

1. TC Projects - $4 million

Technical Cooperation projects to be continued in FY 1958 relate to: (a) improvement of Agriculture through technical assistance for cooperatives and rural credit, crop diversification, development of agricultural economists, and the improvement of forestry and livestock production practices; (b) assistance to an expanded program under the IDC in its broad services aiding private small and medium-size industry, and to mining, power and water development; and (c) the effective use of commodity assistance to road and harbor improvement furnished by DS projects. Assistance in the field of labor education will also be continued, as will aid in improving health and educational practices. Community education will be introduced to demonstrate the use of improved curriculum and teaching procedures.

2. DS Projects - $6 million

Commodities will be furnished for the eradication of malaria; the improvement of harbor facilities to support new industries and expanded export production; expanded road construction, particularly in rural areas, to facilitate the movement of goods and improve communication with the small villages; and the completion of certain water supply systems for agricultural and industrial users. A new project for training hospital personnel will be started.

It is contemplated that all such DS projects will be completed in FY 1959, and that only essential technical assistance to speed industrialization and maintain agricultural gains will continue to be provided as project assistance. This phase-out and transfer of funds for, and emphasis on, industrialization will give far greater net impact to rapid economic growth.

3. Project Personnel

One of the major criticisms which has been aimed at the U. S. aid program is the large number of American advisors, including contract personnel, present in the Philippines. Accompanying the proposed scaling down of the magnitude of project-type assistance is a proposed reduction in the number of technicians. Reduction in the number of technicians, coupled with maintenance of the aid level (with emphasis on industrial loans), should result in a lessening of tension and criticism.

B. Non-Project Assistance - $25 million

It is proposed to continue to finance to the maximum extent possible the non-project portion of the Philippine program, through imports under Section 402 provided in the form of loans. In line with agreements reached, the Philippines Central Bank makes available out of its own dollar resources, for the importation of industrial machinery, an amount commensurate with the value of aid received under Section 402. This technique provides multiple uses, as shown below (amounts in millions of US$):

Amount	1st Use	2nd Use	3rd Use
10 loan	Provides pesos for industrial loans	Provides relief for balance of payments pressure	Frees Central Bank exchange for capital imports
4 grant	Provides pesos to pay local costs of rural development	"	"
6 grant	Provides pesos for military construction	"	"

1. Industrial Development

In addition to a $10 million loan of Section 402 peso sales proceeds, $5 million will be extended on a loan basis in FY 1958 for the purchase of essential imports, mainly in the form of finished textiles, to help relieve the foreign exchange shortage and permit the Philippines to use a greater portion of its export earnings for the importation of capital equipment.

It is anticipated that some of the pesos accruing from Section 402 commodity sales may be loaned to private entrepreneurs to finance the costs of installation of industrial machinery obtained from Japanese reparations. However, no substantial amount of industrial machinery is expected from this source until late in FY 1958. It is anticipated that some of the capital equipment available from reparations will go into port facilities, railroads and power, thus permitting a decrease of MSP aid for capital development in the public sector.

2. Community (Rural) Development

The $4 million in local currency recommended for Community (Rural) Development in FY 1958 will provide sufficient help to carry this politically and economically important program forward. Only a relatively small amount of U. S. assistance appears necessary in FY 1958, since a large amount of Philippine Government resources is destined for this purpose. The assistance for FY 1958 (and also for FY 1959 and FY 1960) has been scheduled in terms of anticipated ability of the Philippines to carry the program forward from its own resources after FY 1960.

3. Military Support

Local currency support of military construction is programmed at $6 million in FY 1958. This amount appears realistic for the funding of firm requirements, in view of the military situation now prevailing in the Philippines, the backlog of local currency available for military use, and the general reluctance of the Philippines to support and maintain additional undertakings. The funds requested would help to meet the local costs of constructing two staging and recovery areas for each of the airfields at Mactan and Basa.

However, the U. S. desires to achieve through negotiations with the Philippine Government the modernization of the U. S. military bases system in the Philippines. This modernization may involve construction of new facilities for joint Philippines-U. S. use, the enlargement of some existing facilities, the construction of some aircraft control and warning sites, construction of a new major airbase, and the relocation of some access roads and other facilities. In such an event, a sum far larger than the $6 million requested in the proposed FY 1958 program and the additional $6 million cited as a contingent requirement, will be needed for generation of local currency.

C. Loans

The loan component of the proposed FY 1958 program is largely determined by the use to which the assistance will be applied, as well as the ability of the Philippines to service such loans in the future. The $15 million recommended for FY 1958 includes $10 million equivalent in pesos derived from Sec. 402 sales, to be loaned for self-liquidating purposes in support of industrial development. Another $5 million will be extended on a loan basis to finance imports of other consumer goods, thereby permitting increased imports of revenue-producing capital equipment out of the Philippines' own foreign exchange. In view of the government's budgetary situation and Filipino reluctance to expand military facilities, it is deemed inadvisable to require that funds for military construction or rural development be on

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a loan basis. The triple purpose served by these funds has been referred to above.

D. P. L. 480

Although there is the possibility that difficulties involved in negotiations now in process may not be resolved, it is estimated that the Philippines will receive out of the $28 million, three-year P. L. 480 agreement now being negotiated, about $10 million in surplus agricultural commodities during FY 1958. The development portion of the local currency generated by the sale of such commodities would constitute an important additive element in the expanded industrial development program.

E. MSP Pipeline

Projected unliquidated year-end balances for the Philippine program in FY 1957 and FY 1958 compare with the actual balance on June 30, 1956, as follows:

	Unliquidated Obligations (In millions of dollars)		
	FY 1956	FY 1957	FY 1958
Defense Support	33.2	30.3	24.7
Project Assistance	14.6	14.3	8.7
Non-project Assistance	18.6	16.0	16.0
Technical Cooperation	6.5	4.8	3.5

The overall pipeline for the Philippine program is expected to approximate current aid levels at the end of FY 1957 and to be considerably below such levels on June 30, 1958. The projected decrease in unliquidated obligations is attributable to: (1) a shift in the composition of the DS program, away from long lead-time project imports and toward relatively fast-moving saleable commodities, particularly surplus agricultural items; and (2) a gradual decrease in the TC program.

The projections for the project portion of the DS program reflect in part the gradual liquidation of the June 30, 1955 pipeline which contained substantial amounts for items with long procurement lead-times, such as dredges, road construction machinery, and steel shapes and plates. The FY 1957 estimate also is based on a slight increase in obligations during that year as compared to FY 1956. It is expected that, by June 30, 1957, all but a small portion of the FY 1955 balance will have been expended. As a result, and also because of a projected decrease in project obligations in FY 1958, the unliquidated project balance at the end of that year will approximate the FY 1957 obligation level and be only slightly higher than proposed new obligations in FY 1958.

SUMMARY OF FY 1959 PROGRAM

The proposed FY 1959 program continues the shift in emphasis to industrialization, begun in FY 1958, on the assumption that the economic actions listed in Appendix B will be carried out by the Philippine Government. The program envisaged is summarized below:

[redacted]

	Amount (US$ millions)
Defense Support	
Industrial Development	30.0
Other Capital Development	2.0
Rural Development *	7.0
Military Support	6.0
Subtotal	45.0
Technical Cooperation	2.0
Total	47.0

*Includes Community Development and other activities carried out in rural areas.

Of the $45 million DS aid proposed, $4 million is for project and $41 million for non-project assistance. The sale of non-project commodities will provide local currency to be allocated as follows: $30 million for industrial development (i.e., industrial loans to the private sector), $5 million for community development, and $6 million for military construction. A substantial portion of these commodity imports will be in the form of Sec. 402 surplus agricultural products.

In accordance with the long-range plan, the bulk of non-industrial projects will have been phased out by the end of FY 1959, or will be in the process of being assumed by the Philippine Government for continuing support. Many capital projects such as transportation facilities will be equipped from reparations.

If the Philippines makes the concerted effort to utilize its own resources, which is a precondition of the proposed expanded aid program, the additional funds provided in FY 1959 will assist substantially in progressing toward an economy in which U. S. objectives can be achieved.

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APPENDIX A

SIGNIFICANT ECONOMIC INDICATORS

PHILIPPINES

Item	Calendar Years 1954	1955	1956	1957	1958
Population (midyear in millions)	21.4	21.8	22.3	22.7	23.1
Gross National Product a/	4,158	4,425	4,558	4,695	4,836
Per Capita GNP (U.S. dollars)	194	203	204	207	209
Private Consumption a/	3,552	3,865	3,938	4,035	4,166
Gross Investment (public and private) a/	366	400	416	420	435
Investment as % of GNP	8.8	9.1	9.1	9.0	9.0
Net Foreign Balance a/	-80	-160	-110	-140	-150
Industrial Production (Index: 1952 = 100)	126.4	142.8	152	165	178
Agricultural Production (Index: 1935-39 = 100)	143	142	151	155	158

a/ Expressed in 1955 prices, in millions of U.S. $ equivalents. Foreign exchange conversion rate ₱2.00 = U.S. $1.00.

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APPENDIX B

U. S. COUNTRY TEAM RECOMMENDATIONS for ESSENTIAL ECONOMIC ACTION BY THE PHILIPPINES

As a minimum requirement for an expanded aid program of industrial development in future years, the Philippines should:

1. Give evidence of more efficient use of its foreign exchange earnings.

   (a) Alter composition of allocations to provide more foreign exchange for industrial machinery imports, and for required raw materials, and less foreign exchange for non-essential consumer goods.

   (b) Eliminate Cabinet ruling regarding "60% domestic raw material" requirement for new industrial investments.

   (c) Repeal "No-dollar Law."

   (d) Maintain present exchange rate of ₱2 = $1.00.

2. Give evidence that it is willing and able to use its budgetary resources in best economic fashion.

   (a) Size of budget deficits should be held to moderate levels -- not exceeding maximum of ₱150 million annually -- to hold down inflation potential. Either more tax revenues should be raised, or fewer pesos should be spent.

   (b) Amount scheduled for public works projects should be reduced.

   (c) The bond financing program should be re-examined (1) to slow pace of outlay, and (2) to up-grade uses.

3. Take appropriate governmental action to encourage both domestic and foreign investment.

   (a) Amend Corporation Law (RA 1459), Sec. 13, para 5, to allow one corporation to acquire interest in another corporation.

   (b) Amend Mining Act (Com. Act. No. 137) to clarify mineral land development.

4. Utilize available lines of credit.

   (a) The CS should actively "push" for the utilization of the Ex-Im Bank money it has been granted. Specifically, the Central Bank should assume responsibility for promotional activity to get into quick use those Ex-Im Bank funds earmarked for industrial loans in the private sector.

   (b) Create by law a counterpart loan fund to facilitate absorption of reparations in the private sector.

5. Give evidence of a serious effort to accelerate the use of ICA funds. IDC and NEC should make an all-out effort to stimulate entry by entrepreneurs into economically meaningful projects.

TABLE 2

PHILIPPINES

NON-MILITARY MUTUAL SECURITY DOLLAR PROGRAMS AND RELATED LOCAL CURRENCY GENERATION

(In thousands of dollars and equivalent)

	ACTUAL FY 1956				ESTIMATED FY 1957				PROPOSED FY 1958			
	DOLLAR PROGRAM			INITIATING LOCAL CURRENCY GENERATION	DOLLAR PROGRAM			INITIATING LOCAL CURRENCY GENERATION	DOLLAR PROGRAM			INITIATING LOCAL CURRENCY GENERATION
	TOTAL	DEFENSE SUPPORT	TECHNICAL COOPERATION		TOTAL	DEFENSE SUPPORT	TECHNICAL COOPERATION		TOTAL	DEFENSE SUPPORT	TECHNICAL COOPERATION	
PROJECT ASSISTANCE												
Contributions to Cooperative Services	x	x	x	x	x	x	x	x	x	x	x	x
Supplies and Equipment												
Capital Equipment	8,906	7,517	1,390	8,906	9,951	8,600	1,351	9,951	6,100	5,500	600	6,100
Other	379	283	96	379	1,300	1,200	100	1,300	585	500	85	585
Total, Supplies and Equipment	9,285	7,800	1,486	9,285	11,251	9,800	1,451	11,251	6,685	6,000	685	6,685
U.S. Employed Technicians (Cost)	1,815	-	1,815	-	1,977	-	1,977	-	1,631	-	1,631	-
Total Number Authorized for Employment During Year	(181)	-	(181)	x	(174)	-	(174)	x	(140)	x	(140)	x
Number on Duty Close of Year	(119)	-	(119)	x	(135)	-	(135)	x	(105)	x	(105)	x
Participants (Cost)	1,171	-	1,171	-	1,017	-	1,017	-	1,104	-	1,104	-
Number Authorized During Year	(343)	-	(343)	x	(262)	-	(262)	x	(286)	x	(286)	x
Contract Services (Total Cost U. S. Technicians)	1,410	-	1,410	1,410	555	-	555	555	580	-	580	580
Total Number Authorized for Employment During Year	(83)	-	(83)	x	(68)	-	(68)	x	(62)	x	(62)	x
Number on Duty Close of Year	(63)	-	(63)	x	(46)	-	(46)	x	(56)	x	(56)	x
Contract Services - Participants Authorized During Year	(20)	-	(20)	x	(20)	-	(20)	x	(13)	x	(13)	x
Other	-	-	-	-	-	-	-	-	-	-	-	-
Total, Project Assistance	13,682	7,800	5,882	10,695	14,800	9,800	5,000	11.806	10,000	6,000	4,000	7,265
NON-PROJECT ASSISTANCE												
Commodity Imports												
Surplus Agricultural Commodities												
Bread Grains	-	-	-	-	4,700	4,700	-	4,700	3,000	3,000	-	3,000
Raw Cotton	3,000	3,000	-	3,000	2,500	2,500	-	2,500	2,500	2,500	-	2,500
Dairy Products	12,400	12,400	-	12,400	11,400	11,400	-	11,400	14,500	14,500	-	14,500
Total, Surplus Agricultural Commodities	15,400	15,400	-	15,400	18,600	18,600	-	18,600	20,000	20,000	-	20,000
Deduct Sales to This Country for Benefit of Other Countries	-	-	-	-	-	-	-	-	-	-	-	-
Add Sales to Other Countries for Benefit of This Country	-	-	-	-	-	-	-	-	-	-	-	-
Net Sales for Benefit of This Country	15,400	15,400	-	15,400	18,600	18,600	-	18,600	20,000	20,000	-	20,000
Other Commodities:												
Finished Textiles	-	-	-	-	-	-	-	-	5,000	5,000	-	5,000
Total, Other Commodities	-	-	-	-	-	-	-	-	5,000	5,000	-	5,000
Total Commodity Imports	15,400	15,400	-	15,400	18,600	18,600	-	18,600	25,000	25,000	-	25,000
Cash Grants	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-
Total, Non-Project Assistance	15,400	15,400	-	15,400	18,600	18,600	-	18,600	25,000	25,000	-	25,000
TOTAL, NON-MILITARY PROGRAMS	29,082	23,200	5,882	26,095	33,400	28,400	5,000	30,406	35,000	31,000	4,000	32,265
Of Which Dollar Loans	3,300	3,300	-	-	-	-	-	-	5,000	5,000	-	-
Of Which Dollar Grants	25,782	19,900	5,882	26,095	33,400	28,400	5,000	30,406	30,000	26,000	4,000	32,265

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PHILIPPINES

MUTUAL SECURITY PROGRAM LOCAL CURRENCY GENERATION AND PROGRAMMED UTILIZATION

(In thousands of dollars equivalent)

	ACTUAL FY 1956			ESTIMATED FY 1957			PROPOSED FY 1958		
	TOTAL	DEFENSE SUPPORT	TECHNICAL COOPERATION	TOTAL	DEFENSE SUPPORT	TECHNICAL COOPERATION	TOTAL	DEFENSE SUPPORT	TECHNICAL COOPERATION
LOCAL CURRENCY GENERATION									
Dollar Programs Initiating Local Currency Generation	26,095	x	x	30,406	x	x	32,265	x	x
Less: Local Currency Reserved for U.S. Use	- 535	x	x	- 496	x	x	- 361	x	x
Add : Interest Receipts a/	+ 471	x	x	+ 471	x	x	+ 471	x	x
Subtotal Local Currency Availability	26,031	x	x	30,381	x	x	32,375	x	x
Add: Estimated Local Currency Unprogrammed Beginning of Year	-	x	x	-	x	x	-	x	x
Total Local Currency Available for Programming	26,031	x	x	30,381	x	x	32,375	x	x
PROGRAMMED UTILIZATION									
Mutual Security Project Requirements:									
Military	6,910	6,910	-	8,600	8,600	-	6,000 b/	6,000 b/	-
Non-Military	6,516	1,335	5,181	5,900	3,145	2,755	10,000	8,000	2,000
Total Project Requirements	13,426	8,245	5,181	14,500	11,745	2,755	16,000	14,000	2,000
Non-Project Budget Support:									
Military	-	-	-	-	-	-	-	-	-
Non-Military	12,605	12,605	-	15,881	15,881	-	16,375	16,375	-
Total Non-Project Budget Support	12,605	12,605	-	15,881	15,881	-	16,375	16,375	-
Other	-	-	-	-	-	-	-	-	-
Total Programmed Utilization	26,031	20,850	5,181	30,381	27,626	2,755	32,375	30,375	2,000
Local Currency Unprogrammed Close of Year	-	x	x	-	x	x	-	x	x

Footnotes on following page

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Footnotes

a/ Largely interest paid into Special Account on bonds issued by Reconstruction Finance Corporation, Reconstruction and Development Corporation and National Power Corporation.

b/ Excludes contingent amount for military construction.

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PHILIPPINES

MUTUAL SECURITY PROGRAM LOCAL CURRENCY ACCRUAL, REALIZATION AND UTILIZATION

(In thousands of dollars equivalent)

	ACTUAL FY 1956		ESTIMATED FY 1957		PROPOSED FY 1958	
	LOCAL CURRENCY		LOCAL CURRENCY		LOCAL CURRENCY	
	ON DEPOSIT	TO BE DEPOSITED	ON DEPOSIT	TO BE DEPOSITED	ON DEPOSIT	TO BE DEPOSITED
LOCAL CURRENCY REALIZATION						
Unutilized Balance Beginning of Year	6,514	33,448	5,461	39,064	4,931	40,375
Add: Current Year Local Currency Generation	x	26,031	x	30,381	x	32,375
Subtotal Availability on Accrual Basis	x	59,479	x	69,445	x	72,750
Local Currency Realization During Year	≠ 20,415	- 20,415	≠ 29,070	- 29,070	≠ 39,600	- 39,600
Total Local Currency Available for Utilization	26,929	x	34,531	x	44,531	x
UTILIZATION						
Mutual Security Project Requirements:						
Military	1,075	x	7,900	x	14,800	x
Non-Military	10,393	x	6,000	x	8,000	x
Total Project Requirements	11,468	x	13,900	x	22,800	x
Non-Project Budget Support:						
Military	-	x	-	x	-	x
Non-Military	10,000	x	15,700	x	21,000	x
Total Non-Project Budget Support	10,000	x	15,700	x	21,000	x
Other	-	x	-	x	-	x
Total Utilization	21,468	x	29,600	x	43,800	x
Local Currency Unutilized Close of Year	5,461 a/	39,064	4,931 a/	40,375	731 a/	33,150

a/ To be released for military construction.

TABLE 5

PHILIPPINES

MUTUAL SECURITY PROJECT ASSISTANCE BY FIELD OF ACTIVITY

(In thousands of dollars and equivalent)

FIELD OF ACTIVITY	ACTUAL FY 1956						ESTIMATED FY 1957						PROPOSED FY 1958					
	DOLLAR PROGRAM			LOCAL CURRENCY PROGRAMMED UTILIZATION			DOLLAR PROGRAM			LOCAL CURRENCY PROGRAMMED UTILIZATION			DOLLAR PROGRAM			LOCAL CURRENCY PROGRAMMED UTILIZATION		
	TOTAL	DEFENSE SUPPORT	TECHNICAL COOPERATION	TOTAL	DEFENSE SUPPORT	TECHNICAL COOPERATION	TOTAL	DEFENSE SUPPORT	TECHNICAL COOPERATION	TOTAL	DEFENSE SUPPORT	Technical Cooperation	TOTAL	DEFENSE SUPPORT	TECHNICAL COOPERATION	TOTAL	DEFENSE SUPPORT	TECHNICAL COOPERATION
Direct Military Support	x	x	x	4,700	4,700	-	x	x	x	8,600	8,600	-	x	x	x	6,000 a/	6,000 a/	-
Agriculture and Natural Resources	4,088	2,639	1,449	2,163	646	1,517	3,690	2,200	1,490	720	550	170	2,030	1,100	930	500	500	-
Industry and Mining	1,627	431	1,196	144	(22)	166	800	-	800	2,020	1,970	50	1,305	500	805	5,500	5,000	500
Transportation	3,226	2,925	301	755	711	44	4,850	4,600	250	515	500	15	2,030	1,800	230	1,000	1,000	-
Labor	220	-	220	74	-	74	115	-	115	55	-	55	85	-	85	-	-	-
Health and Sanitation	2,523	1,605	918	(22)	-	(22)	3,495	3,000	495	185	125	60	2,735	2,400	335	200	200	-
Education	926	-	926	136	-	136	720	-	720	125	-	125	700	-	700	300	300	-
Public Administration	715	-	715	196	-	196	645	-	645	165	-	165	525	-	525	-	-	-
Community Development, Social Welfare and Housing	221	200	21	(63)	-	(63)	125	-	125	-	-	-	315	200	115	1,000	1,000	-
General and Miscellaneous	136	-	136	3,133	-	3,133	360	-	360	2,115	-	2,115	275	-	275	1,500	-	1,500
TOTAL PROJECT ASSISTANCE	13,682	7,800	5,882	11,216	6,035	5,181	14,800	9,800	5,000	14,500	11,745	2,755	10,000	6,000	4,000	16,000	14,000	2,000

a/ Excludes contingent amount for military construction.

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PHILIPPINES

MUTUAL SECURITY PROJECT LISTING FOR FISCAL YEAR 1958

(In thousands of dollars)

PROJECT TITLE AND DESCRIPTION	STATUS	TOTAL COST	TECHNICIANS		PARTICIPANTS		CONTRACT SERVICES			SUPPLIES AND EQUIPMENT	OTHER COSTS
			NUMBER	COSTS	NUMBER	COSTS	NUMBER		COSTS		
							TECHNICIANS	PARTICIPANTS			
TECHNICAL COOPERATION											
Agriculture and Natural Resources											
1. Agricultural Extension	029	106	6	68	6	18	-	-	-	20	-
2. College of Agriculture and Central Experiment Station	053	190	-	-	-	-	13	8	150	40	-
3. Irrigation Services	091	73	3	35	10	38	4	-	- a/	-	-
4. Soil Conservation	051	30	1	10	3	15	-	-	-	5	-
5. Land Development	055	6	-	-	4	6	-	-	-	-	-
6. Livestock Development	043	14	1	8	2	6	-	-	-	-	-
7. Crop Development and Diversification	048	85	4	45	4	20	-	-	-	20	-
8. Land Tenure	008	73	2	23	5	15	-	-	-	35	-
9. Agricultural Economics	030	66	2	25	4	16	-	-	-	25	-
10. Cooperatives	056	49	2	25	8	24	4	-	- a/	-	-
11. Rural Credit	069	40	-	-	4	20	-	-	-	20	-
12. Forest Management and Forest Products Laboratory	038	126	2	21	4	20	3	-	70	15	-
13. General Program Administration	016	72	6	63	3	9	-	-	-	-	-
Total For Activity		930	29	323	57	207	24	8	220	180	-
Industry and Mining											
1. Non-Metallic Minerals	006	45	3	35	1	10	-	-	-	-	-
2. Strategic Minerals Survey	015	60	3	40	2	20	-	-	-	-	-
3. Technical Assistance to Bureau of Mines	017	25	1	15	1	10	-	-	-	-	-
4. Power Development To provide engineering services to the National Power Corporation for the establishment and/or expansion of primary and secondary distribution systems.	New	70	-	-	2	10	2	-	60	-	-

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PHILIPPINES

MUTUAL SECURITY PROJECT LISTING FOR FISCAL YEAR 1958

(In thousands of dollars)

PROJECT TITLE AND DESCRIPTION	STATUS	TOTAL COST	TECHNICIANS		PARTICIPANTS		CONTRACT SERVICES			SUPPLIES AND EQUIPMENT	OTHER COSTS
			NUMBER	COSTS	NUMBER	COSTS	NUMBER		COSTS		
							TECHNICIANS	PARTICIPANTS			
5. Water Resources Planning and Development	041	100	1	10	2	10	2	-	30	50	-
6. Industrial Development Center	035	445	12	125	100	240	5	-	70	10	-
7. Industrial Research	073	60	-	-	2	10	3	-	50	-	-
Total For Activity		805	20	225	110	310	12	-	210	60	-
Transportation											
1. Highway Improvement	024	180	15	150	6	30	-	-	-	-	-
2. Port Facilities and Harbor Improvement	028	20	1	15	1	5	-	-	-	-	-
3. General Program Administration	037	30	1	15	3	15	-	-	-	-	-
Total For Activity		230	17	180	10	50	-	-	-	-	-
Labor											
1. Labor Education Center	003	5	-	-	1	5	2	-	- a/	-	-
2. Labor Productivity	060	15	1	15	-	-	-	-	-	-	-
3. Labor Legislation and Enforcement	009	20	1	15	1	5	-	-	-	-	-
4. Manpower Utilization	062	20	1	15	1	5	-	-	-	-	-
5. General Program Administration	064	25	1	15	2	10	-	-	-	-	-
Total For Activity		85	4	60	5	25	2	-	- a/	-	-
Health and Sanitation											
1. Malaria Eradication	013	15	1	15	-	-	-	-	-	-	-
2. Water Supply (Wells and Springs)	014	20	1	15	1	5	-	-	-	-	-
3. Hospital Sanitation Facilities To establish demonstration sanitary laundry facilities in several rural hospitals, utilizing to the fullest extent locally available machines, tanks, and other components in these	New	50	-	-	-	-	-	-	-	50	-

[redacted]

PHILIPPINES

MUTUAL SECURITY PROJECT LISTING FOR FISCAL YEAR 1958

(In thousands of dollars)

PROJECT TITLE AND DESCRIPTION	STATUS	TOTAL COST	TECHNICIANS		PARTICIPANTS		CONTRACT SERVICES			SUPPLIES AND EQUIPMENT	OTHER COSTS
			NUMBER	COSTS	NUMBER	COSTS	NUMBER TECHNICIANS	NUMBER PARTICIPANTS	COSTS		
demonstration laundry systems. Technical services will be funded under project 54-004, Health Training.											
4. Rural Health Units	018	15	1	15	-	-	-	-	-	-	-
5. Health Training	004	205	7	80	25	125	-	-	-	-	-
6. General Program Administration	021	30	2	30	-	-	-	-	-	-	-
Total For Activity		335	12	155	26	130	-	-	-	50	-
Education											
1. Vocational Industrial Training	027	185	4	40	4	20	10	-	- a/	125	-
2. Vocational Agricultural Training	023	140	3	45	3	15	9	-	- a/	80	-
3. University of the Philippines	012	200	-	-	-	-	5	5	150	50	-
4. Community Education To demonstrate the use of improved curriculum and teaching procedures in the education process, with emphasis on its ultimate effect on community development.	New	150	4	60	8	40	-	-	-	50	-
5. General Program Administration	065	25	1	15	2	10	-	-	-	-	-
Total For Activity		700	12	160	17	85	24	5	150	305	-
Public Administration											
1. Government Management and Procedure Improvement	005	90	2	30	6	30	-	-	-	30	-
2. Civil Service Improvement	075	52	4	37	3	15	-	-	-	-	-
3. Modernization of Budget and Accounting	066	63	3	23	8	40	-	-	-	-	-
4. Revenue Administration	010	85	5	45	8	40	-	-	-	-	-
5. National Media Production Center	042	30	3	30	-	-	-	-	-	-	-
6. Statistical Service	052	85	5	75	2	10	-	-	-	-	-

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PHILIPPINES

MUTUAL SECURITY PROJECT LISTING FOR FISCAL YEAR 1958

(In thousands of dollars)

PROJECT TITLE AND DESCRIPTION	STATUS	TOTAL COST	TECHNICIANS		PARTICIPANTS		CONTRACT SERVICES			SUPPLIES AND EQUIPMENT	OTHER COSTS
			NUMBER	COSTS	NUMBER	COSTS	NUMBER		COSTS		
							TECHNICIANS	PARTICIPANTS			
7. General Program Administration	079	35	1	15	4	20	-	-	-	-	-
8. Police Improvement	090	85	1	15	4	20	-	-	-	50	-
Total For Activity		525	24	270	35	175	-	-	-	80	-
Community Development, Social Welfare and Housing											
1. Community Development	077	115	5	53	14	62	-	-	-	-	-
Total For Activity		115	5	53	14	62	-	-	-	-	-
General and Miscellaneous											
1. Training in Atomic Energy Fields	074	40	-	-	8	40	-	-	-	-	-
2. Economic Policy Development	047	75	5	55	4	20	-	-	-	-	-
3. Technical Support	000	160	12	150	-	-	-	-	-	10	-
Total For Activity		275	17	205	12	60	-	-	-	10	-
TOTAL TECHNICAL COOPERATION PROGRAM		4,000	140	1,631	286	1,104	62	13	580	685	-

a/ Contract technicians financed under prior year program.

[redacted]

PHILIPPINES

MUTUAL SECURITY PROJECT LISTING FOR FISCAL YEAR 1958

(In thousands of dollars)

PROJECT TITLE AND DESCRIPTION	STATUS	TOTAL COST	TECHNICIANS		PARTICIPANTS		CONTRACT SERVICES			SUPPLIES AND EQUIPMENT	OTHER COSTS
			NUMBER	COSTS	NUMBER	COSTS	NUMBER		COSTS		
							TECHNICIANS	PARTICIPANTS			
DEFENSE SUPPORT											
Agriculture and Natural Resources											
1. Irrigation Services	091	400	-	-	-	-	-	-	-	400	-
2. Land Development	055	100	-	-	-	-	-	-	-	100	-
3. Cooperatives	056	600	-	-	-	-	-	-	-	600	-
Total For Activity		1,100	-	-	-	-	-	-	-	1,100	-
Industry and Mining											
1. Strategic Minerals Survey	015	300	-	-	-	-	-	-	-	300	-
2. Industrial Research	073	200	-	-	-	-	-	-	-	200	-
Total For Activity		500	-	-	-	-	-	-	-	500	-
Transportation											
1. Highway Improvement	024	1,600	-	-	-	-	-	-	-	1,600	-
2. Port Facilities and Harbor Improvement	028	200	-	-	-	-	-	-	-	200	-
Total For Activity		1,800	-	-	-	-	-	-	-	1,800	-
Health and Sanitation											
1. Malaria Eradication	013	500	-	-	-	-	-	-	-	500	-
2. Water Supply (Wells and Springs)	014	800	-	-	-	-	-	-	-	800	-
3. Rural Health Units	018	800	-	-	-	-	-	-	-	800	-
4. Health Training	004	300	-	-	-	-	-	-	-	300	-
Total For Activity		2,400	-	-	-	-	-	-	-	2,400	-

[redacted]

PHILIPPINES

MUTUAL SECURITY PROJECT LISTING FOR FISCAL YEAR 1958

(In thousands of dollars)

PROJECT TITLE AND DESCRIPTION	STATUS	TOTAL COST	TECHNICIANS		PARTICIPANTS		CONTRACT SERVICES			SUPPLIES AND EQUIPMENT	OTHER COSTS
							NUMBER		COSTS		
			NUMBER	COSTS	NUMBER	COSTS	TECHNICIANS	PARTICIPANTS			
Community Development, Social Welfare and Housing											
1. Community Development	077	200	-	-	-	-	-	-	-	200	-
Total For Activity		200	-	-	-	-	-	-	-	200	-
TOTAL DEFENSE SUPPORT PROJECTS		6,000	-	-	-	-	-	-	-	6,000	-

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TABLE 7

PHILIPPINES

ANALYSIS OF EXPENDITURE RATES FOR NON-MILITARY MUTUAL SECURITY PROGRAMS

(In thousands of dollars)

PROGRAM	UNLIQUIDATED OBLIGATIONS 6/30/55	ACTUAL OBLIGATIONS FY 1956	TOTAL AVAILABLE FOR EXPENDITURE FY 1956	ACTUAL EXPENDITURES FY 1956	UNLIQUIDATED OBLIGATIONS 6/30/56	ESTIMATED OBLIGATIONS FY 1957	TOTAL AVAILABLE FOR EXPENDITURE FY 1957	ESTIMATED EXPENDITURES FY 1957	UNLIQUIDATED OBLIGATIONS 6/30/57	PROPOSED OBLIGATIONS FY 1958	TOTAL AVAILABLE FOR EXPENDITURE FY 1958	ESTIMATED EXPENDITURES FY 1958	UNLIQUIDATED OBLIGATIONS 6/30/58
FY 1955 AND PRIOR YEAR FUNDS													
Defense Support													
Project Assistance	17,220.4	(445.8)	16,774.6	9,696.1	7,078.5	x	7,078.5	6,078.5	1,000.0	x	1,000,0	750.0	250.0
Non-Project Assistance	13,606.3	(768.2)	12,838.1	9,236.1	3,602.0	x	3,602.0	2,602.0	1,000.0	x	1,000.0	1,000.0	-
Total, Defense Support	30,826.7	(1,214.0)	29,612.7	18,932.2	10,680.5	x	10,680.5	8,680.5	2,000.0	x	2,000.0	1,750.0	250.0
Technical Cooperation													
Project Assistance	5,080.7	251.5	5,332.2	3,193.2	2,139.0	x	2,139.0	2,039.0	100.0	x	100.0	100.0	-
Total FY 1955 and Prior Year Funds	35,907.4	(962.5)	34,944.9	22,125.4	12,819.5	x	12,819.5	10,719.5	2,100.0	x	2,100.0	1,850.0	250.0
FY 1956 FUNDS													
Defense Support													
Project Assistance	x	7,800.0	7,800.0	333.5	7,466.5	x	7,466.5	3,466.5	4,000.0	x	4,000.0	3,000.0	1,000.0
Non-Project Assistance	x	15,400.0	15,400.0	359.9	15,040.1	x	15,040.1	13,040.1	2,000.0	x	2,000.0	2,000.0	-
Total Defense Support	x	23,200.0	23,200.0	693.4	22,506.6	x	22,506.6	16,506.6	6,000.0	x	6,000.0	5,000.0	1,000.0
Technical Cooperation													
Project Assistance	x	5,881.5	5,881.5	1,538.4	4,343.1	x	4,343.1	2,343.1	2,000.0	x	2,000.0	1,500.0	500.0
Total, FY 1956 Funds	x	29,081.5	29,081.5	2,231.8	26,849.7	x	26,849.7	18,849.7	8,000.0	x	8,000.0	6,500.0	1,500.0
FY 1957 FUNDS													
Defense Support													
Project Assistance	x	x	x	x	x	9,800.0	9,800.0	500.0	9,300.0	x	9,300.0	6,300.0	3,000.0
Non-Project Assistance	x	x	x	x	x	18,600.0	18,600.0	5,600.0	13,000.0	x	13,000.0	11,500.0	1,500.0
Total, Defense Support	x	x	x	x	x	28,400.0	28,400.0	6,100.0	22,300.0	x	22,300.0	17,800.0	4,500.0
Technical Cooperation													
Project Assistance	x	x	x	x	x	5,000.0	5,000.0	2,300.0	2,700.0	x	2,700.0	1,700.0	1,000.0
Total, FY 1957 Funds	x	x	x	x	x	33,400.0	33,400.0	8,400.0	25,000.0	x	25,000.0	19,500.0	5,500.0
FY 1958 FUNDS													
Defense Support													
Project Assistance	x	x	x	x	x	x	x	x	x	6,000.0	6,000.0	1,500.0	4,500.0
Non-Project Assistance	x	x	x	x	x	x	x	x	x	25,000.0	25,000.0	10,500.0	14,500.0
Total, Defense Support	x	x	x	x	x	x	x	x	x	31,000.0	31,000.0	12,000.0	19,000.0
Technical Cooperation													
Project Assistance	x	x	x	x	x	x	x	x	x	4,000.0	4,000.0	2,000.0	2,000.0
Total, FY 1958 Funds	x	x	x	x	x	x	x	x	x	35,000.0	35,000.0	14,000.0	21,000.0
TOTAL ALL PROGRAMS													
Defense Support													
Project Assistance	17,220.4	7,354.2	24,574.6	10,029.6	14,545.0	9,800.0	24,345.0	10,045.0	14,300.0	6,000.0	20,300.0	11,550.0	8,750.0
Non-Project Assistance	13,606.3	14,631.8	28,238.1	9,596.0	18,642.1	18,600.0	37,242.1	21,242.1	16,000.0	25,000.0	41,000.0	25,000.0	16,000.0
Total, Defense Support	30,826.7	21,986.0	52,812.7	19,625.6	33,187.1	28,400.0	61,587.1	31,287.1	30,300.0	31,000.0	61,300.0	36,550.0	24,750.0
Technical Cooperation													
Project Assistance	5,080.7	6,133.0	11,213.7	4,731.6	6,482.1	5,000.0	11,482.1	6,682.1	4,800.0	4,000.0	8,800.0	5,300.0	3,500.0
TOTAL, ALL PROGRAMS	35,907.4	28,119.0	64,026.4	24,357.2	39,669.2	33,400.0	73,069.2	37,969.2	35,100.0	35,000.0	70,100.0	41,850.0	28,250.0

[redacted]

PHILIPPINES

TABLE 8

ANALYSIS OF EXPENDITURE RATES FOR SELECTED PROJECTS WITH UNLIQUIDATED OBLIGATIONS OF $100,000 OR MORE ON 6/30/56 AND FOR WHICH ADDITIONAL FUNDS ARE PROPOSED IN FY 1958

(In thousands of dollars)

PROJECT TITLE AND NUMBER	UNLIQUIDATED OBLIGATIONS 6/30/55	ACTUAL OBLIGATIONS FY 1956	TOTAL AVAILABLE FOR EXPENDITURE FY 1956	ACTUAL EXPENDITURES FY 1956	UNLIQUIDATED OBLIGATIONS 6/30/56	ESTIMATED OBLIGATIONS FY 1957	TOTAL AVAILABLE FOR EXPENDITURE FY 1957	ESTIMATED EXPENDITURES FY 1957	UNLIQUIDATED OBLIGATIONS 6/30/57	PROPOSED OBLIGATIONS FY 1958	TOTAL AVAILABLE FOR EXPENDITURE FY 1958	ESTIMATED EXPENDITURES FY 1958	UNLIQUIDATED OBLIGATIONS 6/30/58
AGRICULTURE AND NATURAL RESOURCES													
Land Tenure													
55-008	40	x	40	-	40	x	40	40	-	x	-	-	-
56-008	x	88	88	-	88	x	88	88	-	x	-	-	-
57-008	x	x	x	x	x	10	10	10	-	x	-	-	-
58-008	x	x	x	x	x	x	x	x	x	35	35	-	35
Total	40	88	128	-	128	10	138	138	-	35	35	-	35
Agricultural Extension													
55-029	137	x	137	58	79	x	-	79	-	x	-	-	-
56-029	x	148	148	-	148	x	148	148	-	x	-	-	-
57-029	x	x	x	x	x	150	150	115	35	x	35	35	-
58-029	x	x	x	x	x	x	x	x	-	20	20	-	20
Total	137	148	285	58	227	150	377	342	35	20	55	35	20
Forest Management and Forest Products Laboratory													
55-038	290	x	290	163	127	x	127	127	-	x	-	-	-
56-038	x	118	118	-	118	x	118	118	-	x	-	-	-
57-038	x	x	x	x	x	20	20	20	-	x	-	-	-
58-038	x	x	x	x	x	x	x	x	-	15	15	15	-
Total	290	118	408	163	245	20	265	265	-	15	15	15	-
Irrigation Services													
55-044, 55-091	2,125	-	2,125	1,917	208	-	208	208	-	x	-	-	-
56-044, 56-091	x	1,755	1,755	-	1,755	-	1,755	1,755	-	x	-	-	-
57-044, 57-091	x	x	x	x	x	1,450	1,450	850	600	x	600	600	-
58-091	x	x	x	x	x	x	x	x	x	400	400	300	100
Total	2,125	1,755	3,880	1,917	1,963	1,450	3,413	2,813	600	400	1,000	900	100
Land Development													
55-055	174	-	174	116	58	x	58	58	-	x	-	-	-
56-055	x	384	384	-	384	x	384	384	-	x	-	-	-
57-055	x	x	x	x	x	350	350	-	350	x	350	350	-
58-055	x	x	x	x	x	x	x	x	x	100	100	100	-
Total	174	384	558	116	442	350	792	442	350	100	450	450	-
Cooperatives													
55-056, 55-049	686	-	686	558	128	-	128	128	-	x	-	-	-
56-056, 56-049	x	756	756	-	756	-	756	756	-	x	-	-	-
57-056, 57-049	x	x	x	x	x	450	450	200	250	x	250	250	-
58-056	x	x	x	x	x	x	x	x	x	600	600	200	400
Total	686	756	1,442	558	884	450	1,334	1,084	250	600	850	450	400

[redacted]

ANALYSIS OF EXPENDITURE RATES FOR SELECTED PROJECTS WITH UNLIQUIDATED OBLIGATIONS OF $100,000 OR MORE ON 6/30/56 AND FOR WHICH ADDITIONAL FUNDS ARE PROPOSED IN FY 1958

(In thousands of dollars)

PROJECT TITLE AND NUMBER	UNLIQUIDATED OBLIGATIONS 6/30/55	ACTUAL OBLIGATIONS FY 1956	TOTAL AVAILABLE FOR EXPENDITURE FY 1956	ACTUAL EXPENDITURES FY 1956	UNLIQUIDATED OBLIGATIONS 6/30/56	ESTIMATED OBLIGATIONS FY 1957	TOTAL AVAILABLE FOR EXPENDITURE FY 1957	ESTIMATED EXPENDITURES FY 1957	UNLIQUIDATED OBLIGATIONS 6/30/57	PROPOSED OBLIGATIONS FY 1958	TOTAL AVAILABLE FOR EXPENDITURE FY 1958	ESTIMATED EXPENDITURES FY 1958	UNLIQUIDATED OBLIGATIONS 6/30/58
INDUSTRY AND MINING													
Strategic Minerals Survey													
55-015	3	-	3	-	3	x	3	3	-	x	-	-	-
56-015	x	160	160	-	160	x	160	145	15	x	15	15	-
58-015	x	x	x	x	x	x	x	x	x	300	300	200	100
Total	3	160	163	-	163	-	163	148	15	300	315	215	100
Industrial Development Center													
55-035	97	-	97	11	86	-	86	26	60	x	60	40	20
56-035	x	145	145	-	145	-	145	65	80	x	80	30	50
57-035	x	x	x	x	x	65	65	-	65	x	65	45	20
58-035	x	x	x	x	x	x	x	x	x	80	80	40	40
Total	97	145	242	11	231	65	296	91	205	80	285	155	130
Water Resources Planning and Development													
55-041	222	-	222	147	75	-	75	75	-	x	-	-	-
56-041	x	150	150	-	150	-	150	150	-	x	-	-	-
57-041	x	x	x	x	x	80	80	-	80	x	80	80	-
58-041	x	x	x	x	x	x	x	x	x	80	80	-	80
Total	222	150	372	147	225	80	305	225	80	80	160	80	80
TRANSPORTATION													
Highway Improvement													
55-024	3,750	-	3,750	3,212	538	-	538	538	-	x	-	-	-
56-024	x	2,217	2,217	-	2,217	-	2,217	1,717	500	x	500	500	-
57-024	x	x	x	x	x	3,800	3,800	3,000	800	x	800	800	-
58-024	x	x	x	x	x	x	x	x	x	1,600	1,600	1,000	600
Total	3,750	2,217	5,967	3,212	2,755	3,800	6,555	5,255	1,300	1,600	2,900	2,300	600
Port Facilities and Harbor Improvement													
55-028	1,265	-	1,265	-	1,265	-	1,265	265	1,000	x	1,000	500	500
56-081	x	1,400	1,400	-	1,400	-	1,400	100	1,300	x	1,300	1,300	-
57-028	x	x	x	x	x	2,400	2,400	-	2,400	x	2,400	1,200	1,200
58-028	x	x	x	x	x	x	x	x	x	200	200	-	200
Total	1,265	1,400	2,665	-	2,665	2,400	5,065	365	4,700	200	4,900	3,000	1,900
HEALTH AND SANITATION													
Health Training													
56-004	x	110	110	-	110	x	110	110	-	x	-	-	-
58-004	x	x	x	x	x	x	x	x	x	300	300	-	300
Total	x	110	110	-	110	x	110	110	-	300	300	-	300

PHILIPPINES

TABLE 8
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ANALYSIS OF EXPENDITURE RATES FOR SELECTED PROJECTS WITH UNLIQUIDATED OBLIGATIONS OF $100,000 OR MORE ON 6/30/56 AND FOR WHICH ADDITIONAL FUNDS ARE PROPOSED IN FY 1958

(In thousands of dollars)

PROJECT TITLE AND NUMBER	UNLIQUIDATED OBLIGATIONS 6/30/55	ACTUAL OBLIGATIONS FY 1956	TOTAL AVAILABLE FOR EXPENDITURE FY 1956	ACTUAL EXPENDITURES FY 1956	UNLIQUIDATED OBLIGATIONS 6/30/56	ESTIMATED OBLIGATIONS FY 1957	TOTAL AVAILABLE FOR EXPENDITURE FY 1957	ESTIMATED EXPENDITURES FY 1957	UNLIQUIDATED OBLIGATIONS 6/30/57	PROPOSED OBLIGATIONS FY 1958	TOTAL AVAILABLE FOR EXPENDITURE FY 1958	ESTIMATED EXPENDITURES FY 1958	UNLIQUIDATED OBLIGATIONS 6/30/58
Malaria Eradication													
55-013	527	-	527	519	8	x	8	8	-	x	-	-	-
56-013	x	280	280	234	46	x	46	46	-	x	-	-	-
57-013	x	x	x	x	x	900	900	900	-	x	-	-	-
58-013	x	x	x	x	x	x	x	x	x	500	500	500	-
Total	527	280	807	753	54	900	954	954	-	500	500	500	-
Water Supply (Wells and Springs)													
55-014	802	-	802	793	9	x	9	9	-	x	-	-	-
56-014	x	2,077	2,077	2	2,075	x	2,075	2,075	-	x	-	-	-
57-014	x	x	x	x	x	1,300	1,300	700	600	x	600	600	-
58-014	x	x	x	x	x	x	x	x	x	800	800	800	-
Total	802	2,077	2,879	795	2,084	1,300	3,384	2,784	600	800	1,400	1,400	-
Rural Health Units													
55-018	11	-	11	8	3	-	3	3	-	x	-	-	-
56-018	x	520	520	-	520	-	520	520	-	x	-	-	-
57-018	x	x	x	x	x	400	400	400	-	x	-	-	-
58-018	x	x	x	x	x	x	x	x	x	800	800	760	40
Total	11	520	531	8	523	400	923	923	-	800	800	760	40
EDUCATION													
University of the Philippines													
56-012	x	120	120	-	120	-	120	120	-	x	-	-	-
57-012	x	x	x	x	x	175	175	50	125	x	125	125	-
58-012	x	x	x	x	x	x	x	x	x	200	200	50	150
Total	x	120	120	-	120	175	295	170	125	200	325	175	150
Vocational Agricultural Training													
55-023	332	-	332	168	164	-	164	164	-	x	-	-	-
56-023	x	425	425	-	425	-	425	125	300	x	300	150	150
57-023	x	x	x	x	x	120	120	20	100	x	100	100	-
58-023	x	x	x	x	x	x	x	x	x	80	80	30	50
Total	332	425	757	168	589	120	709	309	400	80	480	280	200

PHILIPPINES

ANALYSIS OF EXPENDITURE RATES FOR SELECTED PROJECTS WITH UNLIQUIDATED OBLIGATIONS OF $100,000 OR MORE ON 6/30/56 AND FOR WHICH ADDITIONAL FUNDS ARE PROPOSED IN FY 1958

(In thousands of dollars)

PROJECT TITLE AND NUMBER	UNLIQUIDATED OBLIGATIONS 6/30/55	ACTUAL OBLIGATIONS FY 1956	TOTAL AVAILABLE FOR EXPENDITURE FY 1956	ACTUAL EXPENDITURES FY 1956	UNLIQUIDATED OBLIGATIONS 6/30/56	ESTIMATED OBLIGATIONS FY 1957	TOTAL AVAILABLE FOR EXPENDITURE FY 1957	ESTIMATED EXPENDITURES FY 1957	UNLIQUIDATED OBLIGATIONS 6/30/57	PROPOSED OBLIGATIONS FY 1958	TOTAL AVAILABLE FOR EXPENDITURE FY 1958	ESTIMATED EXPENDITURES FY 1958	UNLIQUIDATED OBLIGATIONS 6/30/58
Vocational Industrial Training													
55-027	250	-	250	-	250	-	250	80	170	x	170	100	70
56-027	x	124	124	-	124	-	124	124	-	x	-	-	-
57-027	x	x	x	x	x	100	100	30	70	x	70	70	-
58-027	x	x	x	x	x	x	x	x	x	125	125	25	100
Total	250	124	374	-	374	100	474	234	240	125	365	195	170
COMMUNITY DEVELOPMENT, SOCIAL WELFARE AND HOUSING													
Community Development													
56-077	x	316	316	-	316	-	316	316	-	x	-	-	-
57-077	x	x	x	x	x	50	50	50	-	x	-	-	-
58-077	x	x	x	x	x	x	x	x	x	200	200	150	50
Total	x	316	316	-	316	50	366	366	-	200	200	150	50

PHILIPPINES

TABLE 9

CENTRAL GOVERNMENT FINANCES AND RELATED MUTUAL SECURITY LOCAL CURRENCY PROGRAMS

(Exchange Rate Used To Convert To Dollars: 2)

(In thousands of dollars equivalent)

	FISCAL YEAR ENDING: June 30							
	1955		1956		1957		1958	
EXPENDITURES								
National Defense	73,500		76,900		74,400		81,400	
Capital Outlay	82,600		150,900		181,500		210,000	
Other Non-Defense Expenditures	318,500		345,100		423,400		453,600	
Total Expenditures	474,600		572,900		679,300		745,000	
Total Revenue, Excluding U.S. and Other Foreign Aid	387,400		428,900		496,500		556,600	
Deficit (-) or Surplus (+) Before Aid	-87,200		-144,000		-182,800		-188,400	
FINANCING OF EXPENDITURES BY SOURCE OF FUNDS	PERCENT	AMOUNT	PERCENT	AMOUNT	PERCENT	AMOUNT	PERCENT	AMOUNT
Revenue, Excluding U.S. and Other Foreign Aid	81.6	387,400	74.9	428,900	73.0	496,500	74.7	556,600
Counterpart Withdrawals and MSP Local Currency Grants								
Defense Budget Support	-	-	0.2	1,100	1.2	7,900	2.0	14,800
Civilian Budget Support	-	-	-	-	0.3	2,000	0.5	4,000
Mutual Security Program Projects	3.5	16,800	2.3	13,300	2.8	19,000	2.4	18,000
Total Counterpart and U.S. Local Currency Grants	3.5	16,800	2.5	14,400	4.3	28,900	4.9	36,800
P.L. 480 Grants	-	-	-	-	-	-	-	-
Grants from Other Countries	-	-	0.9	5,000	0.7	5,000	3.4	25,000
Borrowings (+) or Debt Retirement (-)	-							
Mutual Security Loan	-	-	-	-	1.0	6,700	1.3	10,000
P.L. 480 - Sec. 104(g)	-	-	-	-	-	-	-	-
Export-Import Bank	1.3	6,000	1.0	6,000	1.5	10,000	2.7	20,000
International Bank for Reconstruction and Development	-	-	-	-	-	-	-	-
Other Foreign Borrowing	-	-	-	-	-	-	-	-
Domestic Borrowing:	-	-	-	-	-	-	-	-
Bond Issues	7.8	37,200	11.3	64,900	12.8	87,000	10.3	76,600
Treasury Notes	6.3	30,000	8.1	46,500	6.7	45,200	2.7	20,000
Borrowing from Central and Private Banks	-	-	-	-	-	-	-	-
Total Domestic Borrowing	14.1	67,200	19.4	111,400	19.5	132,200	13.0	96,600
Total Borrowing	15.4	73,200	20.4	117,400	22.0	148,900	17.0	126,600
Net Change (+) or (-) in Bank Balances and Other Reserves	-0.5	-2,800	+1.3	+7,200	-	-	-	-
Total Financing	100.0	474,600	100.0	572,900	100.0	679,300	100.0	745,000

NOTE: Government Gross Debt: Amount Domestic 650,400 Amount Foreign 102,800 Date June 30, 1956

TABLE 10

PHILIPPINES

BALANCE OF PAYMENTS AND RESERVES

(Million of dollar equivalent converted at 2 per dollar)

ITEM	CALENDAR YEARS 1954	1955	1956	1957	1958
Balance of Payments					
Goods and Services					
Exports, F.O.B.	392	390	410	430	450
Imports, F.O.B.	-487	-551	-525	-565	-590
Trade balance	- 95	-161	-115	-135	-140
Nonmonetary gold movements (net)	14	14	15	15	15
Foreign travel	- 12	- 14	- 14	- 14	- 14
Transportation and insurance	- 58	- 66	- 65	- 68	- 70
Investment income	- 57	- 67	- 65	- 70	- 75
Government, not included elsewhere	120	123	125	125	125
Other services	7	12	10	10	10
Total services	14	2	6	- 2	- 9
Total goods and services	- 81	-159	-109	-137	-149
Private Financing					
Remittances	4	8	5	5	5
Direct investment	44	49	45	45	45
Other	-	10	10	17	17
Total private financing	48	67	60	67	67
Net Errors and Omissions	6	-	-	-	-
Surplus (+) or Deficit (-)	- 27	- 92	- 49	- 70	- 82
Official Financing					
Grants					
Grants from U.S.					
MSP	15	21	20	23	24
P.L. 480 Titles I, II	-	-	-	-	-
Other	5 a/	3 a/	10 b/	25 b/	25 b/
Total grants	20	24	30	48	49
Long-Term Capital					
Loan repayments, including Government	- 10	- 6	- 5	- 6	- 7
Loans from MSP	-	-	6	9	11
Loans from P.L. 480, Title I.	-	-	-	-	-
Loans from Export-Import Bank	6	6	10	20	20
Loans from IBRD	-	-	-	-	-
Other	- 13	10	5	-	-
Total long-term capital	- 17	10	16	23	24
Short-Term Capital					
Change in reserves (increase -)	25	65	8	- 1	9
Monetary gold (increase -)	-	- 7	- 5	-	-
Other	- 1	-	-	-	-
Total short-term capital	24	58	3	- 1	9
Total Official Financing	27	92	49	70	82
Status of Reserves (end of period)					
Gold	9	15	20	20	20
Dollars	263	194	186	187	178
Sterling	-	-	-	-	-
Other	-	-	-	-	-
Total Reserves	272	209	206	207	198

a/ U.S. Veterans' Hospital Project Fund.
b/ Japanese reparations.

TABLE II

PHILIPPINES

SUMMARY ECONOMIC DATA

ITEM	CALENDAR YEARS 1954	1955	1956	1957	1958
Population (Mid-year in millions)	21.4	21.8	22.3	22.7	23.1
Gross National Product at market prices--Total ($ Millions)	4,200	4,425	-	-	-
(Expressed in 1955 prices. Foreign Exchange Conversion Rate: 2 pesos = US $1)	4,158	4,425	4,554	4,675	4,816
By Type of Expenditure:					
Private consumption	3,552	3,865	3,891	4,035	4,166
Gross investment (public and private)	366	400	416	420	435
Government expenditures on goods and services	320	320	350	360	365
Net foreign balance (+) or (-)	- 80	- 160	- 110	- 140	- 150
Per capita GNP	194	203	204	207	209
Prices (Index, 1953 =100)					
a. Wholesale	95	92	94	94	94
b. Cost of living	99	98	100	100	100
Industrial production (Index, 1952 =100)	126.4	142.8	152	165	178
Major commodities / Unit of quantity					
Electric Power (Manila) / million KWH	701	782	843	900	1,000
Iron Ore / 1,000 MT	1,424	1,432	1,500	1,500	1,500
Copper Ore / 1,000 MT	14	17	23	30	30
Chromite / 1,000 MT	451	598	800	900	1,000
Timber / 1,000 bd. ft.	1,540	1,660	1,700	1,700	1,700
	CROP YEARS 1954/55	1955/56	1956/57	1957/58	1958/59
Agricultural production (Total Index, 1935-39 =100)	143	142	151	155	158
Major crops / Unit of quantity					
Rice (rough) / 1,000 MT	3,200	3,240	3,400	3,600	3,800
Copra and Coconut Oil / 1,000 MT	1,175	1,217	1,300	1,300	1,300
Sugar (centrifugal) / 1,000 MT	1,240	1,090	1,200	1,250	1,300
Abaca / 1,000 MT	113	103	110	107	108

[redacted]

TABLE 12

PHILIPPINES

SUMMARY SALES PROGRAMS UNDER PL 480, AGRICULTURAL TRADE AND DEVELOPMENT ACT OF 1954

(In thousands of dollars)

FISCAL YEAR IN WHICH SALES AGREEMENT SIGNED	TOTAL SALES CONTEMPLATED BY AGREEMENT	PLANNED USE OF LOCAL CURRENCY PROCEEDS (In Dollar Equivalent)					
		FOR ECONOMIC DEVELOPMENT UNDER SECTIONS				FOR COMMON DEFENSE 104(c)	FOR OTHER PURPOSES
		104(d)	104(e)	104(g)	TOTAL		
FY 1955 (Actual)	-	-	-	-	-	-	-
FY 1956 (Actual)	-	-	-	-	-	-	-
FY 1957 (Estimated)	28.0 a/	-	-	17.5	17.5	3.0	7.5
FY 1958 (Estimated)	-	-	-	-	-	-	-
Total	28.0	-	-	17.5	17.5	3.0	7.5

a/ Agreement is to provide for equal annual commodity imports over 3-year period.

[redacted]

PHILIPPINES

TABLE 13

ACCRUAL, REALIZATION AND UTILIZATION OF LOCAL CURRENCIES UNDER P.L. 480, AGRICULTURAL TRADE AND DEVELOPMENT ACT OF 1954

(In thousands of dollars equivalent)

	ACTUAL FY 1956		ESTIMATED FY 1957		PROPOSED FY 1958	
	ON DEPOSIT	TO BE DEPOSITED	ON DEPOSIT	TO BE DEPOSITED	ON DEPOSIT	TO BE DEPOSITED
Balance beginning of year	-	-	-	-	5,000	23,000
To be generated from Current Year Sales Agreements	-	-	-	28,000	-	-
Availability (on accrual basis)	-	-	-	28,000	-	23,000
Local Currency Realization during year	-	-	+5,000	-5,000	+10,000	-10,000
Available for Utilization during year	-	x	5,000	x	15,000	x
Utilization during the year						
For Section 104(d)	-	x	-	x	-	x
For Section 104(e)	-	x	-	x	-	x
For Section 104(g)	-	x	-	x	10,000	x
Total For Economic Development	-	x	-	x	10,000	x
For Section 104(c)	-	x	-	x	3,000	x
For Other Purposes	-	x	-	x	2,000	x
Total Utilization during year	-	x	-	x	15,000	x
Balance Close of Year	-	-	5,000	23,000	-	13,000

PHILIPPINES

HOST COUNTRY CONTRIBUTIONS

(In thousands of dollars equivalent)

	ACTUAL FY 1956			ESTIMATED FY 1957			ESTIMATED FY 1958		
	TOTAL	DEFENSE SUPPORT	TECHNICAL COOPERATION	TOTAL	DEFENSE SUPPORT	TECHNICAL COOPERATION	TOTAL	DEFENSE SUPPORT	TECHNICAL COOPERATION
Contributions to Other Than Cooperative Services									
Value in Cash:									
By Central Government	96,567	48,196	48,371	63,380	51,350	12,030 a/	65,000	55,000	10,000 a/
By Local Governments or Other Parties	2,920	2,920	-	640 b/	640 b/	-	1,000	1,000	-
Total	99,487	51,116	48,371	64,020	51,990	12,030	66,000	56,000	10,000
Value in Kind: b/									
By Central Government	-	-	-	-	-	-	-	-	-
By Local Governments or Other Parties	-	-	-	- b/	-	-	- b/	-	-
Total	-	-	-	-	-	-	-	-	-
Total Contributions to Other than Cooperative Services	99,487	51,116	48,371	64,020	51,990	12,030	66,000	56,000	10,000
Contributions to Cooperative Services									
Value in Cash:									
By Central Government									
By Local Governments or other Parties									
Total									
Value in Kind:									
By Central Government									
By Local Governments or Other Parties									
Total									
Total Contributions to Cooperative Services									
GRAND TOTAL CONTRIBUTIONS	99,487	51,116	48,371	64,020	51,990	12,030	66,000	56,000	10,000

See attached for Footnotes

[redacted]

Footnotes

a/ Apparent reduction over FY 1956 in Philippine contributions to TC projects estimated for FY 1957 and FY 1958 does not represent any real reduction in support of these activities, inasmuch as latter estimates exclude Philippine continuing contributions to certain projects (e.g. $35 million in pesos was made available to ACCFA for loan purposes in FY 1956; no comparable amounts are shown for following two years).

b/ Data not available. Very substantial contributions in kind, in the form of human labor and draft animals, are expected to be made available by individual barrios; no attempt has been made to place a monetary value on this type of assistance.

FAR EAST

FY 1958 ILLUSTRATIVE PRESENTATION

THAILAND

OFFICE OF FAR EASTERN OPERATIONS

INTERNATIONAL COOPERATION ADMINISTRATION

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TABLE I

THAILAND

NON-MILITARY MUTUAL SECURITY PROGRAMS BY FUNCTION

(In thousands of dollars)

FUNCTIONS	ACTUAL FY 1956	ESTIMATED FY 1957	PROPOSED FY 1958
Defense Support			
Project Assistance	9,150	25,000	14,400
Non-Project Assistance	20,310 a/	5,000 a/	25,600 a/
Total, Defense Support	29,460	30,000	40,000
Technical Cooperation			
Project Assistance	4,996	4,500	5,000
TOTAL PROGRAMS	34,456	34,500	45,000
Of Which MSP Loans	10,000	10,000	10,000
Of Which MSP Sales of Surplus Agricultural Commodities	-	-	-

a/ Includes (in thousands of dollars) the following amounts for local currency support of military construction projects: FY 1956 - 8,000; FY 1957 - 0; FY 1958 - 706.

[redacted]

[redacted]

THAILAND

Narrative Statement

U. S. OBJECTIVES

The basic U. S. objectives in Thailand are as follows:

1. To preserve the territorial and political integrity of Thailand against communist domination through external attack, subversion and economic penetration, and to assist Thailand to contribute to the collective defense of contiguous SEATO areas.

2. To promote the growth of an increasingly stable and constructive Thai Government and popular support of the Government, in order to reinforce Thailand's will and ability to resist communism from within and without.

3. To demonstrate to the Thai Government and people that their best interests lie in continued close association with the free world.

4. To strengthen Thailand as a center of non-communist influence in Southeast Asia.

OBSTACLES TO ACHIEVING U. S. OBJECTIVES

A. Political and Social Problems

The following major political problems adversely affect the achievement of U. S. objectives.

1. There is some tendency to assume that the Thai Government's support for free world policies can be taken for granted. Thailand's traditional foreign policy is to accommodate itself to the strongest power in the Far East. With the relaxation of world tensions and the growth of Chinese communist strength and prestige in Asia, the Government's pro-American foreign policy has become the object of strong pressures from both leftists and nationalists who argue that Thailand has sacrificed its independence of decision and risked communist displeasure in return for "niggardly and conditional" U. S. aid and provision of second-hand, obsolescent equipment.

These pressures are reinforced by: (a) criticism of the disposal of U. S. rice surpluses which compete with Thai rice sales; (b) dissatisfaction at slow implementation of U. S. aid programs and lack of visible evidence of U. S. assistance; (c) unfavorable comparisons between the level of aid to Thailand and high levels for certain neighboring nations which, unlike Thailand, pursue a neutralist policy; and (d) communist trade offers which the Thai have rejected, as well as Thai knowledge of communist-provided economic assistance to some nearby countries.

2. Thailand's economic development has been slow, and there is severe criticism, particularly among urban, literate Thai, that the policy of the government -- allegedly U. S.-inspired -- is to emphasize military buildup at the expense of measures to promote economic development and social welfare. The people are gradually awakening to a hope for betterment of their lot. Unless the government can demonstrate its ability to fulfill these aspirations, the attraction of communist promises and propaganda is likely to increase Thai vulnerability to subversion.

[redacted]

3. Thailand is governed by a military oligarchy often not constructive and responsive to the needs of the people.

4. As a result of its membership in SEATO and its firm alignment with the free world, Thailand expects some preferential treatment in the dispensation of U. S. economic and military aid.

Among the important social problems are:

1. Inefficient and inadequate public administration and slow development of democratic institutions.

2. Low health standards, particularly in rural areas.

3. Inadequate educational facilities, particularly above the primary school level.

4. Low incomes, except for a relatively small group in the middle-income bracket, which non-military Thai have fairly limited opportunities to achieve.

B. Economic Problems

The following major economic problems, facing Thailand, constitute obstacles to achievement of U. S. objectives:

1. The Thai economy is highly vulnerable due to heavy dependence on agricultural production, primarily rice, and on rice exports as the major source of foreign exchange and an important direct source of government revenue -- all subject to wide fluctuations due to changes in weather and world market factors. Agricultural activity accounts for almost 50 percent of national income and provides employment for nearly 85 percent of the working population. Industrial activity is at a fairly low stage of development, so that Thailand is heavily dependent on imports for both producer goods and items of common consumption. The obvious need is for agricultural diversification and industrialization. (For projections of significant economic indicators, see Appendix A.)

2. Inadequate transportation, power and communications facilities constitute a major problem impeding economic development as well as handicapping political and military security and limiting regional development.

3. A high level of government expenditures for military and internal security purposes imposes a severe strain on budgetary resources. Because of the communist military threat which developed in Southeast Asia in 1949-1954, Thailand greatly increased the size of its military forces. While certain of its forces are in excess of the MDAP supported level, the realities of the political situation prevent a rapid reduction of such forces.

4. Political and institutional impediments limit Thailand's ability in the short run to mobilize its own resources. An undeveloped revenue and collection system, as well as inadequate means of mustering private savings for investment, limit the ability of the government to mobilize domestic financial resources. At the same time, outmoded budgetary practices and controls are inadequate for insuring that maximum returns are obtained from their expenditure.

5. Lack of adequate national planning for economic development and of adequate statistics have prevented the government from establishing priorities among projects for government-sponsored economic development. This has resulted, to some extent, in the uneconomic use of available resources.

6. Low per capita income, fear of inflation, and lack of confidence in banks, as well as problems in government finance and management, have resulted in a low rate of domestic savings, a high interest rate for loanable funds, and inadequate means of channeling savings into productive investment.

7. An unfavorable atmosphere for investment and private enterprise, domestic and foreign, is a major deterrent to the expansion of private industrial development in Thailand. Thailand's proximity to expansionist Communist China discourages foreign private investment. The Thai government has failed to establish the necessary climate either through inadequate national economic policies or creation of monopolistic government enterprises and other restrictive practices.

8. Continued budget deficits seriously limit Thailand's ability, especially in the near future, to make the necessary financial outlay for improvement in basic facilities (i.e. transportation, power, communications, and water resources development) prerequisite to an acceleration of economic development. Budgetary deficits, exclusive of foreign grants, have ranged from $57 million equivalent in 1952 to $91 million in 1953 and $22 million in 1955. The budget deficit in 1956 has been estimated at approximately $50 million, although the actual deficit may be somewhat less.

ROLE OF U. S. ASSISTANCE

A. Why U. S. Aid Is Required

Political considerations are the primary reason for U. S. economic assistance to Thailand. Such assistance constitutes continued evidence of U. S. interest in Thailand, and is essential to help counter increasing pressures in favor of a more neutral policy and some accommodation with Communist China. Economic assistance also helps meet one of the underlying causes of such pressures -- Thai dissatisfaction with the present rate of social and economic progress. While the Thai Government continues to enunciate a policy of unqualified support for free world objectives, it cannot ignore strong pressures against its policies. The Prime Minister, recognizing the value of economic assistance to support his foreign policy and promote social and economic improvement, has repeatedly emphasized the importance of increased economic assistance.

Such assistance is directed, more specifically, toward helping:

1. Provide basic transportation, power and other facilities essential to development.

2. Create a stable social and political environment.

3. Develop skills and capacities which will permit the Thai people more rapidly to deal with their own problems, and establish the institutions needed to mobilize Thailand's resources.

4. Bring about improvements in governmental procedures which will make the government more effective and responsive to Thai needs.

5. Increase Thailand's capacity to support the defense effort.

B. Other Available External Resources

Since 1951, Thailand has obtained $40.8 million of loans from the IBRD for railway rehabilitation, irrigation and port de-

velopment. IBRD loans to Thailand for capital improvements might have been larger except for a combination of factors including severe budget deficits, poor budget management, and a limited number of bankable projects. The IBRD is presently considering a $46 million loan for the initial foreign exchange costs of the Yan Hee hydroelectric power project.

The Bank of America has extended a $10 million line of credit to the National Economic Development Corporation (a pseudo-government entity) for industrial equipment. Sizeable supplier credits also have been extended on equipment imports, including $2.3 million from the Export-Import Bank.

Private foreign capital is discouraged from investing in Thailand by administrative irregularities, government interference, and monopolistic practices. Technical assistance is planned to help induce the government to take measures to improve the climate for both foreign and domestic investors.

C. Consequences of Reduction or Withdrawal of U. S. Aid

Failure to provide aid or even a reduction in the level of aid would have serious political repercussions in Thailand. It would be considered as evidence of decreasing U. S. support for this country which has unwaveringly supported U. S., SEATO, and U. N. objectives, and has aligned itself squarely with the free world against communism. A cut in aid to Thailand might be interpreted as an evidence of weakening U. S. resolve to support an ally and decreasing U. S. concern regarding the communist threat; it would probably weaken Thailand's participation in SEATO; and it would strengthen pressures within the government and the country toward closer rapprochement with the Communist Bloc.

Another adverse effect probably would be a weakening of the present pro-Western government. A consequence of this might well be a reduction in Thailand's level of military preparedness and economic development. Thus, both the economic and political position of a government which now is a major stabilizing non-communist influence in Asia would be seriously undermined.

LONG-RANGE PROGRAM

The long-range MS Program proposed for Thailand is designed to permit substantial progress toward establishing the basis for self-generating economic development. The proposed program reflects continued emphasis on transportation and increased attention to electric power.

MSP requirements, as projected in Appendix B, declined from a level of $45 million in FY 1958 and FY 1959 to $24 million in FY 1962. The decline projected from FY 1960 onward anticipates that adequate capital resources required for public and private investment will by then become increasingly available from private and other public sources, and does not reflect a belief that a stage of development consistent with U.S. objectives in Thailand will have been achieved by that time.

Following is an outline description of the U. S. assistance proposed through FY 1962. Although Thailand as yet has no comprehensive economic development program, the projected long-range plan takes into careful account developmental activities already being undertaken by the Thai Government, itself, with or without non-U.S. external assistance. It also takes into consideration potential availabilities of non-U.S. external financial aid.

Summary of Long-Range Plan

1. Program Objective: To accelerate provision of the basic capital facilities which are prerequisite to development of all sectors of the economy.

a. Problems:

Inadequate transport, power and communications facilities, and lack of year-round water supplies (in Northeast Thailand) impede economic growth.

[redacted]

b. Goals:

Accelerate construction of primary road network and increase Thai capacity to carry out 10-year road-building program with own resources by 1962; improve air transportation facilities; upgrade motor vehicle maintenance; increase power generating capacity and improve transmission and distribution facilities; explore and develop ground water resources and conserve surface water in Northeast Thailand; develop regional telecommunications system.

c. Planned MSP Activities:

Dollar and local currency financing for road construction, engineering and technical advisory services to Thai Highways Department (FY 55-62); establishment of automotive maintenance facilities and training centers (FY 57-59); technical assistance to Thai Airways (FY 55-59); improvement of civilian airfield facilities, including aircraft overhaul facilities (FY 57-59).

Exploratory power survey (FY 57-59); erection of Mae Moh Thermal power plant (FY 57-59); local currency support for first phase of Yan Hee Hydroelectric project, assuming conclusion of IBRD loan to meet foreign exchange costs (FY 58-62); improvement of Bangkok electric power distribution system (FY 58-62); construction of other small electric power projects (FY 58-61).

Continuation of tank irrigation (FY 53-58); conduct ground water exploration (FY 57-58); and ground water development program in Northeast Thailand (FY 59-62). (Engineering and construction of telecommunications system -- funding from AEDF, FY 56-59.)

d. Collateral Efforts:

Thai Government encouragement of, and assistance to, local road construction firms and increased allocation of budgeted funds for local costs; repayment of funds advanced for aircraft overhaul equipment assistance; IBRD loan for foreign exchange costs of Yan Hee power project.

2. Program Objective: To improve public administration, especially fiscal management and national economic development programming, in order to achieve full mobilization of resources for development; support development of free democratic institutions and public accountability within the government.

a. Problems:

Outmoded budgetary practices and undeveloped revenue system limit Thai Government ability to mobilize resources and insure proper use; inefficient and often corrupt public administration; lack of overall economic development program hinders optimum use of available resources, including foreign aid; statistical data inadequate for planning and implementation; lack of democratic institutions.

b. Goals:

Install modern budgetary organization by FY 1959 and improve revenue system; increase public accountability within government and reduce misuse of funds; develop institute of public administration for training of public officials; assist in establishment of permanent planning

organization within the government and a comprehensive development plan in conjunction with IBRD; and develop strong free labor union movement.

c. Planned MSP Activities:

Advisory services to Ministry of Finance, including Customs, Excise and Revenue Departments (FY 56-59); assistance to Thammasat University in establishing public administration institute (FY 54-60); economic (FY 57-61) and statistical (FY 57-59) advisory services to Thai Government; assist in establishment of central government procurement office; and provide advice on labor affairs.

d. Collateral Efforts:

Thai Government establishment of separate budget organization and necessary revision of statutes and regulations affecting budgetary and revenue systems; establishment of permanent economic planning body; IBRD provision of economic survey team; and effective Thai Government administration of labor law.

3. Program Objective: To establish national economic policies in order to stimulate private enterprise and improve climate for long-term investment, both domestic and foreign.

a. Problems:

Thai Government monopolies and restrictive economic practices discourage private investment.

b. Goals:

Thai Government stimulation of private sector through fiscal incentives, improved credit and other facilities, correction of government interferences and irregularities, and reduction of government operations in private sector.

c. Planned MSP Activities:

Assistance in developing measures to stimulate private efforts and attract foreign investment; establish Economic Development Loan Fund; establish productivity and industrial promotion group.

d. Collateral Efforts:

Establishment by Thai Government of lending and technical advisory organizations.

4. Program Objective: To improve most urgent public services in education and public health; stimulate active local participation and self-help in developmental activities at community level.

a. Problems:

(1) Lack of skilled personnel at every level for industry, agriculture, public health, etc.

(2) Low health standards and wide prevalance of diseases reduce human energy and productivity.

[redacted]

(3) Thai Government failure to harness efforts of Thai people in "grass roots" development projects.

b. Goals:

(1) Improve and expand vocational education and higher technical education facilities; improve elementary education, expand secondary level teacher-training facilities to enrollment of approximately 10,000 per year; develop institution for training college-level teachers.

(2) Eradicate malaria by 1962; and develop adequate public health services organization.

(3) Establish national community development program and give "grass root" emphasis to existing programs in agriculture, public health and other fields.

c. Planned MSP Activities:

(1) Assist Bangkok Technical Institute (FY 57-60); develop overall program for upgrading vocational education (FY 58-62); upgrade engineering and agricultural education; establish new medical school (FY 58-62); assist Ministry of Education to establish demonstration elementary schools; and develop college-level teacher training institution (FY 55-61).

(2) Completion of malaria program, with continuing liaison to assure eradication program in Laos (FY 51-62); assist rural health program (FY 57-59).

(3) Technical advisory services in community development (FY 57-60); help establish national agricultural extension services and expand credit and marketing facilities.

d. Collateral Efforts:

Thai Government decision to establish medical school at Chiengmai; Thai Government development of community organization and collateral action strengthening government services in agriculture, health and related ministries.

5. Program Objective: To expand and diversify agricultural production, especially in depressed and arid northeast; develop basic research and technical advisory services needed to guide development efforts.

a. Problems:

(1) Overwhelming dependence of Thai economy on rice, with resultant vulnerability to world market fluctuations; low yields throughout agricultural sector.

(2) Lack of technical agencies and data for exploitation of Thailand's physical resources.

b. Goals:

(1) Develop service agencies, facilities and data needed to assist Thai farmers to diversify production and to raise total agricultural output 15-20 percent by 1962.

(2) Establish agencies and provide training for research and technical advisory services in minerals and atomic energy, as well as in agriculture.

[redacted]

c. Planned MSP Activities:

(1) Assist Ministry of Agriculture to build adequate extension service (FY 57-62); promote development of livestock industry (FY 57-60); provide loans to private livestock operators and processing enterprises through Economic Development Loan Fund (FY 57-62); assist in improving credit and marketing demonstration at village level in Northeast Thailand (FY 57-62); assist Ministry of Agriculture in conduct of field demonstrations, and development of national programs for soil and other basic resource use and conservation (FY 57-62).

(2) Build up Geological Survey and Minerals Experimental Center (FY 57-59); conduct aerial magnetometer survey to guide mineral explorations (FY 57-59); atomic energy training (FY 56-60).

6. Program Objective: To promote increased solidarity within mainland Southeast Asia and also increase Thailand's influence there as a non-communist center.

a. Problem:

Lack of communications facilities or other cooperative activities.

b. Goals:

Complete transportation link from Bangkok to Nongkai (Laos border), develop regional telecommunications trunk system, and carry out joint regional projects in malaria eradication and rinderpest control.

c. Planned MSP Activities:

Highway development project, in which first priority given to Bangkok-Nongkai highway link (FY 55-60); improvement of Nongkai railway link to be completed in FY 57; liaison with Laos on malaria eradication efforts; regional telecommunications and rinderpest control projects. (Other regional projects for possible AEDF financing include semi-skilled labor training, English language training center, and regional scholarship fund.)

7. Program Objective: To promote awareness of U. S. interest in improving Thailand's economic position.

a. Problem:

Aid program has produced relatively little visible evidence of U. S. assistance in a way which impresses masses of Thai people.

b. Goals:

Develop projects possessing not only economic or strategic merit, but also substantial public relations value, as well as "grass-roots" projects with wide popular appeal; and create a greater public awareness of the whole program.

c. Planned MSP Activities:

Top priority to be placed on completion of Bangkok-Don Muang-Saraburi road for early demonstration to Bangkok residents of highway improvement program; Bangkok city planning survey project (FY 57-58); Bangkok city

improvements, including streets, electric distribution facilities, drainage and sewage disposal (FY 58-62); community development program; program information project.

8. Program Objective: To strengthen Thailand's security forces.

a. Problems:

Inadequate Thai financial resources to meet increased costs of expanded military program; police methods insufficiently developed to assure internal security and combat subversion.

b. Goals:

Provide local currency support for Direct Forces Support projects; improve civil police administration.

c. Planned MSP Activities:

Import of saleable commodities to generate counterpart for local costs of DFS program; assistance to Thai Government in civil police administration.

d. Collateral Effort:

Heavy budget expenditure by Thai Government for military and internal security.

STATUS AND ACCOMPLISHMENTS OF MS PROGRAM

Progress to date in helping Thailand achieve an expanded rate of economic growth varies widely in different fields. Appreciable progress has been made in improving and expanding railway transport, tank irrigation and, to some extent, power. Assistance in improvement of highway transport, the major effort in this area, is now beginning to produce large-scale results. In this assessment it is to be remembered that it was not until the middle of FY 1955 that the economic aid level was increased substantially, from $7 million to $34 million, following the Indochina War and the Geneva settlement.

Assistance in the improvement of public administration is expanding, as a result of the Thai Government's increasing receptivity in this field; recent organizational and administrative reforms announced by the Prime Minister afford a greatly improved atmosphere for progress.

Virtually no aid has been provided directly in industrial development in the past. Some assistance is planned in FY 1957 in the development of long-term credit facilities and other means to encourage the private sector. The program in the field of agriculture has shown striking accomplishments in rice improvement and animal husbandry. Having accomplished the necessary initial improvement and re-organization of the central ministry and related services, program emphasis is now shifting to the field level and from the experimental station to the farmer.

Activities supported in the field of education are making a strong impact upon the entire educational system of Thailand.

In the field of health, malaria has been virtually eradicated. The training and development of an adequate public health service organization also has progressed considerably. While activities in the fields of agriculture, health and education are increasingly being given a community development orientation, no nationwide community development program has been established; it is hoped that such a program can be launched by FY 1959. It is important to note that over 1,000 Thai technicians have been trained in the U.S. over the last six years in the above fields.

Regional activities in malaria and rinderpest control continue, as well as Thai-Laos cooperation for improvement of facilities for in-transit trade. A further degree of regional cooperation will be achieved when the telecommunications system project gets under way.

THE FY 1958 PROGRAM

A. Magnitude of Proposed Program

A $45 million aid level is proposed for Thailand for FY 1958 -- $40 million Defense Support and $5 million Technical Cooperation. This represents a $500,000 increase in TC and a $10 million increase in DS over FY 1957. The small increase in the FY 1958 TC program is required primarily to meet the recurring funding requirements of several three-year contracts with universities and other private organizations.

The purpose of the substantial rise in Defense Support funds in FY 1958 is to meet political imperatives and to satisfy the need for a more rapid rate of economic development in Thailand, through an acceleration of essential capital improvements, particularly in the fields of transport and power.

The proposed aid would serve to: [redacted]

(1) Meet political pressures on the Thai Government for increased economic and social improvements, which have led to repeated requests by the Thai Prime Minister for increased economic aid from the U. S.;

(2) Help counter the increasing pressures on the Thai Government to move toward a more neutral course and to seek accommodation with Communist China; and

(3) Strengthen Thailand as a SEATO ally.

B. Program Composition

1. Technical Cooperation - The FY 1958 TC component includes no new projects. It represents the second phase of a transition, begun in FY 1957, toward a greater concentration of available resources on fewer projects. The FY 1958 program also consolidates major substantive changes initiated in FY 1957, notably (a) greater emphasis on operations at the community level (e.g., agricultural extension and rural health activities), and (b) increased emphasis on institutional development (e.g., in the fields of health, education, public administration and economic programming), to create the agencies needed for long-run social and economic improvement, as contrasted with activities designed to attack specific problems. One of the results of this new approach is that the FY 1958 TC program includes only 28 substantive projects, compared with 48 in FY 1956 and 34 in FY 1957.

2. Defense Support - The proposed FY 1958 DS program provides $14.4 million for direct dollar project costs and $25.6 million for non-project assistance to finance saleable imports to generate local currency.

[redacted]

a. Project Aid: The FY 1958 DS program and the program for the current year should be considered the first components of the long-range country plan previously outlined. It is contemplated that DS funds provided in FY 1958 will help finance a substantial expansion of power generating facilities in Thailand, based on the results of a large-scale engineering survey. This expansion is expected to involve (1) dollar and local currency financing for the Mae Moh thermal project, (2) the initial increment of the dollar costs of a modern electric power distribution system in Bangkok, and (3) an initial portion of the local costs of the Yan Hee hydroelectric power project. Provision of funds for Yan Hee is contingent on the extension of a $46 million loan by the IBRD to finance the foreign exchange costs of the initial construction phase. Financing also is to be provided for the initial costs of construction of small hydroelectric power facilities in remote sections of Thailand.

It is planned to require local currency repayment for the aid extended for the Mae Moh thermal power project and the other small hydroelectric construction projects as well. With the exception of the Yan Hee power project, no other sources of external financing have been developed so far.

In both the FY 1957 and 1958 programs, efforts will be made to expand industrial credit to private investors through a private lending institution to be set up to administer an economic development loan fund. The provision of such credit is considered an essential step toward the expansion of private industrial development in Thailand.

The FY 1958 program continues substantial aid, though below the FY 1957 level, for essential road improvements. In addition to providing U. S. engineering and construction contract services and equipment, there will be greater emphasis on technical services directed toward improvement of the capabilities of the Thai Highways Department. Also in line with building up Thai capabilities, local contractors will assume a more important role in the jointly financed road improvement program.

Recognizing the need for undertaking projects that have political and social impact value, as well as those that contribute to economic and social needs, the FY 1958 DS program includes $3 million (dollar and local currency cost combined) for needed drainage, sewage, street and electrical distribution improvements in Bangkok. These are to be undertaken in accordance with the recommendations of a city planning survey financed with TC funds.

b. Non-project Aid: Due to Thai budgetary limitations, discussed earlier under "Economic Problems," Defense Support funds are required to meet a substantial portion of the local currency costs of agreed DS and military construction projects, and a part of the local currency support of TC projects as well. The counterpart to be generated by the $25.6 million of non-project assistance included in the FY 1958 program is allocated for the following purposes: Military construction, $0.7 million; DS projects, $20.1 million; TC projects, $0.5 million; and $4.3 million to replace local currency which it is planned temporarily to divert from DFS to DS uses in FY 1957. Delayed utilization of local currency for military construction projects programmed in prior years has resulted in the accumulation of large balances for DFS requirements which need not be met until FY 1958.

C. Loan Component

It is tentatively planned to extend $10 million of FY 1958 Defense Support funds on a loan basis. However, there are strong reservations regarding the political feasibility of such a loan, in view of considerable evidence that the Thai

Government will strenuously object to the loan portion as an impediment to obtaining substantial additional credits from the IBRD.

D. Pipeline

1. General

Projected unliquidated year-end balances for the Thailand program in FY 1957 and FY 1958 compare with the actual balance on June 30, 1956, as follows:

	Unliquidated Obligations (in millions of dollars)		
	FY 1956	FY 1957	FY 1958
Defense Support	47.3	51.1	56.7
Project	19.3	37.1	33.7
Non-Project	28.0	14.0	23.0
Technical Cooperation	7.8	7.8	6.3

As currently estimated, the unexpended balances for the Defense Support program show annual increases of $3.8 and $5.6 million, respectively, for FY 1957 and FY 1958. No change is expected in the TC pipeline by the end of FY 1957, and a decline of $1.5 million is anticipated in FY 1958.

The estimated net increase in unliquidated DS obligations by June 30, 1957 reflects almost a doubling of unexpended project balances and a 50 percent decrease on the non-project side. These changes are due primarily to an increase of approximately 100 percent between FY 1956 and FY 1957 in funds programmed for projects and a 75 percent decrease in allocations for non-project aid.

The project pipeline on June 30, 1957 contains substantial amounts for contract services and long lead-time equipment, particularly for transportation and new power projects, funded in FY 1957 and against which relatively insignificant expenditures can be expected in the same year.

Expenditures against prior-year project obligations have lagged for a number of important reasons since the program was sharply expanded in the second half of FY 1955. However, the provision of increased personnel for USOM/Bangkok, improvement of Thai Government organization for administering aid, the completion of preliminary engineering and survey work on various projects, and actual implementation of certain construction and other contracts, should accelerate the expenditure of prior-year funds.

Motivated by the paramount political considerations previously discussed, the proposed increase in U. S. aid in FY 1958 reflects the importance to U. S. objectives of accelerating Thailand's economic development. The $14.4 million of DS project funds proposed for FY 1958, primarily in the form of contract services and equipment, is based on a judgment that the Thai economy has the capacity to absorb new investment of this magnitude, in addition to amounts in the pipeline at the close of this year. The substantial increase in non-project funds proposed for FY 1958 is necessitated largely because current estimates indicate that there will be a local currency pipeline of only about six months duration at the beginning of the year, due in part to certain temporary diversions of counterpart funds.

2. Pipelines for Selected Projects

The four projects discussed below represent 36 percent of the total unexpended project balances at the end of FY 1957. The three DS projects in the group account for more than 40 percent of the unliquidated DS project obligations at the close of this year.

[redacted]

a. General Highway Improvement - Unliquidated obligations on June 30, 1957 are estimated at $10.75 million, of which approximately $5.5 million is for contract services and $5.25 million for commodities. Implementation of this project has been delayed pending a series of engineering decisions. Its scope, however, is being expanded in FY 1957, with the inclusion of major road construction involving large amounts of heavy equipment and substantial contract service costs. Contracts for engineering and construction are now being concluded, based on partial funding from the FY 1957 program. FY 1958 funds ($5,545,000) are required to provide for the balance of expected contract obligations and for further procurement of long lead-time heavy equipment.

b. Aeronautical Ground Services Improvement - Unliquidated obligations at the close of 1957 are estimated at $3.03 million. This carryover represents commodities to be procured under the planned expansion of the project during this year. FY 1958 funds ($135,000) are for U. S. technicians' and participants' costs.

c. Ground Water Exploration - Unliquidated obligations at the end of FY 1957 are estimated at $1,595,000. Though implementation of the project has been delayed, the decision has been reached to move forward with the activity on a larger scale this year. In line with this decision, FY 1958 funds ($350,000) are needed to procure additional long lead-time equipment to carry out an extensive ground water exploration program.

d. Improvement of Thai Airways - Unliquidated obligations on June 30, 1957 are estimated at $785,000, which is approximately one year's funding requirement of a three-year contract initiated in early 1956. FY 1958 funds ($485,000) would provide the balance of the contract obligation.

E. P. L. 480 Programs

The prospects are not encouraging for a substantial expansion of P.L. 480, Title I programs in Thailand because of the limited market for surplus agricultural products. A $2 million tobacco sale consummated in FY 1955, is expected to provide $800,000 for economic development. However, due to objections raised by the Thai Government to the exchange guarantee requirement, the loan agreement is still under negotiation.

P.L. 480, Title I sales programs totalling $3 million and $4 million, respectively, are projected for FY 1957 and FY 1958, with 50 percent of the proceeds to be earmarked for economic development loans.

The P.L. 480 sales proceeds set aside for economic development uses are required to supplement credit resources made available under MSP, in connection with important industrial development loan and farm credit activities.

SUMMARY OF FY 1959 PROGRAM

The TC component of the Thailand program is projected at $5 million and the DS component at $40 million in FY 1959. In the TC program no new projects are proposed, although two projects now in the planning stage, i.e., community development and a new medical school, are expected to reach the point of large-scale implementation by that time.

The FY 1959 program should see the actual installation of improved procedures to modernize government fiscal management; full establishment of an Institute of Public Administration; and formulation of a comprehensive economic development program.

Operations at the community level, under agricultural extension, credit and marketing, and resources management projects, will reach their peak in FY 1959, as will the pilot demonstration work under the rural health program. By FY 1959 the education program will be primarily concentrated on two major activities: vocational education and teacher training.

Power development will continue to be stressed in the FY 1959 DS program. The full implementation stage of several power generation projects will be reached by that time. The development of an aircraft overhaul and maintenance facility, and the improvement of aeronautical and meteorological services will be completed in FY 1959. The Northeast Highway project also will be completed and general highway development activity will reach its peak by FY 1959. Thereafter, the highway program will phase down as the work is shifted to local contractors and the Thai Highways Department.

The malaria eradication program will reach its final phase in FY 1959. The findings of the ground water exploration survey will be available by that time and, assuming favorable results, expansion of a ground water development program will be initiated under a contractual arrangement. The Bangkok city development plan should also be completed and adopted, and additional funds will be made available for carrying out further improvements relating to traffic, drainage, sewage disposal, etc. Ground water development is thus the only new FY 1959 DS activity now contemplated, except that it is planned to begin the development in that year of one or two hydroelectric sites, probably in Northeast Thailand.

* * * * *

[redacted]

APPENDIX A

SIGNIFICANT ECONOMIC INDICATORS

THAILAND

	Calendar Years							
	1955	1956	1957	1958	1959	1960	1961	1962
1. Population (midyear in millions)	22.5	23.0	23.6	24.2	24.8	25.4	26.0	26.7
2. Gross National Product ($ millions) a/	1,800	1,890	1,980	2,080	2,180	2,290	2,400	2,525
3. Per Capita GNP ($) a/	80	82	84	86	88	90	93	95
4. Prices (Index, 1953 = 100; Bangkok)								
Wholesale	113	117						
Cost of Living	105	110						
5. Major Commodities:								
Tin, concentrate 72% (1,000 long ton)	15.5	15.0	15.0	15.0				
6. Agricultural Production:								
(Total Index, 1935-1939 = 100)	194	204	213	222				
7. Major Crops:								
Rice (1,000 MT)	7,350	7,850	8,300	8,600				
Rubber (1,000 MT)	132	133	133	133				

a/ Expressed in 1955 prices. Foreign exchange conversion rate 21 baht = US $1.

NOTE: The above table is constructed on the following assumptions:

1. An annual 2.5 percent increase in population.
2. The agricultural production index projection assumes an average increase of approximately 4.5 percent a year in view of the large-scale effort to expand and diversify agricultural production.
3. No industrial production index exists in Thailand; however, it seems reasonable to expect that a rate of increase of up to 10 percent a year could be sustained over the next five years.
4. GNP is projected at a rate of increase of 5 percent per year which would provide an annual increase of 2.5 percent in per capita GNP considered sufficient for accomplishment of U. S. objectives.

Source: ICA

[redacted]

[redacted]

APPENDIX B

REQUIREMENTS FOR U. S. ASSISTANCE

THAILAND

[redacted]

(Obligations in millions of dollars)

	Fiscal Years						
	1956	1957	1958	1959	1960	1961	1962
Defense Support *	29.50	30.00	40.00	40.00	35.00	25.00	20.00
Capital Development	19.13	27.80	37.64	34.11	30.40	23.46	18.62
Agriculture	1.72	0.87	0.30	-	0.50	0.50	-
Industry, Mining and Power	-	4.80	12.52	15.87	16.90	13.26	9.27
Transportation	17.41	20.87	21.02	12.59	9.00	5.50	5.50
Other	-	1.26	3.80	5.65	4.00	4.20	3.85
Government Services	0.77	0.80	1.16	1.72	1.37	1.54	1.38
Health and Sanitation	0.77	0.50	0.27	0.12	0.01	-	-
Public Administration	-	0.30	0.89	1.60	1.36	1.54	1.38
DFS Support	8.00	-	0.70	3.67	2.73	-	-
TC Support	1.60	1.40	0.50	0.50	0.50	-	-
Technical Cooperation	5.00	4.50	5.00	5.00	4.50	4.00	4.00
Agriculture	1.14	1.05	0.70	0.85	0.50	0.40	0.40
Industry	0.34	0.29	0.57	0.50	0.50	0.60	0.75
Transportation	0.38	0.56	0.71	0.20	0.10	0.10	0.10
Labor	0.04	0.06	0.07	0.10	0.10	0.10	0.10
Health and Sanitation	0.70	0.69	0.60	1.00	0.90	0.70	0.60
Education	1.80	1.19	1.36	1.20	0.90	0.60	0.30
Public Administration	0.36	0.34	0.70	0.70	0.70	0.70	0.70
Community Development	-	0.05	0.03	0.20	0.35	0.55	0.80
General and Miscellaneous	0.24	0.27	0.26	0.25	0.25	0.25	0.25
P. L. 480							
Local Currency for 104(g)	0.80	1.50	2.00	2.00	1.50	1.00	1.00

* DS field of activity cost figures include direct dollar and local currency costs.

[redacted]

THAILAND

NON-MILITARY MUTUAL SECURITY DOLLAR PROGRAMS AND RELATED LOCAL CURRENCY GENERATION

(In thousands of dollars and equivalent)

	ACTUAL FY 1956				ESTIMATED FY 1957				PROPOSED FY 1958			
	DOLLAR PROGRAM			INITIATING LOCAL CURRENCY GENERATION	DOLLAR PROGRAM			INITIATING LOCAL CURRENCY GENERATION	DOLLAR PROGRAM			INITIATING LOCAL CURRENCY GENERATION
	TOTAL	DEFENSE SUPPORT	TECHNICAL COOPERATION		TOTAL	DEFENSE SUPPORT	TECHNICAL COOPERATION		TOTAL	DEFENSE SUPPORT	TECHNICAL COOPERATION	
PROJECT ASSISTANCE												
Contributions to Cooperative Services	x	x	x	x	x	x	x	x	x	x	x	x
Supplies and Equipment:												
Capital Equipment	4,550	4,240	310	-	14,705	14,170	535	-	10,000	9,590	410	-
Other	1,466	630	836	-	3,275	2,865	410	-	1,005	800	205	-
Total, Supplies and Equipment	6,016	4,870	1,146	2,957 a/	17,980	17,035	945	3,000 a/	11,005	10,390	615	3,000 a/
U.S. Employed Technicians (Cost)	1,132	181	951	-	1,605	330	1,275	-	1,805	515	1,290	-
Total Number Authorized for Employment During Year	(125)	(18)	(107)	x	(136)	(30)	(106)	x	(135)	(35)	(100)	x
Number on Duty Close of Year	(85)	(13)	(72)	x	(113)	(27)	(86)	x	(135)	(42)	(93)	x
Participants (Cost)	1,017	101	916	-	1,465	195	1,270	-	1,280	200	1,080	-
Number Authorized During Year	(231)	(26)	(205)	x	(275)	(39)	(236)	x	(242)	(33)	(209)	x
Contract Services (Total Cost U. S. Technicians)	5,981	3,998	1,983	-	8,450	7,440	1,010	-	5,310	3,295	2,015	-
Total Number Authorized for Employment During Year	(218)	(160)	(58)	x	(148)	(114) b/	(34) b/	x	(196)	(110) b/	(86) b/	x
Number on Duty Close of Year	(166)	(121)	(45)	x	(286)	(214)	(72)	x	(282)	(188)	(94)	x
Contract Services - Participants Authorized During Year	(63)	-	(63)	x	(33)	-	(33)	x	(26)	-	(26)	x
Other	-	-	-	-	-	-	-	-	-	-	-	-
Total, Project Assistance	14,146	9,150	4,996	2,957	29,500	25,000	4,500	3,000 a/	19,400	14,400	5,000	3,000 a/
NON-PROJECT ASSISTANCE												
Commodity Imports:												
Surplus Agricultural Commodities:												
Total, Surplus Agricultural Commodities	-	-	-	-	-	-	-	-	-	-	-	-
Deduct Sales to This Country for Benefit of Other Countries	-	-	-	-	-	-	-	-	-	-	-	-
Add Sales to Other Countries for Bendfit of This Country	-	-	-	-	-	-	-	-	-	-	-	-
Net Sales for Benefit of This Country	-	-	-	-	-	-	-	-	-	-	-	-
Other Commodities:												
Food, Feed and Fertilizer	200 c/	200 c/	-	200	-	-	-	-	-	-	-	-
Fuel	5,500	5,500	-	5,500	2,000	2,000	-	2,000	6,000	6,000	-	6,000
Raw Materials and Semi-Finished Products	12,284	12,284	-	12,284	1,700	1,700	-	1,700	13,100	13,100	-	13,100
Machinery and Vehicles	1,566	1,566	-	1,566	800	800	-	800	5,000	5,000	-	5,000
Miscellaneous	760	760	-	760	500	500	-	500	1,500	1,500	-	1,500
Total, Other Commodities	20,310	20,310	-	20,310	5,000	5,000	-	5,000	25,600	25,600	-	25,600
Total Commodity Imports	20,310	20,310	-	20,310	5,000	5,000	-	5,000	25,600	25,600	-	25,600
Cash Grants	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-
Total, Non-Project Assistance	20,310	20,310	-	20,310	5,000	5,000	-	5,000	25,600	25,600	-	25,600
TOTAL, NON-MILITARY PROGRAMS	34,456	29,460	4,996	23,267	34,500	30,000	4,500	8,000	45,000	40,000	5,000	28,600
Of Which Dollar Loans	10,000	10,000	-	- d/	10,000	10,000	-	- d/	10,000	10,000	-	- d/
Of Which Dollar Grants	24,456	19,460	4,996	23,267	24,500	20,000	4,500	8,000	35,000	30,000	5,000	28,600

THAILAND

NON-MILITARY MUTUAL SECURITY DOLLAR PROGRAMS AND RELATED LOCAL CURRENCY GENERATION

Footnotes:

a/ Although Bilateral agreement requires only commensurate value deposits on TC program commodities, Thai Government has agreed to deposit specific amounts in 1956 and 1957. Approximately the same amount is estimated for deposit in 1958.

b/ Excludes following numbers of contract technicians financed from prior year funds: FY 1957 - DS, 116; TC, 59; FY 1958 - DS, 128; TC, 15.

c/ Milk product imports from Denmark funded with U.S. owned Danish Kroner derived from coal sales.

d/ Baht equivalent of dollar loan is deposited in Special Account; therefore no deduction of loan amount is made.

THAILAND

TABLE 3

Page 1 of 2

MUTUAL SECURITY PROGRAM LOCAL CURRENCY GENERATION AND PROGRAMMED UTILIZATION

(In thousands of dollars equivalent)

	ACTUAL FY 1956			ESTIMATED FY 1957			PROPOSED FY 1958		
	TOTAL	DEFENSE SUPPORT	TECHNICAL COOPERATION	TOTAL	DEFENSE SUPPORT	TECHNICAL COOPERATION	TOTAL	DEFENSE SUPPORT	TECHNICAL COOPERATION
LOCAL CURRENCY GENERATION									
Dollar Programs Initiating Local Currency Generation	23,267	x	x	8,000	x	x	28,600	x	x
Less: Local Currency Reserved for U.S. Uses	121	x	x	125	x	x	125	x	x
Subtotal Local Currency Availability	23,146	x	x	7,875	x	x	28,475	x	x
Add: Estimated Local Currency Unprogrammed Beginning of Year	5,782	x	x	8,075	x	x	-4,300 a/	x	x
Total Local Currency Available for Programming	28,928	x	x	15,950	x	x	24,175	x	x
PROGRAMMED UTILIZATION									
Mutual Security Project Requirements:									
Military	8,000	8,000	-	-	- b/	-	700	700 b/	-
Non-Military	12,612	8,414	4,198	20,250	15,975	4,275	23,475	20,100	3,375
Total Project Requirements	20,612	16,414	4,198	20,250	15,975	4,275	24,175	20,800	3,375
Non-Project Budget Support:									
Military	-	-	-	-	-	-	-	-	-
Non-Military	-	-	-	-	-	-	-	-	-
Total Non-Project Budget Support	-	-	-	-	-	-	-	-	-
Other	241 c/	241 c/	-	-	-	-	-	-	-
Total Programmed Utilization	20,853	16,655	4,198	20,250	15,975	4,275	24,175	20,800	3,375
Local Currency Unprogrammed Close of Year	8,075	x	x	-4,300 d/	x	x	-	3,503	-3,503

Footnotes on following page

[redacted]

MUTUAL SECURITY PROGRAM LOCAL CURRENCY GENERATION AND PROGRAMMED UTILIZATION

THAILAND

Footnotes

a/ Reflects readjustment of counterpart account to restore local currency originally programmed for military construction but utilized in FY 1957 for non-military activities.

b/ Excludes (in thousands of dollars equivalent) new program requirements estimated by JUSMAG as follows: FY 1957 - 3,307; FY 1958 - 2,277. These requirements are to be funded from local currency programmed, but still not utilized, for military use under the FY 1955 and FY 1956 DS programs.

c/ Local costs of USOM office building.

d/ Represents draw-down of local currency generated under prior years' programs and originally programmed for military construction, but utilized for non-military projects.

[redacted]

THAILAND

TABLE 4

MUTUAL SECURITY PROGRAM LOCAL CURRENCY ACCRUAL, REALIZATION AND UTILIZATION

(In thousands of dollars equivalent)

	ACTUAL FY 1956		ESTIMATED FY 1957		PROPOSED FY 1958	
	LOCAL CURRENCY		LOCAL CURRENCY		LOCAL CURRENCY	
	ON DEPOSIT	TO BE DEPOSITED	ON DEPOSIT	TO BE DEPOSITED	ON DEPOSIT	TO BE DEPOSITED
LOCAL CURRENCY REALIZATION						
Unutilized Balance Beginning of Year	3,473	18,003	14,750	13,500	9,405	3,375
Add: Current Year Local Currency Generation	x	23,146	x	7,875	x	28,475
Subtotal Availability on Accrual Basis	x	41,149	x	21,375	x	31,850
Local Currency Realization During Year	+ 27,649	- 27,649	+ 18,000	- 18,000	+ 17,975	- 17,975
Total Local Currency Available for Utilization	31,122	x	32,750	x	27,380	x
UTILIZATION						
Mutual Security Project Requirements:						
Military	1,937	x	5,095	x	12,550	x
Non-Military	14,197	x	18,250	x	14,830	x
Total Project Requirements	16,134	x	23,345	x	27,380	x
Non-Project Budget Support:						
Military	-	x	-	x	-	x
Non-Military	-	x	-	x	-	x
Total Non-Project Budget Support	-	x	-	x	-	x
Other	238	x	-	x	-	x
Total Utilization	16,372	x	23,345	x	27,380	x
Local Currency Unutilized Close of Year	14,750	13,500	9,405	3,375	-	13,875

[redacted]

TABLE 5

THAILAND

MUTUAL SECURITY PROJECT ASSISTANCE BY FIELD OF ACTIVITY

(In thousands of dollars and equivalent)

FIELD OF ACTIVITY	ACTUAL FY 1956						ESTIMATED FY 1957						PROPOSED FY 1958					
	DOLLAR PROGRAM			LOCAL CURRENCY PROGRAMMED UTILIZATION			DOLLAR PROGRAM			LOCAL CURRENCY PROGRAMMED UTILIZATION			DOLLAR PROGRAM			LOCAL CURRENCY PROGRAMMED UTILIZATION		
	TOTAL	DEFENSE SUPPORT	TECHNICAL COOPERATION	TOTAL	DEFENSE SUPPORT	TECHNICAL COOPERATION	TOTAL	DEFENSE SUPPORT	TECHNICAL COOPERATION	TOTAL	DEFENSE SUPPORT	Technical Cooperation	TOTAL	DEFENSE SUPPORT	TECHNICAL COOPERATION	TOTAL	DEFENSE SUPPORT	TECHNICAL COOPERATION
Direct Military Support	x	x	x	8,000	8,000	-	x	x	x	x	x	x	x	x	x	700	700	-
Agriculture and Natural Resources	1,785	649	1,136	2,159	980	1,179	1,335	285	1,050	2,000	600	1,400	700	-	700	1,070	300	770
Industry and Mining	340	-	340	259	-	259	4,585	4,300	285	2,525	2,200	325	6,890	6,320	570	4,780	4,500	280
Transportation	8,536	8,156	380	6,875	6,798	77	19,695	19,130	565	12,450	12,320	130	6,900	6,195	705	12,315	12,230	85
Labor	38	-	38	19	-	19	55	-	55	25	-	25	70	-	70	35	-	35
Health and Sanitation	1,037	340	697	1,517	433	1,084	815	125	690	1,045	380	665	620	15	605	1,085	250	835
Education	1,802	-	1,802	886	-	886	1,195	-	1,195	1,035	-	1,035	1,360	-	1,360	830	-	830
Public Administration	364	-	364	227	-	227	345	-	345	590	200	390	1,220	520	700	735	370	365
Community Development, Social Welfare and Housing	5	5	-	-	-	-	50	-	50	25	-	25	30	-	30	20	-	20
General and Miscellaneous	239	-	239	670	203	467	1,425	1,160	265	555	275	280	1,610	1,350	260	2,605	2,450	155
TOTAL PROJECT ASSISTANCE	14,146	9,150	4,996	20,612	16,414	4,198	29,500	25,000	4,500	20,250	15,975	4,275	19,400	14,400	5,000	24,175	20,800	3,375

THAILAND

MUTUAL SECURITY PROJECT LISTING FOR FISCAL YEAR 1958

(In thousands of dollars)

PROJECT TITLE AND DESCRIPTION	STATUS	TOTAL COST	TECHNICIANS		PARTICIPANTS		CONTRACT SERVICES			SUPPLIES AND EQUIPMENT	OTHER COSTS
			NUMBER	COSTS	NUMBER	COSTS	NUMBER		COSTS		
							TECHNICIANS	PARTICIPANTS			
TECHNICAL COOPERATION											
Agriculture and Natural Resources											
1. Agricultural Extension and Research	029	238	10	133	15	75	-	-	-	30	-
2. Improvement of Kasetsart University	130	150	-	-	-	-	9	-	150	-	-
3. Agricultural Resources Management	137	85	4	50	5	25	-	-	-	10	-
4. Livestock Industry Development	033	95	5	65	4	20	-	-	-	10	-
5. Credit and Marketing	034	80	5	50	5	25	-	-	-	5	-
6. Agricultural Statistics	035	2	1	2	-	-	-	-	-	-	-
7. Agricultural Program Administration	037	50	4	50	-	-	-	-	-	-	-
Total For Activity		700	29	350	29	145	9	-	150	55	-
Industry and Mining											
1. Geological Survey	038	30	1	15	3	15	-	-	-	-	-
2. Power Facilities Improvement	041	60	2	30	6	30	-	-	-	-	-
3. Power Exploratory Survey	134	210	-	-	-	-	8	-	210	-	-
4. Industrial Technical Advisory Services	139	230	-	-	10	50	4	-	140	40	-
5. Industrial Development Program Administration	143	40	3	40	-	-	-	-	-	-	-
Total For Activity		570	6	85	19	95	12	-	350	40	-
Transportation											
1. Automotive Maintenance and Training Facilities	135	50	-	-	-	-	5	-	50	-	-
2. Improvement of Thai Airways	118	585	-	-	-	-	25	-	585	-	-
3. Public Works and Industrial Program Administration	045	70	5	70	-	-	-	-	-	-	-
Total For Activity		705	5	70	-	-	30	-	635	-	-

[redacted]

THAILAND

MUTUAL SECURITY PROJECT LISTING FOR FISCAL YEAR 1958

(In thousands of dollars)

PROJECT TITLE AND DESCRIPTION	STATUS	TOTAL COST	TECHNICIANS		PARTICIPANTS		CONTRACT SERVICES			SUPPLIES AND EQUIPMENT	OTHER COSTS
			NUMBER	COSTS	NUMBER	COSTS	NUMBER		COSTS		
							TECHNICIANS	PARTICIPANTS			
Labor											
1. Labor Relations Training	051	70	2	30	8	40	-	-	-	-	-
Total For Activity		70	2	30	8	40	-	-	-	-	-
Health and Sanitation											
1. Rural Health	053	240	8	105	10	75	-	-	-	60	-
2. Medical Education	016	325	6	70	20	175	-	-	-	80	-
3. Health and Sanitation Program Administration	056	40	3	40	-	-	-	-	-	-	-
Total For Activity		605	17	215	30	250	-	-	-	140	-
Education											
1. Vocational Education	162	300	7	90	31	90	-	-	-	120	-
2. Elementary Education	149	485	9	135	50	250	-	-	-	100	-
3. University Teacher Training	021	365	-	-	-	-	9	26	315	50	-
4. Improvement of Engineering Department of Chulalongkorn University	124	170	-	-	-	-	5	-	170	-	-
5. Education Program Administration	061	40	3	40	-	-	-	-	-	-	-
Total For Activity		1,360	19	265	81	340	14	26	485	270	-
Public Administration											
1. Bangkok City Planning	119	15	1	5	2	10	-	-	-	-	-
2. Modernization of Government Fiscal Management	098	230	2	30	20	100	7	-	100	-	-
3. Economic Policy and Planning	146	50	1	10	8	40	-	-	-	-	-
4. Public Administration Institute at Thammasat University	063	215	-	-	-	-	11	-	215	-	-
5. Government Statistical Service	156	150	1	10	8	40	3	-	80	20	-

[redacted]

THAILAND

MUTUAL SECURITY PROJECT LISTING FOR FISCAL YEAR 1958

(In thousands of dollars)

PROJECT TITLE AND DESCRIPTION	STATUS	TOTAL COST	TECHNICIANS		PARTICIPANTS		CONTRACT SERVICES			SUPPLIES AND EQUIPMENT	OTHER COSTS
			NUMBER	COSTS	NUMBER	COSTS	NUMBER		COSTS		
							TECHNICIANS	PARTICIPANTS			
6. Public Administration Program Direction	147	40	3	40	-	-	-	-	-	-	-
Total For Activity		700	8	95	38	190	21	-	395	20	-
Community Development, Social Welfare and Housing											
1. Community Development	157	15	1	15	-	-	-	-	-	-	-
2. Low-Cost Housing Development	144	15	1	15	-	-	-	-	-	-	-
Total For Activity		30	2	30	-	-	-	-	-	-	-
General and Miscellaneous											
1. Program Information	065	90	4	50	-	-	-	-	-	40	-
2. Atomic Energy Training	085	20	-	-	4	20	-	-	-	-	-
3. Program Operations	102	150	8	100	-	-	-	-	-	50	-
Total For Activity		260	12	150	4	20	-	-	-	90	-
TOTAL TECHNICAL COOPERATION PROGRAM		5,000	100	1,290	209	1,080	86	26	2,015	615	-

[redacted]

THAILAND

MUTUAL SECURITY PROJECT LISTING FOR FISCAL YEAR 1958

(In thousands of dollars)

PROJECT TITLE AND DESCRIPTION	STATUS	TOTAL COST	TECHNICIANS		PARTICIPANTS		CONTRACT SERVICES			SUPPLIES AND EQUIPMENT	OTHER COSTS
			NUMBER	COSTS	NUMBER	COSTS	NUMBER		COSTS		
							TECHNICIANS	PARTICIPANTS			
DEFENSE SUPPORT											
Industry and Mining											
1. Mae Moh 10,000 KW Thermal Power Plant	150	770	-	-	-	-	-	-	-	770	-
2. Bangkok Distribution To construct a comprehensive electric power distribution system facility for Bangkok, tying in existing generating facilities with new power sources.	New	4,050	-	-	-	-	-	-	-	4,050	-
3. Northeast Hydroelectric Development To construct small 1,500-2,000 KW hydro-electric plants to serve Northeast Thailand, an area not included in the power distribution net from the Yan Hee hydroelectric power plant.	New	1,000	-	-	-	-	-	-	-	1,000	-
4. Economic Development Loan Fund	151	500	-	-	-	-	-	-	-	500	-
Total For Activity		6,320	-	-	-	-	-	-	-	6,320	-
Transportation											
1. General Highway Improvement	089	5,545	10	140	10	50	102	-	2,755	2,600	-
2. Automotive Maintenance Facilities To provide shop equipment for central repair and maintenance facilities for the Thai Government; contract services in connection with this project will be financed under TC program.	New	500	-	-	-	-	-	-	-	500	-
3. Aeronautical Ground Services Improvement	050	135	7	105	9	30	-	-	-	-	-

[redacted]

THAILAND

MUTUAL SECURITY PROJECT LISTING FOR FISCAL YEAR 1958

(In thousands of dollars)

PROJECT TITLE AND DESCRIPTION	STATUS	TOTAL COST	TECHNICIANS		PARTICIPANTS		CONTRACT SERVICES			SUPPLIES AND EQUIPMENT	OTHER COSTS
			NUMBER	COSTS	NUMBER	COSTS	NUMBER		COSTS		
							TECHNICIANS	PARTICIPANTS			
4. Meteorological Services Improvement	117	15	1	15	-	-	-	-	-	-	-
Total For Activity		6,195	18	260	19	80	102	-	2,755	3,100	-
Health and Sanitation											
1. Malaria Eradication	017	15	1	15	-	-	-	-	-	-	-
Total For Activity		15	1	15	-	-	-	-	-	-	-
Public Administration											
1. Civil Police Administration	160	520	14	210	14	120	2	-	40	150	-
Total For Activity		520	14	210	14	120	2	-	40	150	-
General and Miscellaneous											
1. Ground Water Exploration	108	350	2	30	-	-	12	-	- a/	320	-
2. Bangkok City Improvements To provide assistance for physical improvements in the city of Bangkok, such as traffic arteries, drainage facilities, sewage disposal and electric distribution under plans evolving from Bangkok City Planning project (72-119).	New	1,000	-	-	-	-	6	-	500	500	-
Total For Activity		1,350	2	30	-	-	18	-	500	820	-
TOTAL DEFENSE SUPPORT PROJECTS		14,400	35	515	33	200	122	-	3,295	10,390	-

a/ Contract technicians are funded under prior year program.

[redacted]

TABLE 7

THAILAND

ANALYSIS OF EXPENDITURE RATES FOR NON-MILITARY MUTUAL SECURITY PROGRAMS

(In thousands of dollars)

PROGRAM	UNLIQUIDATED OBLIGATIONS 6/30/55	ACTUAL OBLIGATIONS FY 1956	TOTAL AVAILABLE FOR EXPENDITURE FY 1956	ACTUAL EXPENDITURES FY 1956	UNLIQUIDATED OBLIGATIONS 6/30/56	ESTIMATED OBLIGATIONS FY 1957	TOTAL AVAILABLE FOR EXPENDITURE FY 1957	ESTIMATED EXPENDITURES FY 1957	UNLIQUIDATED OBLIGATIONS 6/30/57	PROPOSED OBLIGATIONS FY 1958	TOTAL AVAILABLE FOR EXPENDITURE FY 1958	ESTIMATED EXPENDITURES FY 1958	UNLIQUIDATED OBLIGATIONS 6/30/58
FY 1955 AND PRIOR YEAR FUNDS													
Defense Support													
Project Assistance	11,296.3	1,972.3	13,268.6	2,884.9	10,383.7	x	10,383.7	3,383.7	7,000.0	x	7,000.0	5,000.0	2,000.0
Non-Project Assistance	24,338.0	(532.7)	23,805.3	14,187.1	9,618.2	x	9,618.2	6,618.2	3,000.0	x	3,000.0	3,000.0	-
Total, Defense Support	35,634.3	1,439.6	37,073.9	17,072.0	20,001.9	x	20,001.9	10,001.9	10,000.0	x	10,000.0	8,000.0	2,000.0
Technical Cooperation													
Project Assistance	9,115.7	(2,384.7)	6,731.0	3,010.8	3,720.2	x	3,720.2	1,220.2	2,500.0	x	2,500.0	1,800.0	700.0
Total FY 1955 and Prior Year Funds	44,750.0	(945.1)	43,804.9	20,082.8	23,722.1	x	23,722.1	11,222.1	12,500.0	x	12,500.0	9,800.0	2,700.0
FY 1956 FUNDS													
Defense Support													
Project Assistance	x	9,150.0	9,150.0	271.7	8,878.3	x	8,878.3	1,778.3	7,100.0	x	7,100.0	2,400.0	4,700.0
Non-Project Assistance	x	20,310.0	20,310.0	1,917.5	18,392.5	x	18,392.5	11,392.5	7,000.0	x	7,000.0	5,000.0	2,000.0
Total Defense Support	x	29,460.0	29,460.0	2,189.2	27,270.8	x	27,270.8	13,170.8	14,100.0	x	14,100.0	7,400.0	6,700.0
Technical Cooperation													
Project Assistance	x	4,995.9	4,995.9	874.6	4,121.3	x	4,121.3	1,721.3	2,400.0	x	2,400.0	1,500.0	900.0
Total, FY 1956 Funds	x	34,455.9	34,455.9	3,063.8	31,392.1	x	31,392.1	14,892.1	16,500.0	x	16,500.0	8,900.0	7,600.0
FY 1957 FUNDS													
Defense Support													
Project Assistance	x	x	x	x	x	25,000.0	25,000.0	2,000.0	23,000.0	x	23,000.0	9,000.0	14,000.0
Non-Project Assistance	x	x	x	x	x	5,000.0	5,000.0	1,000.0	4,000.0	x	4,000.0	3,000.0	1,000.0
Total, Defense Support	x	x	x	x	x	30,000.0	30,000.0	3,000.0	27,000.0	x	27,000.0	12,000.0	15,000.0
Technical Cooperation													
Project Assistance	x	x	x	x	x	4,500.0	4,500.0	1,600.0	2,900.0	x	2,900.0	1,700.0	1,200.0
Total, FY 1957 Funds	x	x	x	x	x	34,500.0	34,500.0	4,600.0	29,900.0	x	29,900.0	13,700.0	16,200.0
FY 1958 FUNDS													
Defense Support													
Project Assistance	x	x	x	x	x	x	x	x	x	14,400.0	14,400.0	1,400.0	13,000.0
Non-Project Assistance	x	x	x	x	x	x	x	x	x	25,600.0	25,600.0	5,600.0	20,000.0
Total, Defense Support	x	x	x	x	x	x	x	x	x	40,000.0	40,000.0	7,000.0	33,000.0
Technical Cooperation													
Project Assistance	x	x	x	x	x	x	x	x	x	5,000.0	5,000.0	1,500.0	3,500.0
Total, FY 1958 Funds	x	x	x	x	x	x	x	x	x	45,000.0	45,000.0	8,500.0	36,500.0
TOTAL ALL PROGRAMS													
Defense Support													
Project Assistance	11,296.3	11,122.3	22,418.6	3,156.6	19,262.0	25,000.0	44,262.0	7,162.0	37,100.0	14,400.0	51,500.0	17,800.0	33,700.0
Non-Project Assistance	24,338.0	19,777.3	44,115.3	16,104.6	28,010.7	5,000.0	33,010.7	19,010.7	14,000.0	25,600.0	39,600.0	16,600.0	23,000.0
Total, Defense Support	35,634.3	30,899.6	66,533.9	19,261.2	47,272.7	30,000.0	77,272.7	26,172.7	51,100.0	40,000.0	91,100.0	34,400.0	56,700.0
Technical Cooperation													
Project Assistance	9,115.7	2,611.2	11,726.9	3,885.4	7,841.5	4,500.0	12,341.5	4,541.5	7,800.0	5,000.0	12,800.0	6,500.0	6,300.0
TOTAL, ALL PROGRAMS	44,750.0	33,510.8	78,260.8	23,146.6	55,114.2	34,500.0	89,614.2	30,714.2	58,900.0	45,000.0	103,900.0	40,900.0	63,000.0

THAILAND

TABLE 8
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ANALYSIS OF EXPENDITURE RATES FOR SELECTED PROJECTS WITH UNLIQUIDATED OBLIGATIONS OF $100,000 OR MORE ON 6/30/56 AND FOR WHICH ADDITIONAL FUNDS ARE PROPOSED IN FY 1958

(In thousands of dollars)

PROJECT TITLE AND NUMBER	UNLIQUIDATED OBLIGATIONS 6/30/55	ACTUAL OBLIGATIONS FY 1956	TOTAL AVAILABLE FOR EXPENDITURE FY 1956	ACTUAL EXPENDITURES FY 1956	UNLIQUIDATED OBLIGATIONS 6/30/56	ESTIMATED OBLIGATIONS FY 1957	TOTAL AVAILABLE FOR EXPENDITURE FY 1957	ESTIMATED EXPENDITURES FY 1957	UNLIQUIDATED OBLIGATIONS 6/30/57	PROPOSED OBLIGATIONS FY 1958	TOTAL AVAILABLE FOR EXPENDITURE FY 1958	ESTIMATED EXPENDITURES FY 1958	UNLIQUIDATED OBLIGATIONS 6/30/58
AGRICULTURE AND NATURAL RESOURCES													
Agricultural Extension and Research													
55-029	125	x	125	45	80	x	80	80	x	x	-	-	-
56-029	x	138	138	1	137	x	137	72	65	x	65	65	-
57-027, 57-029, 57-031, 57-032, 57-036, 57-131	x	x	x	x	x	355	355	195	160	x	160	110	50
58-029	x	x	x	x	x	x	x	x	x	238	238	138	100
Total	125	138	263	46	217	355	572	347	225	238	463	313	150
Improvement of Kasetsart University													
56-130	x	450	450	x	450	x	450	150	300	x	300	150	150
57-130	x	x	x	x	x	45	45	x	45	x	45	15	30
58-130	x	x	x	x	x	x	x	x	x	150	150	60	90
Total	x	450	450	x	450	45	495	150	345	150	495	225	270
Livestock Industry Development													
55-033	73	x	73	16	57	x	57	57	x	x	-	-	-
56-033	x	46	46	x	46	x	46	26	20	x	20	20	-
57-033	x	x	x	x	x	275	275	105	170	x	170	100	70
58-033	x	x	x	x	x	x	x	x	x	95	95	65	30
Total	73	46	119	16	103	275	378	188	190	95	285	185	100
INDUSTRY AND MINING													
Power Exploratory Survey													
56-134	x	160	160	x	160	x	160	40	120	x	120	120	-
57-134	x	x	x	x	x	x	x	x	x	x	-	-	-
58-134	x	x	x	x	x	x	x	x	x	210	210	110	100
Total	x	160	160	x	160	x	160	40	120	210	330	230	100
TRANSPORTATION													
Automotive Maintenance and Training Facilities													
56-135	x	170	170	x	170	x	170	40	130	x	130	90	40
57-135	x	x	x	x	x	x	x	x	x	x	-	-	-
58-135	x	x	x	x	x	x	x	x	x	50	50	-	50
Total	x	170	170	x	170	x	170	40	130	50	180	90	90
General Highway Improvement													
55-089	340	x	340	x	340	x	340	340	x	x	-	-	-
56-089	x	2,237	2,237	x	2,237	x	2,237	1,037	1,200	x	1,200	800	400
57-089	x	x	x	x	x	10,600	10,600	1,050	9,550	x	9,550	5,050	4,500
58-089	x	x	x	x	x	x	x	x	x	5,545	5,545	545	5,000
Total	340	2,237	2,577	x	2,577	10,600	13,177	2,427	10,750	5,545	16,295	6,395	9,900

THAILAND

ANALYSIS OF EXPENDITURE RATES FOR SELECTED PROJECTS WITH UNLIQUIDATED OBLIGATIONS OF $100,000 OR MORE ON 6/30/56 AND FOR WHICH ADDITIONAL FUNDS ARE PROPOSED IN FY 1958

(In thousands of dollars)

PROJECT TITLE AND NUMBER	UNLIQUIDATED OBLIGATIONS 6/30/55	ACTUAL OBLIGATIONS FY 1956	TOTAL AVAILABLE FOR EXPENDITURE FY 1956	ACTUAL EXPENDITURES FY 1956	UNLIQUIDATED OBLIGATIONS 6/30/56	ESTIMATED OBLIGATIONS FY 1957	TOTAL AVAILABLE FOR EXPENDITURE FY 1957	ESTIMATED EXPENDITURES FY 1957	UNLIQUIDATED OBLIGATIONS 6/30/57	PROPOSED OBLIGATIONS FY 1958	TOTAL AVAILABLE FOR EXPENDITURE FY 1958	ESTIMATED EXPENDITURES FY 1958	UNLIQUIDATED OBLIGATIONS 6/30/58
Aeronautical Ground Services Improvement													
56-050	x	250	250	x	250	x	250	220	30	x	30	30	-
57-050	x	x	x	x	x	3,390	3,390	390	3,000	x	3,000	2,000	1,000
58-050	x	x	x	x	x	x	x	x	x	135	135	105	30
Total	x	250	250	x	250	3,390	3,640	610	3,030	135	3,165	2,135	1,030
Meteorological Services Improvement													
55-117	40	x	40	x	40	x	40	40	x	x	-	-	-
56-117	x	58	58	x	58	x	58	58	x	x	-	-	-
57-117	x	x	x	x	x	250	250	100	150	x	150	120	30
58-117	x	x	x	x	x	x	x	x	x	15	15	15	-
Total	40	58	98	x	98	250	348	198	150	15	165	135	30
Improvement of Thai Airways													
55-118	949	x	949	x	949	x	949	702	247	x	247	247	-
56-118	x	73	73	x	73	x	73	x	73	x	73	73	-
57-118	x	x	x	x	x	500	500	35	465	x	465	410	55
58-118	x	x	x	x	x	x	x	x	x	585	585	-	585
Total	949	73	1,022	x	1,022	500	1,522	737	785	585	1,370	730	640
HEALTH AND SANITATION													
Malaria Eradication													
55-017	180	x	180	157	23	x	23	23	x	x	-	-	-
56-017	x	440	440	13	427	x	427	227	200	x	200	200	-
57-017	x	x	x	x	x	125	125	35	90	x	90	80	10
58-017	x	x	x	x	x	x	x	x	x	15	15	15	-
Total	180	440	620	170	450	125	575	285	290	15	305	295	10
Rural Health													
55-053	274	x	274	137	137	x	137	137	x	x	-	-	-
56-053	x	91	91	x	91	x	91	61	30	x	30	30	-
57-022, 57-053, 57-054, 57-072, 57-075	x	x	x	x	x	297	297	67	230	x	230	230	-
58-053	x	x	x	x	x	x	x	x	x	240	240	30	210
Total	274	91	365	137	228	297	525	265	260	240	500	290	210
Medical Education													
55-016	25	x	25	8	17	x	17	17	x	x	-	-	-
56-016	x	105	105	x	105	x	105	70	35	x	35	35	-
57-016	x	x	x	x	x	225	225	75	150	x	150	100	50
58-016	x	x	x	x	x	x	x	x	x	325	325	90	235
Total	25	105	130	8	122	225	347	162	185	325	510	225	285

THAILAND

TABLE 8
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ANALYSIS OF EXPENDITURE RATES FOR SELECTED PROJECTS WITH UNLIQUIDATED OBLIGATIONS OF $100,000 OR MORE ON 6/30/56 AND FOR WHICH ADDITIONAL FUNDS ARE PROPOSED IN FY 1958

(In thousands of dollars)

PROJECT TITLE AND NUMBER	UNLIQUIDATED OBLIGATIONS 6/30/55	ACTUAL OBLIGATIONS FY 1956	TOTAL AVAILABLE FOR EXPENDITURE FY 1956	ACTUAL EXPENDITURES FY 1956	UNLIQUIDATED OBLIGATIONS 6/30/56	ESTIMATED OBLIGATIONS FY 1957	TOTAL AVAILABLE FOR EXPENDITURE FY 1957	ESTIMATED EXPENDITURES FY 1957	UNLIQUIDATED OBLIGATIONS 6/30/57	PROPOSED OBLIGATIONS FY 1958	TOTAL AVAILABLE FOR EXPENDITURE FY 1958	ESTIMATED EXPENDITURES FY 1958	UNLIQUIDATED OBLIGATIONS 6/30/58
EDUCATION													
University Teacher Training													
55-021	704	x	704	197	507	x	507	257	250	x	250	250	-
56-021	x	519	519	x	519	x	519	149	370	x	370	250	120
57-021	x	x	x	x	x	x	x	x	x	x	-	-	-
58-021	x	x	x	x	x	x	x	x	x	365	365	-	365
Total	704	519	1,223	197	1,026	x	1,026	406	620	365	985	500	485
Improvement of Engineering Department, Chulalongkorn University													
55-124	60	x	60	x	60	x	60	30	30	x	30	30	-
56-124	x	30	30	x	30	x	30	15	15	x	15	15	-
57-124	x	x	x	x	x	458	458	23	435	x	435	240	195
58-124	x	x	x	x	x	x	x	x	x	170	170	-	170
Total	60	30	90	x	90	458	548	68	480	170	650	285	365
PUBLIC ADMINISTRATION													
Bangkok City Planning													
56-119	x	200	200	x	200	x	200	50	150	x	150	100	50
57-119	x	x	x	x	x	37	37	7	30	x	30	20	10
58-119	x	x	x	x	x	x	x	x	x	15	15	5	10
Total	x	200	200	x	200	37	237	57	180	15	195	125	70
Modernization of Government Fiscal Management													
55-098	400	x	400	7	393	x	393	198	195	x	195	195	-
56-098	x	x	x	x	x	x	x	x	x	x	-	-	-
57-098	x	x	x	x	x	78	78	18	60	x	60	40	20
58-098	x	x	x	x	x	x	x	x	x	230	230	30	200
Total	400	x	400	7	393	78	471	216	255	230	485	265	220
Public Administration Institute at Thammasat University													
55-063	880	x	880	40	840	x	840	350	490	x	490	350	140
56-063	x	x	x	x	x	x	x	x	x	x	-	-	-
57-063	x	x	x	x	x	x	x	x	x	x	-	-	-
58-063	x	x	x	x	x	x	x	x	x	215	215	-	215
Total	880	x	880	40	840	x	840	350	490	215	705	350	355

THAILAND

ANALYSIS OF EXPENDITURE RATES FOR SELECTED PROJECTS WITH UNLIQUIDATED OBLIGATIONS OF $100,000 OR MORE ON 6/30/56 AND FOR WHICH ADDITIONAL FUNDS ARE PROPOSED IN FY 1958

(In thousands of dollars)

PROJECT TITLE AND NUMBER	UNLIQUIDATED OBLIGATIONS 6/30/55	ACTUAL OBLIGATIONS FY 1956	TOTAL AVAILABLE FOR EXPENDITURE FY 1956	ACTUAL EXPENDITURES FY 1956	UNLIQUIDATED OBLIGATIONS 6/30/56	ESTIMATED OBLIGATIONS FY 1957	TOTAL AVAILABLE FOR EXPENDITURE FY 1957	ESTIMATED EXPENDITURES FY 1957	UNLIQUIDATED OBLIGATIONS 6/30/57	PROPOSED OBLIGATIONS FY 1958	TOTAL AVAILABLE FOR EXPENDITURE FY 1958	ESTIMATED EXPENDITURES FY 1958	UNLIQUIDATED OBLIGATIONS 6/30/58
GENERAL AND MISCELLANEOUS													
Program Operations													
56-102	x	197	197	62	135	x	135	100	35	x	35	35	-
57-102	x	x	x	x	x	145	145	100	45	x	45	45	-
58-102	x	x	x	x	x	x	x	x	x	150	150	100	50
Total	x	197	197	62	135	145	280	200	80	150	230	180	50
Ground Water Exploration													
55-108	180	x	180	50	130	x	130	85	45	x	45	45	-
56-108	x	515	515	x	515	x	515	100	415	x	415	415	-
57-108	x	x	x	x	x	1,159	1,159	24	1,135	x	1,135	250	885
58-108	x	x	x	x	x	x	x	x	x	350	350	50	300
Total	180	515	695	50	645	1,159	1,804	209	1,595	350	1,945	760	1,185

THAILAND

TABLE 9

CENTRAL GOVERNMENT FINANCES AND RELATED MUTUAL SECURITY LOCAL CURRENCY PROGRAMS

(Exchange Rate Used To Convert To Dollars: _____)

(In thousands of dollars equivalent)

	FISCAL YEAR ENDING: *(Indicate Month)* _____							
	1955		1956		1957		1958	
EXPENDITURES								
National Defense								
Capital Outlay								
Other Non-Defense Expenditures								
Total Expenditures								
Total Revenue, Excluding U.S. and Other Foreign Aid								
Deficit (-) or Surplus (+) Before Aid								
FINANCING OF EXPENDITURES BY SOURCE OF FUNDS	PERCENT	AMOUNT	PERCENT	AMOUNT	PERCENT	AMOUNT	PERCENT	AMOUNT
Revenue, Excluding U.S. and Other Foreign Aid								
Counterpart Withdrawals and MSP Local Currency Grants								
Defense Budget Support								
Civilian Budget Support								
Mutual Security Program Projects								
Total Counterpart and U.S. Local Currency Grants								
P.L. 480 Grants								
Grants from Other Countries								
Borrowings (+) or Debt Retirement (-)								
Mutual Security Loan								
P.L. 480 - Sec. 104(g)								
Export-Import Bank								
International Bank for Reconstruction and Development								
Other Foreign Borrowing								
Domestic Borrowing:								
Bond Issues								
Treasury Notes								
Borrowing from Central and Private Banks								
Total Domestic Borrowing								
Total Borrowing								
Net Change (+) or (-) in Bank Balances and Other Reserves								
Total Financing								

NOTE: In accordance with ICA/W instructions, Mission will submit data by December 31.

NOTE: Government Gross Debt: Amount Domestic _____ Amount Foreign _____ Date _____

TABLE 10

THAILAND

BALANCE OF PAYMENTS AND RESERVES

(Converted at average free market rates)

ITEM	CALENDAR YEARS 1954	1955	1956	1957	1958
Balance of Payments					
Goods and Services					
Exports, F.O.B.	283	335	323	335	335
Imports, C.I.F.	-312	-321	-350	-365	-370
Trade balance	- 29	14	- 27	- 30	- 35
Nonmonetary gold movements (net)	- 9	- 5	- 7	- 6	- 6
Foreign travel	- 4	- 4	- 5	- 4	- 4
Transportation and insurance	- 4	- 2	- 1	- 1	- 1
Investment income	- 2	- 5	- 3	- 3	- 3
Government, not included elsewhere	- 3	- 3	- 3	- 3	- 3
Other services	- 4	- 4	- 4	- 4	- 4
Total services	- 26	- 23	- 23	- 21	- 21
Total goods and services	- 55	- 9	- 50	- 51	- 56
Private Financing					
Remittances	- 7	- 8	- 8	- 8	- 8
Direct investment	-	-	-	-	-
Other	-	-	-	-	-
Total private financing	- 7	- 8	- 8	- 8	- 8
Net Errors and Omissions	31	14	7 a/	7 a/	7 a/
Surplus (+) or Deficit (-)	- 31	- 3	- 51	- 52	- 57
Official Financing					
Grants					
Grants from U.S.					
MSP	6	9	21	23	25
P.L. 480 Titles I, II	-	2	-	2	2
Other b/	-	3	3	3	3
Total grants	6	14	24	28	30
Long-Term Capital					
Loan repayments, including Government	- 1	- 2	- 5	- 9	- 13
Loans from MSP	-	-	7	10	10
Loans from P.L. 480, Title I.	-	-	-	2	2
Loans from Export-Import Bank	-	-	1	-	-
Loans from IBRD	2	2	4	5	6
Other	3	16	10	10	10
Total long-term capital	4	16	17	18	15
Short-Term Capital					
Change in reserves (increase -)	18	- 30	10	6	12
Monetary gold (increase -)	1	1	-	-	-
Other	2	2	-	-	-
Total short-term capital	21	- 27	10	6	12
Total Official Financing	31	3	51	52	57
Status of Reserves (end of period)					
Gold	113	112	112	112	112
Dollars	113	133	118	112	100
Sterling	47	51	51	50	50
Other	-	5	-	-	-

a/ Private capital financing only.
b/ Payment in settlement of war debt by Japan.

TABLE II

THAILAND

SUMMARY ECONOMIC DATA

ITEM	CALENDAR YEARS 1954	1955	1956	1957	1958
Population (Mid-year in millions)	21.9	22.5	23.0	23.6	24.2
Gross National Product at market prices--Total ($ Millions)	1,550	1,800	-	-	-
(Expressed in 1955 prices. Foreign Exchange Conversion Rate: 21 baht = US $1)	1,640	1,800	1,890	1,980	2,080
By Type of Expenditure:					
Private consumption	1,330	1,430	1,530	1,600	1,680
Gross investment (public and private)	165	180	190	200	220
Government expenditures on goods and services	200	200	220	230	240
Net foreign balance (+) or (-) ($ millions)	- 55	- 10	- 50	- 50	- 60
Per capita GNP (1955 prices)	75	80	82	84	86
Prices (Index, 1953 = 100) in Bangkok					
a. Wholesale	97	113	117	121	125
b. Cost of living	99	105	110	113	117
Industrial production	n.a.	n.a.	n.a.	n.a.	n.a.
Major commodities — Unit of quantity					
Tin (concentrate 72%) — 1,000 long tons	13.6	15.5	15.0	15.0	15.0

	CROP YEARS 1954/55	1955/56	1956/57	1957/58	1958/59
Agricultural production (Total Index, 1935-39 = 100)	159	194	204	213	222
Major crops — Unit of quantity					
Rice — 1,000 MT	5,710	7,350	7,850	8,300	8,600
Rubber — 1,000 MT	119	132	133	133	133

[redacted]

TABLE 12

THAILAND

SUMMARY SALES PROGRAMS UNDER PL 480, AGRICULTURAL TRADE AND DEVELOPMENT ACT OF 1954

(In thousands of dollars)

FISCAL YEAR IN WHICH SALES AGREEMENT SIGNED	TOTAL SALES CONTEMPLATED BY AGREEMENT	PLANNED USE OF LOCAL CURRENCY PROCEEDS (In Dollar Equivalent)					
		FOR ECONOMIC DEVELOPMENT UNDER SECTIONS				FOR COMMON DEFENSE 104(c)	FOR OTHER PURPOSES
		104(d)	104(e)	104(g)	TOTAL		
FY 1955 (Actual)	2,000	-	-	800 a/	800	-	1,200 a/
FY 1956 (Actual)	-	-	-	-	-	-	-
FY 1957 (Estimated)	3,000	-	-	1,500	1,500	-	1,500
FY 1958 (Estimated)	4,000	-	-	2,000	2,000	-	2,000
Total	9,000	-	-	4,300	4,300	-	4,700

a/ Loan agreement still not signed. Planned uses are specified in Sales Agreement and include $1.2 million equivalent under subsections 104(a), 104(f) and 104 (h).

[redacted]

THAILAND

TABLE 13

ACCRUAL, REALIZATION AND UTILIZATION OF LOCAL CURRENCIES UNDER P.L. 480, AGRICULTURAL TRADE AND DEVELOPMENT ACT OF 1954

(In thousands of dollars equivalent)

	ACTUAL FY 1956		ESTIMATED FY 1957		PROPOSED FY 1958	
	ON DEPOSIT	TO BE DEPOSITED	ON DEPOSIT	TO BE DEPOSITED	ON DEPOSIT	TO BE DEPOSITED
Balance beginning of year	2,000 a/	-	1,400	-	800	2,500
To be generated from Current Year Sales Agreements	x	-	x	3,000	x	4,000
Availability (on accrual basis)	x	-	x	3,000	x	6,500
Local Currency Realization during year	-	-	+ 500	- 500	+ 4,000	- 4,000
Available for Utilization during year	2,000	x	1,900	x	4,800	x
Utilization during the year						
For Section 104(d)	-	x	-	x	-	x
For Section 104(e)	-	x	-	x	-	x
For Section 104(g)	-	x	500	x	2,500	x
Total For Economic Development	-	x	500	x	2,500	x
For Section 104(c)	-	x	-	x	-	x
For Other Purposes	600	x	600	x	1,000	x
Total Utilization during year	600	x	1,100	x	3,500	x
Balance Close of Year	1,400	-	800	2,500	1,300	2,500

a/ Represents dollar value of FY 1955 Sales Agreement. Loan Agreement for $0.8 million under negotiation.

[redacted]

TABLE 15

THAILAND

HOST COUNTRY CONTRIBUTIONS a/

(In thousands of dollars equivalent)

	ACTUAL FY 1956			ESTIMATED FY 1957			ESTIMATED FY 1958		
	TOTAL	DEFENSE SUPPORT	TECHNICAL COOPERATION	TOTAL	DEFENSE SUPPORT	TECHNICAL COOPERATION	TOTAL	DEFENSE SUPPORT	TECHNICAL COOPERATION
Contributions to Other Than Cooperative Services									
Value in Cash:									
By Central Government	4,777	535	4,242	4,765	2,140	2,625	6,200	2,700	3,500
By Local Governments or Other Parties	-	-	-	1,500	1,500	-	12,800	12,800	-
Total	4,777	535	4,242	6,265	3,640	2,625	19,000	15,500	3,500
Value in Kind:									
By Central Government	588	153	435	700	400	300	920	670	250
By Local Governments or Other Parties	446	135	311	310	200	110	2,480	2,300	180
Total	1,034	288	746	1,010	600	410	3,400	2,970	430
Total Contributions to Other than Cooperative Services	5,811	823	4,988	7,275	4,240	3,035	22,400	18,470	3,930
Contributions to Cooperative Services									
Value in Cash:									
By Central Government									
By Local Governments or other Parties									
Total									
Value in Kind:									
By Central Government									
By Local Governments or Other Parties									
Total									
Total Contributions to Cooperative Services									
GRAND TOTAL CONTRIBUTIONS	5,811	823	4,988	7,275	4,240	3,035	22,400	18,470	3,930

a/ With the exception of Thai Government contributions to specific projects, for which disbursements are known, data below are estimated.

[redacted]

FAR EAST

FY 1958 ILLUSTRATIVE PRESENTATION

VIETNAM

OFFICE OF FAR EASTERN OPERATIONS

INTERNATIONAL COOPERATION ADMINISTRATION

[redacted]

TABLE I

VIETNAM

NON-MILITARY MUTUAL SECURITY PROGRAMS BY FUNCTION

(In thousands of dollars)

FUNCTIONS	ACTUAL FY 1956	ESTIMATED FY 1957	PROPOSED FY 1958
Defense Support			
Project Assistance	19,250	50,000	43,000
Non-Project Assistance	179,577 a/	215,000 a/	217,000 a/
Total, Defense Support	198,827	265,000	260,000
Technical Cooperation			
Project Assistance	3,471	4,500	4,900
TOTAL PROGRAMS	202,298	269,500	264,900
Of Which MSP Loans	25,000	25,000	25,000
Of Which MSP Sales of Surplus Agricultural Commodities	44,162 b/	45,000 b/	45,000 b/

a/ Includes (in thousands of dollars) the following amounts for local currency support of military forces: FY 1956 - 105,000 (excluding 90,500 savings on CY 1955 military program); FY 1957 - 185,000, of which 15,000 tentatively allocated from general reserve; FY 1958 - 165,000.

b/ Includes 30,000 triangular transaction with France.

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VIETNAM

Narrative Statement

U. S. OBJECTIVES

U. S. objectives in Vietnam are to:

1. Keep the country outside the communist orbit.

2. Assist the new Republic to develop a stable, effective, free government, based on broad popular support.

3. Assist in the development and maintenance of loyal, capable security forces to provide internal security and resist external aggression.

4. Foster sound economic development, where possible through private investment.

5. Assist in the development of technical and administrative competence required to operate governmental agencies and the private sector of the economy.

6. Assist in creating economic conditions which will permit the Vietnamese budget to bear an increasingly larger proportion of governmental costs, while maintaining a standard of living required for political and economic stability.

7. Aid the Free Vietnam Government to create political, social and economic conditions which provide a favorable contrast to communist-controlled North Vietnam.

OBSTACLES TO ACHIEVEMENT OF OBJECTIVES

A. Background

Two years ago the Government of Vietnam was menaced on every hand, and confronted by overwhelming problems which seemed insoluble. Vietnam's nominal independence from France was yet to be made real. Almost three-quarters of a million refugees from North Vietnam were to be received and resettled. Large areas which had been under Vietminh domination for as long as six years were to be occupied, pacified and brought under the control of free Vietnam's weak administrative system. The most productive areas of the Southwest were controlled by dissident sects prepared to resort to force, if necessary, to preserve their feudal privileges. President Diem's authority in his own capital was contested by one of these sects.

Economically, the country suffered extensively from the ravages of war. The railways and canals were in part destroyed or in disrepair. Populations had migrated from troubled areas to urban communities, abandoning their farms and overcrowding the cities. Paradoxically, while domestic production declined, imports and consumption were maintained at high levels. This was made possible by heavy U. S.-financed French expenditures in support of large armed forces.

Few observers believed that this war-torn country had much chance of survival. An almost miraculous recovery has taken

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place over the past two years. Slowly and deliberately, Ngo Dinh Diem has met and dealt with one issue after the other. This process of consolidation is nearing completion and the initial battle for survival may now be said to have been won. On October 26, 1956, the President proclaimed the Constitution of the Republic of Vietnam and thus inaugurated a new chapter of life in this country.

B. Political and Social Problems

The acute emergency has been overcome, but the Vietnam Government is still confronted with massive problems. Among the more serious political and social obstacles to achievement of U. S. objectives are:

1. Subversive Capabilities of the Vietminh - The Communists maintain a large apparatus throughout free Vietnam, especially in the regions which they once controlled. Though their capabilities have diminished as the Vietnamese Government has gained in strength and popular support, a large potentially subversive force remains at the disposal of the communists. At present they appear to be concentrating on the traditional communist tactics of quiet "boring from within." Change in Soviet or Chinese policy could result in a swift reversion to violence. The propaganda apparatus of the Hanoi regime, especially its radio broadcasts, provides constant direction for the enemies of the Vietnamese Government and exposes it to relentless harassment. The communist regime in North Vietnam continues to assert as its goal the unification of Vietnam under communist authority.

2. Competition with North Vietnamese Communists - The Government of Free Vietnam is understandably preoccupied with the threat of military aggression from the larger, more powerful, and probably better equipped army at the disposal of the communists. It is also concerned with winning the permanent loyalty of the Vietnamese people by outstripping the communists in political, social and economic progress. This sense of competition often impels the free Vietnamese Government to courses of action, which, despite their political desirability, would be difficult to justify on economic grounds.

3. Inexperience and Loss of Self-Confidence - In dealing with its problems, the young government is a constant prey to uncertainty, slowness, and often costly ineptitude. This uncertainty often leads to arbitrariness in disposing of the problems of its citizens, tending frequently to alienate important elements who should be loyal supporters of the regime. Newspapers, labor unions and the business community have been needlessly antagonized.

4. Demoralization of Rural Life - During the long war, hundreds of thousands of people were driven off the land, others came under the control of the communists. The traditional pattern of land ownership, land tenure, production and marketing were destroyed. Large areas of the countryside were cut off from essential public services. Farm production, which was the economic bulwark of South Vietnam, suffered a serious decline. Though important steps have been taken to restore the vigor of rural life, the Vietnamese Government is not yet assured of the loyalty of the farm population.

5. Integration of Refugees, Displaced Persons and Groups Redeemed from Communist Control - Though the enormous task of rehabilitating and resettling 700,000 refugees is well on the way to solution, the government's energies still are necessarily committed to this activity. Other large groups which were driven from the land during the wars and insurrections, or were subjected to years of communist indoctrination and control, must be reintegrated as loyal and productive citizens of the Republic.

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C. Economic Problems

Among the more significant economic problems are:

1. Physical Damage and Disruption of Economy - The long war virtually destroyed the vital highways, canals, irrigation works, railways and communications system on which the economic life of the country depends. The division of the country at the 17th parallel severed the food production center in the south from its industrial base in the north. This problem was further aggravated by the termination of the Indochina customs and monetary union.

2. Low Level of Agricultural Production and Exports - Because of the demoralization of rural life, crop production has sustained serious losses. Since South Vietnam is almost entirely agricultural, it must depend for its exchange earnings on foreign sales of rice and rubber. Rubber production has been maintained but rice exports, which before the war were approximately a million tons a year, have declined to a fraction of that figure.

3. Serious Shortage of Trained Technical and Management Personnel - The government includes only a handful of administrative officials with managerial and technical training and experience. It is not able, therefore, effectively to mobilize resources, utilize foreign aid, and provide basic public services. The same situation prevails in the private sector, to the great detriment of economic growth.

4. Economic Nationalism and Lack of Industry - During the colonial period, foreign capital tended to exploit Vietnam primarily for the benefit of French owners and managers. As a result of this experience, the Vietnamese have determined that their economy must not be dominated by foreigners. The French and Chinese have both the capital and the skills which could be useful in the economic development of Vietnam. The government, however, has begun to discriminate sharply against local French and Chinese businessmen, reinforcing their inclination to close their businesses in Vietnam. A net disinvestment in the economy has already taken place and the government's discriminatory policy has created a climate which is not likely to encourage other private foreign investment in Vietnam.

Though the government speaks of its interest in rapid industrialization through private foreign capital, no specific actions to attract capital have yet been initiated. South Vietnam has virtually no industry. The great bulk of the requirements of its 12 million people for essential manufactured commodities must therefore be met by imports.

5. High Government Costs - The threat of communist aggression and subversion requires large security forces in Vietnam. These forces require government outlays which are far in excess of revenue capabilities now or in the foreseeable future. The government's current revenues barely cover routine operating costs. The cost of the security forces and of economic development projects constitute expenditures for which no revenues are available. This deficit is met by U. S. aid.

6. Danger of Inflation - A high level of government budget expenditures, and a large supply of foreign-owned liquid funds, together constitute a serious inflationary threat. To date this threat has been largely counteracted by virtue of a substantial volume of U. S.-financed imports. The rise in prices has been held to about 20 percent over the past two years. An unavoidable by-product of the magnitude of U. S. assistance has

been the continuation of a ten-year trend of inflated living standards, especially in the Saigon area, beyond what the economy through its unaided efforts will be able to support for many years.

7. Weak Fiscal Policies of Government - Because of its political weakness and its lack of skill in fiscal management, the government has not taken the necessary steps to increase revenues or to control unessential public expenditures to the extent it might. The effect of these weak fiscal practices is to increase the prospect of inflation and to magnify the country's need for additional foreign aid.

8. Limited Capacity to Absorb Developmental Aid - Because of the shortage of known national resources, an acute dearth of entrepreneurial, managerial and technical skills, and the absence of basic economic data, there is a limit to the developmental capital, public or private, which Vietnam can efficiently employ. Moreover, even with investment guaranties, security conditions are likely to deter conservative investors for many years. Although the above factors are the more important ones in the present situation, the inflationary situation, too, imposes some limitation on the rate at which capital development can safely be undertaken.

ROLE OF U. S. ASSISTANCE

U. S. aid is required to help the Vietnamese Government (1) strengthen internal security, (2) maintain economic stability, (3) restore agricultural production and improve village life, (4) rehabilitate and improve essential public works, (5) develop industry and mining, (6) improve public administration, and (7) train professional, technical and administrative personnel for the private sector.

In order to facilitate a rate of economic growth which will hasten the reduction of U. S. assistance, it is necessary that the aid program help the government to (1) effect savings in its military budget, (2) develop sound budgetary, tax and fiscal policies, (3) adopt more friendly attitudes toward foreign private capital, and (4) plan for development in a sound manner.

Without substantial U. S. economic and technical assistance to Vietnam, it is likely that the following would occur:

1. The government would face imminent bankruptcy, without means to pay the army or the civil service. The government's security forces and its administration would quickly disintegrate.

2. Commodity imports would plummet. This would lead quickly to a sharp decline in living standards, serious privation throughout the country, acute inflation and demoralization of the population.

3. Were the authority of the government to collapse, the communists would assume control. This would be a serious blow to U. S. prestige throughout Asia since the U. S. has identified itself closely with the interests of free Vietnam. It would expose all of southeast Asia to imminent communist seizure and shatter the faith of our allies in the will and ability of the U. S. to protect them.

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The Government of Vietnam realizes its dependence on U.S. aid and has repeatedly asked high U. S. officials for assurances of steadfast U. S. moral and material support. These assurances, though informal, have been given.

LONG-RANGE PLAN

The acute emergency in Vietnam has now passed. Both the U. S. and Vietnam recognize that the time has come to put the U.S. aid program on a long-range basis which will lead to the gradual strengthening of the Vietnamese economy and the reduction of its dependence on foreign aid. The Country Team and the Vietnamese Government have just completed an intensive review of U. S. aid activities. Agreement has been reached on the main directions which the U. S. aid program should take and the basic priorities until 1960. It is not realistic at this time to project either the magnitude or the composition of U. S. aid activities in Vietnam beyond 1960.

A. Program Priorities

The new priorities involve an expansion in the magnitude of assistance for basic development and a major shift in this segment of the program, away from relief and non-military budget support toward development of agriculture, industry and public works.

Plans for the more immediate future take into account the virulent propaganda attack on Diem's regime by communist North Vietnam and the urgent need for visible rapid progress toward improved economic and social conditions, to create in South Vietnam a situation comparing favorably with that in the communist North. This will require substantial amounts of financial aid and support to certain projects not heretofore included in these programs.

Vietnam's capacity to absorb developmental funds is expected to increase as skills expand, the institutional environment becomes more favorable, and basic facilities are improved and expanded under the stimulus of U. S. aid.

It is planned to use funds to (1) rehabilitate and build essential highways, airways, waterways and power facilities; (2) open land areas to settlement and development -- High Plateau, Camau, Plaine des Joncs; (3) assist dramatic "social capital" projects -- land reform, a national medical center, a water system for Saigon. The latter group, particularly, will increase the attractiveness of the Diem regime to the Vietnamese man in the street and paddy field for whose loyalty Diem is competing with the North Vietnam communists.

The proposed development projects will help to accelerate and expand domestic production, eventually reducing requirements for imports. Known national resources do not seem to warrant heavy expenditures at this stage for basic industries, except coal mining. Small-scale economic activity, mostly secondary industry, would remain the province of private enterprise, assisted by government loans and technical assistance. Training projects to help Vietnam overcome its acute shortage of skilled personnel will be expanded, though their total costs are relatively modest.

B. Magnitude of Future Aid Requirements

Unless there is a significant reduction in military force levels, it is unreasonable to expect a sharp decline in the requirements for U. S. aid through 1960. The 1960 aid requirements, as currently projected, call for a reduction of $34 million, or more than 15 percent below the $265 million proposed for Defense Support and Technical Cooperation in FY 1958. In 1960, assistance

for public works and land development should fall by more than $20 million, and other costs by $6 million, but requirements for industry may rise by as much as $7 million over the amount proposed for FY 1958. Assuming present force levels, military budget support costs are expected to fall to $150 million, or $15 million below FY 1958. Some further reduction might be achieved if large-scale conscription were introduced.

At the same time, it does not appear that tax revenues will show any substantial increase. The gradual decline in U. S.-financed imports will prevent any significant increases in customs revenues; economic restrictions resulting in the harassment of French and Chinese businessmen may cut tax collections from these sources, while industrial activity controlled by Vietnamese will still be in an early stage of growth. Therefore, a heavy budget deficit will still remain which will have to be covered in large measure by U. S. aid.

Nor will the balance of payments gap be greatly reduced. Export earnings may be expected to grow as the farm economy recovers and rice becomes available for export. On the other hand, the increasing demands of the economy, especially capital goods imports for the young and growing industrial sector, may require sizeable expenditures of foreign exchange.

C. Summary of Long-Range Plan

The major directions proposed for U. S. assistance through 1960 are detailed below and related to the program objectives they are intended to support:

1. Strengthen Internal Security - The long-range plan assumes a continuation of the present military force levels and only a slight reduction in per-man costs. This will necessitate continued U. S. support of the Vietnamese military budget at a slowly diminishing rate. The civilian police services will be almost fully equipped from FY 1957 and FY 1958 funds and it would be advisable to continue the intensive training program for these forces through FY 1960. As the police become more effective, it may be possible to demobilize part of the regular military forces.

2. Maintain Economic Stability - Large-scale U. S. aid will still be required by 1960 to meet a substantial, continuing balance of payments deficit and to restrain inflation. However, agricultural and industrial production should begin to yield a modest increase in commodities for the domestic market. Combined with tighter budgetary and fiscal controls which should be fostered by the U. S., this increase in production would probably help to curb inflation without sacrificing living standards.

3. Restore Agricultural Production and Improve Village Life - It is planned to speed up U. S. assistance to Vietnam in planning and financing land development and resettlement projects serving demobilized soldiers and locally-displaced peasants. Agricultural credit under reasonable terms should be greatly expanded to encourage crop diversification, livestock improvement, and rice marketing cooperatives. It is proposed to provide funds for administrative support of the land reform program, which the President of Vietnam considers indispensable to social stability and increased agricultural production. Credit will also be required for the purchase of necessary equipment and livestock by the new landowners. Support should be continued to the agricultural extension program, and aid given to improve rural health services, develop sanitary village water supply through well drilling, help eradicate malaria, and improve and expand elementary education. The net effect of such a rural improvement program would be: (a) to restore and diversify farm production;

(b) to win the support of the peasantry for the Government of Free Vietnam; (c) to increase exports to some extent.

4. Rehabilitate and Improve Essential Public Works - Largely as a result of the planned program, it is expected that by 1960 the Vietnamese highway system will be largely restored, and essential new highways required to open important areas of the country for economic and strategic reasons will be underway. By that time, the Saigon airport should be greatly improved and re-equipped so that operations will meet international standards for heavy military and civilian traffic. It is also planned to take important steps to rehabilitate inland waterways which represent main arteries of commerce for large areas of South Vietnam. A telecommunications system geared to a regional telecommunications plan should be installed and under operation through much of the country. Thus, by 1960 the major restoration and improvement of vital transportation and communications facilities should be virtually completed and requirements in this area for U. S. aid sharply curtailed.

5. Develop Industry and Mining - By 1960 the development of small industry in Vietnam can be expected to be underway. It is planned to finance, primarily through loans or through the commercial import program, the dollar costs of equipment required for such new industries as sugar refining, textile and cotton spinning, glass, wallboard, rubber processing, cement, and other small industries and handicrafts using locally available resources. Projects might include assistance in the exploitation of the important Nong Son coal deposits, and the rehabilitation and modernization of electric power facilities. Where possible, the U. S. will encourage the Vietnamese to use private capital, both domestic and foreign, to finance the country's economic development. The industries which it is planned to develop through 1960 will produce commodities primarily for internal consumption in Vietnam, thus reducing the country's requirements for imports. It is not likely that many of these industries will be important foreign exchange earners.

6. Improve Public Administration - It is contemplated that the U. S. will continue to support the Institute of Public Administration, which is staffed under a contract with Michigan State University. This activity would be expanded from Saigon to include the training of officials in major provincial centers. The important U. S.-aided programs for teacher training and for developing agricultural extension workers and public health technicians should also continue.

7. Train Professional, Technical and Administrative Personnel for the Private Sector - It is planned to help overcome the serious dearth of trained personnel through training of students and officials abroad, the expansion and development of the National Medical School, the expansion and modernization of a vocational and technical secondary school system, and the requirement that all ICA-financed contractors concentrate on the training of Vietnamese personnel.

STATUS AND ACCOMPLISHMENTS OF MUTUAL SECURITY PROGRAM

During the past two years U. S. financial assistance to Vietnam under the Mutual Security Program has totalled nearly a half billion dollars, largely in the category of Defense Support. During the same period, DFS and MDAP have provided goods and services to a value of $34 million. Of the total DS assistance provided, $320 million (64 percent) has been used for budgetary support of the Vietnamese Armed Forces. The remainder has been divided between refugee resettlement ($93 million) and the conduct of technical and economic assistance projects ($84 million). Of

the total, nearly 90 percent has been non-project aid used for the importation of counterpart generating commodities.

American aid, moral and political as well as financial and material, undoubtedly played an indispensable role in the success which has been achieved in Vietnam. American funds have paid 90 percent of the cost of the Vietnamese Armed Forces and an even larger proportion of the cost of receiving and resettling the refugees from the North. Of total Vietnamese public expenditures, including the piaster portion of MSP projects, well over 60 percent has been derived from U. S. assistance. U. S. aid finances most of the normal imports of Vietnam.

Technical assistance growing out of U. S. guidance in the administration of commercial imports and budget support aid, has helped the Government of Vietnam to reorient its foreign commerce toward world-wide supply sources, establish and organize a central bank, and administer its public finances. Project aid has contributed significantly to the reconstruction of agriculture and public works, to re-establishing and strengthening public administration, and to improvement in the government's programs of health, education, public information and social welfare.

Despite the necessary emphasis on military support and aid for refugees during the past two years, attention has been given to basic economic and technical assistance. This trend will be accelerated as refugee resettlement progresses. No new funds were requested in the FY 1957 program specifically for refugee support, and it appears that the absorption of the refugees into the general community is a goal well within reach.

By building schools, supporting an adult education program, conducting campaigns against malaria and other diseases, furnishing drugs for distribution through the public hospitals and the programs of Operation Brotherhood and Civic Action, American aid has helped the Government of Vietnam carry out programs touching many people in various parts of the country. Through the Public Administration project of Michigan State University, through the creation of motion picture, photographic and other information services, and by re-equipping the civilian police forces, U. S. aid has helped the Government of Free Vietnam establish its authority and prestige during the difficult period of transition through which it has passed.

On the whole, it may reasonably be said that the economic and technical assistance programs have been effective -- in some areas very effective. It must be acknowledged, however, that the effectiveness of the various aid projects has been by no means uniform.

THE FY 1958 PROGRAM

The program proposed for FY 1958 is an extension of the FY 1957 program which, as previously indicated, was developed after intensive review with the Vietnamese Government. The programs for both years are integral parts of the long-range plan extending through 1960.

A. Magnitude and Composition of FY 1958 Program

Technical Cooperation	$ 4.9 million	
Defense Support	260.0	
Non-Project	217.0	
Military		165.0
Economic		52.0
Project	43.0	

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The FY 1958 program is described below in terms of its six major directions.

1. To Maintain and Strengthen Vietnam's Security - For this purpose $165 million will be provided to generate local currency to help maintain an army of 150,000 men in being. This represents a reduction from FY 1957 of $20 million in new obligational authority and a drop of $3 million below the current year in local currency programmed for support of the military forces. A substantially reduced amount -- $1.9 million in FY 1958 as compared with $5.8 million in FY 1957 -- will be made available to complete equipment of the Vietnamese police and to continue their intensive training.

2. To Insure Economic Stability - The 1958 program, in its non-project sector, will finance commercial imports of $217 million, about the same level as in FY 1957. These comprise 90 percent of Vietnam's total requirements for capital and consumer goods imports and provide the principal control against inflation. They are expected to include $15 million of surplus agricultural commodities, $25 million of imports from France provided through a triangular Section 402 arrangement, $43 million of machinery and utility vehicles, $37 million in raw materials and semi-finished products, $13.5 million in fuel, $10 million in food, feed and fertilizers, and $73.5 million in miscellaneous commodities, mostly essential consumer goods. The sale of these commodities will generate the local currency needed to meet the military budget deficit and to finance the local cost of non-military activities.

3. To Restore Agricultural Production and Improve Village Life - A total of $23.3 million is planned for these vital activities, approximately the same as in FY 1956 and FY 1957. Dollar costs will amount to $4.7 million (TC - 2.0; DS - 2.7); and the equivalent of $18.6 million will be required in local currency (15.6 for DS and 3.0 for TC projects). $7 million in local currency will be needed to help the Vietnamese Government meet the administrative costs of agricultural reform in the Southern rice lands and to provide necessary operating credit for the new freeholders. $2 million will be provided in counterpart to assist in the redevelopment of the fertile Camau area, the southern-most province of Vietnam, which will be resettled by displaced peasants and demobilized servicemen. The aid program will continue to foster the diversification of crops and the improvement of livestock. The extension service and the agricultural training school, means by which improved farm practices are disseminated among the Vietnamese peasants, will continue to receive support.

About $1 million will be used to continue a five-year malaria eradication program begun in 1957. This will be accompanied by a $1.5 million extension of health services to the countryside and an intensified program of developing sanitary water supply through mechanical well drilling. It is expected that $2 million will be used to help carry forward the government's program of providing elementary school facilities for every farm child of school age in Vietnam. The total effect of these large public service programs focusing on the improvement of village life will strengthen the link between the Vietnamese peasants and their free government in its struggle with the communists for their allegiance.

4. Rehabilitation and Development of Highways, Communications and Other Public Works - DS funds totalling $32.7 million -- $16.9 million for dollar costs and $15.8 million in local currency -- will be committed to the restoration and improvement of

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public works facilities. This compares with a total of $12.6 million in FY 1956 and $27.9 million in FY 1957. $25 million will be added to the large-scale highway program, which was begun in 1957 with U. S. engineering and construction funds. Part of this sum will complete the rehabilitation of the main economic artery of the country. If engineering estimates are favorable, work will probably begin on a highway which will open up fertile areas in the High Plateau of Central Vietnam for settlement and for the movement of Vietnamese security forces.

Means will be provided for further progress in the long-range plan to restore to usefulness the vital canals and other inland waterways in the southern provinces. $1.9 million of FY 1958 funds will permit continued progress in improving the Saigon airport, the main civil and military airfield in Vietnam. $4.5 million will be set aside to initiate a large project to provide the metropolitan area of Saigon with a sanitary and reliable water supply for the protection of the health of the two million inhabitants of this important community.

5. Development of Industry and Mining - The $23.0 million of DS funds committed to this activity (compared with $0.9 million in FY 1956 and $12.9 million in FY 1957) will serve two major purposes:

a. It will help develop coal and power. $4 million will finance large-scale exploitation of the Nong Son coal field, a promising source of solid fuels for Vietnam which has no other domestic source of combustible fuel. $7 million will be used to improve the production and distribution of electricity in the leading cities, especially in Saigon.

b. It will establish a loan fund of $12 million (half in dollars and half in local currency), supplementing a similar $7 million fund started in FY 1957. This will enable local businessmen to finance the import of capital equipment and secure operating capital on reasonable terms. This fund will be available for local private investment in such industries as cotton spinning, forest products, glass, cement and handicrafts.

6. Training Professional, Technical and Management Personnel - To help overcome Vietnam's shortage of trained personnel, $12.3 million will be made available in FY 1958, an increase of $2 million over FY 1957. Among the major projects contemplated is an expanded vocational and technical education program for which $1.5 million is provided, to train young Vietnamese at the mechanical and sub-professional levels. $1.2 million will be made available for an enlarged program in teacher training. A 5-year project to provide modern training facilities for medical and allied personnel, expected to begin in 1957, will be continued with an additional $3.7 million in FY 1958. The in-service training of inexperienced civil servants, provided through a contract with Michigan State University, will receive $2.7 million in continued support. This training activity will be extended from Saigon to provincial capitals in FY 1958.

C. Pipeline

The unliquidated balance for the Vietnam program on June 30, 1956 compares with year-end projections for FY 1957 and FY 1958 as follows:

	Unliquidated Obligations (millions of US$)		
	FY 1956	FY 1957	FY 1958
Defense Support	182.3	277.0	295.6
Non-Project	163.0	223.3	239.9
Project	19.3	53.7	56.1
Technical Cooperation	2.8	4.5	5.5

1. Non-Project Aid - Past experience in the Vietnam program indicates that approximately 20 percent of non-project funds is liquidated in the year of obligation, and local currency made available thereby, when the normal procurement authorization process is employed. Approximately 50 and 30 percent of the dollar funds are generally expended in the second and third years, respectively.

Because of this lag, the non-project commodity pipeline has not yielded sufficient local currency support at the required times. Periodic local currency shortages in the past, therefore, have dictated the use of cash grants as an emergency device for accelerating the generation of local currency. Although emergency needs have thus been met, the potential size of the local-currency generating commodity pipeline has been correspondingly reduced.

In FY 1955 and FY 1956, cash grants amounting to $116 million and $42 million, respectively, resulted in high liquidation rates, a fact which is reflected in the relatively low pipeline on June 30, 1956. An additional factor accounting for the size of that unliquidated balance is that new funds were less in FY 1956 than would have been required had approximately $90 million of savings from the previous year's program not been available.

The estimated rise in unliquidated obligations by the end of FY 1957 reflects a sizeable expansion of the saleable commodity pipeline, arising from both the increased use of the PA process and the substantially larger amount of new, non-project funds available for obligation in that year than in FY 1956. The June 30, 1957 balance estimated above, however, is not an accurate reflection of the magnitude of local currency generation in future years. Under a FY 1957 Section 402 triangular transaction with France, approximately $27 million in francs will have been advanced directly to Vietnam by the end of that fiscal year, although only a small fraction of the dollars obligated under the agreement will have been expended by that time. Consequently, the unliquidated dollar obligations on June 30, 1957, will be approximately $27 million greater than the pipeline's ultimate local currency yield. When adjusted to take account of this fact, the dollar pipeline at the end of FY 1957, together with limited amounts of local currency to be generated from FY 1958 funds, appears to be barely adequate to meet local currency requirements in FY 1958.

2. Project Aid - The estimated increase in unliquidated obligations after FY 1956 reflects a substantial expansion, initiated in FY 1957, in the project sector of the Vietnam program, primarily in the DS category. From a new obligation level of approximately $19 million for direct dollar costs of DS projects in FY 1956, an increase to $50 and $43 million is projected, respectively, for FY 1957 and FY 1958. This rise in obligations also reflects a major shift from what was an almost exclusive emphasis on immediate impact programs to a substantial amount of long-range economic development. As a consequence, the typical lead-time for liquidation of project funds can be expected to increase.

D. Loans

It is anticipated that $25 million of FY 1958 MSP funds will be provided to Vietnam as a loan for financing its economic development program. Additional loans might be justified to the extent that they would be self-liquidating. On the other hand, large budget deficits are in prospect for some time and foreign

exchange resources, inclusive of U. S. aid, are barely adequate to meet requirements. At the end of FY 1958, Vietnam already will be supporting $75 million of MSP loans -- $25 million each in the fiscal years 1956, 1957 and 1958.

SUMMARY OF FY 1959 PROGRAM

In its composition, the FY 1959 program will follow the patterns set forth in the long-range plan. Although specific project data are not yet available, it is anticipated that funds for DS military budget support will decline by $15 million to $150 million. Economic aid will be similar in magnitude to FY 1958: $95 million in DS, and $5 million in TC. The non-project program for commercial imports will total $200 million, a decline of $17 million from 1958.

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VIETNAM

TABLE 2

NON-MILITARY MUTUAL SECURITY DOLLAR PROGRAMS AND RELATED LOCAL CURRENCY GENERATION

(In thousands of dollars and equivalent)

	ACTUAL FY 1956				ESTIMATED FY 1957				PROPOSED FY 1958			
	DOLLAR PROGRAM			INITIATING LOCAL CURRENCY GENERATION	DOLLAR PROGRAM			INITIATING LOCAL CURRENCY GENERATION	DOLLAR PROGRAM			INITIATING LOCAL CURRENCY GENERATION
	TOTAL	DEFENSE SUPPORT	TECHNICAL COOPERATION		TOTAL	DEFENSE SUPPORT	TECHNICAL COOPERATION		TOTAL	DEFENSE SUPPORT	TECHNICAL COOPERATION	
PROJECT ASSISTANCE												
Contributions to Cooperative Services	x	x	x	x	x	x	x	x	x	x	x	x
Supplies and Equipment:												
Capital Equipment	8,788	8,384	404	-	34,880	34,145	735	-	15,370	14,905	465	-
Other	8,167	7,167	1,000	-	4,555	3,620	935	-	16,930	15,850	1,080	-
Total, Supplies and Equipment	16,955	15,551	1,404	-	39,435	37,765	1,670	-	32,300	30,755	1,545	-
U.S. Employed Technicians (Cost)	1,405	668	737	-	2,505	2,140	365	-	2,575	2,240	335	-
Total Number Authorized for Employment During Year	(267)	(128)	(139)	x	(173)	(152)	(21)	x	(178)	(156)	(22)	x
Number on Duty Close of Year	(117)	(57)	(60)	x	(150)	(129)	(21)	x	(160)	(138)	(22)	x
Participants (Cost)	251	85	166	-	1,080	545	535	-	1,415	710	705	-
Number Authorized During Year	(107)	(39)	(68)	x	(277)	(103)	(174)	x	(440)	(188)	(252)	x
Contract Services (Total Cost U. S. Technicians)	4,110	2,946	1,164	-	11,480	9,550	1,930	-	11,610	9,295	2,315	-
Total Number Authorized for Employment During Year	(84)	(50)	(34)	x	(291)	(192)	(99)	x	(361)	(252)	(109)	x
Number on Duty Close of Year	(35)	(1)	(34)	x	-	-	-	x	-	-	-	x
Contract Services - Participants Authorized During Year	(15)	-	(15)	x	(20)	-	(20)	x	(20)	-	(20)	x
Other	-	-	-	-	-	-	-	-	-	-	-	-
Total, Project Assistance	22,721	19,250	3,471	-	54,500	50,000	4,500	-	47,900	43,000	4,900	-
NON-PROJECT ASSISTANCE												
Commodity Imports:												
Surplus Agricultural Commodities:												
Bread Grains	5,162	5,162	-	5,162	5,000	5,000	-	5,000	4,500	4,500	-	4,500
Dairy Products	8,300	8,300	-	8,300	8,850	8,850	-	8,850	9,350	9,350	-	9,350
Fats and Oils	700	700	-	700	1,150	1,150	-	1,150	1,150	1,150	-	1,150
Total, Surplus Agricultural Commodities	14,162	14,162	-	14,162	15,000	15,000	-	15,000	15,000	15,000	-	15,000
Deduct Sales to This Country for Benefit of Other Countries	-	-	-	-	-	-	-	-	-	-	-	-
Add Sales to Other Countries for Bendfit of This Country	30,000	30,000	-	30,000	30,000	30,000	-	30,000	30,000	30,000	-	30,000
Net Sales for Benefit of This Country	44,162	44,162	-	44,162	45,000	45,000	-	45,000	45,000	45,000	-	45,000
Other Commodities:												
Food, Feed and Fertilizer	6,125	6,125	-	6,125	9,600	9,600	-	9,600	10,900	10,900	-	10,900
Fuel	11,938	11,938	-	11,938	13,600	13,600	-	13,600	14,500	14,500	-	14,500
Raw Materials and Semi-Finished Products	8,178	8,178	-	8,178	26,800	26,800	-	26,800	39,500	39,500	-	39,500
Machinery and Vehicles	31,346	31,346	-	31,346	49,000	49,000	-	49,000	46,100	46,100	-	46,100
Miscellaneous	45,828	45,828	-	45,828	56,000	56,000	-	56,000	61,000	61,000	-	61,000
Total, Other Commodities	103,415	103,415	-	103,415	155,000	155,000	-	155,000	172,000	172,000	-	172,000
Total Commodity Imports	147,577	147,577	-	147,577	200,000	200,000	-	200,000	217,000	217,000	-	217,000
Cash Grants	32,000	32,000	-	28,621	15,000	15,000	-	15,000	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-
Total, Non-Project Assistance	179,577	179,577	-	176,198	215,000	215,000	-	215,000	217,000	217,000	-	217,000
TOTAL, NON-MILITARY PROGRAMS	202,298	198,827	3,471	176,198	269,500	265,000	4,500	215,000	264,900	260,000	4,900	217,000
Of Which Dollar Loans	25,000	25,000	-	-	25,000	25,000	-	-	25,000	25,000	-	-
Of Which Dollar Grants	177,298	173,827	3,471	176,198	244,500	240,000	4,500	215,000	239,900	235,000	4,900	217,000

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TABLE 3

VIETNAM

MUTUAL SECURITY PROGRAM LOCAL CURRENCY GENERATION AND PROGRAMMED UTILIZATION

(In thousands of dollars equivalent)

	ACTUAL FY 1956			ESTIMATED FY 1957			PROPOSED FY 1958		
	TOTAL	DEFENSE SUPPORT	TECHNICAL COOPERATION	TOTAL	DEFENSE SUPPORT	TECHNICAL COOPERATION	TOTAL	DEFENSE SUPPORT	TECHNICAL COOPERATION
LOCAL CURRENCY GENERATION									
Dollar Programs Initiating Local Currency Generation	176,198	x	x	215,000	x	x	217,000	x	x
Less: Local Currency Reserved for U.S. Uses	-	x	x	-	x	x	-	x	x
Subtotal Local Currency Availability	176,198	x	x	215,000	x	x	217,000	x	x
Add: Estimated Local Currency Unprogrammed Beginning of Year	90,500 a/	x	x	19,393	x	x	36,393	x	x
Total Local Currency Available for Programming	266,698	x	x	234,393	x	x	253,393	x	x
PROGRAMMED UTILIZATION									
Mutual Security Project Requirements:									
Military	-	-	-	-	-	-	-	-	-
Non-Military	68,705	55,279	13,426	30,000	25,000	5,000	52,000	47,000	5,000
Total Project Requirements	68,705	55,279	13,426	30,000	25,000	5,000	52,000	47,000	5,000
Non-Project Budget Support:									
Military	178,600	178,600	-	168,000	168,000	-	165,000	165,000	-
Non-Military	-	-	-	-	-	-	-	-	-
Total Non-Project Budget Support	178,600	178,600	-	168,000	168,000	-	165,000	165,000	-
Other	-	-	-	-	-	-	-	-	-
Total Programmed Utilization	247,305	233,879	13,426	198,000	193,000	5,000	217,000	212,000	5,000
Local Currency Unprogrammed Close of Year	19,393	x	x	36,393	x	x	36,393	x	x

a/ Savings on CY 1955 military support program.

[redacted]

TABLE 4

VIETNAM

MUTUAL SECURITY PROGRAM LOCAL CURRENCY ACCRUAL, REALIZATION AND UTILIZATION

(In thousands of dollars equivalent)

	ACTUAL FY 1956		ESTIMATED FY 1957		PROPOSED FY 1958	
	LOCAL CURRENCY		LOCAL CURRENCY		LOCAL CURRENCY	
	ON DEPOSIT	TO BE DEPOSITED	ON DEPOSIT	TO BE DEPOSITED	ON DEPOSIT	TO BE DEPOSITED
LOCAL CURRENCY REALIZATION						
Unutilized Balance Beginning of Year	23,700	159,400 a/	7,700	184,698	17,800	178,398
Add: Current Year Local Currency Generation	x	176,198	x	215,000	x	217,000
Subtotal Availability on Accrual Basis	x	335,598	x	399,698	x	395,398
Local Currency Realization During Year	+150,900	-150,900	+221,300	-221,300	+180,000	-180,000
Total Local Currency Available for Utilization	174,600	x	229,000	x	197,800	x
UTILIZATION						
Mutual Security Project Requirements:						
Military	-	x	-	x	-	x
Non-Military	43,600	x	40,700	x	30,000	x
Total Project Requirements	43,600	x	40,700	x	30,000	x
Non-Project Budget Support:						
Military	123,300	x	170,500	x	160,000	x
Non-Military	-	x	-	x	-	x
Total Non-Project Budget Support	123,300	x	170,500	x	160,000	x
Other	-	x	-	x	-	x
Total Utilization	166,900	x	211,200	x	190,000	x
Local Currency Unutilized Close of Year	7,700	184,698	17,800	178,398	7,800	215,398

a/ Includes 90.5 million savings on CY 1955 military support program.

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VIETNAM

MUTUAL SECURITY PROJECT ASSISTANCE BY FIELD OF ACTIVITY

(In thousands of dollars and equivalent)

FIELD OF ACTIVITY	ACTUAL FY 1956						ESTIMATED FY 1957						PROPOSED FY 1958					
	DOLLAR PROGRAM			LOCAL CURRENCY PROGRAMMED UTILIZATION			DOLLAR PROGRAM			LOCAL CURRENCY PROGRAMMED UTILIZATION			DOLLAR PROGRAM			LOCAL CURRENCY PROGRAMMED UTILIZATION		
	TOTAL	DEFENSE SUPPORT	TECHNICAL COOPERATION	TOTAL	DEFENSE SUPPORT	TECHNICAL COOPERATION	TOTAL	DEFENSE SUPPORT	TECHNICAL COOPERATION	TOTAL	DEFENSE SUPPORT	Technical Cooperation	TOTAL	DEFENSE SUPPORT	TECHNICAL COOPERATION	TOTAL	DEFENSE SUPPORT	TECHNICAL COOPERATION
Direct Military Support	x	x	x	-	-	-	x	x	x	-	-	-	x	x	x	-	-	-
Agriculture and Natural Resources	1,965	1,048	917	16,362	10,253	6,109	7,050	6,525	525	10,725	9,200	1,525	1,565	1,105	460	15,990	14,840	1,150
Industry and Mining	534	513	21	86	86	-	12,450	12,450	-	450	450	-	18,280	18,280	-	9,700	9,700	-
Transportation	6,083	6,083	-	7,390	7,390	-	18,275	18,275	-	9,150	9,150	-	13,675	13,675	-	14,250	14,250	-
Labor	58	44	14	280	280	-	35	-	35	230	190	40	55	25	30	305	250	55
Health and Sanitation	1,138	371	767	1,578	918	660	4,700	3,780	920	1,855	1,425	430	5,425	4,425	1,000	2,295	1,825	470
Education	330	-	330	3,624	158	3,466	2,750	1,015	1,735	2,940	935	2,005	2,855	1,655	1,200	3,670	1,455	2,215
Public Administration	2,565	1,256	1,309	3,688	2,286	1,402	7,000	5,715	1,285	1,000	-	1,000	3,645	1,435	2,210	2,225	1,115	1,110
Community Development, Social Welfare and Housing	8,468	8,468	-	30,832	29,043	1,789	-	-	-	-	-	-	-	-	-	-	-	-
General and Miscellaneous	1,580	1,467	113	4,865	4,865	-	2,240	2,240	-	3,650	3,650	-	2,400	2,400	-	3,565	3,565	-
TOTAL PROJECT ASSISTANCE	22,721	19,250	3,471	68,705	55,279	13,426	54,500	50,000	4,500	30,000	25,000	5,000	47,900	43,000	4,900	52,000	47,000	5,000

VIETNAM

MUTUAL SECURITY PROJECT LISTING FOR FISCAL YEAR 1958

(In thousands of dollars)

PROJECT TITLE AND DESCRIPTION	STATUS	TOTAL COST	TECHNICIANS		PARTICIPANTS		CONTRACT SERVICES			SUPPLIES AND EQUIPMENT	OTHER COSTS
			NUMBER	COSTS	NUMBER	COSTS	NUMBER		COSTS		
							TECHNICIANS	PARTICIPANTS			
TECHNICAL COOPERATION											
Agriculture and Natural Resources											
1. Agricultural Extension and Information	058	170	5	75	25	40	-	-	-	55	-
2. Agricultural Credit and Cooperatives	056	130	2	30	4	10	-	-	-	90	-
3. Crop Diversification	072	160	2	25	10	10	2	-	25	100	-
Total For Activity		460	9	130	39	60	2	-	25	245	-
Labor											
1. Labor Ministry Organization	133	30	2	30	-	-	-	-	-	-	-
Total For Activity		30	2	30	-	-	-	-	-	-	-
Health and Sanitation											
1. Health Services Development	018	1,000	4	60	20	140	40	-	200	600	-
Total For Activity		1,000	4	60	20	140	40	-	200	600	-
Education											
1. Elementary and Rural Education	152	540	4	60	20	80	-	-	-	400	-
2. Teacher Training and Higher Education	151	660	1	15	30	150	13	-	200	295	-
Total For Activity		1,200	5	75	50	230	13	-	200	695	-

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VIETNAM

MUTUAL SECURITY PROJECT LISTING FOR FISCAL YEAR 1958

(In thousands of dollars)

PROJECT TITLE AND DESCRIPTION	STATUS	TOTAL COST	TECHNICIANS		PARTICIPANTS		CONTRACT SERVICES			SUPPLIES AND EQUIPMENT	OTHER COSTS
			NUMBER	COSTS	NUMBER	COSTS	NUMBER		COSTS		
							TECHNICIANS	PARTICIPANTS			
Public Administration											
1. National Institute of Administration	080	1,890	-	-	-	-	54	20	1,890	-	-
2. National Institute of Statistics	136	70	2	40	18	25	-	-	-	5	-
3. International Travel Costs of Vietnamese Students	081	250	-	-	125	250	-	-	-	-	-
Total For Activity		2,210	2	40	143	275	54	20	1,890	5	-
TOTAL TECHNICAL COOPERATION PROGRAM		4,900	22	335	252	705	109	20	2,315	1,545	-

VIETNAM

MUTUAL SECURITY PROJECT LISTING FOR FISCAL YEAR 1958

(In thousands of dollars)

PROJECT TITLE AND DESCRIPTION	STATUS	TOTAL COST	TECHNICIANS		PARTICIPANTS		CONTRACT SERVICES			SUPPLIES AND EQUIPMENT	OTHER COSTS
			NUMBER	COSTS	NUMBER	COSTS	NUMBER		COSTS		
							TECHNICIANS	PARTICIPANTS			
DEFENSE SUPPORT											
Agriculture and Natural Resources											
1. National Agricultural College	065	220	1	15	25	55	5	-	100	50	-
2. Irrigation and Drainage	046	225	1	15	2	10	-	-	-	200	-
3. General Livestock Development	055	450	3	45	5	20	-	-	-	385	-
4. Agricultural Economics and Statistics	143	50	2	30	4	5	1	-	10	5	-
5. Development of Marine Fisheries	062	160	1	15	2	10	-	-	-	135	-
Total For Activity		1,105	8	120	38	100	6	-	110	775	-
Industry and Mining											
1. Telecommunications Development	087	280	1	15	4	15	-	-	-	250	-
2. Nong-Son Coal Exploitation	145	4,000	-	-	-	-	10	-	350	3,650	-
3. Electric Power Development	108	5,000	-	-	-	-	6	-	150	4,850	-
4. Saigon/Cholon Water Distribution System	149	3,000	-	-	-	-	5	-	250	2,750	-
5. Industrial Investment Guarantee Fund To provide for the establishment of a loan fund to support the development of such industries as: cotton spinning plant, cement plant, glass works, rubber products, forest utilization, etc.	New	6,000	-	-	-	-	-	-	-	6,000	-
Total For Activity		18,280	1	15	4	15	21	-	750	17,500	-
Transportation											
1. Highways and Bridges	021	12,500	5	75	10	35	165	-	7,000	5,390	-
2. Development of Aeronautical Ground Facilities	092	500	9	115	8	30	4	-	30	325	-

[redacted]

VIETNAM

MUTUAL SECURITY PROJECT LISTING FOR FISCAL YEAR 1958

(In thousands of dollars)

PROJECT TITLE AND DESCRIPTION	STATUS	TOTAL COST	TECHNICIANS		PARTICIPANTS		CONTRACT SERVICES			SUPPLIES AND EQUIPMENT	OTHER COSTS
			NUMBER	COSTS	NUMBER	COSTS	NUMBER		COSTS		
							TECHNICIANS	PARTICIPANTS			
3. Improvement of Waterways Project includes a new phase in a continuing activity, viz., a survey to determine areas requiring dredging and cleaning.	035	675	2	30	-	-	10	-	495	150	-
Total For Activity		13,675	16	220	18	65	179	-	7,525	5,865	-
Labor											
1. Labor School	132	25	1	15	5	10	-	-	-	-	-
Total For Activity		25	1	15	5	10	-	-	-	-	-
Health and Sanitation											
1. Malaria Eradication	029	670	2	30	5	35	-	-	-	605	-
2. Rural Water Supply	015	1,020	9	135	4	25	6	-	100	760	-
3. Medical and Allied Education	150	2,735	7	105	20	140	7	-	140	2,350	-
Total For Activity		4,425	18	270	29	200	13	-	240	3,715	-
Education											
1. Development of Technical Vocational Education	110	790	3	45	8	45	-	-	-	700	-
2. Secondary Education	153	345	1	15	10	30	-	-	-	300	-
3. Adult Literacy Training	060	120	1	15	-	-	-	-	-	105	-
4. Textbook Development	154	400	3	40	6	10	-	-	340	10	-
Total For Activity		1,655	8	115	24	85	-	-	340	1,115	-

[redacted]

VIETNAM

MUTUAL SECURITY PROJECT LISTING FOR FISCAL YEAR 1958

(In thousands of dollars)

PROJECT TITLE AND DESCRIPTION	STATUS	TOTAL COST	TECHNICIANS		PARTICIPANTS		CONTRACT SERVICES			SUPPLIES AND EQUIPMENT	OTHER COSTS
			NUMBER	COSTS	NUMBER	COSTS	NUMBER: TECHNICIANS	NUMBER: PARTICIPANTS	COSTS		
Public Administration											
1. Civil Police Administration	120	1,310	-	-	18	95	-	-	-	1,215	-
2. In-Service Training To assist in establishing a government-wide system of in-service training.	New	125	-	-	34	80	4	-	25	20	-
Total For Activity		1,435	-	-	52	175	4	-	25	1,235	-
General and Miscellaneous											
1. Development of Government Information Facilities	006	305	6	90	3	5	12	-	50	160	-
2. General Program Administration	086	2,095	98	1,395	15	55	17	-	255	390	-
Total For Activity		2,400	104	1,485	18	60	29	-	305	550	-
TOTAL DEFENSE SUPPORT PROJECTS		43,000	156	2,240	188	710	252	-	9,295	30,755	-

[redacted]

TABLE 7

VIETNAM

ANALYSIS OF EXPENDITURE RATES FOR NON-MILITARY MUTUAL SECURITY PROGRAMS

(In thousands of dollars)

PROGRAM	UNLIQUIDATED OBLIGATIONS 6/30/55	ACTUAL OBLIGATIONS FY 1956	TOTAL AVAILABLE FOR EXPENDITURE FY 1956	ACTUAL EXPENDITURES FY 1956	UNLIQUIDATED OBLIGATIONS 6/30/56	ESTIMATED OBLIGATIONS FY 1957	TOTAL AVAILABLE FOR EXPENDITURE FY 1957	ESTIMATED EXPENDITURES FY 1957	UNLIQUIDATED OBLIGATIONS 6/30/57	PROPOSED OBLIGATIONS FY 1958	TOTAL AVAILABLE FOR EXPENDITURE FY 1958	ESTIMATED EXPENDITURES FY 1958	UNLIQUIDATED OBLIGATIONS 6/30/58
FY 1955 AND PRIOR YEAR FUNDS													
Defense Support													
Project Assistance	5,769.0	(46.3)	5,722.7	2,597.9	3,124.8	x	3,124.8	1,600.0	1,524.8	x	1,524.8	1,500.0	24.8
Non-Project Assistance	170,118.0	1,124.8	171,242.8	132,380.9	38,861.9	x	38,861.9	26,000.0	12,861.9	x	12,861.9	12,000.0	861.9
Total, Defense Support	175,887.0	1,078.5	176,965.5	134,978.8	41,986.7	x	41,986.7	27,600.0	14,386.7	x	14,386.7	13,500.0	886.7
Technical Cooperation													
Project Assistance	x	x	x	x	x	x	x	x	x	x	x	x	x
Total FY 1955 and Prior Year Funds	175,887.0	1,078.5	176,965.5	134,978.8	41,986.7	x	41,986.7	27,600.0	14,386.7	x	14,386.7	13,500.0	886.7
FY 1956 FUNDS													
Defense Support													
Project Assistance	x	19,250.0	19,250.0	3,083.5	16,166.5	x	16,166.5	9,000.0	7,166.5	x	7,166.5	5,500.0	1,666.5
Non-Project Assistance	x	179,577.5	179,577.5	55,422.7	124,154.8	x	124,154.8	73,750.0	50,404.8	x	50,404.8	45,000.0	5,404.8
Total Defense Support	x	198,827.5	198,827.5	58,506.2	140,321.3	x	140,321.3	82,750.0	57,571.3	x	57,571.3	50,500.0	7,071.3
Technical Cooperation													
Project Assistance	x	3,471.3	3,471.3	661.6	2,809.7	x	2,809.7	1,700.0	1,109.7	x	1,109.7	600.0	509.7
Total, FY 1956 Funds	x	202,298.8	202,298.8	59,167.8	143,131.0	x	143,131.0	84,450.0	58,681.0	x	58,681.0	51,100.0	7,581.0
FY 1957 FUNDS													
Defense Support													
Project Assistance	x	x	x	x	x	50,000.0	50,000.0	5,000.0	45,000.0	x	45,000.0	25,000.0	20,000.0
Non-Project Assistance	x	x	x	x	x	215,000.0	215,000.0	55,000.0	160,000.0	x	160,000.0	100,000.0	60,000.0
Total, Defense Support	x	x	x	x	x	265,000.0	265,000.0	60,000.0	205,000.0	x	205,000.0	125,000.0	80,000.0
Technical Cooperation													
Project Assistance	x	x	x	x	x	4,500.0	4,500.0	1,100.0	3,400.0	x	3,400.0	2,100.0	1,300.0
Total, FY 1957 Funds	x	x	x	x	x	269,500.0	269,500.0	61,100.0	208,400.0	x	208,400.0	127,100.0	81,300.0
FY 1958 FUNDS													
Defense Support													
Project Assistance	x	x	x	x	x	x	x	x	x	43,000.0	43,000.0	8,600.0	34,400.0
Non-Project Assistance	x	x	x	x	x	x	x	x	x	217,000.0	217,000.0	43,400.0	173,600.0
Total, Defense Support	x	x	x	x	x	x	x	x	x	260,000.0	260,000.0	52,000.0	208,000.0
Technical Cooperation													
Project Assistance	x	x	x	x	x	x	x	x	x	4,900.0	4,900.0	1,200.0	3,700.0
Total, FY 1958 Funds	x	x	x	x	x	x	x	x	x	264,900.0	264,900.0	53,200.0	211,700.0
TOTAL ALL PROGRAMS													
Defense Support													
Project Assistance	5,769.0	19,203.7	24,972.7	5,681.4	19,291.3	50,000.0	69,291.3	15,600.0	53,691.3	43,000.0	96,691.3	40,600.0	56,091.3
Non-Project Assistance	170,118.0	180,702.3	350,820.3	187,803.6	163,016.7	215,000.0	378,016.7	154,750.0	223,266.7	217,000.0	440,266.7	200,400.0	239,866.7
Total, Defense Support	175,887.0	199,906.0	375,793.0	193,485.0	182,308.0	265,000.0	447,308.0	170,350.0	276,958.0	260,000.0	536,958.0	241,000.0	295,958.0
Technical Cooperation													
Project Assistance	x	3,471.3	3,471.3	661.6	2,809.7	4,500.0	7,309.7	2,800.0	4,509.7	4,900.0	9,409.7	3,900.0	5,509.7
TOTAL, ALL PROGRAMS	175,887.0	203,377.3	379,264.3	194,146.6	185,117.7	269,500.0	454,617.7	173,150.0	281,467.7	264,900.0	546,367.7	244,900.0	301,467.7

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VIETNAM

TABLE 8

ANALYSIS OF EXPENDITURE RATES FOR SELECTED PROJECTS WITH UNLIQUIDATED OBLIGATIONS OF $100,000 OR MORE ON 6/30/56 AND FOR WHICH ADDITIONAL FUNDS ARE PROPOSED IN FY 1958

(In thousands of dollars)

PROJECT TITLE AND NUMBER	UNLIQUIDATED OBLIGATIONS 6/30/55	ACTUAL OBLIGATIONS FY 1956	TOTAL AVAILABLE FOR EXPENDITURE FY 1956	ACTUAL EXPENDITURES FY 1956	UNLIQUIDATED OBLIGATIONS 6/30/56	ESTIMATED OBLIGATIONS FY 1957	TOTAL AVAILABLE FOR EXPENDITURE FY 1957	ESTIMATED EXPENDITURES FY 1957	UNLIQUIDATED OBLIGATIONS 6/30/57	PROPOSED OBLIGATIONS FY 1958	TOTAL AVAILABLE FOR EXPENDITURE FY 1958	ESTIMATED EXPENDITURES FY 1958	UNLIQUIDATED OBLIGATIONS 6/30/58
AGRICULTURE AND NATURAL RESOURCES													
Irrigation and Drainage													
55-046	18	x	18	9	9	x	9	9	-	x	-	-	-
56-046	x	96	96	-	96	x	96	80	16	x	16	16	-
57-046	x	x	x	x	x	140	140	60	80	x	80	40	40
58-046	x	x	x	x	x	x	x	x	x	225	225	100	125
Total	18	96	114	9	105	140	245	149	96	225	321	156	165
General Livestock Development													
55-055	18	x	18	2	16	x	16	10	6	x	6	6	-
56-055	x	205	205	-	205	x	205	105	100	x	100	50	50
57-055	x	x	x	x	x	450	450	200	250	x	250	100	150
58-055	x	x	x	x	x	x	x	x	x	450	450	200	250
Total	18	205	223	2	221	450	671	315	356	450	806	356	450
Agricultural Credit and Cooperatives													
55-056	53	x	53	50	3	x	3	3	-	x	-	-	-
56-056	x	1,000	1,000	-	1,000	x	1,000	700	300	x	300	300	-
57-056	x	x	x	x	x	135	135	70	65	x	65	30	35
58-056	x	x	x	x	x	x	x	x	x	130	130	60	70
Total	53	1,000	1,053	50	1,003	135	1,138	773	365	130	495	390	105
INDUSTRY AND MINING													
Telecommunications Development (South Vietnam)													
55-087	400	x	400	-	400	x	400	150	250	x	250	250	-
56-087	x	375	375	-	375	x	375	200	175	x	175	100	75
57-087	x	x	x	x	x	610	610	300	310	x	310	200	110
58-087	x	x	x	x	x	x	x	x	x	280	280	150	130
Total	400	375	775	-	775	610	1,385	650	735	280	1,015	700	315
Electric Power Development													
56-108	x	132	132	-	132	x	132	60	72	x	72	72	-
57-108	x	x	x	x	x	700	700	200	500	x	500	200	300
58-108	x	x	x	x	x	x	x	x	x	5,000	5,000	2,000	3,000
Total	x	132	132	-	132	700	832	260	572	5,000	5,572	2,272	3,300
TRANSPORTATION													
Highways and Bridges													
55-021	318	x	318	312	6	x	6	6	-	x	-	-	-
56-021	x	5,280	5,280	-	5,280	x	5,280	4,000	1,280	x	1,280	1,280	-
57-021	x	x	x	x	x	11,750	11,750	3,000	8,750	x	8,750	5,000	3,750
58-021	x	x	x	x	x	x	x	x	-	12,500	12,500	4,000	8,500
Total	318	5,280	5,598	312	5,286	11,750	17,036	7,006	10,030	12,500	22,530	10,280	12,250

[redacted]

VIETNAM

ANALYSIS OF EXPENDITURE RATES FOR SELECTED PROJECTS WITH UNLIQUIDATED OBLIGATIONS OF $100,000 OR MORE ON 6/30/56 AND FOR WHICH ADDITIONAL FUNDS ARE PROPOSED IN FY 1958

(In thousands of dollars)

PROJECT TITLE AND NUMBER	UNLIQUIDATED OBLIGATIONS 6/30/55	ACTUAL OBLIGATIONS FY 1956	TOTAL AVAILABLE FOR EXPENDITURE FY 1956	ACTUAL EXPENDITURES FY 1956	UNLIQUIDATED OBLIGATIONS 6/30/56	ESTIMATED OBLIGATIONS FY 1957	TOTAL AVAILABLE FOR EXPENDITURE FY 1957	ESTIMATED EXPENDITURES FY 1957	UNLIQUIDATED OBLIGATIONS 6/30/57	PROPOSED OBLIGATIONS FY 1958	TOTAL AVAILABLE FOR EXPENDITURE FY 1958	ESTIMATED EXPENDITURES FY 1958	UNLIQUIDATED OBLIGATIONS 6/30/58
Development of Aeronautical Ground Facilities													
55-092	380	x	380	6	374	x	374	300	74	x	74	74	-
56-092	x	325	325	-	325	x	325	200	125	x	125	60	65
57-092	x	x	x	x	x	1,725	1,725	1,200	525	x	525	300	225
58-092	x	x	x	x	x	x	x	x	x	500	500	150	350
Total	380	325	705	6	699	1,725	2,424	1,700	724	500	1,224	584	640
HEALTH AND SANITATION													
Malaria Eradication													
55-029	152	x	152	147	5	x	5	5	-	x	-	-	-
56-029	x	120	120	-	120	x	120	80	40	x	40	40	-
57-029	x	x	x	x	x	785	785	500	285	x	285	150	135
58-029	x	x	x	x	x	x	x	x	x	670	670	330	340
Total	152	120	272	147	125	785	910	585	325	670	995	520	475
Rural Water Supply													
55-015	181	x	181	25	156	x	156	100	56	x	56	56	-
56-015	x	85	85	-	85	x	85	60	25	x	25	25	-
57-015	x	x	x	x	x	260	260	180	80	x	80	50	30
58-015	x	x	x	x	x	x	x	x	x	1,020	1,020	400	620
Total	181	85	266	25	241	260	501	340	161	1,020	1,181	531	650
Health Services													
55-018	60	x	60	1	59	x	59	40	19	x	19	19	-
56-018	x	465	465	-	465	x	465	300	165	x	165	100	65
57-018	x	x	x	x	x	920	920	600	320	x	320	200	120
58-018	x	x	x	x	x	x	x	x	x	1,000	1,000	400	600
Total	60	465	525	1	524	920	1,444	940	504	1,000	1,504	719	785
EDUCATION													
Development of Technical Vocation Education Facilities													
55-033	24	x	24	9	15	x	15	10	5	x	5	5	-
56-033	x	135	135	-	135	x	135	80	55	x	55	55	-
57-033	x	x	x	x	x	590	590	400	190	x	190	100	90
58-110	x	x	x	x	x	x	x	x	x	790	790	440	350
Total	24	135	159	9	150	590	740	490	250	790	1,040	600	440

VIETNAM

ANALYSIS OF EXPENDITURE RATES FOR SELECTED PROJECTS WITH UNLIQUIDATED OBLIGATIONS OF $100,000 OR MORE ON 6/30/56 AND FOR WHICH ADDITIONAL FUNDS ARE PROPOSED IN FY 1958

(In thousands of dollars)

PROJECT TITLE AND NUMBER	UNLIQUIDATED OBLIGATIONS 6/30/55	ACTUAL OBLIGATIONS FY 1958	TOTAL AVAILABLE FOR EXPENDITURE FY 1956	ACTUAL EXPENDITURES FY 1956	UNLIQUIDATED OBLIGATIONS 6/30/56	ESTIMATED OBLIGATIONS FY 1957	TOTAL AVAILABLE FOR EXPENDITURE FY 1957	ESTIMATED EXPENDITURES FY 1957	UNLIQUIDATED OBLIGATIONS 6/30/57	PROPOSED OBLIGATIONS FY 1958	TOTAL AVAILABLE FOR EXPENDITURE FY 1958	ESTIMATED EXPENDITURES FY 1958	UNLIQUIDATED OBLIGATIONS 6/30/58
PUBLIC ADMINISTRATION													
National Institute of Administration													
55-080	892	x	892	527	365	x	365	200	165	x	165	165	-
56-080	x	1,158	1,158	-	1,158	x	1,158	1,000	158	x	158	100	58
57-080	x	x	x	x	x	1,090	1,090	-	1,090	x	1,090	600	490
58-080	x	x	x	x	x	x	x	x	x	1,890	1,890	1,000	890
Total	892	1,158	2,050	527	1,523	1,090	2,613	1,200	1,413	1,890	3,303	1,865	1,438
Civil Police Administration													
56-120	x	1,191	1,191	-	1,191	x	1,191	900	291	x	291	291	-
57-120	x	x	x	x	x	5,785	5,785	4,000	1,785	x	1,785	1,000	785
58-120	x	x	x	x	x	x	x	x	x	1,310	1,310	700	610
Total	x	1,191	1,191	-	1,191	5,785	6,976	4,900	2,076	1,310	3,386	1,991	1,395
GENERAL AND MISCELLANEOUS													
Development of Government Information Facilities													
55-006	559	x	559	454	105	x	105	90	15	x	15	15	-
56-006	x	703	703	8	695	x	695	400	295	x	295	150	145
57-006	x	x	x	x	x	420	420	300	120	x	120	60	60
58-006	x	x	x	x	x	x	x	x	x	305	305	100	205
Total	559	703	1,262	462	800	420	1,220	790	430	305	735	325	410
General Program Administration													
55-086	108	x	108	94	14	x	14	7	7	x	7	7	-
56-086	x	429	429	129	300	x	300	200	100	x	100	50	50
57-086	x	x	x	x	x	1,830	1,830	1,400	430	x	430	200	230
58-086	x	x	x	x	x	x	x	x	x	2,095	2,095	1,500	595
Total	108	429	537	223	314	1,830	2,144	1,607	537	2,095	2,632	1,757	875

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VIETNAM

CENTRAL GOVERNMENT FINANCES AND RELATED MUTUAL SECURITY LOCAL CURRENCY PROGRAMS

(Exchange Rate Used To Convert To Dollars: 35)

(In thousands of dollars equivalent)

	FISCAL YEAR ENDING: May 31							
	1955		1956		1957		1958	
EXPENDITURES								
National Defense	220,671		198,629		187,800		186,000	
Capital Outlay	29,129		65,682 a/		90,000		90,000	
Other Non-Defense Expenditures	93,143		196,324		154,829		159,000	
Total Expenditures	342,943		460,635		432,629		435,000	
Total Revenue, Excluding U.S. and Other Foreign Aid	181,886		186,543		191,114		200,000	
Deficit (-) or Surplus (+) Before Aid	-161,057		-274,092		-241,515		-235,000	
FINANCING OF EXPENDITURES BY SOURCE OF FUNDS	PERCENT	AMOUNT	PERCENT	AMOUNT	PERCENT	AMOUNT	PERCENT	AMOUNT
Revenue, Excluding U.S. and Other Foreign Aid	53.0	181,886	40.5	186,543	44.2	191,114	46.0	200,000
Counterpart Withdrawals and MSP Local Currency Grants								
Defense Budget Support	36.7	125,786	38.8	178,629	38.8	168,000	37.9	165,000
Civilian Budget Support	-	-	0.7	3,379	-	-	-	-
Mutual Security Program Projects	10.9	37,528	14.7	67,856	17.0	73,515	16.1	70,000
Total Counterpart and U.S. Local Currency Grants	47.6	163,314	54.2	249,864	55.8	241,515	54.0	235,000
P.L. 480 Grants	-	-	-	-	-	-	-	-
Grants from Other Countries	-	n.a.	-	n.a.	-	n.a.	-	n.a.
	-	-	-	-	-	-	-	-
Borrowings (+) or Debt Retirement (-)								
Mutual Security Loan	-	-	-	(25,000) b/	-	(25,000)	-	(25,000)
P.L. 480 - Sec. 104(g)	-	-	-	-	-	-	-	-
Export-Import Bank	-	-	-	-	-	-	-	-
International Bank for Reconstruction and Development	-	-	-	-	-	-	-	-
Other Foreign Borrowing	-	-	-	-	-	-	-	-
Domestic Borrowing:	-	-	-	-	-	-	-	-
Bond Issues	-	-	-	-	-	-	-	-
Treasury Notes	-	-	-	-	-	-	-	-
Borrowing from Central and Private Banks	-	-	-	-	-	-	-	-
Total Domestic Borrowing	-	-	-	-	-	-	-	-
Total Borrowing	-	-	-	-	-	-	-	-
Net Change (+) or (-) in Bank Balances and Other Reserves	-0.6	-2,257	5.3	24,228	-	-	-	-
Total Financing	100.0	342,943	100.0	460,635	100.0	432,629	100.0	435,000

NOTE: Government Gross Debt: Amount Domestic n.a. Amount Foreign n.a. Date -

a/ Includes IMF/IBRD subscription.
b/ Portion of loan was used for IMF/IBRD subscription; remainder was withdrawn from counterpart account for support of the military budget.

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TABLE 10

VIETNAM

BALANCE OF PAYMENTS AND RESERVES

(Million of dollar equivalent converted at 35 per dollar)

ITEM	CALENDAR YEARS				
	1954 a/	1955	1956	1957	1958
Balance of Payments					
Goods and Services					
Exports, F.O.B.		67	50	65	70
Imports, F.O.B.		-262	-217	-250	-260
Trade balance		-195	-167	-185	-190
Nonmonetary gold movements (net)		-	-	n.a.	n.a.
Foreign travel		-9	-6	n.a.	n.a.
Transportation and insurance		-5	-6	n.a.	n.a.
Investment income		-3	-10	n.a.	n.a.
Government, not included elsewhere		-3	-3	n.a.	n.a.
Other services		-18	-14	n.a.	n.a.
Total services		-38	-39	-40	-40
Total goods and services		-233	-206	-225	-230
Private Financing					
Remittances		-15	-15	-15	-15
Direct investment		-9	-3	-1	-1
Other		-	-	-	-
Total private financing		-24	-18	-16	-16
Net Errors and Omissions		3	-	-	-
Surplus (+) or Deficit (-)		-254	-224	-241	-246
Official Financing					
Grants					
Grants from U.S.					
MSP		205	182	215	230
P.L. 480 Titles I, II		-	-	-	-
Other		115 b/	14 b/	-	-
Total grants		320	196	215	230
Long-Term Capital					
Loan repayments, including Government		-	-	-	-
Loans from MSP		-	25	25	-
Loans from P.L. 480, Title I.		-	-	-	-
Loans from Export-Import Bank		-	-	-	-
Loans from IBRD		-	-3	-	-
Other		-	-	-	-
Total long-term capital		-	22	25	-
Short-Term Capital					
Change in reserves (increase -)		-91	6	1	16
Monetary gold (increase -)		-	-	-	-
Other		25	-	-	-
Total short-term capital		-66	6	1	16
Total Official Financing		254	224	241	246
Status of Reserves (end of period)	38	129	123	122	106
Gold	-	-	-	-	-
Dollars	-	66	66	66	58
Sterling	38	62	56	55	47
Other	-	1	1	1	1

a/ Vietnam was separated from Associated States on Jan. 1, 1955. Consequently, country data not available before that date.
b/ Includes French contribution toward financing of Vietnamese Army and French civilian expenditures in Vietnam. The latter is usually recorded as item under "Government, not included elsewhere."

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TABLE II

VIETNAM

SUMMARY ECONOMIC DATA

[redacted]

ITEM	CALENDAR OR CROP YEARS				
	1954	1955	1956	1957	1958
Population (Mid-year in millions)	11.3	12.1	12.3	12.5	12.6
Gross National Product at market prices--Total ($ Millions)	n.a.	1,820	-	-	-
(Expressed in 1955 prices. Foreign Exchange Conversion Rate: 35 piasters = US $1)	n.a.	1,820	1,875	1,930	1,990
By Type of Expenditure:					
Private consumption	n.a.	1,510	1,510	1,535	1,585
Gross investment (public and private)	n.a.	140	140	190	200
Government expenditures on goods and services	n.a.	400	430	430	435
Net foreign balance (+) or (-)	n.a.	- 230	- 205	- 225	- 230
Per capita GNP	n.a.	150	152	154	158
Prices					
a. Wholesale in Saigon (1949 = 100)	157	174	195	n.a.	n.a.
b. Cost of living (October 1953 = 100)	200	217	263	n.a.	n.a.
Industrial production					
Major commodities — Unit of quantity					
Electric Power — Million KWH	175	200	220	n.a.	n.a.
Sugar (refined) — Ton	570	1,600	n.a.	n.a.	n.a.
Salt — Ton	98,390	76,657	45,000	n.a.	n.a.
Tobacco Manufactures — Ton	6,280	5,700	5,000	n.a.	n.a.
	CALENDAR YEARS				
	1954/55	1955/56	1956/57	1957/58	1958/59
Agricultural production					
Major crops — Unit of quantity					
Rice — 1,000 tons	2,080	2,681	2,700	2,750	2,800
Rubber — 1,000 tons	51	66	65	65	65
Tea — 1,000 tons	2.1	2.6	3	3	5
Coffee — 1,000 tons	1.2	2.2	2	2	3

[redacted]

TABLE 15

VIETNAM

HOST COUNTRY CONTRIBUTIONS

(In thousands of dollars equivalent)

	ACTUAL FY 1956			ESTIMATED FY 1957			ESTIMATED FY 1958		
	TOTAL	DEFENSE SUPPORT	TECHNICAL COOPERATION	TOTAL	DEFENSE SUPPORT	TECHNICAL COOPERATION	TOTAL	DEFENSE SUPPORT	TECHNICAL COOPERATION
Contributions to Other Than Cooperative Services									
Value in Cash:									
By Central Government	-	-	-	-	-	-	-	-	-
By Local Governments or Other Parties	-	-	-	-	-	-	-	-	-
Total	-	-	-	-	-	-	-	-	-
Value in Kind:									
By Central Government	-	-	-	-	-	-	-	-	-
By Local Governments or Other Parties	-	-	-	-	-	-	-	-	-
Total	-	-	-	-	-	-	-	-	-
Total Contributions to Other than Cooperative Services a/	11,000	10,000	1,000	25,000	23,000	2,000	28,300	25,000	3,300
Contributions to Cooperative Services									
Value in Cash:									
By Central Government									
By Local Governments or other Parties									
Total									
Value in Kind:									
By Central Government									
By Local Governments or Other Parties									
Total									
Total Contributions to Cooperative Services									
GRAND TOTAL CONTRIBUTIONS	11,000	10,000	1,000	25,000	23,000	2,000	28,300	25,000	3,300

a/ All data estimated.

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