

PD-ACE-042



MUTUAL SECURITY PROGRAM

FISCAL YEAR 1959
ESTIMATES

BEST AVAILABLE

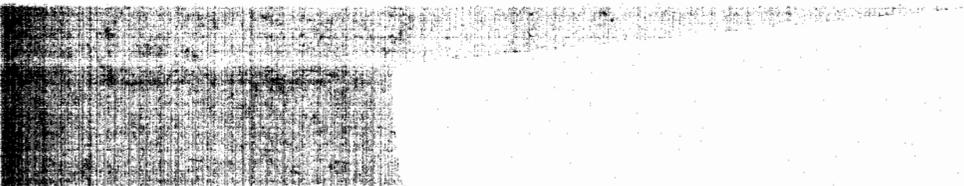
EUROPE AND AFRICA

MUTUAL SECURITY PROGRAM

TABLE OF CONTENTS

EUROPE AND AFRICA

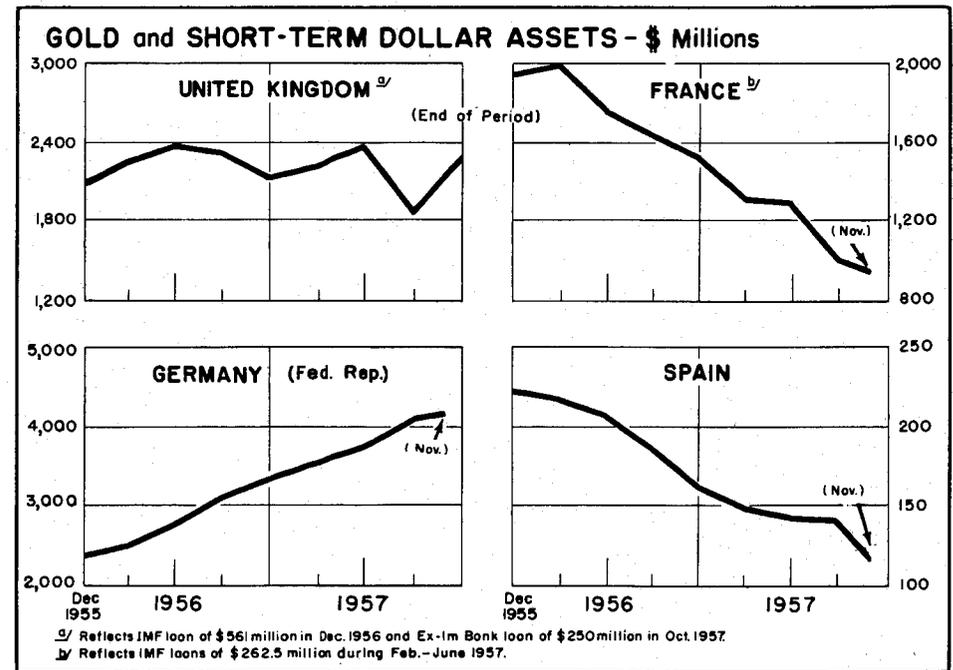
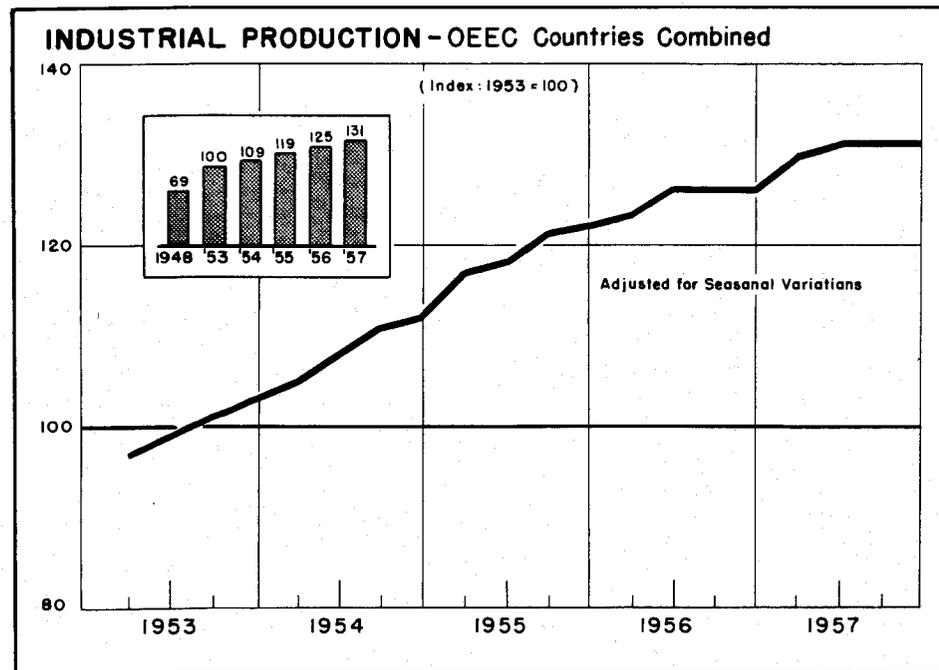
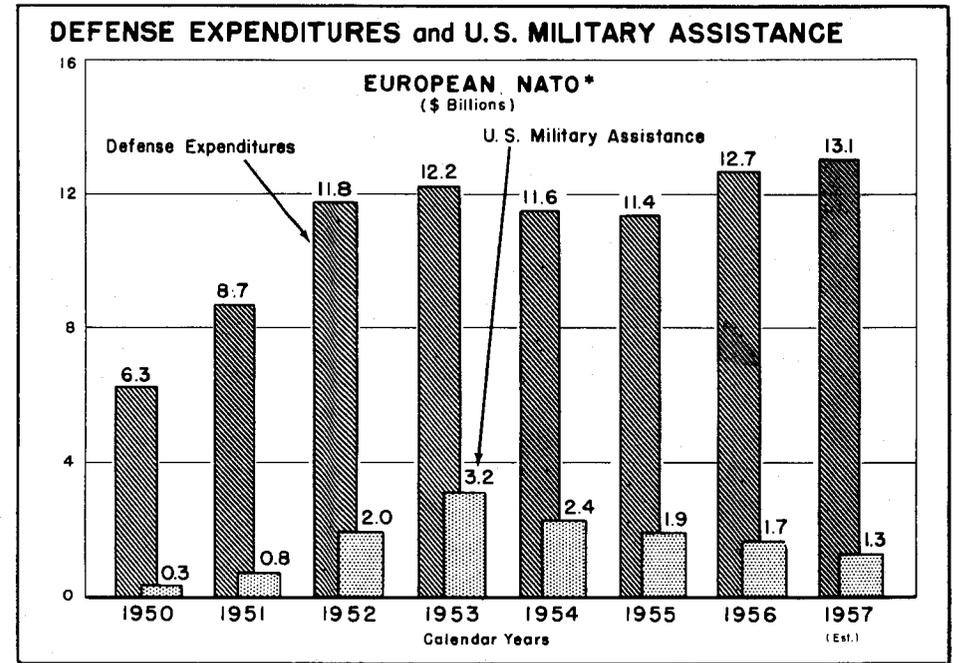
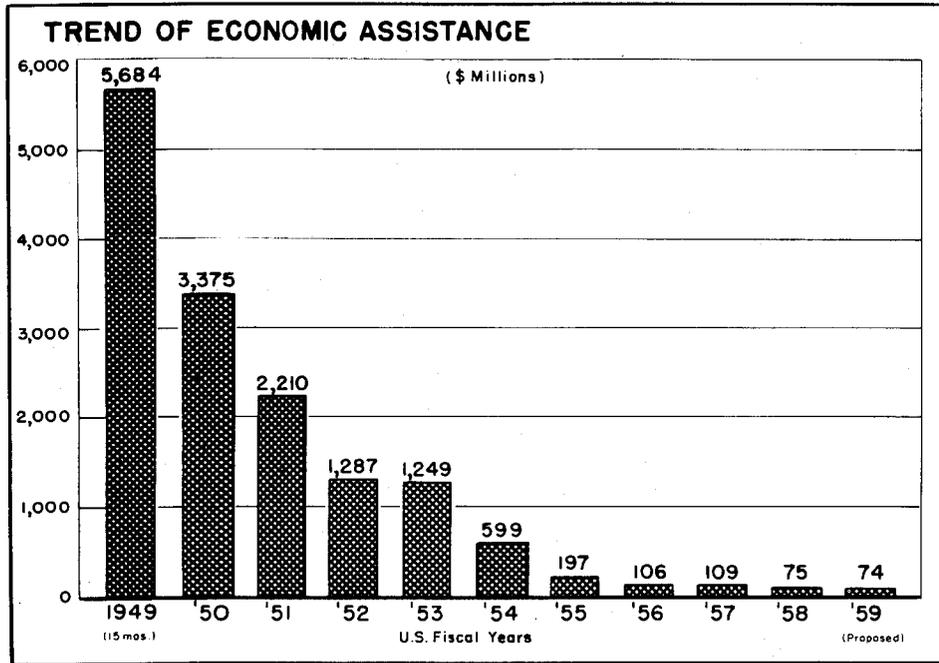
<u>EUROPE</u>	<u>Page No.</u>	<u>AFRICA</u>	<u>Page No.</u>
Map of Europe	1	Map of Africa	115
Europe by Function (Chart).	2	Africa by Function (Chart).	116
Summary of MSP by Function.	3	Summary of Mutual Security Program by Function.	117
Program by Country (Chart).	4	Program by Function (Chart).	118
Military Assistance by Country.	5	Military Assistance by Country.	119
Military Assistance Program (Chart)	6	Economic Assistance Programs (Chart).	121
Military Assistance by Country.	7	Economic Assistance Programs by Country	122
Economic Assistance Programs by Country	9	Program by Country, Project and Non-Project Assistance.	123
Program by Function, Project & Non-Project Assistance	10	Project Assistance by Field of Activity	124
Project Assistance by Field of Activity	11	Ethiopia.	125
Austria	13	Ghana	137
Belgium	17	Liberia	145
Luxembourg.	21	Libya	153
Berlin.	25	Morocco	167
Denmark	35	Somalia	177
France.	39	Tunisia	183
Fed. Republic	43	Overseas Territories.	195
Iceland	47	Regional Projects	201
Italy	57		
Netherlands	61		
Norway.	65		
Portugal.	69		
Spain	73		
United Kingdom.	87		
Yugoslavia.	91		
European Technical Exchange	105		



APPROVED BY 3/10/81
SMUCKER PPC/PB
DIRECTOR, FBI
Regulations

UNCLASSIFIED

EUROPE - BASIC DATA



*Shaded areas are Security classified
and must not be divulged to
unauthorized individuals. All
other material is unclassified.*

EUROPE



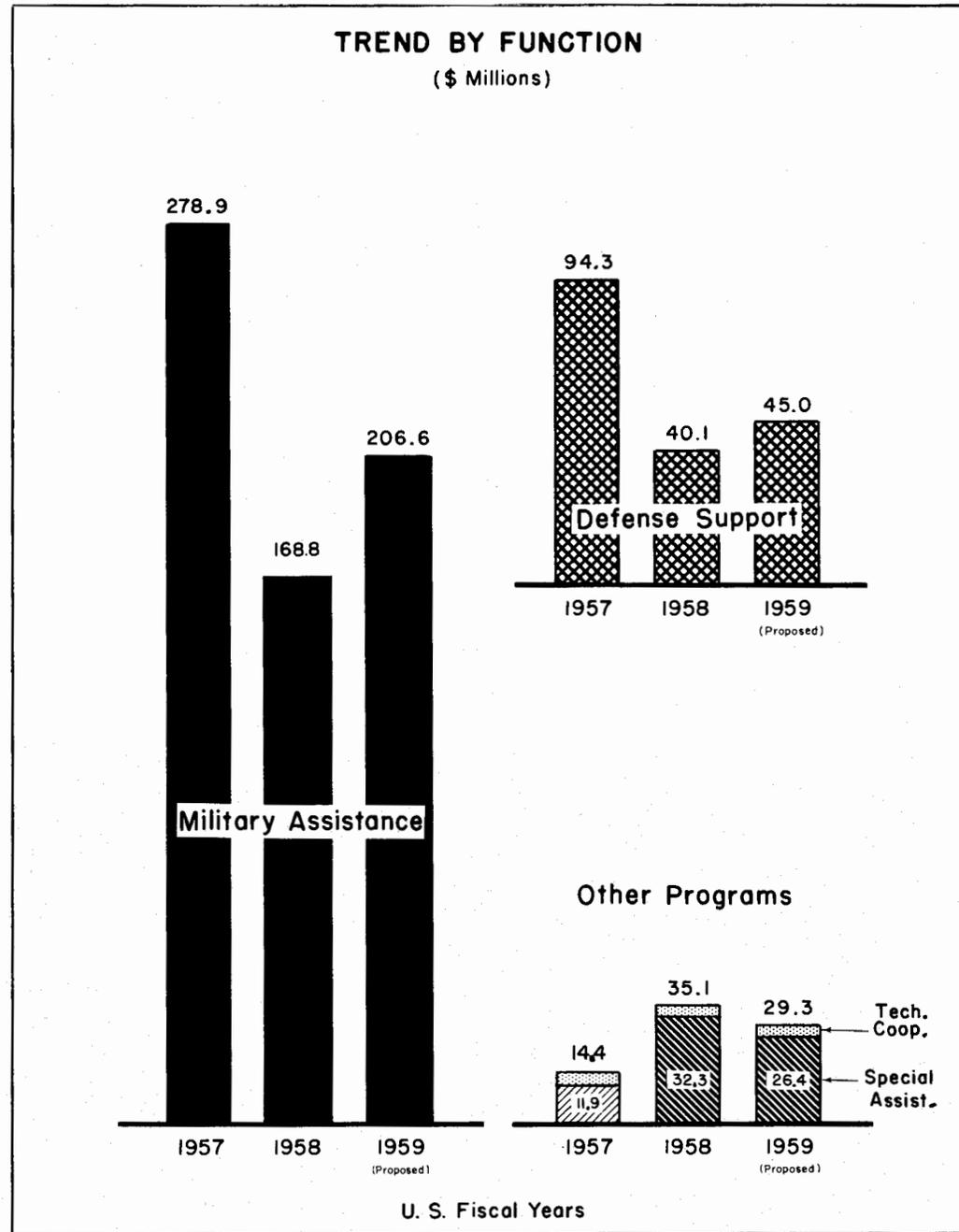
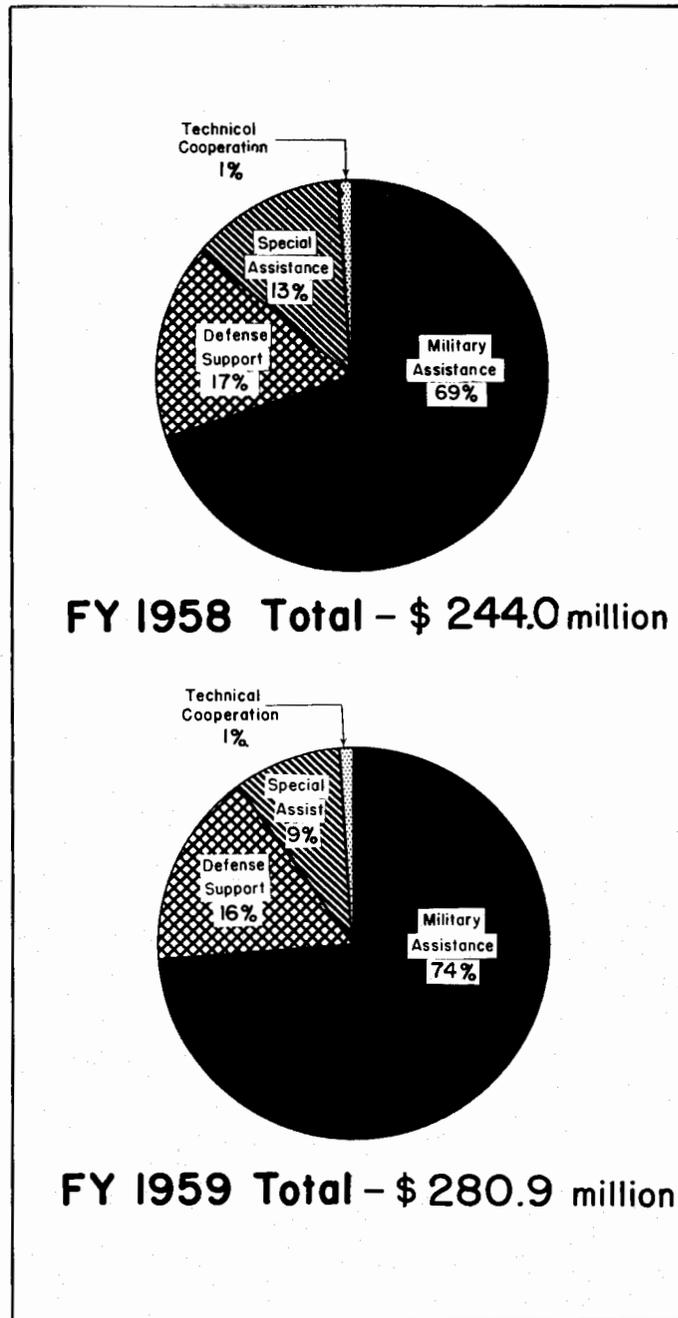
SECRET

FY 1959 PROGRAM

COUNTRY Member of NATO-*	TYPE OF ASSISTANCE (Millions of Dollars)		
	Military Assistance	Special Assistance	Other (DEF. SUPPORT, TECH. COOP-ERATION)
Austria	27.7	—	—
Belgium-Luxembourg*	11.4	—	—
Denmark*	47.5	—	—
France*	54.5	—	—
Germany*	2.5	—	—
Iceland*	—	5.1	—
Italy*	13.7	—	—
Netherlands*	12.9	—	—
Norway*	11.0	—	—
Portugal*	9.1	—	—
Spain	16.2	—	46.1 ^{a/}
United Kingdom*	0.06	—	—
Yugoslavia	—	10.0	1.8 ^{b/}
Berlin	—	8.2	—
Interregional Expenses	—	0.1	—
Europe Tech. Ex.	—	3.0	—
TOTAL	206.6	26.4	47.9

^{a/}Defense Support \$45 Million. ^{b/}Technical Cooperation.

EUROPE - PROGRAM BY FUNCTION



Country: EUROPE REGIONAL

SUMMARY OF MUTUAL SECURITY PROGRAMS BY FUNCTION

Shaded areas are Security classified and must not be divulged to unauthorized individuals. All other material is unclassified.

(In thousands of dollars)

FUNCTION	PROGRAM		
	Actual FY 1957	Estimate FY 1958	Proposed FY 1959
MILITARY ASSISTANCE	278,918	168,823	206,565
ECONOMIC ASSISTANCE			
Defense Support	94,357	40,050	45,000
Development Assistance			
Technical Cooperation	2,492	2,850	2,900
Special Assistance		32,300	26,400
Other Programs	11,864		
Total Economic Assistance	108,713	75,200	74,300
TOTAL ALL PROGRAMS	387,631	244,023	280,865

ESTIMATED OBLIGATIONS AND EXPENDITURES

(In thousands of dollars)

	Programmed	Del./Exp.	Unliquidated		Obligations	Expenditures	Unliquidated
MILITARY ASSISTANCE				ECONOMIC ASSISTANCE ^{a/}			
Cumulative 6/30/57	11,601,344	10,390,426	1,210,918	Cumulative 6/30/57	14,839,045	14,734,990	104,055
Estimate FY 1958	168,823	596,912	XXX	Estimate FY 1958	75,200	108,751	XXX
Cumulative 6/30/58	11,770,167	10,987,338	782,829	Cumulative 6/30/58	14,914,245	14,843,741	70,504

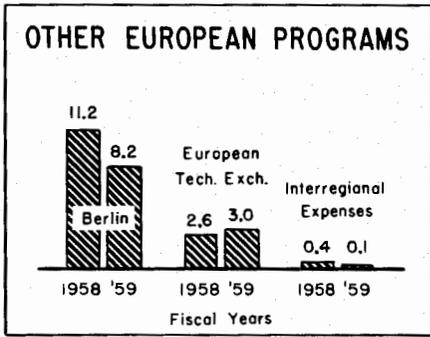
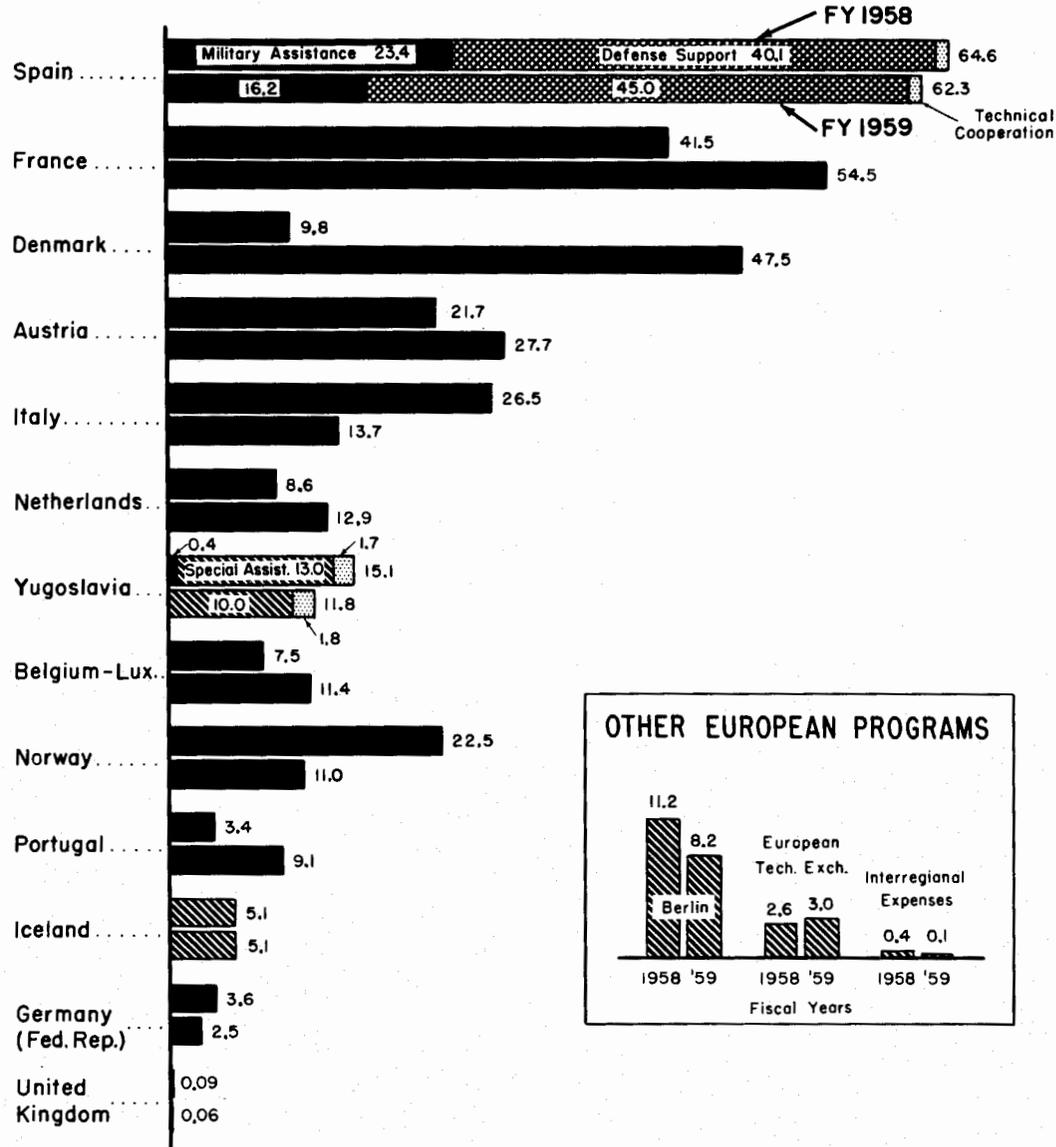
^{a/} Includes countries which received aid under the Marshall Plan and subsequent programs.

EUROPE - PROGRAM BY COUNTRY

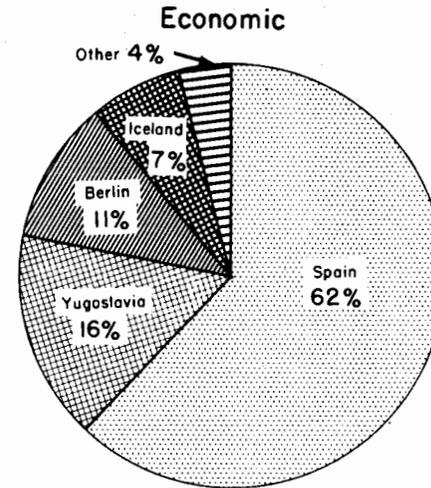
SECRET

COMPARISON OF FY 1958 & 1959 PROGRAM

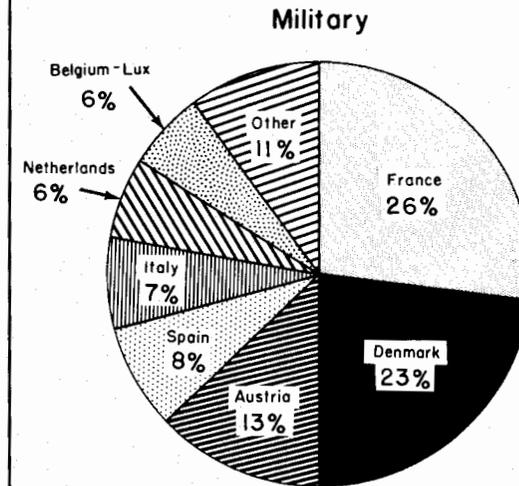
(\$ Millions)



FY 1959 PROGRAM



\$ 74.3 million



\$ 206.6 million

SECRET

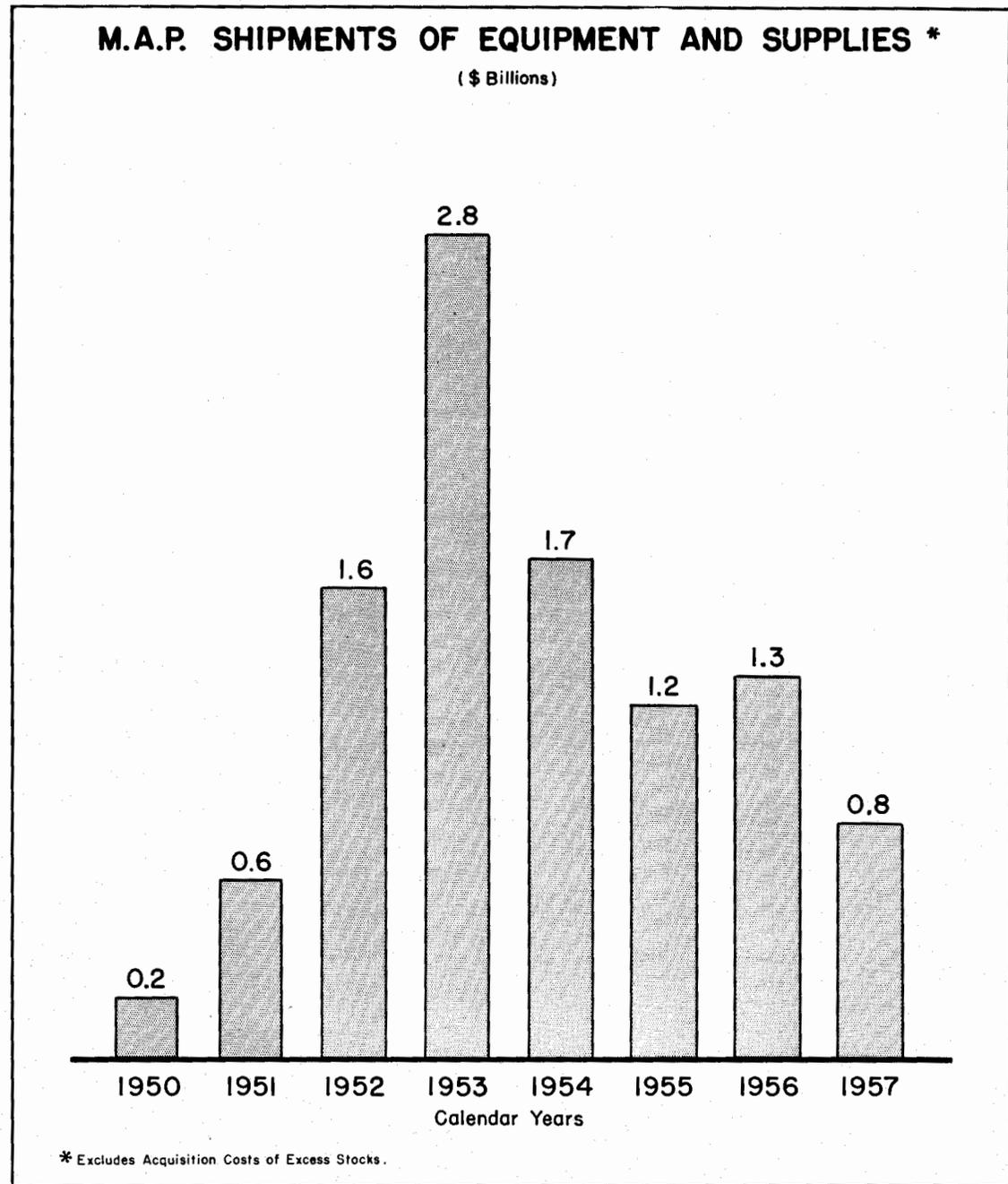
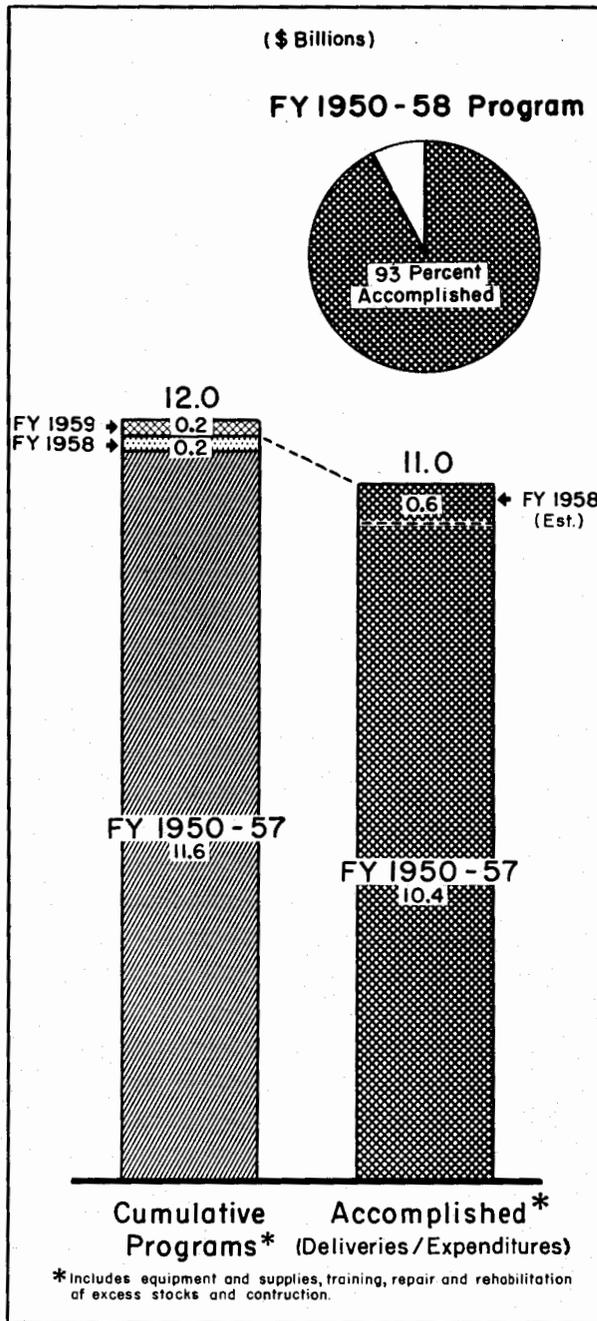
SECRET
MILITARY ASSISTANCE

*Shaded areas are Security classified
and must not be divulged to
unauthorized individuals. All
other material is unclassified.*

(all values in thousands of dollars)	Annual Programs				Del./Exp. F.Y. 1950-58 Programs		
	Value		Proposed F.Y. 1959		Estimate F.Y. 1958	Cumulative June 30, 1958	F.Y. 1959 and Later
	F.Y. 1957	F.Y. 1958	Quantity	Value			
EUROPE	\$278,918	\$168,823		\$206,565	\$596,912	\$10,987,338	\$782,829
Austria	10,486	21,651	NOT APPLICABLE	27,671	8,180	57,087	27,161
Belgium	467	7,265		11,370	51,403	1,059,496	20,583
Denmark	32,539	9,754		47,503	8,533	372,867	42,629
France	111,465	41,489		54,496	106,153	3,691,532	125,016
Germany	3,504	3,601		2,528	141,658	923,119	60,199
Italy	17,721	26,478		13,743	79,591	1,577,454	69,315
Luxembourg	156	212		5	366	6,772	592
Netherlands	27,967	8,571		12,895	37,679	938,629	43,314
Norway	17,692	22,484		11,015	55,864	538,203	55,159
Portugal	2,093	3,441		9,103	15,931	236,333	20,605
Spain	53,163	23,390		16,181	42,410	237,456	128,651
United Kingdom	38	93		55	29,208	700,574	131,616
Yugoslavia	1,627	394		-	19,936	647,816	57,989

SECRET

EUROPE - MILITARY ASSISTANCE PROGRAM



SECRET

MILITARY ASSISTANCE PROGRAMS
(All Values in Thousands of Dollars)

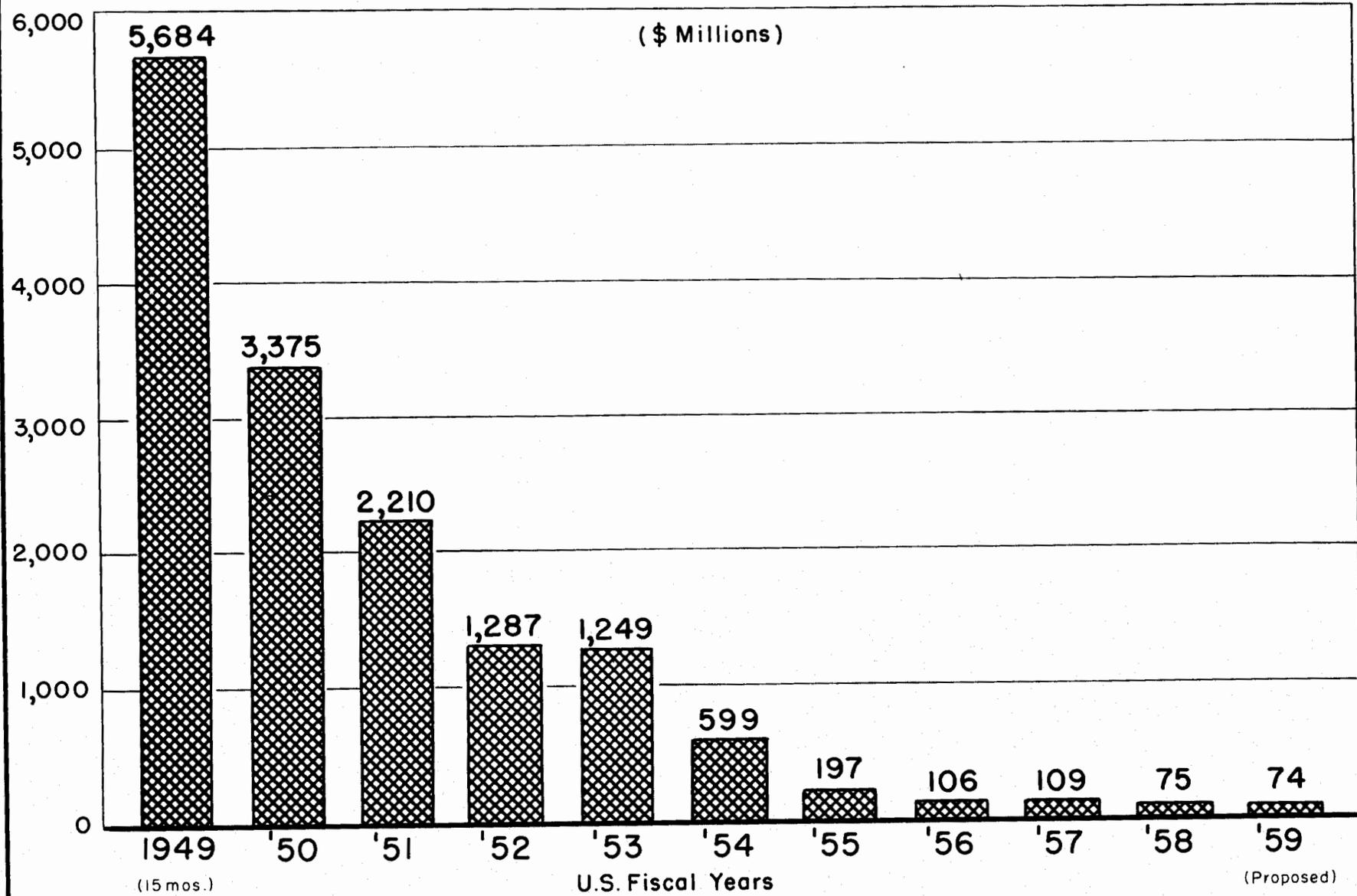
*Shaded areas are Security classified
and must not be divulged to
unauthorized individuals. All
other material is unclassified.*

EUROPE

Country	FY 1957			FY 1958			FY 1959		
	Country Program	Special Materiel Program	Estimated Total	Country Program	Special Materiel Program	Estimated Total	Country Program	Special Materiel Program	Estimated Total
Europe Total	\$278,918	(\$128,568)	(\$407,486)	\$168,823	(\$247,821)	(\$416,644)	\$206,565	(\$185,432)	(\$391,997)
Austria	10,486	-	10,486	21,651	877	22,528	27,671	914	28,585
Belgium	467	1,446	1,913	7,265	33,673	40,938	11,370	8,957	20,327
Denmark	32,539	9,663	42,202	9,754	41,764	51,518	47,503	3,207	50,710
France	111,465	42,453	153,918	41,489	69,357	110,846	54,496	50,985	105,481
Germany	3,504	8,700	12,204	3,601	7,823	11,424	2,528	3,233	5,761
Italy	17,721	34,338	52,059	26,478	24,239	50,717	13,743	62,861	76,604
Luxembourg	156	58	214	212	20	232	5	33	38
Netherlands	27,967	6,871	34,838	8,571	31,640	40,211	12,895	27,417	40,312
Norway	17,692	10,531	28,223	22,484	28,125	50,609	11,015	6,831	17,846
Portugal	2,093	2,546	4,639	3,441	1,374	4,815	9,103	2,911	12,014
Spain	53,163	5,298	58,461	23,390	4,617	28,007	16,181	16,314	32,495
United Kingdom	38	5,290	5,328	93	699	792	55	1,769	1,824
Yugoslavia	1,627	(1,374)	(3,001)	394	(3,613)	(4,007)	-	-	-

SECRET

TREND OF ECONOMIC ASSISTANCE



EUROPE REGIONAL

SUMMARY OF ECONOMIC ASSISTANCE PROGRAMS

By Function and Country

(In thousands of dollars)

*Shaded areas are Security classified
and must not be divulged to
unauthorized individuals. All
other material is unclassified.*

Country	Defense Support			Special Assistance			Technical Cooperation			Other			Total		
	FY 1957	FY 1958	FY 1959	FY 1957	FY 1958	FY 1959	FY 1957	FY 1958	FY 1959	FY 1957	FY 1958	FY 1959	FY 1957	FY 1958	FY 1959
Iceland	8,462				5,100	5,100							8,462	5,100	5,100
Spain	68,999	40,050	45,000				1,000	1,100	1,100				69,999	41,150	46,100
Yugoslavia	13,500				13,000	10,000	1,492	1,750	1,800				14,992	14,750	11,800
Berlin					11,170	8,160				11,406			11,406	11,170	8,160
European Technical Exchange	2,293				2,600	3,000				309			2,602	2,600	3,000
Interregional	1,103				430	140				149			1,252	430	140
TOTAL PROGRAMS	94,357	40,050	45,000		32,300	26,400	2,492	2,850	2,900	11,864			108,713	75,200	74,300

EUROPE REGIONAL

ECONOMIC ASSISTANCE

SUMMARY OF PROGRAM BY FUNCTION - PROJECT AND NON-PROJECT ASSISTANCE

Shaded areas are Security classified and must not be divulged to unauthorized individuals. All other material is unclassified.

(In thousands of dollars)

Major Cost Component	ACTUAL FY 1957				ESTIMATE FY 1958				PROPOSED FY 1959			
	Total	Defense Support	Tech. Coop.	Other	Total	Defense Support	Spec. Assist.	Tech. Coop.	Total	Defense Support	Tech. Coop.	Spec. Assist.
PROJECT ASSISTANCE												
Technicians	601	262	258	81	858		336	522	1,109		759	350
Participants	2,265	363	1,730	172	2,142		537	1,605	1,833		1,339	494
Contractual Services	1,347	904	263	180	750		119	631	813		667	146
Supplies and Equipment	10,299	10,111	183	5	4,079	2,100	1,965	14	4,819	2,500	14	2,305
Contrib. to Coop. Services												
Other Costs	1,646	1,400	58	188	821		743	78	526		121	405
Total Project Assistance	16,158	13,040	2,492	626	8,650	2,100	3,700	2,850	9,100	2,500	2,900	3,700
NON-PROJECT ASSISTANCE												
Agric. Commodities Total	42,808	32,070		10,738	39,370	25,000	14,370		30,285	20,000		10,285
Surplus	42,738	32,000		10,738	38,870	25,000	13,870		28,000	20,000		8,000
Other	70	70			500		500		2,285			2,285
Industrial Commodities Total	47,747	47,747			25,400	12,900	12,500		31,915	22,500		9,415
Raw Materials and Fuels	34,098	34,098			15,500	12,900	2,600		23,425	21,000		2,425
Machinery and Equipment	9,639	9,639			9,900		9,900		8,040	1,500		6,540
Other Indus. Commodities	4,010	4,010							450			450
Cash Transactions	1,500	1,500			1,600		1,600		2,000			2,000
Other	500			500	180	50	130		1,000			1,000
Total Non-Project Assistance	92,555	81,317		11,238	66,550	37,950	28,600		65,200	42,500		22,700
TOTAL COUNTRY PROGRAMS	108,713	94,357	2,492	11,864	75,200	40,050	32,300	2,850	74,300	45,000	2,900	26,400
NUMBER OF PEOPLE												
Technicians (On duty close of year)	89	47	36	6	130		69	61	117		61	56
U.S. Employed	46	20	20	6	60		28	32	62		36	26
Contract	43	27	16		70		41	29	55		25	30
Participants (Programmed during year)												
Non-Contract	1,351	790	413	148	1,221		364	857	1,144		823	321
Contract												

PROJECT ASSISTANCE BY FIELD OF ACTIVITY

(In thousands of dollars)

Function and Fiscal Year	Total Cost	Agriculture and Natural Resources	Industry and Mining	Transportation	Labor	Health and Sanitation	Education	Public Administration	Community Develop., Social Welfare & Housing	General and Miscellaneous
ACTUAL FY 1957										
Defense Support	13,040	516	5,093	5,526	302		1	79		1,523
Development Assistance . . .						23	55	94	46	240
Technical Cooperation	2,492	782	916	336				70		278
Other Programs	626		207	5	66					
Total	16,158	1,298	6,216	5,867	368	23	56	243	46	2,041
ESTIMATE FY 1958										
Defense Support	2,100			2,100						
Special Assistance	3,700	953	607	505	375	37	73	64	25	1,098
Technical Cooperation	2,850	882	862	306			79	204	78	402
Other Programs (or DA)										
Total	8,650	1,835	1,469	2,911	375	37	152	268	103	1,500
PROPOSED FY 1959										
Defense Support	2,500		1,000	1,500						
Special Assistance	3,700	1,176	612	299	372	105	100	148	50	838
Technical Cooperation	2,900	757	1,081	262		75	115	215	40	355
Total	9,100	1,933	2,693	2,061	372	180	215	363	90	1,193

AUSTRIA



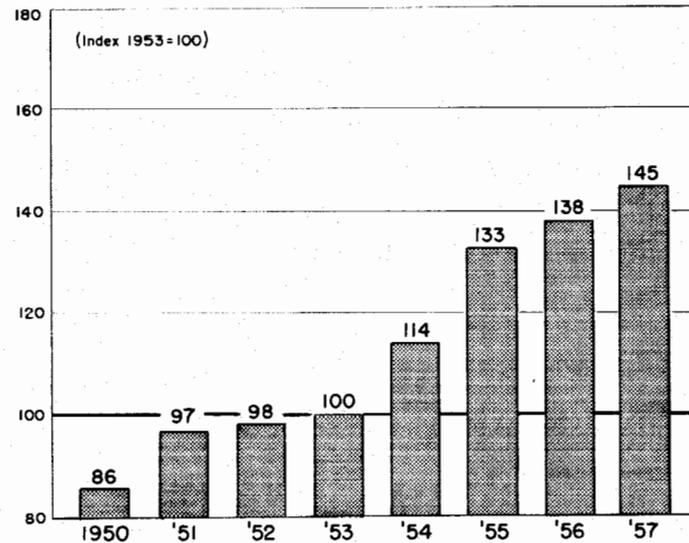
ECONOMIC TRENDS

	Unit	1954	- Calendar Years -		1957Est
			1955	1956	
DEFENSE EXPENDITURES					
Total Defense Expenditures.	\$ Millions		21	48	82
As Percent of GNP.....	Percent		0.5%	1.1%	1.8%
As Percent of Central Gov't Expenditures.....	Percent		2.2%	4.6%	7.1%
GROSS NATIONAL PRODUCT					
Total GNP (In 1955 Prices).	\$ Millions	3,480	3,870	4,050	4,290
Per Capita GNP.....	Dollars	499	555	580	614
INDUSTRIAL PRODUCTION	1953=100	114	133	138	145
AGRICULTURAL PRODUCTION ^a ...	Prewar=100	104	111	114	n.a.
CONSUMER PRICES	1953=100	104	104	108	110
GOLD & SHORT-TERM DOLLAR ASSETS (end of year) \$ Millions					
		329	326	361	444 (Nov)

n.a. - Not Available

^a - Crops harvested in crop-year beginning in year stated.

INDUSTRIAL PRODUCTION



BALANCE OF PAYMENTS

	1955	1956	1957Est
Calendar Years - in millions of dollars -			
Exports (f.o.b.).....	711	901	1,030
Imports (f.o.b.) (-).....	-853	-937	-1,099
Net Services ^b	-4	41	71
Net Capital Operations.....	-20	-19	-13
BALANCE BEFORE SPECIAL RECEIPTS FROM U.S.	-166	-14	-11
Special Receipts from U.S.:			
U.S. Military & OSP Expenditures	24	4	5
Economic			
MSP Aid Receipts	2	4	-
PL 480 Receipts	11	26	22
Less: Local Currency for U.S. Use....	-4	-6	-4
NET TOTAL SPECIAL RECEIPTS FROM U.S.	33	28	23
BALANCE AFTER SPECIAL RECEIPTS FROM U.S.	-133	14	12

^b - Before Special Receipts from U.S.

Country AUSTRIA

MUTUAL SECURITY PROGRAM

Shaded areas are Security classified and must not be divulged to unauthorized individuals. All other material is unclassified.

U.S. Interests: Austria is an integral part of the Free World. Its neutral status prevents Austrian membership in NATO or any other military alliance and prohibits foreign bases on Austrian territory. Austria has emphasized, however, its determination to defend its borders against foreign incursions.

Because of its long border with two Soviet bloc countries, Czechoslovakia and Hungary, Austria is in an exposed position. Political and economic stability are essential to enable the country to maintain its independence and resist Soviet threats.

The economic progress achieved by an independent and stable Austria, and the freedom enjoyed by its inhabitants, demonstrate to Austria's satellite neighbors the benefits of democracy.

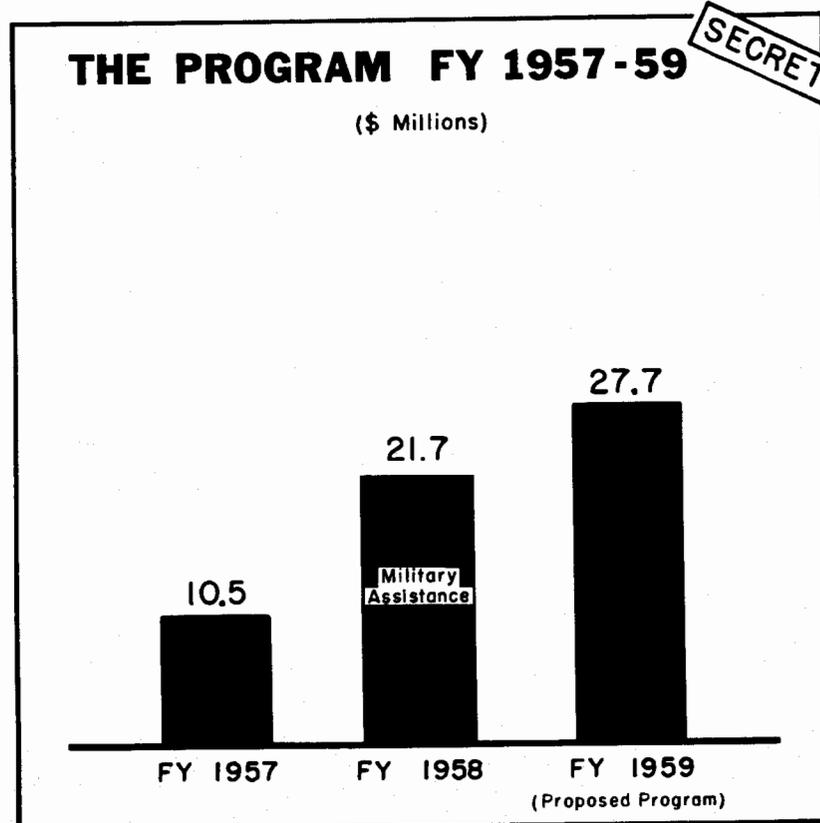
Austria's geographic location, covering key Alpine passes into Italy, is strategically important. The Austrian armed forces could, with increased capability, delay an invasion through the Alpine passes into Western Europe.

A coalition government of the conservative People's Party and the Socialists has provided political stability in Austria since the end of World War II and fostered Austria's amazing economic recovery.

Despite Austria's economic recovery, the Austrian budget is severely taxed by the necessity to raise an army, to rehabilitate the former Soviet zone of occupation, and to finance compensation shipments to the Soviet Union under the Austrian State Treaty provisions for return of the Soviet administered industries and oil fields.

Austria has been a haven for refugees from the Soviet bloc and has cared for over 170,000 Hungarians who sought asylum as a result of the Soviet crushing of the Hungarian revolt.

Austria has participated in the movement for closer European cooperation, which is supported by the U.S. It is a member of the OEEC, the European Payments Union, and the Council of Europe, and supports the establishment of a Free Trade Area in Europe. It has signed an Investment Guaranty Agreement with the U.S.



Obligations and Expenditures \$ in thousands			
MILITARY ASSISTANCE	PROGRAMMED	DEL./EXP.	UNLIQUIDATED
Cumulative 6/30/57	62,597	48,907	13,690
Estimate F.Y. 1958	21,651	8,180	XXX
Cumulative 6/30/58	84,248	57,087	27,161
ECONOMIC ASSISTANCE	OBLIGATIONS	EXPENDITURES	UNLIQUIDATED
Cumulative 6/30/57	723,247	723,247	XXX
Estimate F.Y. 1958			
Cumulative 6/30/58	723,247	723,247	

SECRET
MILITARY ASSISTANCE

*Shaded areas are Security classified
and must not be divulged to
unauthorized individuals. All
other material is unclassified.*

Major Components by Category (all values in thousands of dollars)	Annual Programs				Del./Exp. F.Y. 1950-58 Programs		
	Quantity and Value		Proposed F.Y. 1959		Estimate F.Y. 1958	Cumulative June 30, 1958	F.Y. 1959 and Later
	F.Y. 1957	F.Y. 1958	Quantity	Value			
Country Total	\$10,486	\$21,651	-	\$27,671	\$8,180	\$57,087	\$27,161
Aircraft, Components, Spares & Related Equip.	\$ 184	\$ 1,469	-	\$ 322	\$ 90	\$ 90	\$ 1,856
L-19A	-	10	12	\$ 153	-	-	10
Ships and Harbor Craft, Components & Spares	-	-	-	-	-	-	-
Tanks, Other Vehicles, Weapons, Comp. & Spares	\$ 6,794	\$10,611	-	\$16,051	\$3,040	\$30,253	\$14,314
Tank, Medium, 90mm Gun, M-47	-	51	-	-	-	-	51
Tank, Recovery Vehicle, Medium M-74	2	-	4	\$ 267	-	-	-
Tank, Light, M-24, M41	-	19	23	\$ 1,737	-	69	19
Trailer, 1-1 1/2 Ton, 2 Wheel, Cargo	-	-	-	-	510	931	55
Trailer, Amph., Cargo, 1/4 Ton, 2 Wh. M-100	-	-	1,932	\$ 419	-	-	-
Truck, 1/4 Ton, 4x4, (all models)	-	-	2,680	\$ 2,854	-	1,320	-
Truck, Ambulance FR Line, 1/4 Ton, M-170	-	-	153	\$ 435	-	-	-
Truck, Ambulance, 3/4 Ton, 4x4, M-43	-	-	118	\$ 453	-	-	-
Truck, 3/4 Ton, 4x4 Cargo (all models)	-	-	917	\$ 2,756	-	-	-
Truck, 2 1/2 Ton, 6x6, Cargo (all models)	-	-	-	-	-	1,065	-
Truck, 4-5-6 Ton, 6x6, Wrecker	-	36	20	\$ 363	-	30	36
Howitzer, 105mm, M2A1, w/carriage or mount	11	36	-	-	-	61	47
Howitzer, 155mm, M1, w/carriage	12	48	-	-	12	24	48
Howitzer, SP, Full track, 105mm How	-	24	12	-	-	-	24
Mortar, 81mm (all models)	-	18	34	-	24	102	18
Rifle, 106mm, w/mount	96	64	32	\$ 104	192	260	64
Carbine, Cal..30 (all models)	-	301	2,070	-	-	12,620	301
Rifle, U.S., Cal..30, M1-Series	4,892	-	3,590	\$ 269	4,892	16,175	-
Gun, Machine, Cal..30 (all models)	414	715	298	\$ 82	426	822	715
Launcher, Rocket, 3.5" M20 Series	-	839	303	\$ 22	-	1,114	839
Ammunition	\$ 1,557	\$ 4,013	-	\$ 7,180	\$2,632	\$10,830	\$ 5,302
Cartridge, HE (HEAT) 57mm Rifle (M Rds)	-	-	-	-	-	15	33
Cartridge, HE (HEAT) 75mm Rifle (M Rds)	-	-	-	-	4	-	-
Cartridge, 90mm, HVIP-T M-317 (M Rds)	-	5	6	\$ 199	-	-	5
Cartridge, 106mm. RBET 344 PIRD (M Rds)	2	11	7	\$ 384	9	11	11
Cart, HE, M1, w/f, 105mm How PDEMSQ M2 (M Rds)	-	31	30	\$ 237	-	67	65
Cartridge, 155mm HRE M-107/MTSQ (M Rds)	-	**	1	\$ 42	-	-	**
Rocket, HEAT, 3.5", M28 Series	6	42,295	9,852	-	60	60	42,296
Mine, AP HE M-3 M1 M-14 T19 (M)	-	-	142	\$ 709	-	-	-
Electronics & Comm. Equip, Comp. and Spares	\$ 1,787	\$ 4,252	-	\$ 2,402	\$1,449	\$ 7,947	\$ 4,257
AN/MPQ-10 Radar	-	-	2	\$ 163	-	-	-
AN/GRC-3 Radio	13	33	53	\$ 156	-	57	30
AN/GRC-4 Radio	43	142	68	\$ 135	-	65	185
SCR-300 (AN/PRC-10) Radio	209	402	172	\$ 88	341	1,183	292
AN/VRQ-1 Radio	-	45	27	\$ 68	-	-	45
Other Materiel	\$ 129	\$ 595	-	\$ 1,618	\$ 395	\$ 7,228	\$ 1,055
Construction	-	-	-	-	-	-	-
Training	\$ 35	\$ 48	-	\$ 98	\$ 64	\$ 69	\$ 14
All Other	-	\$ 663	-	-	\$ 510	\$ 670	\$ 363

** Less than 500 rounds.

SECRET

SECRET
MILITARY ASSISTANCE

*Shaded areas are Security classified
and must not be divulged to
unauthorized individuals. All
other material is unclassified.*

Austria

Objectives of Military Assistance: Assist Austria to maintain its stability and independence by providing high priority materiel required by the buildup of forces which will have the capability to:

- (1) Serve as a deterrent to Soviet-Satellite aggression against Austria; and
- (2) Delay a Soviet-Satellite thrust toward key passes leading into Italy and Western Europe.

Major Combat Forces:

Strategic Objectives

9 Inf. Brigades
3 Armored Regts.
3 Artillery Regts

MAP Supported

9 Inf. Brigades
3 Armored Regts.
3 Artillery Regts.

Active Military Strength: 30,000

MAP Accomplishments: Military assistance is enabling Austria to develop adequately trained and equipped armed forces. The development of such forces would otherwise be impossible because of the total absence of indigenous production facilities for major military end-items and serious budgetary burdens resulting from the costs of raising an army, rehabilitation of the former Soviet Zone, and compensation shipments to the USSR required by the Austrian State Treaty. U.S. aid has provided the major items of equipment for the present Austrian Army of 30,000 men, and future deliveries from programs through FY 1959 will almost complete the equipment requirements of additional units to meet a goal of 60,000 men by 1960.

Military assistance programs in Austria are provided under the authority of Section 401(a) of the Mutual Security Act, as amended, inasmuch as Austria cannot, under her neutrality law, enter into the usual agreements required by Section 142 of the Act.

Appraisal of Forces: Austria has no navy and only a small air corps. Its army of 30,000 is now capable of maintaining internal security, but is not yet strong enough to deal successfully with an attack by a Soviet bloc nation. Austria's military potential is highlighted by the quality of its soldiers, the excellent defensive characteristics of its terrain, and its determination to defend against any territorial violation. Austria's efficient mobilization and deployment of forces during the Hungarian crisis offers a concrete example of this resolution. In April 1958, the Austrian Army will reach a strength of approximately 42,000 by virtue of the spring call-up of new conscripts.

PROGRAMS (In Thousands Dollars)	FY 1957	FY 1958	Proposed FY 1959
Country Programs	10,486	21,651	27,671
Portion Special Materiel Program	-	(877)	(914)
Total	10,486	(22,528)	(28,585)

Country Contribution: Despite limitations imposed by its neutrality, Austria has indicated its readiness to cooperate with the West in the military field to the maximum extent possible without exposing itself to the charge of violating international commitments. Austria has indicated its intention to maintain equipment in combat readiness from its own resources. The 1958 defense budget calls for significant increases in defense spending over 1957 and will finance substantial quantities of vehicles, follow-on spare parts and training ammunition.

Proposed FY 1959 Program Provides: Additional major materiel requirements for buildup of 3 armored regiments, 1 infantry brigade, 5 field artillery battalions plus necessary support forces.

Miscellaneous Data: US excess stocks delivered at no charge through 30 June 1958: \$.8 million (Est). Military sales through 30 June 1957: None.

No MAAG authorized. Headquarters US European Command provides personnel to assist the US Military Attache in Administering the program.

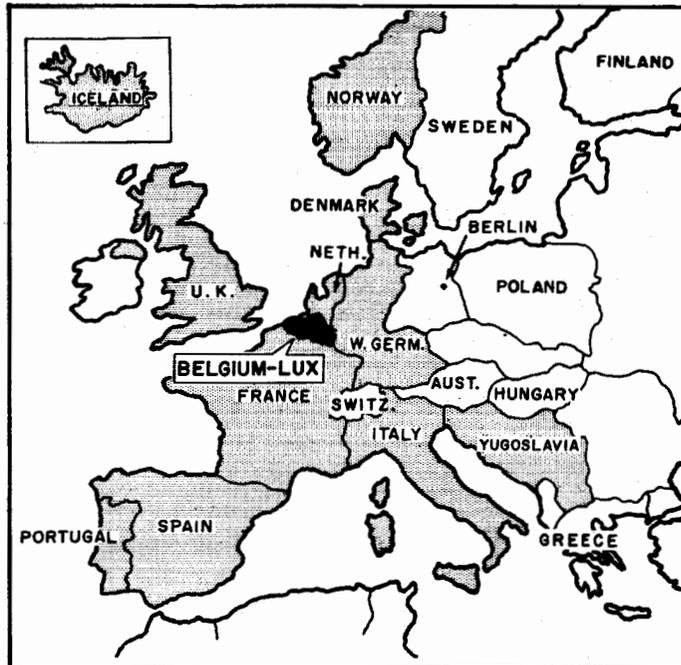
Statistical Note: The table on the page above is a composite of programs and performance for Austria itself and Stockpile A. The estimated deliveries to Austria itself are: During FY 1958: \$8.8 million and cumulative through 30 June 1958: \$52.5 million.

In addition to the programs shown at the top of page, material is programmed for transfer from Stockpiles to Austria as follows: FY 1958: \$2,298 thousand and FY 1959: \$186 thousand.

SECRET

BELGIUM-LUX

CONFIDENTIAL (As Noted)

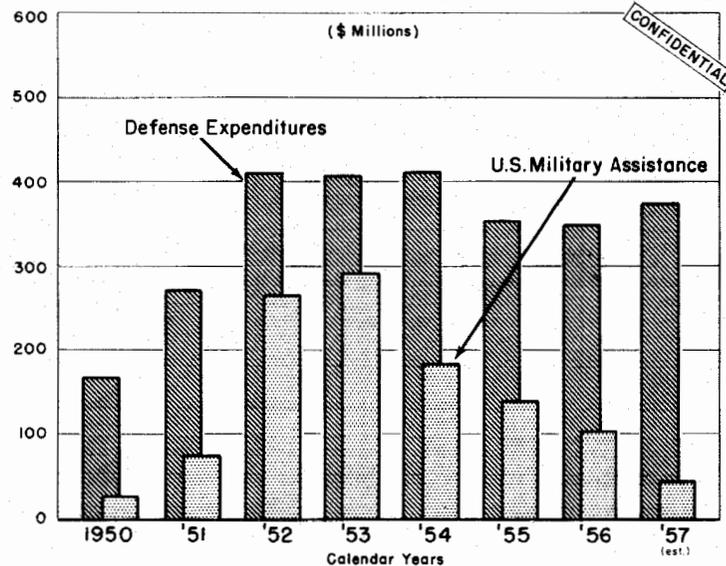


ECONOMIC TRENDS

	Unit	1954	- Calendar Years -		1957Est
			1955	1956	
DEFENSE EXPENDITURES					
Total Defense Expenditures.	\$ Millions	410	354	349	375
As Percent of GNP.....	Percent	4.5%	3.6%	3.4%	3.4%
As Percent of Central Gov't Expenditures.....	Percent	20%	17%	16%	16%
GROSS NATIONAL PRODUCT					
Total GNP (In 1955 Prices).	\$ Millions	9,360	9,710	10,010	10,210
Per Capita GNP.....	Dollars	1,026	1,058	1,084	1,099
INDUSTRIAL PRODUCTION.....	1953=100	106	116	122	123
AGRICULTURAL PRODUCTION ^a ...	Prewar=100	133	139	134	n.a.
CONSUMER PRICES.....	1953=100	101	102	104	107
GOLD & SHORT-TERM DOLLAR ASSETS (end of year).....					
	\$ Millions	1,044	1,201	1,224	1,146 (Nov)

n.a. - Not Available
^a - Crops harvested in crop-year beginning in year stated.

DEFENSE EXPENDITURES and U.S. MILITARY ASSISTANCE



CONFIDENTIAL (As Noted)

BALANCE OF PAYMENTS

Calendar Years - in millions of dollars -	1955	1956	1957Est
Exports (f.o.b.).....	2,837	3,243	3,171
Imports (f.o.b.) (-).....	-2,594	-2,989	-3,106
Net Services ^b	33	99	113
Net Capital Operations.....	-174	-224	-230
BALANCE BEFORE SPECIAL RECEIPTS FROM U.S....	142	129	-52
Special Receipts from U.S.:			
U.S. Military & OSP Expenditures	61	45	36
Economic			
MSP Aid Receipts	3	1	-
PL 480 Receipts	1	-	-
Less: Local Currency for U.S. Use....	-	-	-
NET TOTAL SPECIAL RECEIPTS FROM U.S.	65	46	36
BALANCE AFTER SPECIAL RECEIPTS FROM U.S....	207	175	-16

^b - Before Special Receipts from U.S.

Country BELGIUM

MUTUAL SECURITY PROGRAM

Shaded areas are Security classified and must not be divulged to unauthorized individuals. All other material is unclassified.

U.S. Interests: Belgium is a member of NATO, to which it contributes significant military forces, and has signed a Mutual Defense Assistance Agreement with the U.S.

The country occupies a strategic geographic position in the industrial heart of Europe and at the junction of important communications routes, one of which is the historic invasion route across the North European plain into France and to the Channel ports.

Belgium has been in the forefront of the movement towards closer economic integration among the six nations of the Coal and Steel Community, and is a member of EURATOM and the Common Market. Belgium is thus a major contributor to the effort to increase the long-term strength, stability and prosperity of our Western European allies and their ability to contribute to the security and development of the free world.

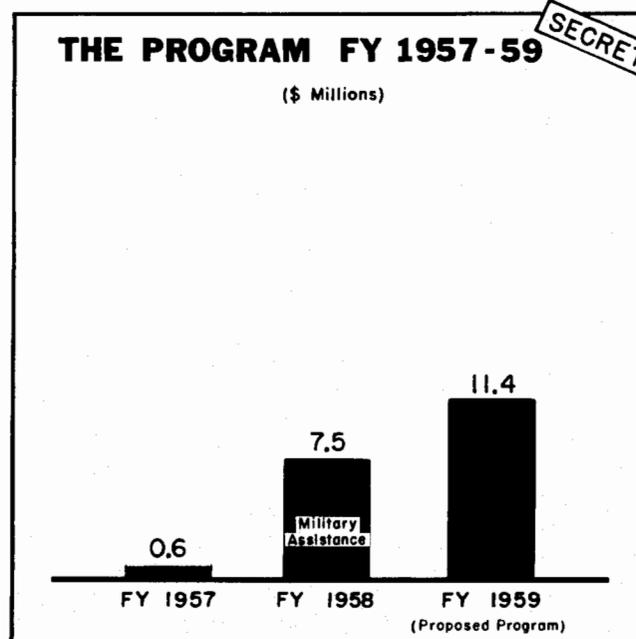
The Belgian Government is stable and responsive to popular needs and interest. The Government and people are friendly to the U.S. though they sometimes criticize U.S. policies as not taking European interests into account. Communist influence has been reduced to a small nucleus of hard-core militants and no responsible or influential political leader has neutralist sentiments. Belgium's NATO-oriented foreign policy is multi-partisan.

Despite its small size, Belgium exercises considerable influence in the councils of Western Europe. The present Secretary General of NATO, Paul Henri Spaak, is a Belgian. The Belgian Government has consistently supported the U.S. on major international issues in NATO, the U.N. and other international forums.

Belgian territories in Africa are a major source of such strategic raw materials as uranium and copper and are the world's main source of cobalt and industrial diamonds.

Belgium plays an important role in international trade and is one of the largest per capita purchasers of U.S. products. The Belgium-Luxembourg Economic Union is the world's largest exporter of raw and semi-finished iron and steel products.

The Belgian economy is currently stabilized at a high level of activity. The short range economic outlook is essentially good, although some decline in activity seems probable. The environment for private enterprise is favorable and the U.S. investment in the country is growing steadily. Belgium has signed an investment guaranty agreement with the U.S. Trade with the Soviet Union is small and Soviet economic influence is slight.



Obligations and Expenditures \$ in thousands			
MILITARY ASSISTANCE	PROGRAMMED	DEL./EXP.	UNLIQUIDATED
Cumulative 6/30/57	1,072,814	1,008,093	64,721
Estimate F.Y. 1958	7,265	51,403	XXX
Cumulative 6/30/58	1,080,079	1,059,496	20,583
ECONOMIC ASSISTANCE	OBLIGATIONS	EXPENDITURES	UNLIQUIDATED
Cumulative 6/30/57	558,706	558,582	124
Estimate F.Y. 1958		124	XXX
Cumulative 6/30/58	558,706	558,706	

Belgium

SECRET
MILITARY ASSISTANCE

*Shaded areas are Security classified
and must not be divulged to
unauthorized individuals. All
other material is unclassified.*

Major Components by Category (all values in thousands of dollars)	Annual Programs				Del./Exp. F.Y. 1950-58 Programs		
	Quantity and Value		Proposed F.Y. 1959		Estimate F.Y. 1958	Cumulative June 30, 1958	F.Y. 1959 and Later
	F.Y. 1957	F.Y. 1958	Quantity	Value			
Country Total	\$467	\$7,265	-	\$11,370	\$51,403	\$1,059,496	\$20,583
Aircraft, Components, Spares & Related Equip.	-	-	-	\$ 1,196	\$38,880	\$ 246,209	\$ 1,481
C-119G	-	-	-	-	-	22	-
RF-84F	-	-	3	\$ 1,196	4	24	-
Harvard Mark IV	-	-	-	-	-	30	-
CF-100 Aircraft	-	-	-	-	53	53	-
Ships and Harbor Craft, Components and Spares	-	\$4,230	-	-	\$ 3,760	\$ 62,113	\$ 7,079
Coastal Minesweeper (MSC)	-	-	-	-	-	18	-
Inshore Minesweeper (MSI)	-	-	-	-	4	5	3
Ocean Minesweeper (MSO)	-	1	-	-	-	4	1
Tanks, Other Vehicles, Weapons, Comp. & Spares	-	\$1,626	-	\$ 9,807	\$ 109	\$ 488,544	\$ 1,547
Tank, Light, M24	-	-	-	-	-	223	-
Tank, Medium, M26, M46, M47, M48 Series	-	-	-	-	-	1,215	-
Carriage, Motor, Twin, 40mm Gun	-	16	48	\$ 4,548	-	-	16
Carriage, Motor, 105mm How (all models)	-	-	-	-	-	122	-
Carrier, Pers. HT, M3 (Car., HT, M2, M9)	-	-	-	-	-	1,096	7
Mount Trailer, Multi, Cal. 50, MG, M55	-	-	-	-	-	1,004	-
Vehicle, Tank Recovery, M32 Series	-	-	-	-	-	58	-
Vehicle, Tank Recovery, T74, T51	-	-	-	-	-	107	-
Truck, 2 1/2 Ton, 6x6, Cargo (all models)	-	-	-	-	-	2,392	-
Armored Personnel Carrier, M75	-	-	340	\$ 4,903	-	-	-
Truck, 4-5-6 Ton, 6x6, Wrecker	-	-	-	-	5	382	-
Director, AA, British No. 11 Contraves	-	-	-	-	-	-	8
Gun, Automatic, 40mm, M1, w/carriage	-	-	-	-	-	567	-
Gun, 90mm, AA, w/mount (all models)	-	-	-	-	-	428	-
Gun, 155mm, M2, w/carriage	-	-	-	-	-	85	-
Howitzer, 155mm, M1, w/carriage	-	-	-	-	-	119	30
Ammunition	-	-	-	-	\$ 5,367	\$ 132,502	\$ 2,559
Cartridge, 40mm (all types) (M Rds)	-	-	-	-	-	1,061	-
Cartridge, Fixed, HE, w/f, PD, 90mm Gun (M Rds)	-	-	-	-	-	205	-
Cartridge, HE, M1, w/f, 105mm How, M2 (M Rds)	-	-	-	-	-	386	-
Electronics & Comm. Equipment, Comp. & Spares	\$132	\$1,081	-	\$ 73	\$ 2,422	\$ 67,883	\$ 5,667
SCR-506 (AN/GRC-19) Radio	-	-	-	-	-	698	-
SCR-509, 510 (AN/VRC-8) Radio	-	-	-	-	106	1,055	-
SCR-528 (AN/GRC-4) Radio	-	-	-	-	-	1,436	51
Other Materiel	\$ 95	\$ 112	-	\$ 86	\$ 444	\$ 29,737	\$ 2,334
Construction	-	-	-	-	-	-	-
Training	\$240	\$ 216	-	\$ 208	\$ 389	\$ 27,486	(\$ 100)
All Other	-	-	-	-	\$ 32	\$ 5,022	\$ 16

() Indicate negative figure.

SECRET

Belgium

SECRET MILITARY ASSISTANCE

Shaded areas are Security classified
and must not be divulged to
unauthorized individuals. All
other material is unclassified.

Objectives of Military Assistance: Assist Belgium in meeting requirements which are essential to training, maintaining, and increasing the effectiveness of the forces they have committed to NATO.

Major Combat Forces:

Strategic Objectives

5 Divisions
3 Honest John/Little John Bns.
1 Corporal/Sgt Bn.
3 Nike Bns.
54 Naval Vessels
18 Air Squadrons

MAP Supported

3 Honest John/
Little John Bns.
1 Corporal/Sgt Bn.
3 Nike Bns.
6 Naval Vessels

Active Military Strength: 160,490

MAP Accomplishments: The MAP has aided in improving the combat effectiveness of the Belgian Armed Forces by providing essential equipment and ammunition which the country could not furnish from its own resources. Tanks, general purpose vehicles, ships, electronic equipment, missiles, aircraft, ammunition, and training have been provided to supplement the Belgian military effort. Belgium is also to be provided with one battalion of NIKE, one battalion of HONEST JOHN, one hundred and fifty F-84F LABS Conversion Kits from prior year programs. The combined MAP and Belgian efforts have converted the Belgian forces, which in 1949 comprised 2 skeleton divisions, naval vessels, and 7 air force squadrons, all poorly equipped and inadequately trained, into a valuable increment of strength within the NATO complex.

Appraisal of Forces: Major combat elements of the Army are capable of performing assigned NATO missions. The Navy is capable of using the latest minesweeping techniques, but is handicapped by an insufficiency of ships maintained in a suitable state of readiness. Over-all combat effectiveness of the Air Force is limited, but delivery of CF-100s, which has now begun, will greatly improve its all-weather capability. Obstacles to increased air defense effectiveness are shortages of skilled personnel, training deficiencies and an inadequate logistical system.

PROGRAMS (In Thousands Dollars)	FY 1957	FY 1958	Proposed FY 1959
Country Programs	467	7,265	11,370
Portion Special Materiel Program	(1,446)	(33,673)	(8,957)
Total	(1,913)	(40,938)	(20,327)

Country Contributions: While the budgetary support given by Belgium to its defense effort is not considered large enough, Belgium has provided a significant portion of its military equipment needs, and was one of the first countries to assume responsibility for meeting its spare parts requirements for all items of equipment received through MAP. Belgium has indicated its intention to finance its own conventional requirements for the immediate future; however, continuing US grant assistance will be required to assist Belgium in meeting its new weapons requirements.

Proposed FY 1959 Program Provides: The country program provides for high priority conventional modernization equipment (mainly for the Army) to be financed initially by MAP and offered for sale to Belgium. It also provides a small grant aid training program. Most of that portion of the Special Materiel Program allocated to Belgium will be used for the provision of certain of the missile systems needed to meet high priority SHAPE requirements. These are to be provided as grant aid. This grant sales package program is designed to encourage Belgium to provide its essential needs increasingly from its own resources and to obtain a gradual and continuing reduction in reliance on U.S. aid.

Miscellaneous Data: US excess stocks delivered at no charge through 30 June 1958: \$16.5 million (Est). Military sales through 30 June 1957: \$7.3 million.

<u>MAAG Strength:</u>	<u>US Mil</u>	<u>US Civ</u>	<u>Local</u>	<u>Total</u>
1957	82	10	30	122
1958	64	10	28	102

SECRET

Country LUXEMBOURG

MUTUAL SECURITY PROGRAM

*Shaded areas are Security classified
and must not be divulged to
unauthorized individuals. All
other material is unclassified.*

U.S. Interests: Luxembourg, strategically situated in the heart of West Europe, is a member of NATO, to which it contributes military forces commensurate with the country's size. It has signed a Mutual Defense Assistance Agreement with the U.S.

Luxembourg has participated in the movement towards closer economic integration among the six nations of the Coal and Steel Community, and is a member of EURATOM and the Common Market, thus contributing to the effort to increase the long-term strength, stability and prosperity of Western Europe.

The Luxembourg Government is stable and firmly supports NATO. Neutralism and Communism have negligible influence. Government and popular reaction to the U.S. is friendly, and Luxembourg fully supports the U.S. on major international issues in NATO and other international organizations.

Luxembourg's industrial development is almost exclusively in basic iron and steel, and the Belgian-Luxembourg Economic Union is the world's largest exporter of raw and semi-finished ferrous products. U.S. private investment in Luxembourg is very small, although it has signed an Investment Guaranty Agreement with the U.S.

Soviet economic relationships with Luxembourg are quite limited and Soviet influence is minimal.

Obligations and Expenditures \$ in thousands			
MILITARY ASSISTANCE	PROGRAMMED	DEL./EXP.	UNLIQUIDATED
Cumulative 6/30/57	7,152	6,406	746
Estimate F.Y. 1958	212	366	XXX
Cumulative 6/30/58	7,364	6,772	592
ECONOMIC ASSISTANCE	OBLIGATIONS	EXPENDITURES	UNLIQUIDATED
Cumulative 6/30/57			
Estimate F.Y. 1958			XXX
Cumulative 6/30/58			

Luxembourg

SECRET
MILITARY ASSISTANCE

*Shaded areas are Security classified
and must not be divulged to
unauthorized individuals. All
other material is unclassified.*

Major Components by Category (all values in thousands of dollars)	Annual Programs				Del./Exp. F.Y. 1950-58 Programs		
	Quantity and Value		Proposed F.Y. 1959		Estimate F.Y. 1958	Cumulative June 30, 1958	F.Y. 1959 and Later
	F.Y. 1957	F.Y. 1958	Quantity	Value			
Country Total	\$156	\$212	-	\$5	\$356	\$6,772	\$592
Aircraft, Components, Spares & Related Equip.	-	-	-	-	-	\$ 13	-
Ships and Harbor Craft, Components and Spares	-	-	-	-	-	-	-
Tanks, Other Vehicles, Weapons, Comp. & Spares	-	\$ 32	-	-	\$ 7	\$2,851	\$(12)
Truck, 1/4 Ton, 4x4 (all models)	-	-	-	-	-	154	-
Truck, 3/4 Ton, 4x4, Cargo (all models)	-	-	-	-	-	105	-
Truck, 2 1/2 Ton, 6x6, Cargo (all models)	-	-	-	-	-	89	-
Truck, 4-5-6 Ton, 6x6, Wrecker	-	-	-	-	-	8	-
Mortar, 60mm (all models)	-	-	-	-	-	53	-
Mortar, 81mm (all models)	-	-	-	-	-	25	-
Rifle, 57mm, Recoilless	-	-	-	-	-	30	-
Rifle, 75mm, Recoilless	-	-	-	-	(2)	10	-
Rifle, 106mm, w/mount	-	5	-	-	-	17	2
Launcher, Rocket, 3.5" M20 Series	-	-	-	-	-	139	-
Ammunition	\$149	\$155	-	-	\$344	\$2,678	\$578
Cartridge, Cal..30 (all types) (M Rds)	-	-	-	-	-	541	-
Cartridge, HE (HEAT) 57mm Rifle (M Rds)	-	-	-	-	-	9	-
Cartridge, HE (HEAT) 75mm Rifle (M Rds)	-	-	-	-	-	10	-
Cartridge, HEAT w/f, 106mm Rifle (M Rds)	-	1	-	-	-	3	1
Cartridge, HE, 60mm Mortar (M Rds)	-	-	-	-	7	9	-
Cartridge, HE, 81mm Mortar (M Rds)	-	-	-	-	13	17	-
Cartridge, HE, M1, w/f, 105mm How, M2 (M Rds)	-	-	-	-	28	28	15
Cartridge, HE, 105mm How (other types) (M Rds)	-	-	-	-	1	1	-
Rocket, HEAT, 3.5", M20-Series	-	-	-	-	5	17	-
Electronics & Comm. Equipment, Comp. & Spares	-	\$ 14	-	-	-	\$ 865	\$ 14
SCR-300 (AN/FRC-10) Radio	-	-	-	-	-	125	-
SCR-509, 510 (AN/VRC-8) Radio	-	-	-	-	-	9	-
SCR-608 (AN/GRC-5) Radio	-	-	-	-	-	36	-
SCR-694 (AN/GRC-9) Radio	-	-	-	-	-	14	-
Other Material	-	-	-	-	\$ 6	\$ 247	\$ 8
Construction	-	-	-	-	-	-	-
Training	\$ 7	\$ 11	-	\$5	\$ 9	\$ 60	\$ 4
All Other	-	-	-	-	-	\$ 58	-

() Indicate negative figure.

SECRET

Luxembourg

SECRET MILITARY ASSISTANCE

Shaded areas are Security classified
and must not be divulged to
unauthorized individuals. All
other material is unclassified.

Objectives of Military Assistance:

- (a) assist Luxembourg in the defense effort within NATO;
- (b) assure Luxembourg's continued maximum cooperation in the defense of Europe.

Major Combat Forces:

Strategic Objectives

MAP Supported

1 Inf. RCT

1 Inf. RCT

Active Military Strength: 2,450

MAP Accomplishments: Previous programs have furnished essential equipment and ammunition for the build-up of the NATO-committed Regimental Combat Team (organized only after Luxembourg's entry into NATO) which the country could not furnish from its own resources.

Appraisal of Forces: Luxembourg's force contribution to NATO consists of one Regimental Combat Team, which is capable of assuring internal security. It has certain personnel deficiencies and in combat would be dependent on outside sources for logistical support. Luxembourg has no naval or air forces.

Country Contribution: In addition to the RCT in the Luxembourg Army, there is a small territorial force. Luxembourg's strategic location and high industrial development (mainly in iron and steel production) are significant assets to NATO.

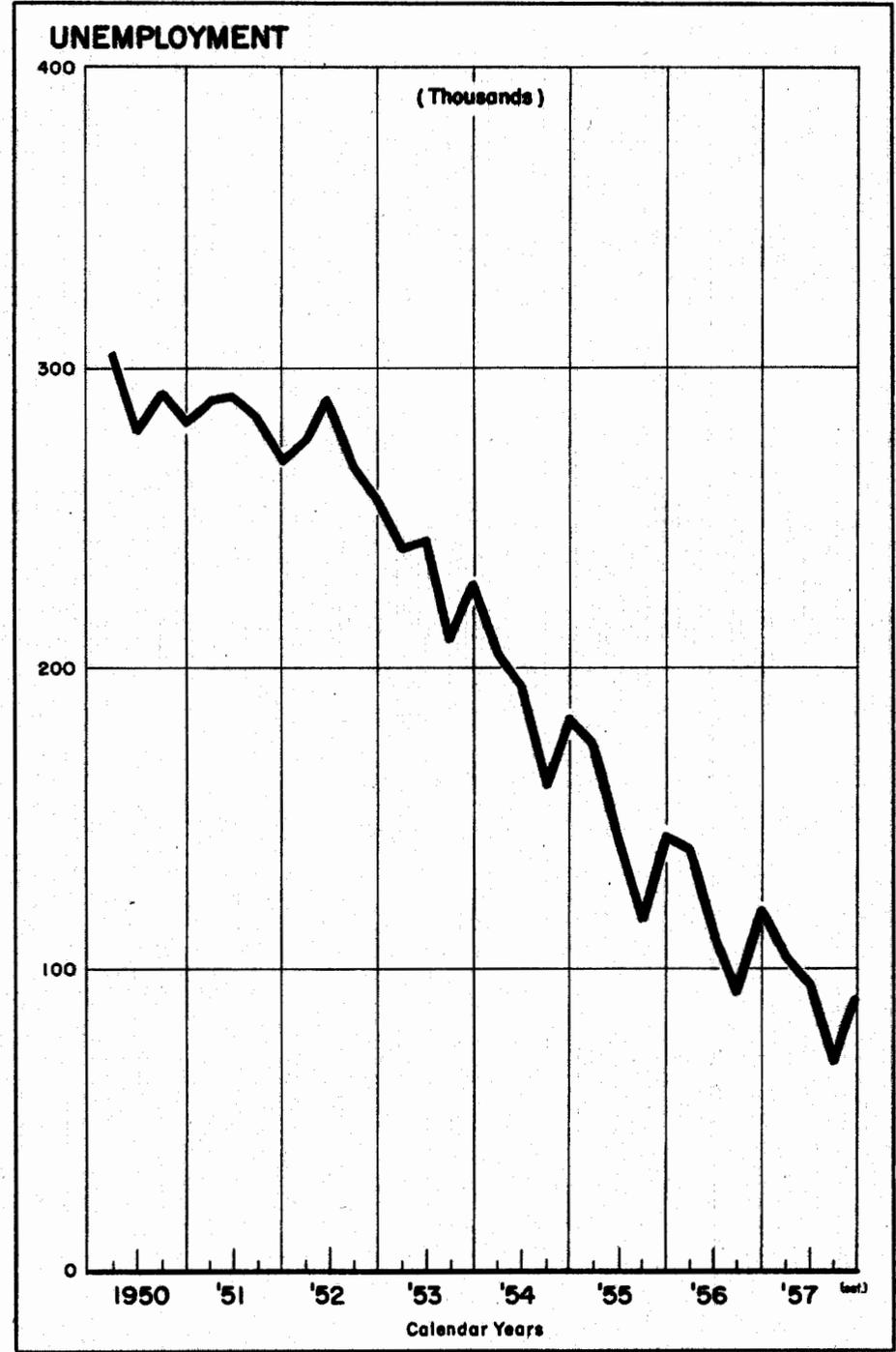
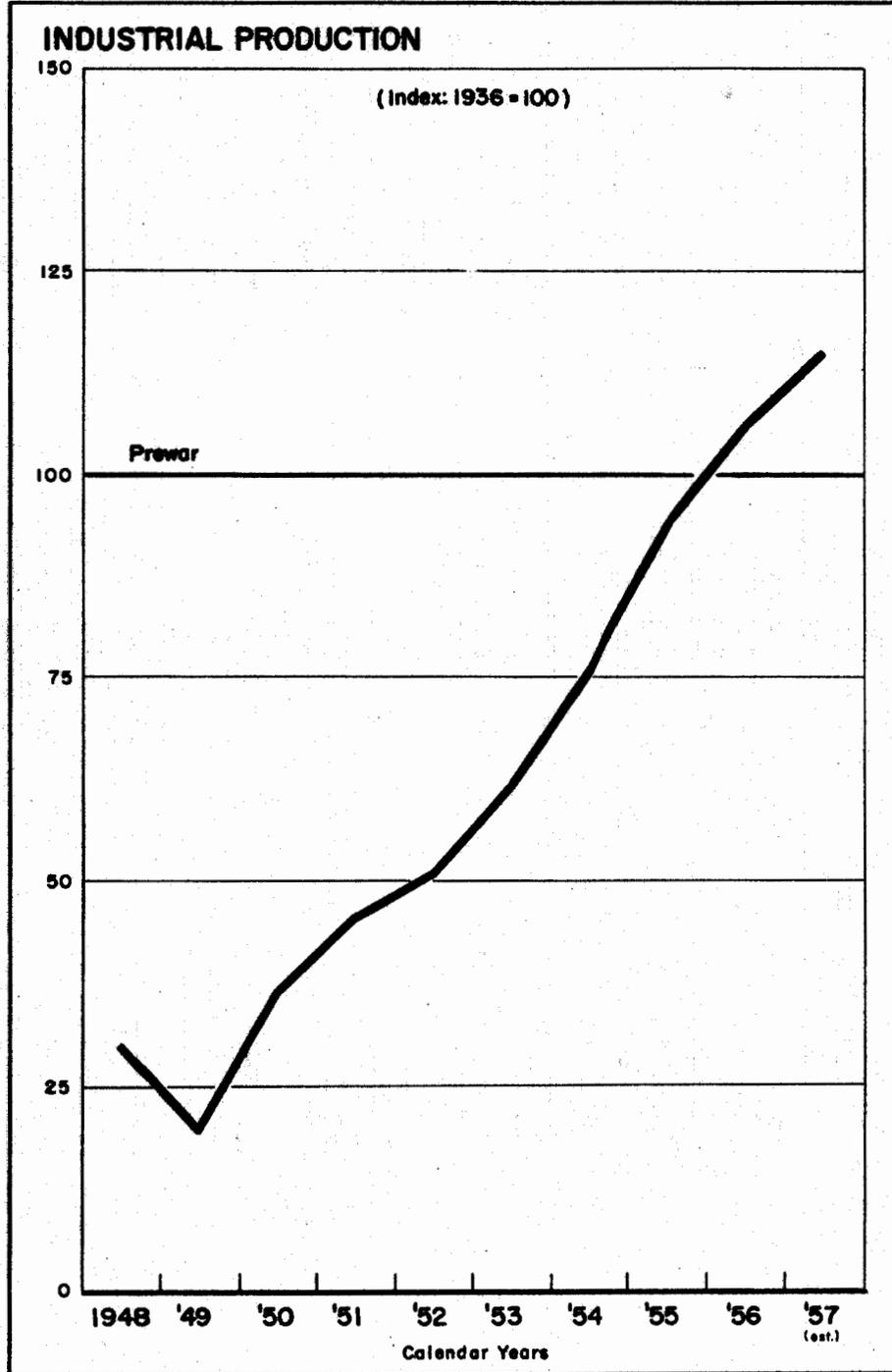
Proposed FY 1959 Program Provides: While no grant aid materiel program is proposed, the possibility exists that some items may be provided to Luxembourg on a sales basis.

Miscellaneous Data: U. S. excess stocks delivered (no charge) through 30 June 1958: \$.2 million (est). Military sales through 30 June 1957: \$42 thousand. MAAG strength - program administered by MAAG, Belgium.

PROGRAMS (In Thousands Dollars)	FY 1957	FY 1958	Proposed FY 1959
Country Programs	156	212	5
Portion Special Materiel Program	(58)	(20)	(33)
Total	(214)	(232)	(38)

SECRET

WEST BERLIN



Shaded areas are Security classified and must not be divulged to unauthorized individuals. All other material is unclassified.

Country BERLIN

MUTUAL SECURITY PROGRAM

U.S. Interests: West Berlin, an outpost of freedom surrounded by the Soviet Zone of Germany, provides a demonstration of Western determination to stand fast in the face of communist pressure. The reconstruction program, which the U.S. has helped to finance, has enabled West Berlin to maintain all the normal activities of a large metropolis, despite the constant pressure to which it has been subject.

West Berlin serves as a show window to display to millions of East Germans the economic, cultural and political advantages of a free capitalist society. The U.S. aid program has helped West Berlin to repair wartime devastation and to place the city on a solid footing. The results are strikingly apparent in the improvement of living conditions from the disastrous levels of the immediate postwar years to standards almost comparable to those of the Federal Republic, in the sharp reduction of unemployment, in the quadrupling of production, and in the substantial increases in exports of finished and semi-finished products.

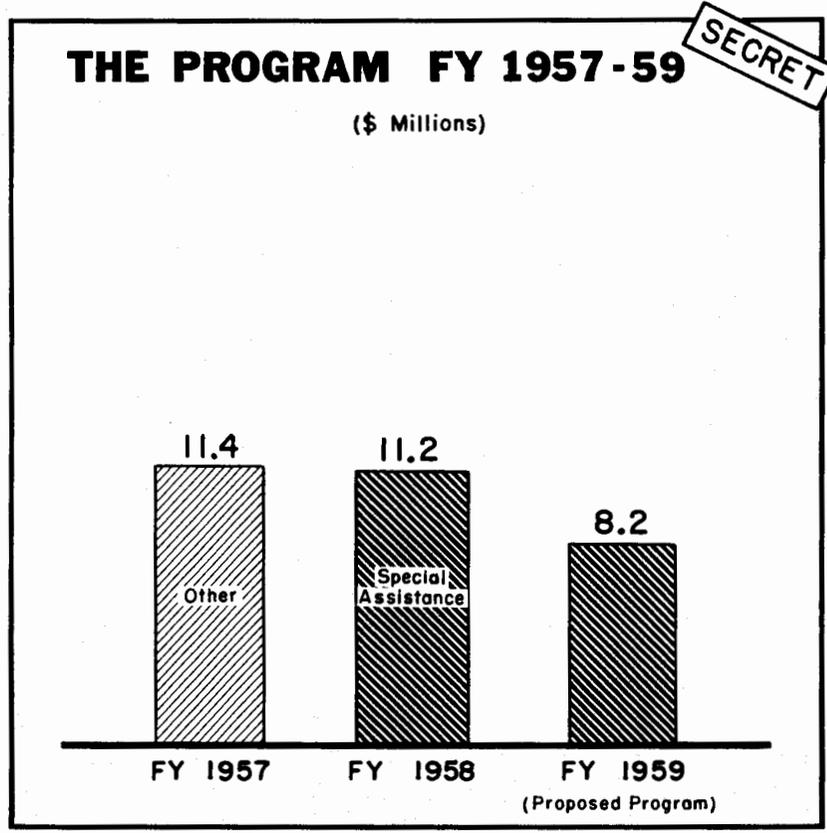
The success of the program continues to be reflected also in the attraction of the city for refugees and visitors from the East, the large volume of tourist traffic, and the many cultural events which manifest the high morale and courageous spirit of the West Berliners.

Moreover, support by the United States is in large measure responsible for the stability and staunchly pro-western orientation of the city's government.

The location of Berlin gives the free world a valuable vantage point behind the Iron Curtain.

In association with the British and French, the U.S. has special rights and responsibilities in Berlin under the Four Power Agreements with the Soviet Union and the 1954 Convention on Relations with the Federal Republic of Germany.

It is important that the East German population be encouraged to maintain and increase their ties with the West and their resistance to Communism, particularly in the light of recent repressive measures in the Soviet-occupied zone. In this respect, Berlin provides unique opportunities to the West while serving as a source of embarrassment to the Soviets and their puppet regime in East Germany.



SECRET

Obligations and Expenditures \$ in thousands			
MILITARY ASSISTANCE	PROGRAMMED	DEL./EXP.	UNLIQUIDATED
Cumulative 6/30/57			
Estimate F.Y. 1958			
Cumulative 6/30/58			
ECONOMIC ASSISTANCE	OBLIGATIONS	EXPENDITURES	UNLIQUIDATED
Cumulative 6/30/57	92,789 ^{a/}	85,146 ^{b/}	7,643
Estimate F.Y. 1958	11,170	10,920	XXX
Cumulative 6/30/58	103,959	96,066	7,893

a/ Reflects estimated obligations since FY 1954 for Berlin out of total obligations of \$1,561,680 thousand for Berlin and the Federal Republic.
 b/ Reflects estimated expenditures since FY 1954 for Berlin out of total expenditures of \$1,554,037 thousand for Berlin and the Federal Republic.

Country: BERLIN

ECONOMIC ASSISTANCE
SUMMARY OF PROGRAM BY FUNCTION - PROJECT AND NON-PROJECT ASSISTANCE

*Shaded areas are Security classified
and must not be divulged to
unauthorized individuals. All
other material is unclassified.*

(In thousands of dollars)

MAJOR COST COMPONENT	ACTUAL FY 1957				ESTIMATE FY 1958				PROPOSED FY 1959		
	Total	DS or DA	Tech. Coop.	Other (JCA)	Total	Sp Asst	Tech. Coop.	Other	Total	Sp Asst	Tech. Coop.
PROJECT ASSISTANCE											
Technicians	27			27	20	20			30	30	
Participants	75			75	130	130			85	85	
Contractual Services	50			50	7	7			30	30	
Supplies and Equipment	5			5	3	3			5	5	
Contrib. to Coop. Services											
Other Costs	11			11	10	10			10	10	
Total Project Assistance	168			168^{a/}	170	170^{a/}			160	160^{a/}	
NON-PROJECT ASSISTANCE											
Agric. Commodities Total	10,738			10,738	10,870	10,870			8,000	8,000	
Surplus	10,738			10,738	10,870	10,870			8,000	8,000	
Other											
Industrial Commodities Total											
Raw Materials and Fuels											
Machinery and Equipment											
Other Indus. Commodities											
Cash Transactions											
Other	500			500	130	130					
Total Non-Project Assistance	11,238			11,238	11,000	11,000			8,000	8,000	
TOTAL COUNTRY PROGRAMS	11,406^{b/}			11,406	11,170^{c/}	11,170			8,160	8,160	
NUMBER OF PEOPLE											
Technicians (On duty close of year)	1			1	5	5			3	3	
U.S. Employed	1			1	1	1			1	1	
Contract					4	4			2	2	
Participants (Programmed during year)	72			72	112	112			72	72	
Non-Contract	72			72	112	112			72	72	
Contract											

a/ Represents technical exchange program.

b/ Excludes \$309 thousand for Austria Technical Exchange included in European Technical Exchange Program and \$149 thousand for Interregional Expenses which has been merged with other Special Assistance Interregional Expenses.

c/ Excludes \$200 thousand for Austria Technical Exchange and \$130 thousand in Interregional Expenses.

GPO 934793

Revised February 27, 1958

Country BERLIN

ECONOMIC ASSISTANCE

Shaded areas are Security classified and must not be divulged to unauthorized individuals. All other material is unclassified.

Objectives

As a demonstration of continued U.S. support and interest:

- To strengthen the economy of West Berlin.
- To provide needed housing, health and education facilities.
- To increase productivity and competitive status of Berlin enterprises.
- To bring about maximum of contacts between the people of the East Zone and the West.
- To provide support to religious groups, students, and families of political prisoners in the East Zone.

Accomplishments

U.S. aid under the Mutual Security Program, while motivated primarily by political considerations, has played a vital role in the economic rehabilitation of West Berlin. Past U.S. programs for West Berlin have contributed to the drop of unemployment from 28% of the labor force in 1950 to about 9% in 1957, and the rise in the industrial production index (1936 = 100) from 32 in 1950 to 112 in 1957. The reconstruction program has helped to make possible a substantial rebuilding of destroyed facilities and has contributed to a public housing program which by mid-1957 had helped build 100,000 new housing units.

From FY 1953 to FY 1957, 43 Technical Exchange projects sent a total of 291 Berliners to the U.S. During the same period 24 projects were implemented under which 48 American experts were brought to Berlin. This program has helped to furnish much of the knowledge needed for operating the newly acquired economic facilities to best advantage and for improving the competitive status of Berlin's industries.

The East Zone program has assisted many thousands of Germans, among them thousands of young people, to visit West Germany and to observe the operations of the free institutions of the West. This program has also provided food, drugs and clothing to thousands of families of needy East Germans and has enabled the churches of the East Zone to continue with their religious and charitable activities.

During 1957, for example, one segment of the program accounting for only a minor fraction of the total expended, aided and estimated 110,000 East Zone Germans to come together with West Germans in youth leadership meetings. These visitors were in a position to obtain vivid impressions of life in the Federal Republic. Numerous meetings of church workers, educators and others have also been sponsored. Furthermore, some 67,000 selected Soviet Zone

Summary of Program \$ in thousands			
Function	Actual F.Y. 1957	Estimate F.Y. 1958	Proposed F.Y. 1959
Defense Support			
Development Assistance			
Special Assistance		11,170	8,160
Technical Cooperation			
Other Programs . (JCA)	11,406		
Total	11,406	11,170	8,160

youths were given financial assistance to attend various types of meetings in the Federal Republic, including summer camps, rallies and conventions of youth organizations. An estimated 12,000 East Zone students benefited from scholarships of 3-12 months duration, and 57,000 packages were sent to the families of political prisoners.

The remainder of the funds went to medical and other supplies benefiting groups totalling in all hundreds of thousands of individuals.

U.S. aid has also stimulated increasing contributions towards the same goals by the Federal Republic of Germany which now amounts to several times the sums contributed by the U.S. for those purposes.

Major Problems: Artificial and precarious nature of Berlin's economic links to the West resulting from geographic isolation, tending to increase economic risks and hamper economic growth and development of self-sufficiency; continued heavy flow of refugees from East Zone into West Berlin; continued minor harassment by East Germany and the Soviet Union, and threat of increased harassment.

Proposed FY 1959 Program

To support the Berlin programs, it is proposed to provide the local currency proceeds realized from the sale of \$8 million of U.S. surplus agricultural commodities in West Germany under Section 402. This amount compares with about \$11 million aid in FY 1958, about \$11.2 million in FY 1957, and \$18.1 million in FY 1956. The progressive reduction results from a number of factors: Berlin's economic progress, increased financial support by the Federal Republic, and continued availability of counterpart loan repayments.

a/ Includes \$168 thousand, \$170 thousand, and \$160 thousand for Technical Exchange activities in FY 1957, FY 1958, and FY 1959 respectively.

Country: BERLIN

ECONOMIC ASSISTANCE - Continued

Shaded areas are Security classified and must not be divulged to unauthorized individuals. All other material is unclassified.

It is intended to use \$4 million to support the general reconstruction program in West Berlin, jointly with the larger efforts of the Federal Republic. This program is expected to include housing and special projects in the medical and education fields. The other \$4 million are also to be used jointly with the much larger Federal Republic contributions for East Zone programs. As in the preceding years a large portion of the funds would be devoted to the promotion of visits by many thousands of Germans from the East Zone to West Germany and for the sponsorship of youth meetings and conferences. Another important segment of the funds would be used to assist various church welfare activities

in the East Zone, including the grant of medical aid and the printing of religious literature. Certain amounts of aid would also be devoted to provide scholarships in West Berlin for students from the Soviet Zone, and the remainder is to be spent on food, drugs, clothing and packages for the families of political prisoners in East Germany.

The Technical Exchange program of \$160,000 would be used for the training of West Berlin business and labor leaders, for the study of U.S. productivity methods and to assist in the establishment of a Management Training Center in West Berlin.

ECONOMIC ASSISTANCE - PROJECT ASSISTANCE BY FIELD OF ACTIVITY
(In thousands of dollars)

Function and Fiscal Year	Total Cost	Agriculture and Natural Resources	Industry and Mining	Transportation	Labor	Health and Sanitation	Education	Public Administration	Community Develop., Social Welfare & Housing	General and Miscellaneous
ACTUAL FY 1957										
Defense Support										
Development Assistance										
Technical Cooperation										
Other Programs	168		50	5	26			40		47
Total	168		50	5	26			40		47
ESTIMATE FY 1958										
Defense Support										
Special Assistance	170		78		49		7	6		30
Technical Cooperation										
Other Programs (or DA)										
Total	170		78		49		7	6		30
PROPOSED FY 1959										
Defense Support										
Special Assistance	160		60		40			20		40
Technical Cooperation										
Total	160		60		40			20		40

Country: BERLIN

ECONOMIC ASSISTANCE

DISTRIBUTION OF FY 1959 PROJECT ASSISTANCE

Shaded areas are Security classified
and must not be divulged to
unauthorized individuals. All
other material is unclassified.

TABLE I

(In thousands of dollars and equivalent)

Functions and Projects	DIRECT U.S. DOLLAR COST - Proposed							Local Currency Cost - Proposed	
	Total	U.S. Technicians	Non-Contract Participants	Contracts	Commodities	Other Costs	Contributions to Cooperative Services	MSP includ. Counterpart	P. L. 480 Administered by ICA
<u>SPECIAL ASSISTANCE</u>									
<u>Industry and Mining - Total</u>	60		45	15					
Study of designing and processing of plastics	8		8						
Study of building constructions methods, equipment and materials	7		7						
Study of the development of new products and markets	5		5						
Study of the production and marketing of chemicals	8		8						
Rationalization of hotel operations	7		7						
U.S. consultant for Berlin clothing industry	4			4					
U.S. consultant to introduce American methods to Berlin printing industry	4			4					
U.S. consultant for modern retail food distribution	7			7					
Long-term planning in management of medium size enterprises	10		10						
<u>Labor - Total</u>	40		40						
Training labor union technicians	9		9						
Union participation in industrial accident prevention programs	7		7						
Vocational training activities sponsored by unions	6		6						
Labor mobility	18		18						
<u>Public Administration - Total</u>	20			15	5				
U.S. consultants for business school	15			15					
Technical literature	5				5				
<u>Technical Support</u>	40	30				10			
<u>Total Special Assistance</u>	160	30	85	30	5	10			

Country: BERLIN

ECONOMIC ASSISTANCE

DISTRIBUTION OF FY 1959 PROJECT ASSISTANCE

Shaded areas are Security classified and must not be divulged to unauthorized individuals. All other material is unclassified.

TABLE I

(In thousands of dollars and equivalent)

Functions and Projects	DIRECT U.S. DOLLAR COST - Proposed							Local Currency Cost - Proposed	
	Total	U.S. Technicians	Non-Contract Participants	Contracts	Commodities	Other Costs	Contributions to Cooperative Services	MSP includ. Counterpart	P. L. 480 Administered by ICA
LOCAL CURRENCY									
<u>Education - Total</u>								2,900	
Technical University student housing								1,070	
Ernst Reuter student and apprentice housing								715	
Cultural-education project								1,115	
<u>Health and Sanitation - Total</u>								2,089	
Children's hospital								974	
Hospital-clinic project								1,115	
Housing: Reconstruction								3,546	
Community Development: Reconstruction								2,380	
Industrial Investment Loans								10,376	
"Special Aid" Projects								4,000	
Total Local Currency								25,291	
GRAND TOTAL	160	30	85	30	5	10		25,291	

Country: BERLIN

ECONOMIC ASSISTANCE

TABLE II

COMPOSITION OF NON-PROJECT ASSISTANCE

*Shaded areas are Security classified
and must not be divulged to
unauthorized individuals. All
other material is unclassified.*

(In thousands of dollars)

Commodities and Other	PROGRAM		
	Actual FY 1957	Estimate FY 1958	Proposed rY 1959
<u>Surplus Agricultural Commodities - Total^{a/}</u>	10,738	10,870	8,000
Bread grains (wheat)	7,804	5,000	3,500
Coarse grains (corn)	2,434	4,870	3,500
Freight	500	1,000	1,000
<u>Cash Grants - Total</u>	500	130	
Berlin Congress Hall	500		
Supermarket		130	
Total Non-Project Assistance Program	11,238	11,000	8,000

^{a/} Surplus commodities shipped to Federal Republic: local currency proceeds used for Berlin programs.

BERLIN

LOCAL CURRENCY - Narrative

Shaded areas are Security classified and must not be divulged to unauthorized individuals. All other material is unclassified.

Local currency available in Fiscal Year 1959 for commitment to U.S. assistance programs in Berlin consists of about \$13 million in repayment of loans from the counterpart of MSP aid in earlier years, and about \$12 million of proceeds from the sale of surplus agricultural products to the Federal Republic under Section 402 of the Mutual Security Act, \$8 million of which will be generated by sales in Fiscal Year 1959. It is anticipated that the counterpart will all be expended by June 30, 1959, and that in fact there will be a slight overcommitment which will be covered by subsequent repayments accruing on past counterpart loans. Over 98 per cent of the U.S.-owned local currencies (Section 402 proceeds) cumulatively deposited through Fiscal Year 1959 is expected to be obligated by the end of that year, with only about 14% or about \$13 million remaining unexpended.

in the minds of Berliners, demonstrate the continued U.S. concern for the people of Berlin. The fields of activity to which they are to be committed are shown in Table V, and the individual projects in Table I.

As indicated, the Berlin aid program is a local currency program. The reason for new dollar appropriations in Fiscal Year 1959 is to enable the generation of new deutschemarks to be spent in Berlin thereby demonstrating the continuing U.S. interest in its security and welfare.

Because of Berlin's unique situation as an enclave separated from the Federal Republic, the foregoing \$12 million of new deutschemarks accruing from MSP programs serve the purpose of foreign exchange for a normal country in enabling additional physical resources to be brought into the local economy from the Federal Republic. Their expenditure in Berlin, and the reuse of counterpart loan repayments, is designed to further the purposes and support the U.S. interests described in the preceding narrative discussion of the proposed \$8 million of new dollar obligational authority for FY 1959. These funds, through concentration on a limited number of conspicuous and useful projects which are traditionally associated with U.S. interest and participation

SUMMARY SALES PROGRAM UNDER P.L. 480,
TITLE I AND FOREIGN CURRENCY PROGRAM EARMARKING

TABLE III

(In thousands of dollars)

(Foreign Currency in thousands of dollar equivalent)

SALES AGREEMENT BY FISCAL YEAR		Foreign Currency Reserved for U.S. Uses	Foreign Currency Administered by Ex-Im Bank (Cooley Amend.)	FOREIGN CURRENCY TO BE ADMINISTERED BY MSP AGENCIES				
Fiscal Year in Which Sales Agreement Signed	Total Value of Sales			Sec. 104c	Sec. 104d	Sec. 104e	Sec. 104g	Total Administered by MSP Agencies
FY 1955 Actual								
FY 1956 Actual								
FY 1957 Actual								
FY 1958 Estimate								
FY 1959 Estimate								
TOTAL								

Country: BERLIN

STATUS OF LOCAL CURRENCY FUNDS
(Administered by MSP Agencies)
(In thousands of dollar equivalent)

*Shaded areas are Security classified
and must not be divulged to
unauthorized individuals. All
other material is unclassified.*

TABLE IV

Type of Programs Generating Local Currencies and its Utilization	ACTUAL FY 1957			ESTIMATE FY 1958		PROPOSED FY 1959	
	Cumulative Through 7/1/56	Net Change	Cumulative Through 6/30/57	Net Change	Cumulative Through 6/30/58	Net Change	Cumulative Through 6/30/59
MSP U.S.-OWNED LOCAL CURRENCIES ^{a/}							
Potential Generation from U.S. Dollar Program . .	73,527	10,719	84,246	10,870	95,116	0,000	103,116
Deposits	46,529	19,398	65,927	18,520	84,447	9,870	94,317
Obligations	32,577	23,642	56,219	26,386	82,605	9,870	92,475
Expenditures	22,700	17,732	40,432	21,896	62,328	18,870	81,198
COUNTERPART ^{b/}							
Potential Generation from U.S. Dollar Program . .	1,155,374		1,155,374		1,155,374		1,155,374
Deposits ^{c/}	1,151,200	3,100	1,154,300	19,993	1,174,293	17,180	1,191,473
Commitments	1,146,434	12,025	1,158,459	19,993	1,178,452	15,421	1,193,873
Expenditures	1,133,200	2,200	1,135,400	32,000	1,167,400	24,073	1,191,473
P.L. 480 TITLE I ^{d/}							
Potential Generation from U.S. Dollar Program . .							
Deposits							
Obligations							
Expenditures							
OTHER LOCAL CURRENCY							
Potential Generation from U.S. Dollar Program . .							
Deposits							
Commitments							
Expenditures							

- ^{a/} Includes local currency generated from Section 402 commodity sales for third country use. Excludes local currency generated from Section 550 commodity sales to Finland which was for use by Germany.
- ^{b/} Includes Local Currency for Federal Republic of Germany and Berlin, as aid for Berlin generated through transactions with the Federal Republic. All new deposits are utilized for Berlin programs.
- ^{c/} Includes deposits in counterpart account of repayments of counterpart loans, as well as counterpart generated from dollar programs.
- ^{d/} Allocated by Defense Department to ICA and allotted by ICA for 104(c) purposes.

Revised February 27, 1958

Country: BERLIN

**SUMMARY OF LOCAL CURRENCY PROGRAM ADMINISTERED BY MSP AGENCIES
BY PURPOSE AND FIELD OF ACTIVITY
Obligations or Commitments by Fiscal Year
(In thousands of dollar equivalent)**

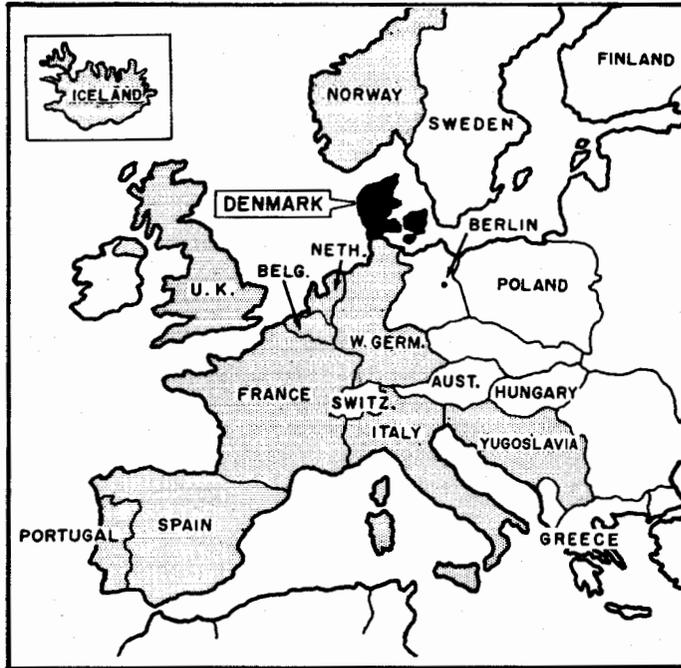
TABLE V

PURPOSE AND ACTIVITY	FY 1957			FY 1958			FY 1959		
	MSP Source	P.L. 480 Title I Source	Other Sources	MSP Source	P.L. 480 Title I Source	Other Sources	MSP Source	P.L. 480 Title I Source	Other Sources
MILITARY PURPOSES									
Projects									
Budget Support									
Military Procurement									
Total Military Purposes									
ECONOMIC PURPOSES									
Project Assistance by Field of Activity									
Agriculture									
Industry and Mining	8,083			10,681			10,376		
Transportation									
Labor									
Health and Sanitation							2,089		
Education							2,900		
Public Administration									
Community Development, Social Welfare and Housing	21,230			22,327			5,926		
General and Miscellaneous	6,354			13,371			4,000		
Total	35,667			46,379			25,291		
Budget Support (Not Elsewhere Classified) ..									
Total Economic Purposes	35,667			46,379			25,291		
Procurement for Third Country	XXX			XXX			XXX		
TOTAL ALL PURPOSES	35,667			46,379			25,291		

Revised February 27, 1958

DENMARK

CONFIDENTIAL (As Noted)



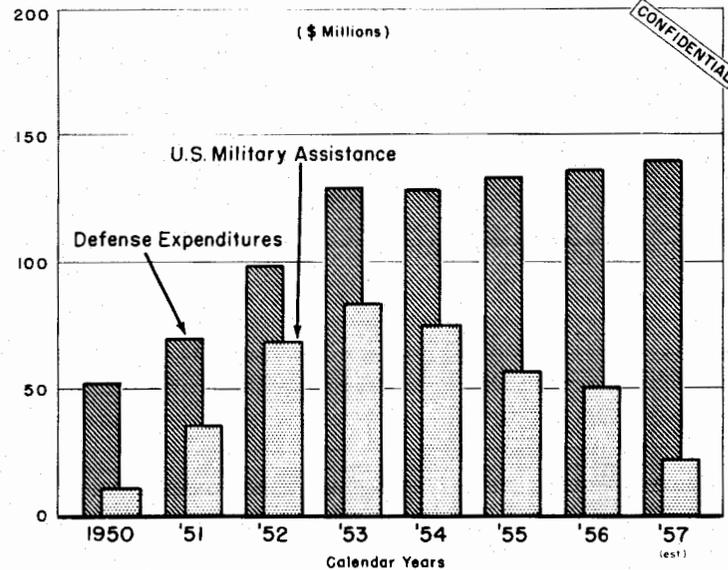
ECONOMIC TRENDS

	Unit	- Calendar Years -			1957Est
		1954	1955	1956	
DEFENSE EXPENDITURES					
Total Defense Expenditures..	\$ Millions	128	133	136	140
As Percent of GNP.....	Percent	3.2%	3.2%	3.1%	3.0%
As Percent of Central Gov't Expenditures.....	Percent	19%	18%	19%	17%
GROSS NATIONAL PRODUCT					
Total GNP (In 1955 Prices)..	\$ Millions	4,175	4,140	4,220	4,310
Per Capita GNP.....	Dollars	935	920	931	943
INDUSTRIAL PRODUCTION.....	1953=100	109	112	111	118
AGRICULTURAL PRODUCTION ^a ...	Prewar=100	130	126	128	n.a.
CONSUMER PRICES.....	1953=100	101	105	111	114
GOLD & SHORT-TERM DOLLAR ASSETS (end of year).....	\$ Millions	102	91	96	131 (Nov)

n.a. - Not Available

^a - Crops harvested in crop-year beginning in year stated.

DEFENSE EXPENDITURES and U.S. MILITARY ASSISTANCE



CONFIDENTIAL (As Noted)

BALANCE OF PAYMENTS

	1955	1956	1957Est
Calendar Years - in millions of dollars -			
Exports (f.o.b.).....	1,072	1,125	1,186
Imports (f.o.b.) (-).....	-1,087	-1,209	-1,287
Net Services ^b	38	65	101
Net Capital Operations.....	-25	-12	20
BALANCE BEFORE SPECIAL RECEIPTS FROM U.S....	-2	-31	20
Special Receipts from U.S.:			
U.S. Military & OSP Expenditures	31	38	35
Economic			
MSP Aid Receipts	-	-	-
PL 480 Receipts	-	-	-
Less: Local Currency for U.S. Use....	-	-	-
NET TOTAL SPECIAL RECEIPTS FROM U.S.	31	38	35
BALANCE AFTER SPECIAL RECEIPTS FROM U.S....	29	7	55

^b - Before Special Receipts from U.S.

Shaded areas are Security classified and must not be divulged to unauthorized individuals. All other material is unclassified.

U.S. Interests: Denmark is a member of NATO, to which it contributes military forces and bases in Greenland. Denmark and the U.S. have joined in a Mutual Defense Assistance Agreement.

Denmark controls the entrance to the Baltic. Greenland, which is an integral part of the Kingdom of Denmark, is likewise of considerable strategic importance, and in agreement with Denmark, the U.S. has established bases there in implementation of NATO defense plans. Recently, Denmark granted to the U.S. sites for radar stations in Greenland to enable the continuation eastward of the Distant Early Warning line. The continued availability of Greenland bases is of paramount importance to the defense of the U.S.

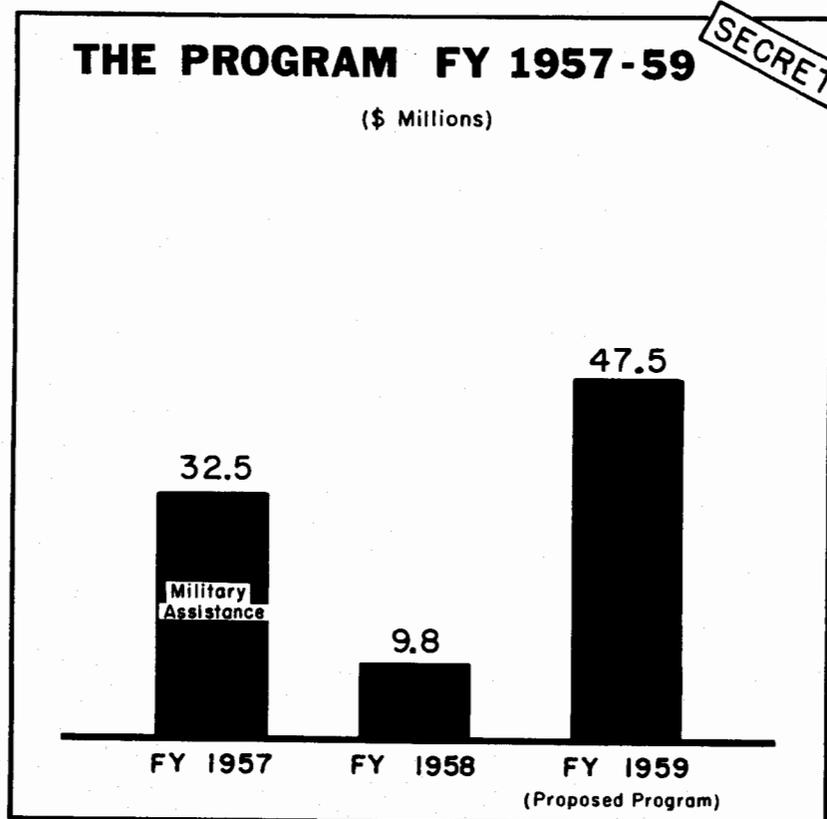
The adherence to NATO of Denmark, a traditionally neutralist country, provides psychological support to Western Europe's defense surpassing Danish material contributions. Denmark's general support of U.S. policies in the U.N. and other international forums likewise has a usefulness beyond its direct value.

Denmark plays a prominent role in European cultural and intellectual life, and maintains close relations with the U.S. in these areas.

U.S. economic relations with Denmark are more extensive than with any other Scandinavian country. Denmark provides a substantial market for American products and the U.S. is the third largest importer of Danish products.

Denmark has participated in the movement for closer European cooperation, which is supported by the U.S. It is a member of the OEEC, the European Payments Union, and the Council of Europe, and is participating in negotiations for a European Free Trade Area.

The Danish economy since World War II has been characterized by increased production, a high level of economic activity, generally unfavorable terms of trade and recurrent balance of payments problems. A major structural change in the economy in recent years has been the growth of manufacturing in relation to other sectors of the economy. Private consumption has absorbed a larger share of GNP than elsewhere in Scandinavia; this has contributed substantially to the recurrent balance of payments problems faced by Denmark. Both the Government and business circles have been reluctant to welcome foreign capital, a potential source of the investment funds needed to improve Denmark's competitive position. However, it has signed an Investment Guaranty Agreement with the U.S.



Obligations and Expenditures \$ in thousands			
MILITARY ASSISTANCE	PROGRAMMED	DEL./EXP.	UNLIQUIDATED
Cumulative 6/30/57	405,742	364,334	41,408
Estimate F.Y. 1958	9,754	8,533	XXX
Cumulative 6/30/58	415,496	372,867	42,629
ECONOMIC ASSISTANCE	OBLIGATIONS	EXPENDITURES	UNLIQUIDATED
Cumulative 6/30/57	279,319	279,319	
Estimate F.Y. 1958			XXX
Cumulative 6/30/58	279,319	279,319	

Denmark

SECRET
MILITARY ASSISTANCE

*Shaded areas are Security classified
and must not be divulged to
unauthorized individuals. All
other material is unclassified.*

Major Components by Category (all values in thousands of dollars)	Annual Programs				Del./Exp. F.Y. 1950-58 Programs		
	Quantity and Value		Proposed F.Y. 1959		Estimate F.Y. 1958	Cumulative June 30, 1958	F.Y. 1959 and Later
	F.Y. 1957	F.Y. 1958	Quantity	Value			
Country Total	\$32,539	\$9,754	-	\$47,503	\$8,533	\$372,867	\$42,629
Aircraft, Components, Spares & Related Equip.	\$27,781	\$ 174	-	\$32,253	\$5,153	\$ 86,298	\$24,575
F-84G	-	-	-	-	3	241	-
RF-84F	-	-	1	\$ 399	-	10	-
T-33	-	-	-	-	-	12	-
F-100	20	-	40	\$22,538	-	-	20
Ships and Harbor Craft, Components and Spares	-	\$6,282	-	\$11,789	\$ 104	\$ 44,248	\$ 6,249
Coastal Minelayer (MSC)	-	-	2	\$ 9,000	-	2	-
Coastal Minesweeper (MSC)	-	-	-	-	-	8	-
Inshore Minesweeper (MSI)	-	4	-	-	-	-	4
Motor Torpedo Boat (PT)	-	-	5	\$ 1,946	-	6	-
180' Escort Vessel (PCE)	-	-	-	-	-	4	-
Tanks, Other Vehicles, Weapons, Comp. & Spares	-	\$ 122	-	\$ 246	\$ 362	\$ 99,905	\$ 726
Tank, Light, M24	-	-	-	-	-	67	-
Tank, Medium, Centurion	-	-	-	-	-	216	-
Mount, Trailer, Multi, Cal..50 MG, M55	-	-	-	-	-	205	-
Truck, 1/4 Ton, 4x4 (all models)	-	-	-	-	-	2,425	-
Truck, 3/4 Ton, 4x4, Cargo (all models)	-	-	-	-	-	850	-
Truck, 2 1/2 Ton, 6x6, Cargo (all models)	-	-	-	-	3	1,280	-
Truck, 4-5-6 Ton, 6x6, Cargo (FM)	-	-	-	-	-	233	-
Truck, 4-5-6 Ton, 6x6, Wrecker	-	-	-	-	-	96	-
Gun, Automatic, 40mm, M1, w/carriage	-	-	-	-	6	268	-
Howitzer, 105mm, M2, A1, w/carriage or mount	-	-	-	-	-	235	-
Howitzer, 155mm, M1, w/carriage	-	-	-	-	-	73	-
Rifle, 106mm, w/mount	-	-	-	-	-	179	-
Rifle, U. S. Cal..30, M1 Series	-	-	-	-	-	69,808	-
Ammunition	\$ 344	\$ 822	-	\$ 961	\$ 218	\$ 83,919	\$ 265
Cartridge, 20 FIR (all types) (M Rds)	-	-	14	\$ 607	-	-	-
Cartridge, 40mm (all types) (M Rds)	-	-	-	-	-	1,292	-
Cartridge, Fix., HE, w/IMTSQ, 90mm Gun (M Rds)	-	-	-	-	-	118	-
Cartridge, HE, M1, w/f, 105mm How, M2 (M Rds)	-	-	-	-	-	622	-
Rocket, 2.75" FFAR, HEAT	-	20,902	-	-	-	-	20,902
Electronics & Comm. Equipment, Comp. & Spares	\$ 290	\$1,745	-	\$ 941	\$1,285	\$ 32,090	\$ 7,829
AN/MPN-11 Radar	-	-	1	\$ 351	-	-	-
AN/MSQ-1 Radar	-	-	-	-	-	1	2
TED Transmitter	-	-	-	-	48	154	-
Other Materiel	\$ 3,338	\$ 193	-	\$ 612	\$ 992	\$ 7,154	\$ 2,829
Construction	-	-	-	-	-	-	-
Training	\$ 786	\$ 416	-	\$ 701	\$ 356	\$ 18,412	\$ 124
All Other	-	-	-	-	\$ 63	\$ 841	\$ 32

SECRET

Denmark

SECRET MILITARY ASSISTANCE

Shaded areas are Security classified and must not be divulged to unauthorized individuals. All other material is unclassified.

Objectives of Military Assistance:

(a) Assist in development and maintenance of the most effective possible Danish armed forces contributing to the integrated defense of the NATO area, particularly the Baltic exits.

(b) Insure continued US access to bases and radar sites in Greenland.

Major Combat Forces:

Strategic Objectives

4 Divisions
2 Honest John/Little John Bns.
3 Nike Bns.
84 Naval Vessels
10 Air Squadrons
1 Matador Squadron

MAP Supported

4 Divisions
2 H.J/L.J. Bns.
3 Nike Bns.
70 Naval Vessels
6 Air Squadrons
1 Matador Squadron

Active Military Strength: 41,520

MAP Accomplishments: The Danish armed forces, which in 1951 comprised only about 30,000 men have, with the help of MAP, been expanded and strengthened, and now constitute useful elements of NATO strength. Major items delivered or programmed include aircraft, tanks, naval mine and patrol craft, artillery, air communications and electronic equipment, and ammunition. Denmark is also scheduled to receive 1 battalion of NIKE, 1 battalion of HONEST JOHN missiles, and one Squadron of F-100 aircraft under the FY 1957 MAP. A second battalion of NIKE has recently been offered to the Danes.

Appraisal of Forces: Denmark's Army is a small, mobilization type force with some deficiencies in organization, but the introduction of a filler replacement system has increased its effectiveness. The delivery in 1957 of US-provided coastal minesweepers and patrol craft and an over-all increase in the number of active ships have increased the Navy's effectiveness, but it will require additional modernization and inshore minesweepers, and a faster and larger minelaying force to fulfill its paramount wartime mission of closing the Baltic exits. The Air Force, for its size, is one of the best in NATO, possessing considerable current combat potential, and will soon acquire increased all-weather capability by the receipt of F-86D aircraft. It has an effective radar network and air defense system, although the combat effectiveness of the early warning system is limited by obsolescence of equipment.

Country Contribution: Base facilities are provided by Denmark for US forces in Greenland. Denmark has purchased equipment including ammunition and aircraft, and has a construction program for 3 submarines. Denmark has assumed responsibility for Army and Navy

PROGRAMS (In Thousands Dollars)	FY 1957	FY 1958	Proposed FY 1959
Country Programs	32,539	9,754	47,504
Portion Special Materiel Program	(9,663)	(41,764)	(3,207)
Total	(42,202)	(51,518)	(50,710)

spares and 40 percent of its spares for MAP Air Force equipment. Denmark has 41,520 men on active duty and 127,000 reserves.

Despite their pacifist and neutralist tradition, the Danes have become more pro-NATO in recent years. However, strong pressures for reductions in defense spending come from the Radical Liberal Party, a neutralist-minded component of the Government, from commitments of the Social Democrats, the dominant governing party, from inflation, and from foreign exchange problems. The Danish Government has recently given indications of a possible future reduction in the Danish defense budget.

Proposed FY 1959 Program Provides:

Army: Ammunition requirements.

Navy: A mutually-financed OSP ship-building program, under which the Danes would meet approximately 60 percent of the costs, is under consideration for the FY 1958 program. This proposal is designed to chart a greater Danish defense effort; however, the politico-economic factors noted above may require a reconsideration of this approach.

Air Force: Two squadrons of F-100 aircraft; one attrition all-weather fighter aircraft, miscellaneous electronic and test equipment.

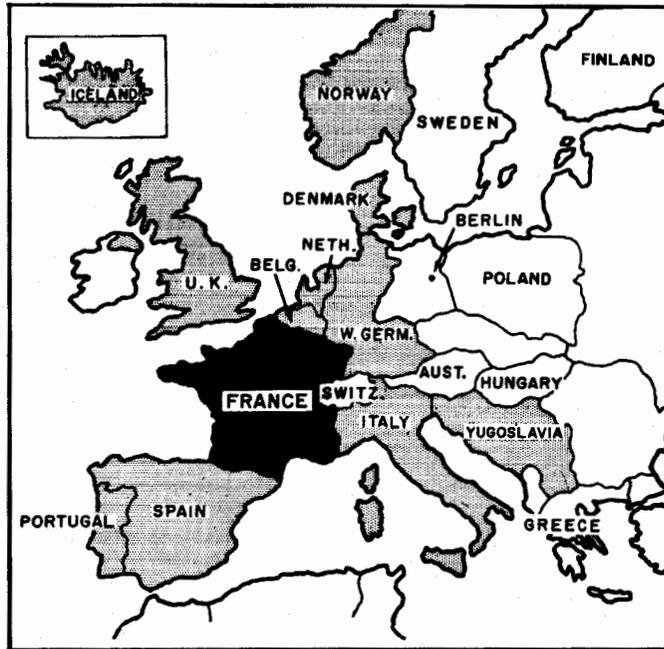
Miscellaneous Data: US excess stocks delivered at no charge through 30 June 1958: \$10 million (Est). Military sales through 30 June 1957: \$1.7 million.

MAAG Strength:	US Mil	US Civ	Local	Total
1957	39	7	4	50
1958	35	6	5	46

SECRET

FRANCE

CONFIDENTIAL (As Noted)

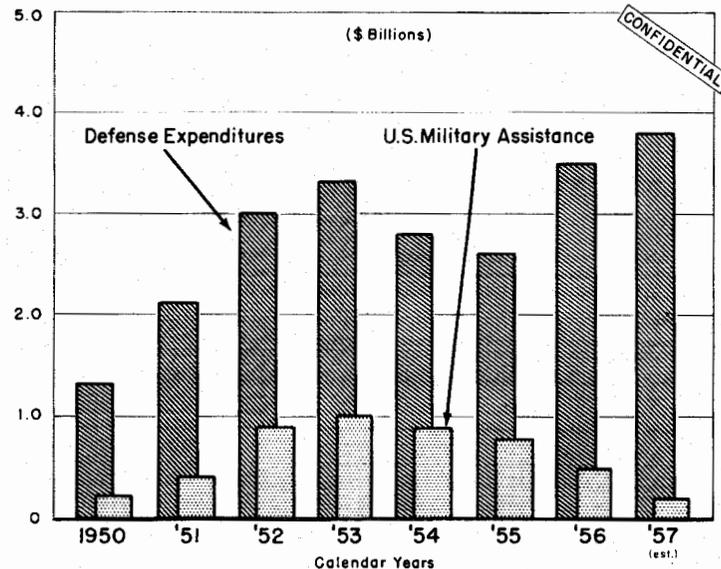


ECONOMIC TRENDS

	Unit	- Calendar Years -			
		1954	1955	1956	1957Est
DEFENSE EXPENDITURES*					
Total Defense Expenditures.	\$ Millions	2,788	2,624	3,498	3,750
As Percent of GNP.....	Percent	7.6%	6.6%	8.1%	7.8%
As Percent of Central Gov't Expenditures.....	Percent	24%	22%	26%	25%
GROSS NATIONAL PRODUCT*					
Total GNP (In 1955 Prices).	\$ Billions	36.9	39.9	41.5	43.6
Per Capita GNP.....	Dollars	859	922	951	992
INDUSTRIAL PRODUCTION.....	1953=100	109	117	129	142
AGRICULTURAL PRODUCTION ^a ...	Prewar=100	125	125	120	n.a.
CONSUMER PRICES.....	1953=100	100	101	103	105
GOLD & SHORT-TERM DOLLAR ASSETS (end of year).....					
	\$ Millions	1,306	1,957	1,506	945 (Nov)

n.a. - Not Available
^a - Crops harvested in crop-year beginning in year stated.

DEFENSE EXPENDITURES and U.S. MILITARY ASSISTANCE



CONFIDENTIAL (As Noted)

BALANCE OF PAYMENTS (France & franc area)

	1955	1956	1957Est
Calendar Years - in millions of dollars -			
Exports (f.o.b.) ^b	3,237	3,025	3,380
Imports (f.o.b.) (-) ^b	-2,971	-3,760	-4,266
Net Services ^c	-74	-455	-621
Net Capital Operations.....	-415	-315	+183
BALANCE BEFORE SPECIAL RECEIPTS FROM U.S....	-223	-1,505	-1,324
Special Receipts from U.S.:			
U.S. Military & OSP Expenditures	614	445	418
Economic			
MSP Aid Receipts ^d	400	83	30
PL 480 Receipts.....	-	1	1
Less: Local Currency for U.S. Use....	-12	-2	-
NET TOTAL SPECIAL RECEIPTS FROM U.S.	1,002	527	449
BALANCE AFTER SPECIAL RECEIPTS FROM U.S....	779	-978	-875

^b - Trade of France only. ^c - Before Special Receipts from U.S.
^d - Includes reimbursements to France for Indochina campaign, as follows:
 1955 - \$344 million; 1956 - \$31 million; 1957 - \$30 million.
 *Converted at rate of 420 francs per U.S. dollar.

Country FRANCE

MUTUAL SECURITY PROGRAM

Shaded areas are Security classified
and must not be divulged to
unauthorized individuals. All
other material is unclassified.

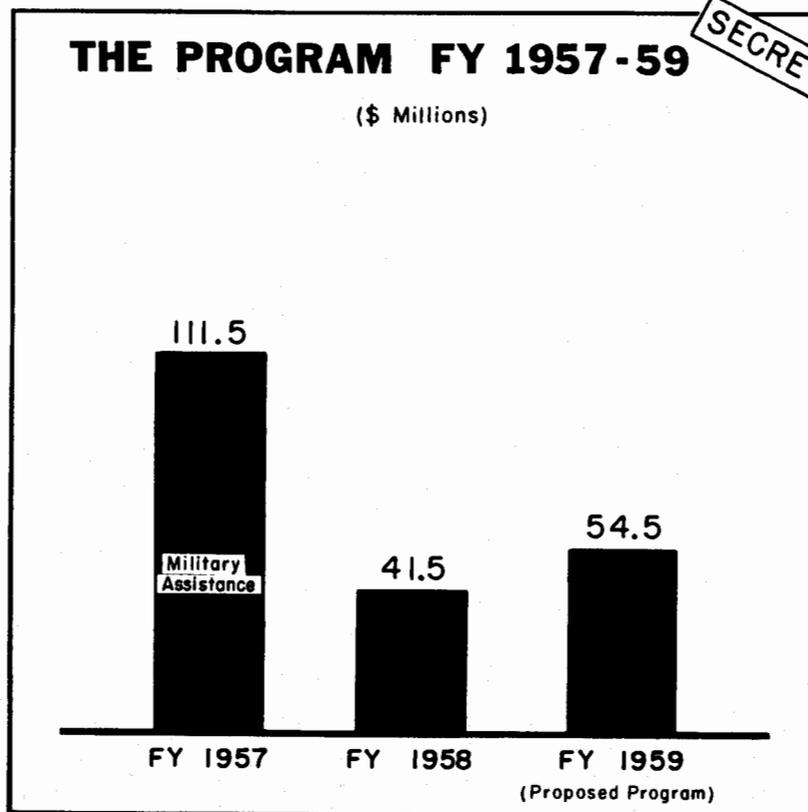
U.S. Interests: France occupies a critical role in U.S. and NATO war plans for the defense of Europe. If the coasts of France were in hostile hands, the security of the North Atlantic area would be seriously endangered.

The U.S. maintains an important military communications and supply system across France from the Atlantic coast to U.S. Army Forces stationed in Germany. In addition, U.S. Air Force units are stationed at a network of tactical air bases in northeastern France, and jet fuel pipelines to NATO air forces cross France from both the Atlantic and Mediterranean.

France is a leading participant in the North Atlantic alliance and has signed a Mutual Defense Assistance Agreement with the U.S. The French Army, a large part of which is at present engaged in Algeria, represents one of the largest potential elements in the defensive strength of NATO. France is ideally located as a base for intermediate range missiles which will increase the deterrent strength of NATO. The French Navy and Air Force have important roles in plans for the defense of the Mediterranean and Northern Europe.

France has been a major partner of the U.S. in international relations since World War II, especially in dealing with the Soviet threat to Central and Western Europe. France has taken a leading role in seeking closer economic, political and military cooperation between European countries, and participates in the Council of Europe, Western European Union, the European Payments Union, the OEEC, the Coal and Steel Community, the European Economic Community, and EURATOM. The French Government has consistently and actively supported Free World opposition to militant international Communism, and it has effectively dealt with the domestic Communist movement in France.

France is one of the leading industrial and agricultural nations, and plays an important role in international trade, although at present it has balance of payments difficulties. In the past year it imported more than one billion dollars worth of commodities from the dollar area. More than \$426 million has been invested by U.S. corporations in French subsidiaries or affiliates. France has signed an Investment Guaranty Agreement with the U.S.



Obligations and Expenditures \$ in thousands			
MILITARY ASSISTANCE	PROGRAMMED	DEL./EXP.	UNLIQUIDATED
Cumulative 6/30/57	3,775,059	3,585,379	189,680
Estimate F.Y. 1958	41,489	106,153	XXX
Cumulative 6/30/58	3,816,548	3,691,532	125,016
ECONOMIC ASSISTANCE	OBLIGATIONS	EXPENDITURES	UNLIQUIDATED
Cumulative 6/30/57	3,192,266	3,183,847	8,419
Estimate F.Y. 1958		4,219	XXX
Cumulative 6/30/58	3,192,266	3,188,066	4,200

SECRET
MILITARY ASSISTANCE

*Shaded areas are Security classified
and must not be divulged to
unauthorized individuals. All
other material is unclassified.*

France

Major Components by Category (all values in thousands of dollars)	Annual Programs				Del./Exp. F.Y. 1950-58 Programs		
	Quantity and Value		Proposed F.Y. 1959		Estimate F.Y. 1958	Cumulative June 30, 1958	F.Y. 1959 and Later
	F.Y. 1957	F.Y. 1958	Quantity	Value			
Country Total	\$111,465	\$41,489	-	\$54,496	\$106,153	\$3,691,532	\$125,016
Aircraft, Components, Spares & Related Equip.	\$105,606	\$29,252	-	\$19,502	\$ 77,110	\$ 850,651	\$102,925
F-86K Ship Sets	-	-	-	-	7	60	-
MD-452 Mark IV	-	-	-	-	-	225	-
F2V-7	8	10	22	\$16,219	10	10	16
RF-84F	-	-	-	-	11	94	-
T-33	-	-	-	-	-	98	-
Harvard Mark IV	-	-	-	-	-	51	-
F-100	100	-	-	-	39	39	61
Ships and Harbor Craft, Components and Spares	\$ 54	-	-	-	\$ 1,769	\$ 289,997	\$ 123
Coastal Minesweeper (MSC)	-	-	-	-	1	59	-
Ocean Escort (DE)	-	-	-	-	-	25	-
Tanks, Other Vehicles, Weapons, Comp. & Spares	-	\$ 5,243	-	\$25,210	\$ 3,331	\$1,322,548	\$ 5,165
Tank, Medium, M26, M46, M47, M48 Series	-	100	112	\$ 4,846	-	1,408	100
Tank, Medium, 76mm Gun, M4 Series	-	-	-	-	-	1,254	-
Carriage, Motor, Multi-Gun, M16 Series	-	-	-	-	-	2,012	-
Carriage, Motor, 155mm How (all models)	-	-	-	-	2	58	-
Truck, 1/4 Ton, 4x4 (all models)	-	74	4,468	\$ 4,758	-	9,035	74
Truck, 2 1/2 Ton, 6x6, Cargo (all models)	-	-	5,667	\$10,200	-	16,833	-
Truck, 5 Ton, 6x6, Dump, w/v, M-51	-	-	-	-	-	2	-
Gun, 90mm, AA, w/mount (all models)	-	-	-	-	-	767	-
Gun, 155mm, M2, w/carriage	-	-	-	-	-	219	-
Rifle, 106mm, w/mount	-	-	-	-	-	413	-
Ammunition	\$ 2,796	\$ 223	-	\$ 6,367	\$ 14,201	\$ 696,214	\$ 2,105
Cartridge, Cal..30 (all types) (M Rds)	-	-	-	-	-	148,258	-
Cartridge, Cal..50 (all types) (M Rds)	-	-	235	\$ 32	-	40,477	-
Cartridge, HEAT, w/f, 106mm Rifle (M Rds)	40	-	100	\$ 1,194	-	119	-
Cartridge, Fixed, HE, w/f, 90mm Gun (M Rds)	-	-	98	\$ 1,668	-	2,645	-
Cartridge, HE, M1, w/f, 105mm How, M2 (M Rds)	-	-	-	-	-	3,682	5
Cartridge, HE, 155mm How (all types) (M Rds) (procured by complete rds)	-	-	-	-	-	915	-
Electronics & Comm. Equipment, Comp. & Spares	\$ 1,933	\$ 4,495	-	\$ 2,536	\$ 5,451	\$ 230,268	\$ 11,505
AN/MPQ-10 Radar	-	-	4	\$ 326	8	44	-
AQS-8 Sonar	8	-	-	-	-	-	8
SCR-694 (AN/GRC-9) Radio	-	-	2,000	\$ 810	-	2,280	-
SCR-300 (AN/PRC-10) Radio	-	-	2,508	\$ 524	-	3,443	-
SCR-536 (AN/PRC-6) Radio	-	-	6,071	\$ 589	-	9,478	-
Other Materiel	\$ 358	\$ 919	-	\$ 77	\$ 2,764	\$ 139,325	\$ 2,722
Construction	-	-	-	-	\$ 270	\$ 6,942	-
Training	\$ 718	\$ 1,357	-	\$ 804	\$ 995	\$ 90,816	\$ 435
All Other	-	-	-	-	\$ 262	\$ 64,771	\$ 36

SECRET

SECRET
MILITARY ASSISTANCE

*Shaded areas are Security classified
and must not be divulged to
unauthorized individuals. All
other material is unclassified.*

France

Objectives of Military Assistance: Assist in the development and maintenance of French armed forces capable of a maximum contribution to the integrated defense of the NATO area.

Major Combat Forces

Strategic Objectives

MAP Supported

14 Div	14 Divs.
6 Honest John/Little John Bns,	6 H.J./L.J.Bns.
2 Lacrosse Bns, 1 Corporal/Sgt. Bn.	2 Lacrosse Bns
4 Nike Bns	1 Corporal/Sgt Bn
235 Naval Vessels	4 Nike Bns
84 Naval ASW Patrol a/c	166 Naval Vessels
25 Naval Helicopters	84 Naval ASW Patrol a/c
7 Terrier Batteries	25 Naval Helicopters
26 Air Sqdns. 1 Matador Sqdn.	7 Terrier Batteries
	19 Air Sqdns, 1 Matador

Active Military Strength - 1,125,070

MAP Accomplishments: MAP has assisted in training and equipping NATO-committed forces. When the NATO build-up began in 1950, these forces were inadequate in numbers and lacking in both training and modern equipment. Today the total strength of French armed forces exceeds 1 million, and the units assigned to NATO are relatively well equipped. Major items of equipment delivered or programmed under MAP include tanks, transport vehicles, artillery, aircraft, ocean escorts, minesweepers, special electronics equipment, and ammunition. France is also scheduled to receive 2 battalions of Honest Johns, 1 battalion of Nike, 1 squadron of Matadors and 5 squadrons of F-100 aircraft under prior year programs.

Appraisal of Forces: The French armed forces are large and well-trained, with a good combat potential. The effectiveness of the Navy and Air Force has not been greatly impaired by the Algerian conflict, but approximately 50% of the 880,000 men in the Army, are currently deployed in North Africa. The level of Army equipment on hand has been significantly reduced since the beginning of operations in Algeria. The level of equipment now available to the 14 NATO committed divisions is approximately 2/3 complete. The Air Force and Navy also have equipment problems due to advancing obsolescence and the inability of the government to make adequate provision for replacement and modernization.

Country Contribution: The military effort in Algeria is costing France about \$1 billion a year - a considerable drain on French

PROGRAMS (In Thousands Dollars)	FY 1957	FY 1958	Proposed FY 1959
Country Programs	111,465	41,489	54,496
Portion Special Materiel Program	(42,453)	(69,357)	(50,965)
Total	(153,918)	(110,846)	(105,481)

resources - but France considers that the restoration of order is essential before a political settlement can be negotiated. Overall defense expenditures for 1957 are estimated at \$3.750 billion. In the nine years 1949-1957, France spent about \$23.5 billion for defense.

France has a large armaments industry and has purchased considerable quantities of military equipment both at home and abroad. France is providing all spare parts for the Navy and has suggested a cut-off date of January 1, 1959, for the provision of MAP Army spares.

Proposed FY 1959 Program Provides:

Army: Medium tanks, vehicles, ammunition and some electronics equipment.

Navy: Maritime patrol aircraft and ammunition components.

Air Force: Ammunition and electronics equipment.

The above program has been developed on the assumption that it may be carried out, wholly or in part, as a sales program. Substantial quantities of the materiel would be procured through OSP on a jointly financed basis. The sales proposal is based on the assumption that order will be restored in Algeria within a reasonable time, thereby releasing indigenous resources for use in modernizing French forces. The possibility that this assumption may prove incorrect, together with the current reduction in the French military budget designed to combat inflationary pressures, may require a reconsideration of the above approach. In this event, of course, MAP supported forces as listed above would also be revised.

Miscellaneous Data: US excess stocks delivered at no charge through 30 June 1958: \$277 million. Military sales through 30 June 1957: \$21.3 million.

<u>MAAG Strength:</u>	<u>US Mil</u>	<u>US Civ</u>	<u>Local</u>	<u>Total</u>
1957	100	27	19	146
1958	84	30	19	133

SECRET

Revised 24 March 1958

GERMANY (FED. REP.)

CONFIDENTIAL (As Noted)



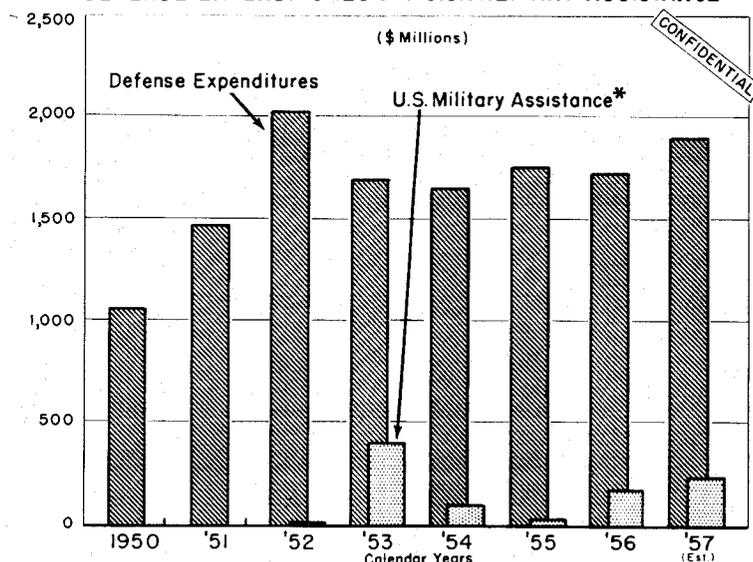
ECONOMIC TRENDS

	Unit	- Calendar Years -			1957Est
		1954	1955	1956	
DEFENSE EXPENDITURES					
Total Defense Expenditures.	\$ Millions	1,646	1,758	1,717	1,900
As Percent of GNP.....	Percent	4.5%	4.2%	3.7%	3.8%
As Percent of Central Gov't Expenditures.....	Percent	28%	26%	25%	26%
GROSS NATIONAL PRODUCT					
Total GNP (In 1955 Prices).	\$ Billions	37.0	41.8	44.8	47.5
Per Capita GNP.....	Dollars	747	836	885	927
INDUSTRIAL PRODUCTION.....	1953=100	112	129	139	147
AGRICULTURAL PRODUCTION ^a ...	Prewar=100	121	118	124	n.a.
CONSUMER PRICES.....	1953=100	100	102	105	107
GOLD & SHORT-TERM DOLLAR ASSETS (end of year).....					
	\$ Millions	1,999	2,374	3,327	4,123 (Nov)

n.a. - Not Available

^a - Crops harvested in crop-year beginning in year stated.

DEFENSE EXPENDITURES and U.S. MILITARY ASSISTANCE



*Represents deliveries to the stockpile for Germany; actual deliveries to Germany started in 1956.

BALANCE OF PAYMENTS

Calendar Years - in millions of dollars -	1955	1956	1957Est
Exports (f.o.b.)	6,264	7,510	8,900
Imports (f.o.b.) (-)	-5,478	-6,153	-7,270
Net Services ^b	-401	-453	-551
Net Capital Operations	-86	-88	-404
BALANCE BEFORE SPECIAL RECEIPTS FROM U.S.	299	816	675
Special Receipts from U.S.:			
U.S. Military & OSP Expenditures	280	342	481
Economic			
MSP Aid Receipts	28	19	12
PL 480 Receipts	17	19	10
Less: Local Currency for U.S. Use ...	-1	-	-
NET TOTAL SPECIAL RECEIPTS FROM U.S.	324	380	503
BALANCE AFTER SPECIAL RECEIPTS FROM U.S.	623	1,196	1,178

b- Before Special Receipts from U.S.

CONFIDENTIAL (As Noted)

Country FED. REP. OF GERMANY

MUTUAL SECURITY PROGRAM

Shaded areas are Security classified and must not be divulged to unauthorized individuals. All other material is unclassified.

U.S. interests: Germany is located in the front line of NATO defense. U.S. and allied forces are stationed there, and the build-up of the military forces of the Federal Republic according to schedule is of primary importance to an effective NATO defense. Germany has signed a Mutual Defense Assistance Agreement with the U.S.

The firm association of the Federal Republic with the Western community, and conversely, the prevention of Soviet domination over all of Germany, are of vital importance to the security of the entire free world.

Restoration of a United Germany firmly attached to the principles of the United Nations would eliminate a main source of world tension.

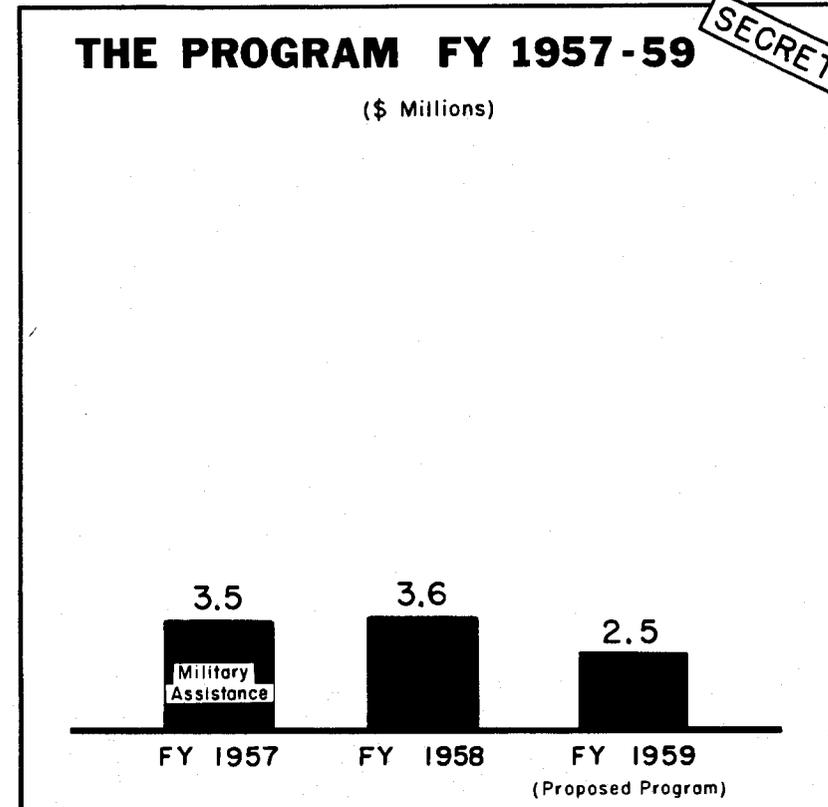
The Federal Republic is a major participant in the movement toward closer economic integration among the six nations of the Coal and Steel Community, is a member of the Common Market and of EURATOM. The Federal Republic is thus playing an important role in the effort to increase the long-term strength, stability and prosperity of our Western European Allies.

The economic and other assistance which the United States has given the Germans since the end of the war has played a major role in enabling the Federal Republic to attain impressive economic recovery. This recovery has put the West Germans in a position to build up their armed forces and thereby add appreciably to the strength of NATO. The Federal Republic's rapid economic growth also holds the promise that it will be able to play an important part in the free world's programs of aid to underdeveloped areas.

The industrial, scientific, and financial resources of the Federal Republic can make a major contribution to the Western cause.

The Federal Republic is acquiring a leading position in international trade, and provides an important market for U.S. agricultural and industrial products. It is also a major purchaser of U.S. military equipment. It has signed an Investment Guaranty Agreement with the U.S.

The Federal Republic has supported U.S. policies on major international issues. Much of what has been accomplished in Germany since the war has been facilitated by the existence of the cooperative, stable and responsible government of Chancellor Adenauer.



Obligations and Expenditures \$ in thousands			
MILITARY ASSISTANCE	PROGRAMMED	DEL./EXP.	UNLIQUIDATED
Cumulative 6/30/57	979,717	781,461	198,256
Estimate F.Y. 1958	3,601	141,658	XXX
Cumulative 6/30/58	983,318	923,119	60,199
ECONOMIC ASSISTANCE	OBLIGATIONS	EXPENDITURES	UNLIQUIDATED
Cumulative 6/30/57	1,468,891 ^a	1,468,891 ^a	
Estimate F.Y. 1958			XXX
Cumulative 6/30/58	1,468,891	1,468,891	

^{a/} Excludes estimated amount of Berlin program since FY 1954.

Germany

SECRET
MILITARY ASSISTANCE

*Shaded areas are Security classified
and must not be divulged to
unauthorized individuals. All
other material is unclassified.*

Major Components by Category (all values in thousands of dollars)	Annual Programs				Del./Exp. F.Y. 1950-58 Programs		
	Quantity and Value		Proposed F.Y. 1959		Estimate F.Y. 1958	Cumulative June 30, 1958	F.Y. 1959 and Later
	F.Y. 1957	F.Y. 1958	Quantity	Value			
Country Total	\$3,504	\$3,601	-	\$2,528	\$141,658	\$923,119	\$60,199
Aircraft, Components, Spares & Related Equip.	-	-	-	-	\$136,781	\$307,368	\$48,930
F-84F	-	-	-	-	209	394	56
F-86K Ship Sets	-	-	-	-	88	88	-
RF-84F	-	-	-	-	-	55	53
Harvard Mark IV	-	-	-	-	-	140	-
Ships and Harbor Craft, Components and Spares	-	-	-	-	-	\$ 6	-
Tanks, Other Vehicles, Weapons, Comp. & Spares	-	-	-	-	(\$ 18,507)	\$378,151	\$ 1,155
Tank, Light, M24	-	-	-	-	-	152	-
Tank, Medium, M26, M46, M47, M48 Series	-	-	-	-	(97)	1,110	-
Carriage, Motor, 105mm How (all models)	-	-	-	-	-	108	-
Carriage, Motor, 155mm How (all models)	-	-	-	-	-	36	-
Vehicle, Tank Recovery, T74, T51	-	-	-	-	-	167	-
Gun, 40mm, AA, L70, Towed	-	-	-	-	58	58	85
Howitzer, 105mm, M2A1, w/carriage or mount	-	-	-	-	-	253	(10)
Howitzer, 155mm, M1, w/carriage	-	-	-	-	(59)	82	(10)
Rifle, 106mm, w/mount	-	-	-	-	-	120	-
Ammunition	-	-	-	-	\$ 22,800	\$175,442	\$ 2,641
Cartridge, Cal..30 (all types) (M Rds)	-	-	-	-	-	99,409	(25,776)
Cartridge, HEAT, w/f, 106mm Rifle (M Rds)	-	-	-	-	-	57	-
Cartridge, Fixed, HE, w/f, PD, 90mm Gun (M Rds)	-	-	-	-	21	445	98
Cartridge, Fix., HE, w/f, MFSQ, 90 m Gun (M Rds)	-	-	-	-	66	426	78
Cartridge, HE, M1, w/f, 105mm How, M2 (M Rds)	-	-	-	-	74	1,289	58
Cartridge, HE, w/f PD, 4.2" Mortar (M Rds)	-	-	-	-	-	70	20
Cartridge, HE, 81mm Mortar (M Rds)	-	-	-	-	-	315	(239)
Rocket, HEAT, 3.5", M28 Series	-	-	-	-	10	1,070	(99)
Rocket, SCAR 2.25"	-	-	-	-	-	-	40,500
Electronics & Comm. Equipment, Comp. & Spares	-	-	-	-	(\$ 1,055)	\$ 35,123	\$ 1,842
AN/MPS-7, Search Radar	-	-	-	-	1	3	-
AN/TPS, 10D LW Height Finder	-	-	-	-	-	8	-
SCR-300 (AN/PRC-10) Radio	-	-	-	-	405	1,460	-
SCR-506 (AN/GRC-19) Radio	-	-	-	-	153	324	-
Other Materiel	-	-	-	-	(\$ 314)	\$ 10,845	\$ 3,160
Construction	-	-	-	-	-	-	-
Training	\$3,504	\$3,601	-	\$2,528	\$ 1,953	\$ 16,184	\$ 2,471
All Other	-	-	-	-	-	-	-

() Indicate negative figure.

SECRET

SECRET
MILITARY ASSISTANCE

*Shaded areas are Security classified
and must not be divulged to
unauthorized individuals. All
other material is unclassified.*

Germany

Objectives of Military Assistance:

- (a) Assist the FRG to meet its NATO military commitments in the shortest time possible;
- (b) Insure a significant U.S. influence on the nature and future orientation of the German defense establishment.

Major Combat Forces:

Strategic Objectives

12 Divisions
17 Honest John/Little John Bns
1 Corporal/Sgt Bn
6 Lacrosse Bns, 4 Hawk Bns
12 Nike Bns
139 Naval Vessels
150 Naval ASW Patrol a/c
10 Terrier Batteries
48 Air Squadrons, 2 Matador Sqdns.

MAP Supported

None

Active Military Strength: 132,500

MAP Accomplishments: Grant end-item assistance to the FRG is limited to the Nash Commitment of 1953 under which the US agreed to provide major items of materiel for 4 infantry and 2 armored divisions, 24 air squadrons, certain training aircraft, and modernization requirements of 18 German minesweepers. The total value of the materiel involved is approximately \$900 million. The 5 army divisions plus 2 RCTs activated to date have been equipped largely by materiel from the Nash Commitment. The only assistance programmed for Germany on a grant basis for the past two years beyond the Nash Commitment has been for training, at an annual net cost to the US of approximately \$500,000. This was designed to maintain US influence in the orientation of the new German armed forces. The US is assisting the FRG to meet its requirements beyond the Nash Commitment by making available various items of equipment on a sales basis. Among the equipment purchased by Germany are 3 Nike battalions and two batteries of Honest Johns.

Appraisal of Forces: As of the end of 1957, the strength of the German armed forces was 132,500. Five army divisions and 2 RCTs have been activated, are undergoing training, and are in various stages of formation. So far these units have only a limited defensive capability, but by July 1958, the five divisions are expected to have a significant combat capability. The Navy continues to have only a limited minesweeping capability. A motor torpedo boat squadron is being made combat-ready, and two salvaged World War II submarines have been reconditioned and will be used for training. The minesweeping capability and motor torpedo

PROGRAMS (In Thousands Dollars)	FY 1957	FY 1958	Proposed FY 1959
Country Programs	3,504	3,601	2,528
Portion Special Materiel Program	(8,700)	(7,823)	(3,233)
Total	(12,204)	(11,424)	(5,761)

boat potential of the FRG are expected to be improved by the end of 1958 through the German ship construction program. To date, 2 Troop Carrier squadrons and 3 fighter bomber training squadrons have been activated.

Country Contribution: Germany is now in the midst of a military buildup program directed to achieving its NATO goals of 12 army divisions and 60 air squadrons, or equivalent, by 1961. The tempo of the buildup has to date been far below the country's potential, mainly because of (a) German uncertainty as to the nature and composition of forces required in light of new NATO concepts, (b) reluctance of political leaders vigorously to press ahead with the military program prior to the elections last year, and (c) obstacles to acquiring sufficient land for training areas and barracks construction. However, the buildup is now gaining momentum and, if present plans are implemented, will soon approximate the defense effort of Germany's principal NATO allies. The FRG has placed substantial military procurement orders with several NATO countries, including approximately \$370 million with the U.S. During FY 1958 the FRG is committed to provide some \$286 million in support cost payments to the Allies, and may agree to a larger amount on the basis of negotiations now in progress.

Proposed FY 1959 Program Provides: Offers of equipment for sale, including a number of new weapons. A nominal amount of grant aid training.

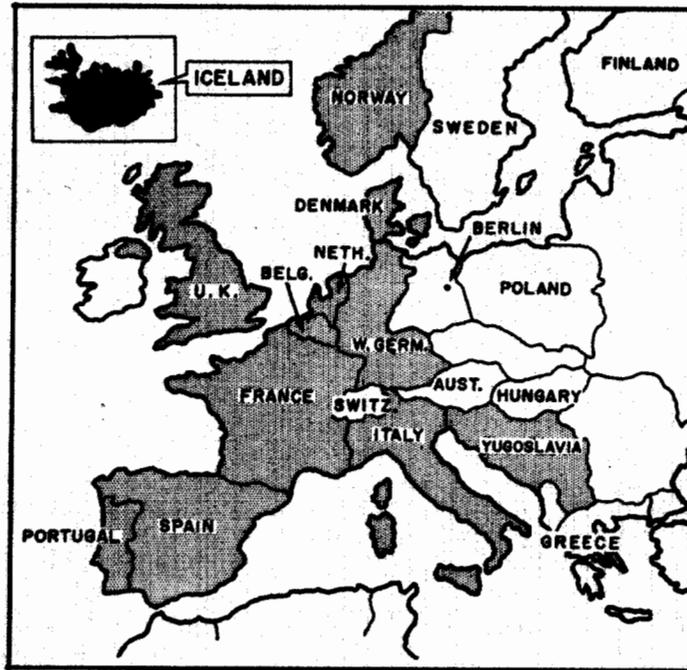
Miscellaneous Data: US excess stocks delivered at no charge through 30 June 1958: \$2.7 million (Est). Military sales through 30 June 1957: \$254 million.

MAAG Strength:	US Mil	US Civ	Local	Total
1957	234	38	14	286
1958	228	35	15	278

Statistical Note: The table on the page above is a composite of programs and performance for Germany itself and Stockpile B. The estimated deliveries to Germany itself are: During FY 1958: \$190.0 million and cumulative through 30 June 1958: \$770.8 million.

SECRET

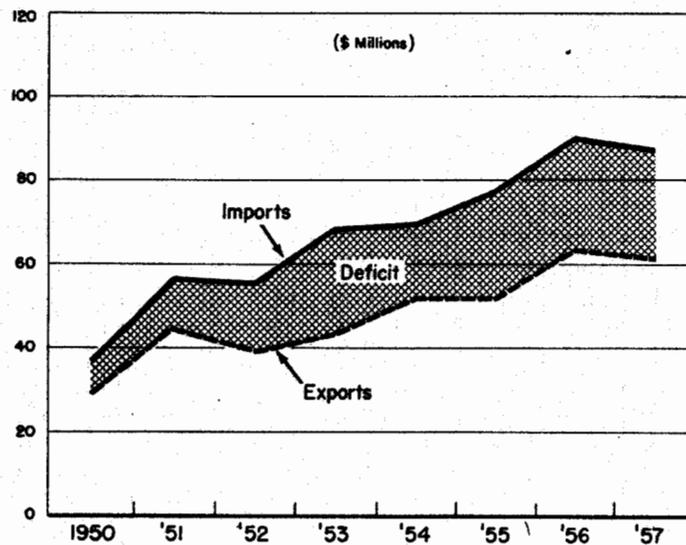
ICELAND



ECONOMIC TRENDS

	Unit	1954	- Calendar Years -		1957Est
			1955	1956	
GROSS NATIONAL PRODUCT					
Total GNP (In 1955 Prices)	\$ Millions	215	237	247	252
Per Capita GNP	Dollars	1,396	1,500	1,534	1,527
FISH PRODUCTION INDEX	1953=100	107	113	122	122
TRADE WITH U.S. (U.S. Customs Data)					
Exports to U.S.	\$ Millions	9.6	6.8	8.4	7.5
Imports from U.S.	"	12.4	15.4	12.0	9.0
Trade Balance	"	-2.8	-8.6	-3.6	-1.5
CONSUMER PRICES	1953=100	101	105	116	121
GOLD & SHORT-TERM DOLLAR ASSETS (end of year)					
	\$ Millions	10	6	4	4 (Nov)

TOTAL FOREIGN TRADE



BALANCE OF PAYMENTS

Calendar Years - in millions of dollars -	1955	1956	1957Est
Exports (f.o.b.)	52	63	60
Imports (f.o.b.) (-)	-69	-78	-77
Net Services ^a	-7	-7	-6
Net Capital Operations	1	6	6
BALANCE BEFORE SPECIAL RECEIPTS FROM U.S.	-23	-16	-17
Special Receipts from U.S.:			
U.S. Military & OSP Expenditures	14	15	13
Economic			
MSP Aid Receipts	-	-	5
PL 480 Receipts	-	-	2
Less: Local Currency for U.S. Use	-	-	-
NET TOTAL SPECIAL RECEIPTS FROM U.S.	14	15	20
BALANCE AFTER SPECIAL RECEIPTS FROM U.S.	-9	-1	3

a - Before Special Receipts from U.S.

Country ICELAND

MUTUAL SECURITY PROGRAM

Shaded areas are Security classified and must not be divulged to unauthorized individuals. All other material is unclassified.

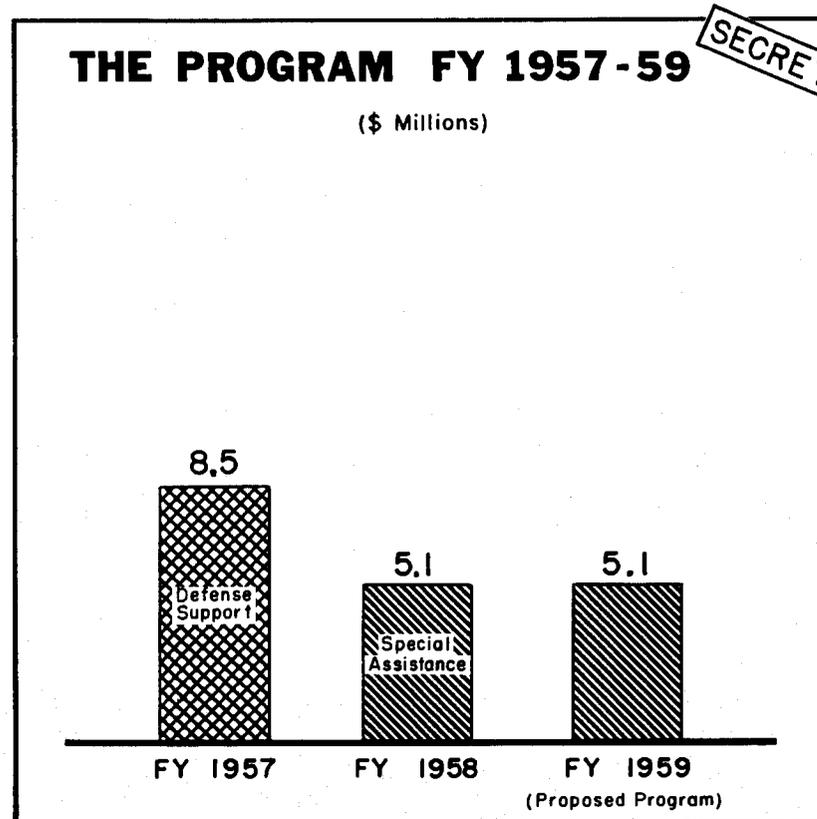
U.S. Interests: Iceland is a charter member of NATO, which has delegated to the U.S. responsibility for the defense of the island, which has no armed forces and a police force of only 180 men. In fulfillment of this responsibility, the U.S. on May 5, 1951 signed a Defense Agreement with Iceland under which the U.S. stations Army, Air and Navy forces in Iceland.

Iceland's membership in NATO enhances NATO military capabilities in the North Atlantic. The U.S. from its base in Iceland is in a position to dominate maritime and air activities in the North Atlantic.

Although basically Western oriented, Iceland has a tradition of isolationism and neutralism. This is manifested by a marked sensitivity to any feeling in Europe or elsewhere of a relaxation in world tensions and a preference of a part of the electorate that no foreign troops be stationed in Iceland during peacetime. Defense activities and the presence of foreign forces in Iceland have had a marked social impact on this previously isolated country of 160,000 persons. These circumstances are exploited by the Communists and must be taken into consideration by the other Icelandic political parties. Since July 1956, Iceland has been governed by a coalition of two democratic parties with the Communist-front Labor Alliance Party.

Iceland is highly dependent upon international trade, with fish and fish products forming from 90% to 95% of its exports. The Soviets have sought to exploit this dependence on foreign trade and in recent years have been purchasing about one-third of Iceland's exports, while the United States has taken only a little over one-tenth. The value of Iceland's imports from the United States is about twice that of its exports to the United States, the import surplus being paid for by earnings from U.S. military activities in Iceland and by U.S. loans. There is almost no foreign private investment in Iceland.

There is widespread inflation in Iceland which has contributed to Iceland's difficulties in exporting to the West. The Soviets have offered substantial economic assistance to Iceland on extremely attractive loan terms.



SECRET

Obligations and Expenditures \$ in thousands			
MILITARY ASSISTANCE	PROGRAMMED	DEL./EXP.	UNLIQUIDATED
Cumulative 6/30/57			
Estimate F.Y. 1958			
Cumulative 6/30/58			
ECONOMIC ASSISTANCE	OBLIGATIONS	EXPENDITURES	UNLIQUIDATED
Cumulative 6/30/57	43,621	35,700	7,921
Estimate F.Y. 1958	5,100	6,910	XXX
Cumulative 6/30/58	48,721	42,610	6,111

Country: ICELAND

ECONOMIC ASSISTANCE
SUMMARY OF PROGRAM BY FUNCTION - PROJECT AND NON-PROJECT ASSISTANCE

*Shaded areas are Security classified
and must not be divulged to
unauthorized individuals. All
other material is unclassified.*

(In thousands of dollars)

MAJOR COST COMPONENT	ACTUAL FY 1957				ESTIMATE FY 1958				PROPOSED FY 1959 ^{a/}		
	Total Def Sup	Def Sup	Def Sup	Other	Total Sp Asst	Sp Asst	Sp Asst	Other	Total Sp Asst	Sp Asst	Sp Asst
		Commod. Assist.	Technical Exchange			Commod. Assist.	Technical Exchange			Commod. Assist.	Technical Exchange
PROJECT ASSISTANCE											
Technicians					3		3		6		6
Participants	81		81		77		77		74		74
Contractual Services	810	795	15		17		17		16		16
Supplies and Equipment	4,205	4,205									
Contrib. to Coop. Services											
Other Costs	2		2		3		3		4		4
Total Project Assistance	5,098	5,000	98		100		100		100		100
NON-PROJECT ASSISTANCE	70	70			500	500			185	185	
Agric. Commodities Total											
Surplus											
Other	70	70			500	500			185	185	
Industrial Commodities Total	3,294	3,294			4,500	4,500			4,815	4,815	
Raw Materials and Fuels	1,684	1,684			2,600	2,600			2,425	2,425	
Machinery and Equipment	1,490	1,490			1,900	1,900			1,940	1,940	
Other Indus. Commodities	120	120							450	450	
Cash Transactions											
Other											
Total Non-Project Assistance	3,364^{b/}	3,364^{b/}			5,000	5,000			5,000	5,000	
TOTAL COUNTRY PROGRAMS	8,462^{b/}	8,364^{b/}	98		5,100	5,000	100		5,100	5,000	100
NUMBER OF PEOPLE											
Technicians (On duty close of year)											
U.S. Employed					5		5		3		3
Contract					5		5		3		3
Participants (Programmed during year)	56		56		51		51		49		49
Non-Contract	56		56		51		51		49		49
Contract											

a/ Programmed as a part of European Technical Exchange (DS) in FY 1957 and FY 1958.
b/ Excludes equivalent of \$637,000 in Danish kroner and Dutch guilders.

Shaded areas are Security classified
and must not be divulged to
unauthorized individuals. All
other material is unclassified.

Country ICELAND

ECONOMIC ASSISTANCE

Objectives

- To improve the environment for retention of U.S. base rights in this vitally strategic location and to reduce Communist influences by cooperation with Icelandic economic programs designed to increase economic and political stability.

Accomplishments

FY 1957 assistance contributed to improved U.S.-Icelandic relations and to the successful outcome of negotiation for continuation of valuable U.S. base rights.

FY 1956-58 MEP and P.L. 400 programs have forestalled increased Icelandic economic dependence on Soviet bloc and deeper Soviet economic penetration of Iceland, which are still serious threats to U.S. and NATO strategic interests in that area.

As a result of discussions in NATO on countering Soviet loan offers to Iceland in the summer and fall of 1957, the U.S. and Germany jointly agreed to lend Iceland five million (in dollars) and two million (in deutschmarks) respectively. The U.S. implemented its part of the joint commitment in December 1957 and the Germans are now in the process of negotiating their portion.

Iceland has been assisted in financing of development program including diversification of industry: associated import program has minimized inflation.

Technical Exchange program has tended to increase Icelandic appreciation of American methods and attitudes, and thus to stimulate productivity and reduce insularity.

Major Problems: Threat of further Soviet economic and political penetration in the face of present high proportion of trade with Eastern bloc and Communist participation in the Government; absence of diversification in the country's industry, contributing to recurrent balance of payments difficulties; control of the widespread inflation which has resulted from a too rapid expansion of investments in those sectors of the economy which are relatively unproductive or slow in coming into production.

Proposed FY 1959 Program

Special Assistance: \$5 million of additional loans to Iceland from Special Assistance are proposed in FY 1959 to insure the continued retention of the strategic U.S. defense facilities located in the country. The \$5 million proposed for the FY 1959 program

a/ Excludes equivalent \$636,000 in Danish kroner and Dutch guilders.

Summary of Program \$ in thousands

Function	Actual FY 1957	Estimate FY 1958	Proposed FY 1959
Defense Support:			
Commod. & Other Asst.	8,364 ^{a/}		
Technical Exchange	98		
Special Assistance:			
Commod. Assistance		5,000	5,000
Technical Exchange		100	100
Total	8,462 ^{a/}	5,100	5,100

will be directed, as in the case of past loans, toward balance of payments assistance by financing a variety of imports designed to assist in the stabilization of the Icelandic economy and some diversification of its industry.

The U.S. loan program is also designed to reduce Iceland's dependence on the Soviet bloc for imports and to enable Iceland to avoid accepting assistance from the Soviet Union, which is reported to have approached Iceland with loan offers on two occasions during recent months. In June, 1957, the Soviets were reported to have offered Iceland a \$3 million loan at 2-1/2% interest for 15 years to finance procurement of fishing vessels to be built in East Germany and to be equipped with West German engines and accessories. In addition, the Soviet Union was reported to have made an offer of long-term credit equivalent to \$25 million on concessional terms for unspecified uses, but presumably directed at making political capital in Iceland through support of its economic development program, again bogged down for lack of adequate external and internal financing. It is felt that extension of such credits by the Soviets might increase Soviet prestige and influence to the point where U.S. tenure of the Keflavik base would be seriously jeopardized and an area vital to the security interests of the United States and the Free World would be gravely endangered. At the same time the U.S. program contributes to the general political stability of the country by permitting a rapid rate of capital formation to be maintained without impairment of living standards in Iceland.

Technical Exchange: It is proposed to continue the small Technical Exchange program from Special Assistance funds at a level of approximately \$100,000. This program would be similar to those conducted in FY 1957 and 1958 and would help finance visits of Icelandic participants to the U.S. and other countries and of American specialists to Iceland on selected short-term consulting assignments in various fields such as agriculture, industry and

Country: ICELAND

ECONOMIC ASSISTANCE - Continued

Shaded areas are Security classified and must not be divulged to unauthorized individuals. All other material is unclassified.

civil aviation. The Technical Exchange program is intended to develop an appreciation of methods used in U.S. industry, labor and agriculture (through an interchange of Americans and Icelanders), and thus, to increase the efficiency and productivity of the Icelandic economy and the economic well-being of the population. The program is also expected to be useful in devel-

oping pro-U.S. sentiment in the Communist controlled Icelandic Federation of Labor. If the future political situation permits, similar exchanges would be proposed in the trade union field in an attempt to assist democratic Icelandic labor leaders, through training in the United States, in their efforts to wrest control of the Icelandic Federation of Labor from the Communists.

ECONOMIC ASSISTANCE - PROJECT ASSISTANCE BY FIELD OF ACTIVITY

(In thousands of dollars)

Function and Fiscal Year	Total Cost	Agriculture and Natural Resources	Industry and Mining	Transportation	Labor	Health and Sanitation	Education	Public Administration	Community Develop., Social Welfare & Housing	General and Miscellaneous
ACTUAL FY 1957										
Defense Support	5,098	14	5,018	57	1		1	4		3
Development Assistance . . .										
Technical Cooperation										
Other Programs										
Total	5,098	14	5,018	57	1		1	4		3
ESTIMATE FY 1958										
Defense Support	100	18	17	55	1		1	3		5
Special Assistance										
Technical Cooperation										
Other Programs (or DA)										
Total	100	18	17	55	1		1	3		5
PROPOSED FY 1959										
Defense Support	100	16	20	49	2			3		10
Special Assistance										
Technical Cooperation										
Total	100	16	20	49	2			3		10

Country: ICELAND

ECONOMIC ASSISTANCE

DISTRIBUTION OF FY 1959 PROJECT ASSISTANCE

Shaded areas are Security classified
and must not be divulged to
unauthorized individuals. All
other material is unclassified.

TABLE I

(In thousands of dollars and equivalent)

Functions and Projects	DIRECT U.S. DOLLAR COST - Proposed						Local Currency Cost - Proposed		
	Total	U.S. Technicians	Non-Contract Participants	Contracts	Commodities	Other Costs	Contributions to Cooperative Services	MSP includ. Counter-part	P. L. 480 Administered by ICA
SPECIAL ASSISTANCE									
Agriculture and Natural Resources - Total	16		6	10					
Fish By-Product Utilization	5			5					
Artificial Insemination	3			3					
Breed and Growth Rate of Cattle	2			2					
Fish Canning	3		3						
Herring Processing	3		3						
Industry and Mining - Total	20		14	6					
Utilization of Waste Lumber and Paper	3			3					
Retail Milk Distribution	3			3					
Production of Industrial Films	6		6						
Cement Plant Operation and Management	7		7						
Distribution and Marketing	1		1						
Transportation - Total	49		49						
Occupational Training									
Flight Dispatchers	4		4						
Air Traffic Control	8		8						
Air Navigation Aids	5		5						
Load Master	7		7						
Construction									
Welding	8		8						
Crane & Power Shovel Operation	10		10						
Masons, Tile Setters	4		4						
Automatic Control System	3		3						
Labor - Total	2		2						
Organization and Operation Unions	1		1						
Trade Union Education	1		1						
Public Administration - Total	3		3						
Search, Rescue and Patrol	3		3						
General and Miscellaneous - Total	10	6				4			
Total - Special Assistance	100	6	74	16		4			

Revised 3/24/58

Country: ICELAND

ECONOMIC ASSISTANCE

DISTRIBUTION OF FY 1959 PROJECT ASSISTANCE

Shaded areas are Security classified and must not be divulged to unauthorized individuals. All other material is unclassified.

TABLE I

(In thousands of dollars and equivalent)

Functions and Projects	DIRECT U.S. DOLLAR COST - Proposed						Local Currency Cost - Proposed		
	Total	U.S. Technicians	Non-Contract Participants	Contracts	Commodities	Other Costs	Contributions to Cooperative Services	MSP includ. Counterpart	P. L. 480 Adminis-tered by ICA
<u>P.L. 480, TITLE I</u>									
<u>Industry and Mining</u>									
Hydroelectric Plant									1,600
Total - P.L. 480, Title I									1,600
GRAND TOTAL	100	6	74	16		4			1,600

Revised 3/24/58

Country: ICELAND

ECONOMIC ASSISTANCE
COMPOSITION OF NON-PROJECT ASSISTANCE

TABLE II

*Shaded areas are Security classified
and must not be divulged to
unauthorized individuals. All
other material is unclassified.*

(In thousands of dollars)

Commodities and Other	PROGRAM		
	Actual FY 1957	Estimate FY 1958	Proposed FY 1959
<u>Food, Feed and Fertilizer - Total</u>	70	500	185
Miscellaneous	70	500	185
<u>Fuel</u>	125	300	275
Petroleum and Products	125	300	275
<u>Raw Materials and Semi-finished Products</u>	1,559	2,300	2,150
Fabricated Basic Textiles	301	650	320
Iron and Steel Mill Materials and Products	300	800	495
Chemicals and Related Products	300	350	400
Pulp and Paper	20		280
Lumber and Lumber Manufactures	638	300	655
Other		200	
<u>Machinery and Vehicles - Total</u>	1,490	1,900	1,940
Machinery and Equipment	1,260	1,400	1,490
Electrical Apparatus Generator and Motors	(19)	(500)	(67)
Agricultural Equipment, including Tractors	(900)	(700)	(903)
Miscellaneous Industrial Machinery	(341)	(200)	(520)
Motor Vehicles, Engines and Parts	230	500	450
<u>Miscellaneous - Total</u>	120		450
Miscellaneous Industrial Commodities	120		450
Total - Non-Project Assistance Programs	3,364 ^{a/}	5,000	5,000

^{a/} Excludes equivalent of \$636,000 in Danish kroner and Dutch guilders.

ICELAND

LOCAL CURRENCY - Narrative

Shaded areas are Security classified and must not be divulged to unauthorized individuals. All other material is unclassified.

\$12.8 million counterpart and \$1.6 million local currency proceeds from sales of surplus agricultural products under the P.L. 480 Title I program are expected to be available for commitment in Iceland in FY 1959.

All of the P.L. 480 proceeds generated in FY 1959 are expected to be deposited, obligated and expended by June 30, 1959. The remainder of the obligated but unexpended balance carried over from FY 1958 is also expected to be fully expended in FY 1959. The counterpart balance has remained uncommitted and unexpended for several years and it is currently estimated that this balance will not be used through FY 1959.

The previously stated U.S. objectives in Iceland require the financing of dollar imports to help ease balance of payments and inflationary strains. Local currency cannot serve this purpose. Consequently, the availability of local currency does not affect the requirement for dollar assistance in FY 1959.

However, the available local currency can be usefully employed, within the limits set by the need to contain internal expenditures in order to reduce inflation, to meet local costs of development projects. All of the P.L. 480 local currency generated during FY 1957-59 is being used to pay local costs in connection with the Sog Hydro-Electric and Keflavik Air Base tie line projects, the foreign exchange costs of which were financed by U.S. dollar project assistance in FY 1957.

The programming and expenditure of the unused counterpart balances in Iceland is being delayed until such time as their use will better serve the policies and interests of the U.S. Government. Release of these funds at this time would only tend to strengthen the Government in power, which includes two cabinet members from the Communist Front Labor Alliance Party. Moreover, the Icelandic Government does not want to spend this local currency for fear that it would further aggravate the inflationary pressures on the Icelandic economy. In view of the strategic location of Iceland and the probability that U.S. sponsored projects may require financing of local currency costs in the future, it has been considered best to defer programming of remaining balances.

(In thousands of dollars) **SUMMARY SALES PROGRAM UNDER P.L. 480, TITLE I AND FOREIGN CURRENCY PROGRAM EARMARKING** (Foreign Currency in thousands of dollar equivalent) **TABLE III**

SALES AGREEMENT BY FISCAL YEAR		Foreign Currency Reserved for U.S. Uses	Foreign Currency Administered by Ex-Im Bank (Cooley Amend.)	FOREIGN CURRENCY TO BE ADMINISTERED BY MSP AGENCIES				
Fiscal Year in Which Sales Agreement Signed	Total Value of Sales			Sec. 104c	Sec. 104d	Sec. 104e	Sec. 104g	Total Administered by MSP Agencies
FY 1955 Actual								
FY 1956 Actual								
FY 1957 Actual	2,785	557					2,228	2,228
FY 1958 Estimate	3,000	650	750				1,600	1,600
FY 1959 Estimate	3,000	650	750				1,600	1,600
TOTAL	8,785	1,857	1,500				5,428	5,428

Country: ICELAND

STATUS OF LOCAL CURRENCY FUNDS
(Administered by MSP Agencies)
(In thousands of dollar equivalent)

*Shaded areas are Security classified
and must not be divulged to
unauthorized individuals. All
other material is unclassified.*

TABLE IV

Type of Programs Generating Local Currencies and its Utilization	ACTUAL FY 1957			ESTIMATE FY 1958		PROPOSED FY 1959	
	Cumulative Through 7/1/56	Net Change	Cumulative Through 6/30/57	Net Change	Cumulative Through 6/30/58	Net Change	Cumulative Through 6/30/59
MSP U.S.-OWNED LOCAL CURRENCIES ^{a/}							
Potential Generation from U.S. Dollar Program ..	2,953		2,953		2,953		2,953
Deposits	2,316	637	2,953		2,953		2,953
Obligations	2,316	637	2,953		2,953		2,953
Expenditures	2,316	312	2,628	325	2,953		2,953
COUNTERPART							
Potential Generation from U.S. Dollar Program ..	28,163		28,163		28,163		28,163
Deposits	28,500 ^{b/}	800	29,300 ^{b/}		29,300		29,300
Commitments	15,800	700	16,500		16,500		16,500
Expenditures	15,800	700	16,500		16,500		16,500
P.L. 480 TITLE I							
Potential Generation from U.S. Dollar Program ..		2,228	2,228	1,600	3,828	1,600	5,428
Deposits				3,828	3,828	1,600	5,428
Obligations				3,828	3,828	1,600	5,428
Expenditures				2,828	2,828	2,600	5,428
OTHER LOCAL CURRENCY							
Potential Generation from U.S. Dollar Program ..							
Deposits							
Commitments							
Expenditures							

a/ ~~Does not include~~ Danish Kroner and Netherlands Guilders generated from Section 402 commodity sales which were loaned to Iceland.

b/ Includes deposits in counterpart account of repayments of counterpart loan, as well as counterpart generated from dollar programs.

Country: ICELAND

**SUMMARY OF LOCAL CURRENCY PROGRAM ADMINISTERED BY MSP AGENCIES
BY PURPOSE AND FIELD OF ACTIVITY
Obligations or Commitments by Fiscal Year
(In thousands of dollar equivalent)**

*Shaded areas are Security classified
and must not be divulged to
unauthorized individuals. All
other material is unclassified.*

TABLE V

PURPOSE AND ACTIVITY	FY 1957			FY 1958			FY 1959		
	MSP Source	P.L. 480 Title I Source	Other Sources	MSP Source	P.L. 480 Title I Source	Other Sources	MSP Source	P.L. 480 Title I Source	Other Sources
MILITARY PURPOSES									
Projects									
Budget Support									
Military Procurement									
Total Military Purposes									
ECONOMIC PURPOSES									
Project Assistance by Field of Activity	700				3,828			1,600	
Agriculture									
Industry and Mining									
Transportation									
Labor									
Health and Sanitation									
Education									
Public Administration									
Community Development, Social Welfare and Housing									
General and Miscellaneous									
Total	700				3,828			1,600	
Budget Support (Not Elsewhere Classified) ..									
Total Economic Purposes	700				3,828			1,600	
Procurement for Third Country	XXX			XXX			XXX		
TOTAL ALL PURPOSES	700				3,828			1,600	

ITALY

CONFIDENTIAL (As Noted)

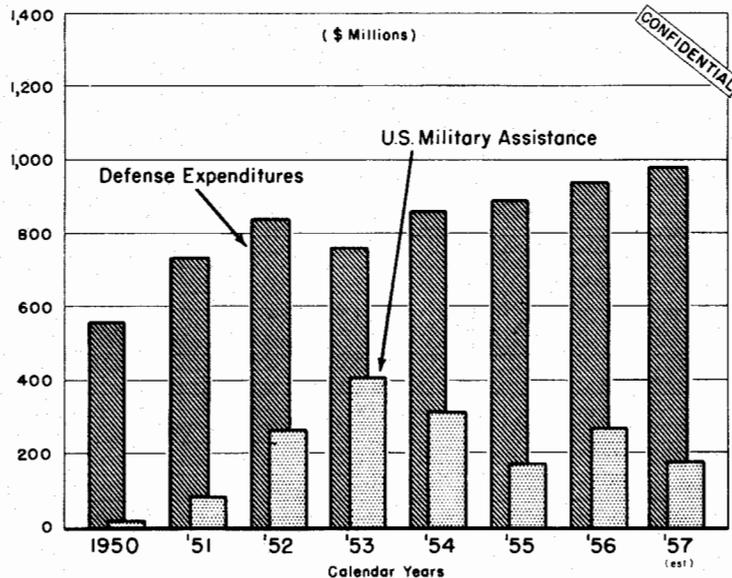


ECONOMIC TRENDS

	Unit	- Calendar Years -			
		1954	1955	1956	1957Est
DEFENSE EXPENDITURES					
Total Defense Expenditures.	\$ Millions	869	881	934	975
As Percent of GNP.....	Percent	4.4%	4.1%	4.0%	4.0%
As Percent of Central Gov't Expenditures.....	Percent	23%	22%	19%	21%
GROSS NATIONAL PRODUCT					
Total GNP (In 1955 Prices).	\$ Billions	20.4	21.7	22.5	23.7
Per Capita GNP.....	Dollars	426	453	467	490
INDUSTRIAL PRODUCTION.....	1953=100	109	118	128	137
AGRICULTURAL PRODUCTION ^a ...	Prewar=100	121	134	131	n.a.
CONSUMER PRICES.....	1953=100	103	106	111	112
GOLD & SHORT-TERM DOLLAR ASSETS (end of year).....					
	\$ Millions	927	1,138	1,269	1,423 (Nov)

n.a. - Not Available
^a - Crops harvested in crop-year beginning in year stated.

DEFENSE EXPENDITURES and U.S. MILITARY ASSISTANCE



CONFIDENTIAL (As Noted)

BALANCE OF PAYMENTS

	Calendar Years - in millions of dollars -		
	1955	1956	1957Est
Exports (f.o.b.).....	1,778	2,095	2,580
Imports (f.o.b.) (-).....	-2,450	-2,812	-3,270
Net Services ^b	380	435	441
Net Capital Operations.....	185	165	115
BALANCE BEFORE SPECIAL RECEIPTS FROM U.S....	-107	-117	-134
Special Receipts from U.S.:			
U.S. Military & OSP Expenditures	161	135	156
Economic			
MSP Aid Receipts	33	10	1
PL 480 Receipts	51	105	104
Less: Local Currency for U.S. Use....	-2	-22	-15
NET TOTAL SPECIAL RECEIPTS FROM U.S.	243	228	246
BALANCE AFTER SPECIAL RECEIPTS FROM U.S....	136	111	112

^b - Before Special Receipts from U.S.

Country ITALY

MUTUAL SECURITY PROGRAM

Shaded areas are Security classified and must not be divulged to unauthorized individuals. All other material is unclassified.

U.S. interests: Extending into the middle of the Mediterranean and bordering Eastern Europe, Italy occupies a strategic position on the southern flank of NATO. Control of the Italian land mass and the contribution of Italian armed forces would be vital to the defense of this sector in the event of hostilities. In the north-east, Italy is separated from Soviet land forces by Yugoslavia and Austria. In the southeast, Italy is only 40 miles by sea from Soviet bases in Albania.

Italy has been a strong supporter of NATO since its inception. It belongs to WEU and has always been in the vanguard of the European unity movement. It contributes substantial forces to the Western Alliance and has a significant potential for military production. It has signed a Mutual Defense Assistance Agreement with the U.S.

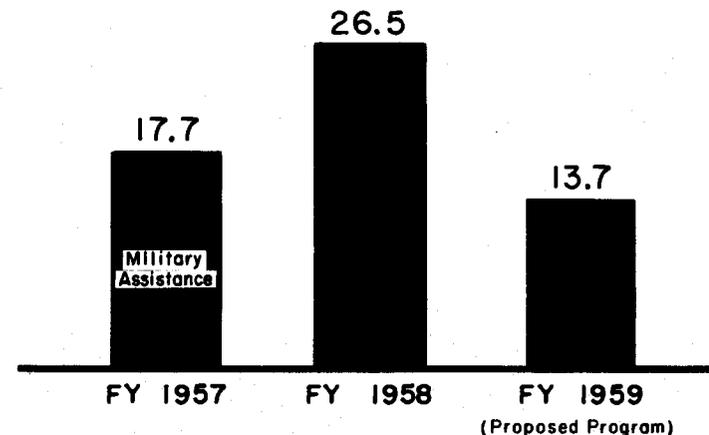
Despite the opposition of the largest Communist Party west of the Iron Curtain, as well as of substantial pro-Communist political forces, Italian democratic governments since 1947 have provided stability and facilitated impressive political and economic progress in the country.

Both the Italian Government and the Italian people value their close relationship with the United States. Italy supports United States international policies and cooperates with the United States in international forums.

The United States is first among Italy's foreign suppliers (16% of imports) and second among Italy's foreign customers (10% of exports). The principal strategic commodity Italy supplies to the United States is mercury. Economic growth is steady; the average annual GNP rise since 1950 has been about 6%. However, two serious economic problems persist: substantial unemployment and relatively depressed conditions in the South. Italy presently has a favorable balance of payments and has substantially liberalized its foreign trade. The climate for foreign private investment in Italy has improved somewhat since new legislation in 1956. Italy has signed an Investment Guaranty Agreement with the U.S. However, the environment for foreign investment in petroleum on the Italian mainland (as opposed to Sicily) remains relatively unattractive. In 1956 Italy's trade with the Soviet Union was about 3% of its total foreign trade.

THE PROGRAM FY 1957-59

(\$ Millions)



SECRET

Obligations and Expenditures \$ in thousands

MILITARY ASSISTANCE	PROGRAMMED	DEL./EXP.	UNLIQUIDATED
Cumulative 6/30/57	1,620,291	1,497,863	122,428
Estimate F.Y. 1958	26,478	79,591	XXX
Cumulative 6/30/58	1,646,769	1,577,454	69,315
ECONOMIC ASSISTANCE	OBLIGATIONS	EXPENDITURES	UNLIQUIDATED
Cumulative 6/30/57	1,645,001	1,644,292	709
Estimate F.Y. 1958		709	XXX
Cumulative 6/30/58	1,645,001	1,645,001	

Italy

SECRET
MILITARY ASSISTANCE

*Shaded areas are Security classified
and must not be divulged to
unauthorized individuals. All
other material is unclassified.*

Major Components by Category (all values in thousands of dollars)	Annual Programs				Del./Exp. F.Y. 1950-58 Programs		
	Quantity and Value		Proposed F.Y. 1959		Estimate F.Y. 1958	Cumulative June 30, 1958	F.Y. 1959 and Later
	F.Y. 1957	F.Y. 1958	Quantity	Value			
Country Total	\$17,721	\$26,478	-	\$13,743	\$79,591	\$1,577,454	\$69,315
Aircraft, Components, Spares & Related Equip.	\$ 1,021	\$ 9,558	-	\$ 9,571	\$28,190	\$ 373,045	\$28,233
S2F	-	14	12	\$ 6,436	-	6	14
C-119 (F4G)	-	-	-	-	-	40	-
F-86E GPF	-	-	-	-	16	180	-
F-86K Ship Sets	-	-	-	-	-	65	-
R-19	-	-	-	-	-	-	4
RF-84F	-	-	-	-	10	72	-
SA-16	-	-	-	-	6	6	-
Ships and Harbor Craft, Components and Spares	\$ 7,231	\$ 4,155	-	-	\$31,334	\$ 169,760	\$ 7,330
Coastal Minesweeper (MSC)	1	-	-	-	1	25	-
Ocean Escort (OE)	-	-	-	-	1	5	-
Ocean Minesweeper (MSO)	-	-	-	-	-	4	-
Inshore Minesweeper (MSI)	-	-	-	-	-	20	-
Motor, Torpedo Boat, Tender (AGP)	1	-	-	-	1	1	-
Submarine (SS) (Activation)	-	1	-	-	-	-	1
Submarine Chaser Escort (PCE)	-	-	-	-	-	3	-
Destroyer (DD)	-	-	-	-	-	2	-
Tanks, Other Vehicles, Weapons, Comp. & Spares	\$ 556	\$ 26	-	\$ 16	\$ 3,216	\$ 520,150	\$ 7,500
Tank, Light, M24	-	-	-	-	-	518	-
Tank, Medium, M26, M46, M47, M48 Series	-	-	-	-	-	1,082	-
Carriage, Motor, 90mm Gun, M-36 Series	-	-	-	-	-	259	-
Mount, Trailer, Multi, Cal..50, M3, M55	-	-	-	-	-	1,038	17
Vehicle, Tank Recovery, T74, T51	-	-	-	-	-	78	-
Rifle, 106mm, w/mount	-	-	-	-	-	561	-
Carbine, Cal..30 (all models)	617	-	-	-	345	146,591	272
Ammunition	\$ 1,916	\$ 1,846	-	\$ 499	\$ 5,752	\$ 337,848	\$ 1,446
Cartridge, Cal..50 (all types) (M Rds)	771	-	-	-	-	9,686	13,077
Cartridge, HEAT, w/f, 106mm Rifle (M Rds)	14	5	-	-	5	122	-
Cartridge, HE, M1, w/f, 105mm How, M2 (M Rds)	-	-	-	-	62	1,289	50
Electronics & Comm. Equipment, Comp. & Spares	\$ 1,901	\$ 9,247	-	\$ 1,017	\$ 8,016	\$ 94,686	\$21,332
AN/MPQ-10 Radar	-	20	-	-	-	-	20
AN/MSQ-1 Radar	-	-	-	-	-	-	2
SCR-508 (AN/GRC-3) Radio	165	-	-	-	165	1,163	-
SCR-608 (AN/GRC-5) Radio	22	-	-	-	116	2,128	-
SCR-694 (AN/GRC-9) Radio	57	-	-	-	21	1,865	-
Other Materiel	\$ 432	\$ 142	-	\$ 1,500	\$ 860	\$ 46,088	\$ 2,354
Construction	-	-	-	-	-	-	-
Training	\$ 2,091	\$ 1,504	-	\$ 1,140	\$ 1,876	\$ 22,944	\$ 87
All Other	\$ 2,543	-	-	-	\$ 347	\$ 12,333	\$ 1,031

SECRET

Italy

SECRET
MILITARY ASSISTANCE

*Shaded areas are Security classified
and must not be divulged to
unauthorized individuals. All
other material is unclassified.*

Objectives of Military Assistance: Assist the development and maintenance of the most effective possible Italian armed forces to contribute to the integrated defense of the NATO area.

Major Combat Forces:

Strategic Objectives

MAP Supported

13 Div, 5 Brigades
3 Honest John/Little John Bns.
1 Lacrosse, Bn, 4 Nike Bns
2 Hawk Bns, 1 Corporal/Sgt Bn.
172 Naval Vessels
48 Naval ASW Patrol a/c
7 Terrier Batteries
20 Air Sqdns, 1 Matador Sqdn.

13 Divs, 5 Brigades
3 Honest John/Little
John Bns.
1 Lacrosse Bn,
4 Nike Bns, 2 Hawk Bns
1 Corporal/Sgt Bn
104 Naval Vessels
48 Naval ASW Patrol a/c
7 Terrier Batteries
20 Air Sqdns, 1 Matador Sq.

Active Military Strength - 408,220

MAP Accomplishments: In 1950 Italy had only seven infantry divisions of low effectiveness equipped in large part with obsolete British arms, a navy of 45 ships of limited value and 13 squadrons equipped with obsolete British and U.S. World War II type aircraft.

MAP has helped to equip and train 15 1/2 divisions, 20 air squadrons, and 82 of the 104 naval vessels required. Materiel provided the Army includes light medium tanks, artillery of all sizes, anti-tank weapons, liaison aircraft, spare parts and ammunition; the Navy has received destroyers, destroyer escorts, minesweepers and naval aircraft; the Air Force has received all weather, day-fighter, tactical reconnaissance, fighter-bomber and troop carrier aircraft. In addition, Italy is scheduled to receive 3 Nike battalions, 200 F-84 conversion kits, and 1 Honest John battalion under prior year programs.

Appraisal of Forces: Italy's sizeable forces contribute significantly to the over-all Western European deterrent to Soviet aggression. There has been a steady improvement in the quality of Italian forces though they are somewhat understrength, and suffer from organizational and logistical deficiencies, the latter attributable in large part to the lack of funds in the Italian defense budget.

Country Contribution: Since the formation of NATO in 1949, Italy has fully supported the concept of collective security within the alliance. It has made a creditable record in building up Italian

PROGRAMS (In Thousands Dollars)	FY 1957	FY 1958	Proposed FY 1959
Country Programs	17,721	26,478	13,743
Portion Special Materiel Program	(34,338)	(24,239)	(62,861)
Total	(52,059)	(50,717)	(76,604)

armed forces and has been most cooperative with the U.S. in the stationing of U.S. troop units in Italy. Except for a dip in 1953, the level of Italian defense expenditures has risen steadily to a level approximating \$1 billion a year, which represents about 4% of GNP. This level of defense spending is being maintained while at the same time major efforts to combat unemployment and develop the backward regions of southern and insular Italy are being undertaken.

Italian industry is capable of producing many of the country's conventional weapons, but this capacity is not being fully used due to the lack of financing. Italy is producing escort vessels, aircraft, general service vehicles, artillery, rocket launchers and ammunition. The Italians have agreed to take over a progressively increasing share of the responsibility for spare parts. Plans are in an advanced stage whereby Italy would purchase from the US equipment for the conversion of an Italian naval vessel to a guided missile cruiser.

Proposed FY 59 Program Provides:

Army: Priority communications equipment and other miscellaneous communication items.

Navy: 12 S-2F aircraft, miscellaneous communications equipment, armament and radar.

Air Force: Spare parts maintenance and miscellaneous equipment.

Miscellaneous Data: U.S. excess stocks delivered at no charge through 30 June 1958: \$55.8 million. Military sales through 30 June 1957: \$5.7 million.

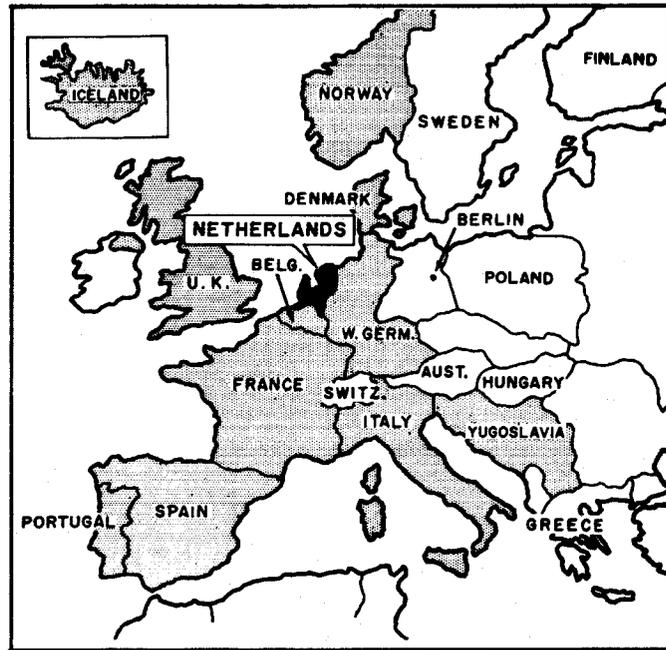
<u>MAAG Strength:</u>	<u>U.S. Mil.</u>	<u>US Civ</u>	<u>Local</u>	<u>Total</u>
1957	93	16	5	114
1958	76	16	5	97

SECRET

Revised 24 March 1958

NETHERLANDS

CONFIDENTIAL (As Noted)



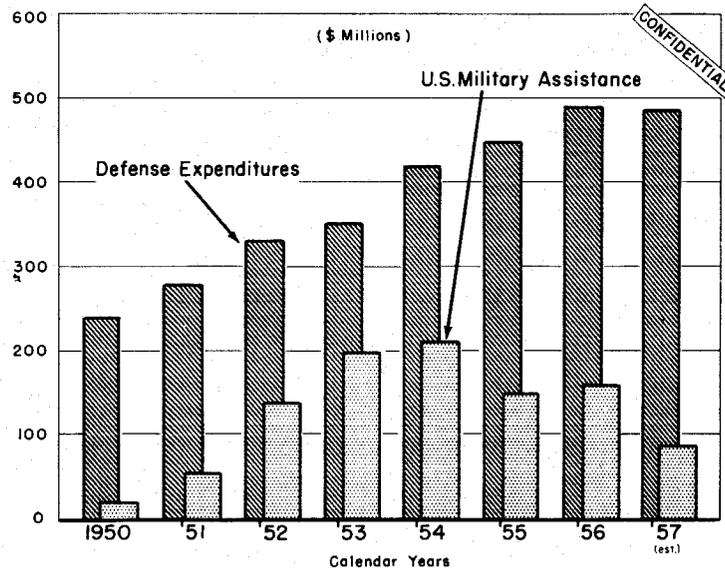
ECONOMIC TRENDS

	Unit	- Calendar Years -			
		1954	1955	1956	1957Est
DEFENSE EXPENDITURES					
Total Defense Expenditures..	\$ Millions	417	447	488	485
As Percent of GNP.....	Percent	5.9%	5.8%	5.9%	5.5%
As Percent of Central Gov't Expenditures.....	Percent	21%	20%	21%	20%
GROSS NATIONAL PRODUCT					
Total GNP (In 1955 Prices)..	\$ Millions	7,200	7,700	8,000	8,070
Per Capita GNP.....	Dollars	677	716	735	733
INDUSTRIAL PRODUCTION.....	1953=100	110	118	124	129
AGRICULTURAL PRODUCTION ^a ...	Prewar=100	136	139	137	n.a.
CONSUMER PRICES.....	1953=100	104	106	109	119
GOLD & SHORT-TERM DOLLAR ASSETS (end of year).....					
	\$ Millions	1,118	1,100	1,071	1,011 (Nov)

n.a. - Not Available

^a - Crops harvested in crop-year beginning in year stated.

DEFENSE EXPENDITURES and U.S. MILITARY ASSISTANCE



CONFIDENTIAL (As Noted)

BALANCE OF PAYMENTS

Calendar Years - in millions of dollars -	1955	1956	1957Est
Exports (f.o.b.)	2,558	2,711	2,925
Imports (f.o.b.) (-)	-2,735	-3,206	-3,430
Net Services ^b	435	319	355
Net Capital Operations	-87	-96	4
BALANCE BEFORE SPECIAL RECEIPTS FROM U.S.	171	-272	-146
Special Receipts from U.S.:			
U.S. Military & OSP Expenditures	32	39	41
Economic			
MSP Aid Receipts	1	-	-
PL 480 Receipts	-	-	-
Less: Local Currency for U.S. Use....	-	-	-
NET TOTAL SPECIAL RECEIPTS FROM U.S.	33	39	41
BALANCE AFTER SPECIAL RECEIPTS FROM U.S.	204	-233	-105

^b - Before Special Receipts from U.S.

Country NETHERLANDS

MUTUAL SECURITY PROGRAM

Shaded areas are Security classified and must not be divulged to unauthorized individuals. All other material is unclassified.

U.S. Interests: The Netherlands is a member of NATO, to which it contributes significant military forces.

The Netherlands occupies a strategic position at the mouth of the Rhine River and along the Western approaches to the Central European plain. Her extensive port facilities along the Atlantic coast provide the means for alternate lines of supply to forces in Germany.

At the invitation of the Dutch Government, a U.S. Air Force squadron is stationed in the Netherlands in furtherance of NATO objectives. The U.S. also has harbor facilities at the Port of Rotterdam.

The Dutch Government is among the most stable in Western Europe, and all non-communist political parties firmly support NATO. Communist influence has been reduced to negligible proportions. Support for U.S. policies and a feeling of kinship with the U.S. pervades all non-communist political parties and all strata of society. Neutralism poses no significant problem.

The Netherlands has been in the forefront of the movement towards closer economic integration among the six nations of the Coal and Steel Community, and is a member of EURATOM and the Common Market. The Netherlands is thus a major contributor to the effort to increase the long-term strength, stability and prosperity of our Western European allies and their ability to contribute to the security and development of the free world.

The Netherlands has been one of the most vigorous supporters of U.S. policies in NATO and on international issues in general, and has signed a Mutual Defense Assistance Agreement with the U.S.

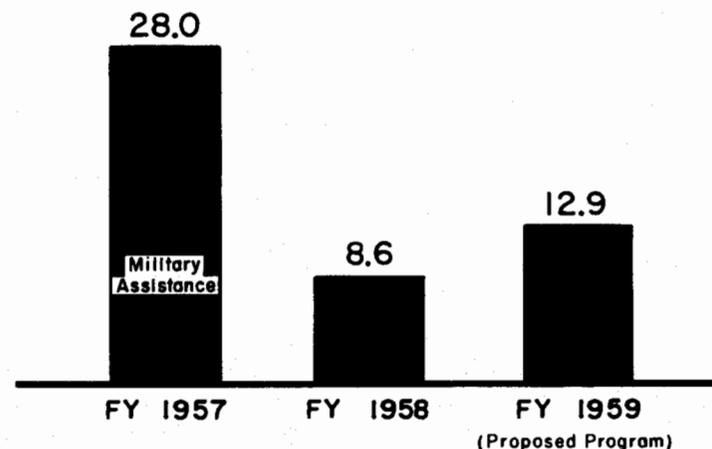
The Netherlands plays an important role in international trade and is one of the largest per capita buyers of U.S. agricultural products in the world.

The Dutch economy is currently operating at a high level of activity marked by certain inflationary manifestations. Additional economic strains and problems will result from the measures taken against Dutch citizens and economic interests by the Indonesian Government. The environment for private enterprise in the Netherlands is favorable and U.S. private investment in that country has expanded considerably in the post-war period. It has signed an Investment Guaranty Agreement with the U.S. Trade with the Soviet bloc is small and Soviet influence is slight.

THE PROGRAM FY 1957-59

(\$ Millions)

SECRET



Obligations and Expenditures \$ in thousands			
MILITARY ASSISTANCE	PROGRAMMED	DEL./EXP.	UNLIQUIDATED
Cumulative 6/30/57	973,372	900,550	72,452
Estimate F.Y. 1958	8,571	37,679	XXX
Cumulative 6/30/58	981,943	938,629	43,314
ECONOMIC ASSISTANCE	OBLIGATIONS	EXPENDITURES	UNLIQUIDATED
Cumulative 6/30/57	1,088,663	1,088,663	
Estimate F.Y. 1958			XXX
Cumulative 6/30/58	1,088,663	1,088,663	

Netherlands

SECRET
MILITARY ASSISTANCE

Shaded areas are Security classified
and must not be divulged to
unauthorized individuals. All
other material is unclassified.

Major Components by Category (all values in thousands of dollars)	Annual Programs				Del./Exp. F.Y. 1950-58 Programs		
	Quantity and Value		Proposed F.Y. 1959		Estimate F.Y. 1958	Cumulative June 30, 1958	F.Y. 1959 and Later
	F.Y. 1957	F.Y. 1958	Quantity	Value			
Country Total	\$27,967	\$8,571	-	\$12,895	\$37,679	\$938,629	\$43,314
Aircraft, Components, Spares & Related Equip.	\$ 325	\$1,723	-	\$ 9,361	\$14,105	\$274,317	\$ 8,597
B2F	-	-	12	\$ 6,436	-	-	-
F-86X	-	-	-	-	6	65	-
F2V-5, 6	-	-	-	-	-	12	-
RF-84F	-	-	2	\$ 797	4	24	-
T-33	-	-	-	-	-	42	-
Sea Hawk	-	-	-	-	22	22	-
Ships and Harbor Craft, Components and Spares	\$ 9,440	-	-	-	-	\$123,386	\$ 9,440
Coastal Minesweeper (MSC)	-	-	-	-	-	32	-
Inshore Minesweeper (MSI)	8	-	-	-	-	-	8
Submarine Chaser Escort (PCE)	-	-	-	-	-	7	-
Ocean Escort (OE)	-	-	-	-	-	6	-
Ocean Minesweeper (MSO)	-	-	-	-	-	6	-
Submarine (SS)	-	-	-	-	-	2	-
Tanks, Other Vehicles, Weapons, Comp. & Spares	\$14,086	-	-	\$ 925	\$ 9,691	\$241,701	\$12,495
Tank, Medium, Centurion	103	-	-	-	-	592	66
Mount, Trailer, Multi, Cal..50, M3, M55	-	-	-	-	38	599	-
Tractor, HS, 18 Ton, M4 Series	13	-	-	-	25	226	-
Truck, 4-5-6 Ton, 6x6, Cargo (FM)	-	-	-	-	-	144	5
Truck, 4-5-6 Ton, 6x6, Wrecker	-	-	-	-	-	127	-
Gun, Automatic, 40mm, M1, w/carriage	-	-	-	-	-	262	-
Gun, 90mm, AA, w/mount (all models)	-	-	-	-	-	265	-
Howitzer, 155mm, M1, w/carriage	-	-	-	-	-	198	-
Rifle, 106mm, w/mount	-	-	86	\$ 279	-	246	-
Carbine, Cal..30 (all models)	25	-	-	-	-	84,523	-
Tank, Light, M24	60	-	-	-	35	104	14
Ammunition	\$ 977	\$3,583	-	\$ 1,030	\$ 9,812	\$185,502	\$ 1,382
Cartridge, 20mm (all types) (M Rds)	-	-	-	-	-	1,454	-
Cartridge, HEAT, w/f, 106mm Rifle (M Rds)	-	-	-	-	-	58	-
Cartridge, HE, 155mm How (all types) (M Rds) (Procured by complete rounds)	-	1	-	-	-	425	1
Electronics & Comm. Equipment, Comp. & Spares	\$ 2,904	\$3,106	-	\$ 1,481	\$ 2,823	\$ 51,508	\$10,697
AN/TRC-36 Radio Relay	-	9	9	\$ 362	-	-	9
SCR-509, 510 (AN/VRC-8) Radio	-	-	-	-	-	501	-
Other Materiel	\$ 25	\$ 45	-	\$ 3	\$ 480	\$ 25,546	\$ 549
Construction	-	-	-	-	-	-	-
Training	\$ 163	\$ 114	-	\$ 95	\$ 325	\$ 27,674	(\$ 161)
All Other	\$ 47	-	-	-	\$ 443	\$ 8,995	\$ 315

() Indicate negative figure.

SECRET

SECRET

MILITARY ASSISTANCE

Shaded areas are Security classified and must not be divulged to unauthorized individuals. All other material is unclassified.

Netherlands

Objectives of Military Assistance:

- (a) Obtain maximum cooperation by the Netherlands in the defense of Europe;
- (b) assist in the improvement of Dutch forces committed to NATO.

Major Combat Forces:

Strategic Objectives

MAP Supported

4 Divisions	4 Divisions
3 H. J./L. J. Bns.	3 H. J./L. J. Bns.
1 Corporal/Sgt. Bn.	1 Corporal/Sgt. Bn.
3 Nike Bns.	3 Nike Bns.
135 Naval Vessels	161 Naval Vessels
16 Naval ASW Patrol A/C	16 Naval ASW Patrol A/C
6 Terrier Batteries	6 Terrier Batteries
15 Naval ASW Helicopters	8 Naval ASW Helicopters
13 Air Squadrons	7 Air Squadrons
1 Matador Squadron	1 Matador Squadron

Active Military Strength: 130,310

MAP Accomplishments: In 1950, the Dutch Armed Forces were largely ineffective, possessing for the most part obsolete British materiel and lacking heavy equipment. Supplementing Dutch efforts to increase the effectiveness of their forces, MAP has provided equipment, supplies, and services for the build-up and modernization of Dutch forces. These forces now constitute a valuable asset to NATO's defensive capabilities. Major items in the program have included light and medium tanks, naval aircraft, destroyer escorts, minesweepers, and fighter-bomber aircraft. The Netherlands is also to be provided with one battalion of NIKE, one battalion of Honest John missiles, and 150 F-84F conversion from its prior year programs.

Appraisal of Forces: In concert with other NATO forces, the Netherlands Army is capable of sustained combat operations. The Navy has achieved a high level of operational efficiency and is effective in anti-submarine warfare, protection of shipping and minesweeping, although it needs more mobile support. The Air Force, however, is undergoing a modernization program and is at present capable of conducting only limited combat operations. It is further handicapped by insufficiency of crews and skilled technicians and shortages of certain types of equipment.

PROGRAMS (In Thousands Dollars)	FY 1957	FY 1958	Proposed FY 1959
Country Programs	27,967	8,571	12,895
Portion Special Materiel Program	(6,871)	(31,640)	(27,417)
Total	(34,838)	(40,211)	(40,312)

Country Contribution: The Netherlands has been among the strongest and most active supporters of NATO, as evidenced by a progressive increase in its defense expenditures to their present highest peacetime level. The Dutch are financing a large part of their military equipment, including ships and vehicles, and have assumed full responsibility for their own spares support.

Proposed FY 1959 Program Provides: Modern ASW aircraft (S2F) and an ASW helicopter for the Dutch carrier (KAREL DOORMAN), electronics equipment, and ammunition, some of which may be on a sales basis. In addition, there will be a small grant training program.

Miscellaneous Data: U. S. excess stocks delivered (no charge) through 30 June 1958: \$40.3 million (Est). Military sales through 30 June 1957 \$8.3 million.

	U. S.	U. S. Civ.	Local	Total
MAAG Strength 1956	53	6	10	69
1957	48	7	9	64

SECRET

NORWAY

CONFIDENTIAL (As Noted)

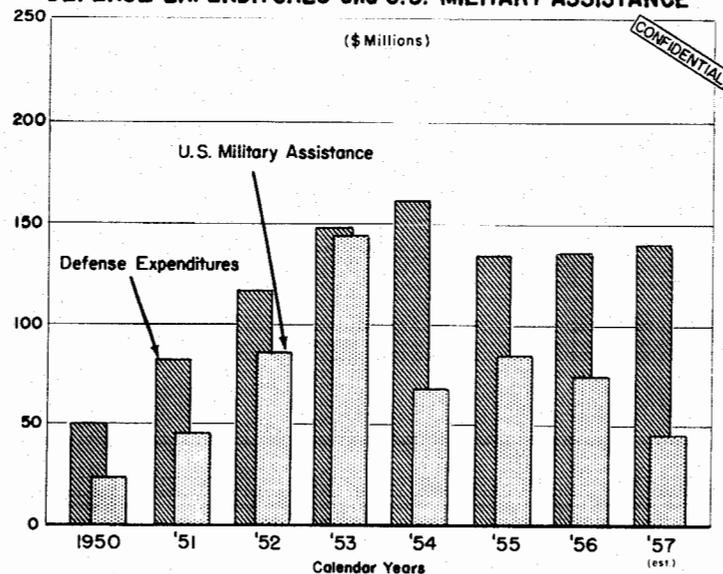


ECONOMIC TRENDS

	Unit	1954	- Calendar Years -		1957Est
			1955	1956	
DEFENSE EXPENDITURES					
Total Defense Expenditures.....	\$ Millions	160	133	135	140
As Percent of GNP.....	Percent	5.2%	4.1%	3.8%	3.6%
As Percent of Central Gov't Expenditures.....	Percent	26%	22%	23%	21%
GROSS NATIONAL PRODUCT					
Total GNP (In 1955 Prices).....	\$ Millions	3,185	3,280	3,400	3,490
Per Capita GNP.....	Dollars	939	958	981	997
INDUSTRIAL PRODUCTION.....	1953=100	109	117	122	126
AGRICULTURAL PRODUCTION ^a ...	Prewar=100	111	114	116	n.a.
CONSUMER PRICES.....	1953=100	104	105	108	112
GOLD & SHORT-TERM DOLLAR ASSETS (end of year).....					
	\$ Millions	148	124	115	141 (Nov)

n.a. - Not Available
^a - Crops harvested in crop-year beginning in year stated.

DEFENSE EXPENDITURES and U.S. MILITARY ASSISTANCE



CONFIDENTIAL (As Noted)

BALANCE OF PAYMENTS

Calendar Years - in millions of dollars -	1955	1956	1957Est
Exports (f.o.b.).....	652	792	811
Imports (f.o.b.) (-).....	-1,043	-1,153	-1,239
Net Services ^b	245	338	402
Net Capital Operations.....	119	48	29
BALANCE BEFORE SPECIAL RECEIPTS FROM U.S....	-27	25	3
Special Receipts from U.S.:			
U.S. Military & OSP Expenditures	20	15	17
Economic			
MSP Aid Receipts	3	2	1
PL 480 Receipts	-	-	-
Less: Local Currency for U.S. Use....	-	-	-
NET TOTAL SPECIAL RECEIPTS FROM U.S.	23	17	18
BALANCE AFTER SPECIAL RECEIPTS FROM U.S.	-4	42	21

^b - Before Special Receipts from U.S.

Country — NORWAY

MUTUAL SECURITY PROGRAM

Shaded areas are Security classified and must not be divulged to unauthorized individuals. All other material is unclassified.

U.S. interests: Norway is a member of NATO, to which it contributes military forces commensurate with its ability, and has signed Mutual Defense Assistance Agreement with the U.S. Norway's merchant fleet is the third largest in the world and another important asset of the NATO Alliance.

Norway is close to vital centers of the USSR and dominates the entrance to the Baltic. Her territory provides valuable bases for naval and air operations in the North Atlantic and Europe and for an early warning system on the northern flank of the USSR. Norway also has sovereignty over the strategically important Spitsbergen Archipelago and Jan Mayen.

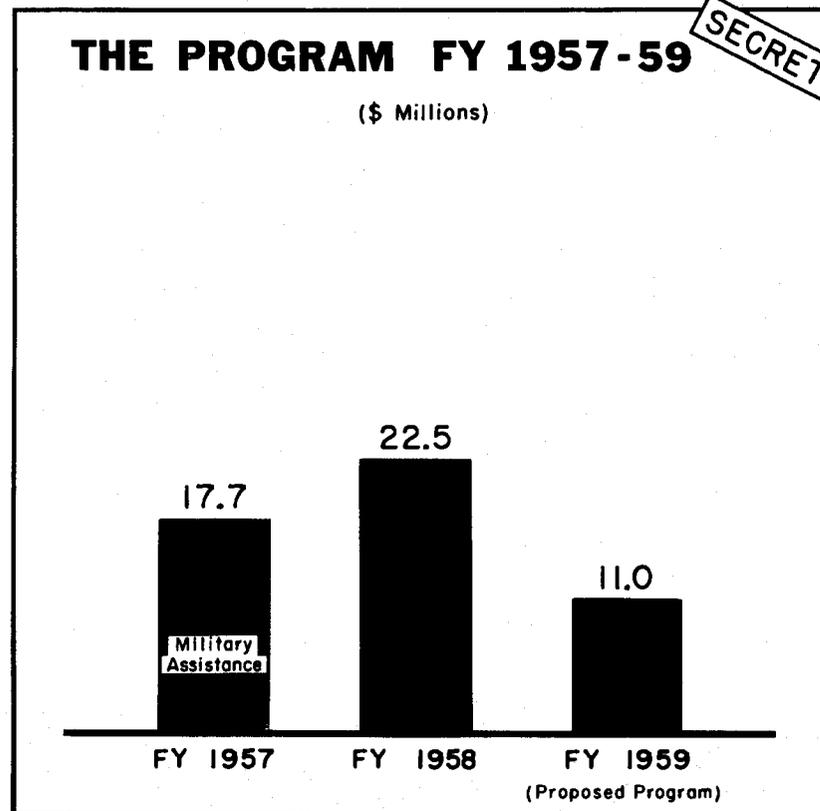
Norway's influence in international forums, enhanced by the caliber of her statesmen and her reputation for impartiality toward most areas of international tension, is much greater than might be expected of a country of three and a half million people. The consistent support given by Norway to U.S. policies on major international issues in the U.N. has served as a valuable example to other Scandinavian countries.

Norway's views carry an influence in European Social Democratic circles far out of proportion to the country's size. The Norwegian Labor Party has kept a channel of communication open with the Yugoslav Communist party on a party-to-party basis, and an attempt is being made to reach similar arrangements with the Gomulka regime in Poland. Sympathetic interpretation of U.S. policies to the Communist regimes in these countries is a valuable by-product of this relationship.

Norway is a member of the OEEC, the European Payments Union, and the Council of Europe, and is participating in the negotiations for a European Free Trade Area.

Since World War II, the rate of investment - primarily in shipping and industry - has been exceptionally high, amounting to 28% of GNP in 1956. As a result, the merchant fleet has been enlarged and modernized, and a considerable net increase in capital equipment over the pre-war level has been realized. About 8% of Norway's exports go to the U.S., while 10% of Norwegian imports are of U.S. origin. Major Norwegian markets are the United Kingdom, West Germany and Sweden which are also the principal sources of Norwegian imports.

Norway has signed an Investment Guaranty Agreement with the U.S.



Obligations and Expenditures \$ in thousands			
MILITARY ASSISTANCE	PROGRAMMED	DEL./EXP.	UNLIQUIDATED
Cumulative 6/30/57	570,878	482,339	88,539
Estimate F.Y. 1958	22,484	55,864	XXX
Cumulative 6/30/58	593,362	538,203	55,159
ECONOMIC ASSISTANCE	OBLIGATIONS	EXPENDITURES	UNLIQUIDATED
Cumulative 6/30/57	274,796	273,586	1,210
Estimate F.Y. 1958		910	XXX
Cumulative 6/30/58	274,796	274,496	300

Norway

SECRET
MILITARY ASSISTANCE

*Shaded areas are Security classified
and must not be divulged to
unauthorized individuals. All
other material is unclassified.*

Major Components by Category (all values in thousands of dollars)	Annual Programs				Del./Exp. F.Y. 1950-58 Programs		
	Quantity and Value		Proposed F.Y. 1959		Estimate F.Y. 1958	Cumulative June 30, 1958	F.Y. 1959 and Later
	F.Y. 1957	F.Y. 1958	Quantity	Value			
Country Total	\$17,692	\$22,484	-	\$11,015	\$55,864	\$538,203	\$55,159
Aircraft, Components, Spares & Related Equip.	\$12,791	\$ 665	-	\$ 5,565	\$44,912	\$173,277	\$14,405
S2F	-	-	7	\$ 3,955	-	-	-
F-86F	60	-	-	-	160	180	-
F-84G	-	-	-	-	4	200	-
RF-84F	-	-	1	\$ 399	4	24	-
F-86K	-	-	-	-	5	65	-
Ships and Harbor Craft, Components and Spares	\$ 711	\$18,439	-	-	\$ 2,194	\$ 34,014	\$18,087
Battle Damage Repair Ship (ARB)	-	-	-	-	-	1	-
Coastal Minelayer (MMC)	-	2	-	-	-	2	2
Coastal Minesweeper (MSC)	-	-	-	-	-	2	-
Destroyer (DD) (Loan) (Activation)	-	2	-	-	-	-	2
Ocean Minesweeper (MSO)	-	-	-	-	-	2	-
Tanks, Other Vehicles, Weapons, Comp. & Spares	\$ 749	\$ 120	-	\$ 607	\$ 1,813	\$115,605	\$ 1,749
Tank, Light, M24	-	-	-	-	-	113	-
Truck, 1/4 Ton, 4x4 (all models)	-	-	2	\$ 4	21	2,184	-
Truck, 3/4 Ton, 4x4, Cargo (all models)	-	-	-	-	-	1,506	-
Truck, 2 1/2 Ton, 6x6, Cargo (all models)	-	-	-	-	123	1,963	43
Truck, Fire Crash, O-10	-	1	-	-	-	8	5
Gun, Automatic, 40mm, M1, w/carriage	-	-	-	-	-	444	-
Gun, 90mm, AA, w/mount (all models)	-	-	-	-	-	116	-
Howitzer, 105mm, M2 A1, w/carriage or mount	-	73	-	-	-	191	73
Howitzer, 155mm, M1, w/carriage	-	-	-	-	-	48	-
Carbine, Cal..30 (all models)	-	-	-	-	4,090	98,267	-
Ammunition	\$ 1,585	\$ 1,059	-	\$ 991	\$ 2,161	\$133,083	\$ 4,573
Cartridge, Cal..50 (all types) (M Rds)	-	-	-	-	-	23,659	-
Cartridge, HEAT, w/f, 106mm Rifle (M Rds)	-	-	1	\$ 40	-	32	-
Cartridge, HE, M1, w/f, 105mm How, M2 (M Rds)	-	-	-	-	-	761	-
Rocket, HEAT, 3.5", M28 Series	-	-	-	-	-	285	-
Mines MK 6	4	-	-	\$ 544	-	2,042	1,554
Electronics & Comm. Equipment, Comp. & Spares	\$ 938	\$ 1,670	-	\$ 2,995	\$ 3,542	\$ 44,557	\$14,161
AN/FPS-6 Height Finder Radar	-	-	-	-	-	2	4
AN/TRC-36 Radio Relay	-	-	29	\$ 1,166	-	-	-
AN/TPS-1 Radio (all models)	-	-	-	-	-	30	6
AN/SSQ-1 Sonar	-	-	384	\$ 422	-	-	-
AN/SSQ-15 Sonar	-	-	384	\$ 346	-	-	-
Other Materiel	\$ 194	\$ 47	-	\$ 278	\$ 725	\$ 17,121	\$ 1,818
Construction	-	-	-	-	-	-	-
Training	\$ 724	\$ 484	-	\$ 579	\$ 374	\$ 17,350	\$ 205
All Other	-	-	-	-	\$ 143	\$ 3,196	\$ 161

SECRET

Norway

SECRET MILITARY ASSISTANCE

Shaded areas are Security classified
and must not be divulged to
unauthorized individuals. All
other material is unclassified.

Objectives of Military Assistance: Assist in building and maintaining effective defensive forces to cover the northern NATO flank, with particular emphasis upon air defense, in view of Norway's common frontier with the Soviet Union.

Major Combat Forces

Strategic Objectives

3 1/3 Divisions
1 Honest John/Little John Bn
2 Nike Bns
73 Naval Vessels
11 Air Sqdns.

MAP Supported

3 1/3 Divisions
1 H.J./L.J. Bn
2 Nike Bns
70 Naval Vessels
11 Air Sqdns

Active Military Strength - 27,520

MAP Accomplishments: With the help of MAP, the Norwegian armed forces have expanded and acquired an effectiveness far greater than in 1951, when they had only one poorly equipped and poorly trained army brigade, 5 major combat vessels, and 69 obsolescent aircraft. Major items included in the MAP have been aircraft, minesweepers, minelayers, vehicles, artillery, rifles, ammunition, and an aircraft control and warning net. Norway is also scheduled to receive one battalion of Honest Johns and 2 battalions of Nikes under prior year programs.

Appraisal of Forces: The Army, handicapped by a shortage of manpower, has a limited capability of executing its defensive role under NATO plans. The Navy, improving its effectiveness through modernization programs, has modest defensive minelaying, mine-sweeping, coastal escort, and anti-submarine warfare capabilities, and is trained to operate with other NATO navies in the event of war. The Air Force continues to improve and is capable of engaging in offensive and defensive operations in fulfillment of its NATO mission.

Country Contributions: A large proportion of the aircraft control and warning installations of NATO are in Norway. Many of these are in desolate country, posing problems of construction and staffing. Norway provides access roads, the necessary real estate, operating costs and technical personnel, while the construction costs of the installations themselves are financed under the NATO infrastructure program. Norway has purchased training aircraft, is producing 40mm guns and ammunition for its own forces, and is constructing four motor torpedo boats to replace overage MTB's. As of July 1, 1957, Norway assumed responsi-

PROGRAMS (In Thousands Dollars)	FY 1957	FY 1958	Proposed FY 1959
Country Programs	17,692	22,484	11,015
Portion Special Materiel Program	(10,531)	(28,125)	(6,831)
Total	(28,223)	(50,609)	(17,846)

bility for procurement of all Navy spare parts and some items of army spares. Norway has 36,000 men of all Services on active duty and 214,000 trained and ready reserves.

Proposed FY 1959 Program Provides:

Army: Training ammunition, special purpose vehicles and essential radio and radio relay equipment.

Navy: Training equipment, ammunition, and electronic telephone and radar detection equipment to modernize naval units.

Air Force: S2F1 aircraft to modernize the Maritime Patrol Squadron and depth charges and torpedoes for use of this squadron, submarine electronic detection equipment, and ammunition

Miscellaneous Data: US stocks delivered at no charge through 30 June 1958: \$18.2 million. Military sales through 30 June 1957: \$2.0 million.

MAAG Strength:	US Mil	US Civ	Local	Total
1957	55	7	17	79
1958	50	7	17	74

SECRET

PORTUGAL

CONFIDENTIAL (As Noted)

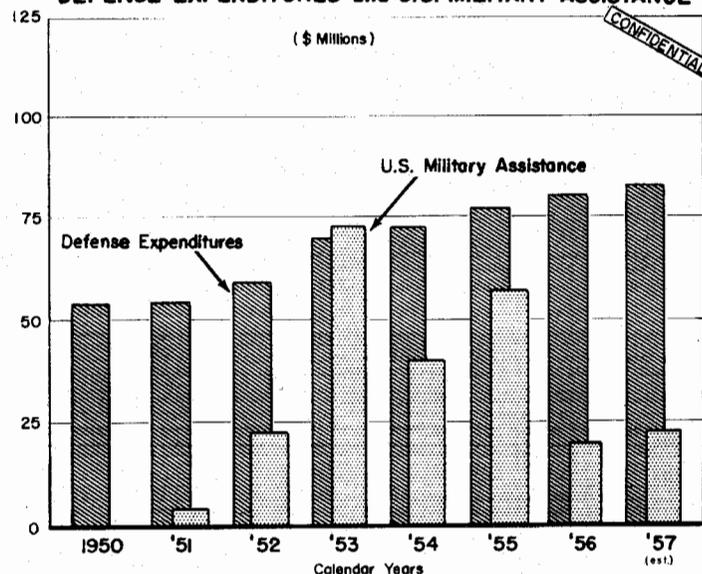


ECONOMIC TRENDS

	Unit	- Calendar Years -			1957Est
		1954	1955	1956	
DEFENSE EXPENDITURES					
Total Defense Expenditures.	\$ Millions	73	77	80	82
As Percent of GNP.....	Percent	4.2%	4.3%	4.1%	4.1%
As Percent of Central					
Gov't Expenditures.....	Percent	32%	29%	28%	27%
GROSS NATIONAL PRODUCT					
Total GNP (In 1955 Prices).	\$ Millions	1,750	1,800	1,875	1,965
Per Capita GNP.....	Dollars	201	205	212	220
AGRICULTURAL PRODUCTION ^a ... Prewar=100					
		142	138	135	n.a.
CONSUMER PRICES 1953=100					
		99	99	102	103
GOLD & SHORT-TERM DOLLAR ASSETS (end of year)..... \$ Millions					
		559	601	630	642 (Nov)

n.a. - Not Available
^a - Crops harvested in crop-year beginning in year stated.

DEFENSE EXPENDITURES and U.S. MILITARY ASSISTANCE



CONFIDENTIAL (As Noted)

BALANCE OF PAYMENTS

	1955	1956	1957Est
Calendar Years - in millions of dollars -			
Exports (f.o.b.).....	217	226	230
Imports (f.o.b.) (-).....	-308	-349	-375
Net Services ^b	19	46	55
Net Capital Operations.....	38	33	23
BALANCE BEFORE SPECIAL RECEIPTS FROM U.S....	-34	-44	-67
Special Receipts from U.S.:			
U.S. Military & OSP Expenditures	12	18	15
Economic			
MSP Aid Receipts.....	1	-	-
PL 480 Receipts.....	-	7	-
Less: Local Currency for U.S. Use...	-	-4	-
NET TOTAL SPECIAL RECEIPTS FROM U.S.	13	21	15
BALANCE AFTER SPECIAL RECEIPTS FROM U.S....	-21	-23	-52

^b - Before Special Receipts from U.S.

Country PORTUGAL

MUTUAL SECURITY PROGRAM

Shaded areas are Security classified and must not be divulged to unauthorized individuals. All other material is unclassified.

U.S. Interests: Portugal, situated in the southwestern corner of continental Europe, and its Azores Islands in the Atlantic, dominates the main Atlantic sea lanes and the approaches to the Mediterranean. It is the area of Western Europe least exposed to attack from the East.

Portugal is a member of NATO, to which it contributes base facilities as well as military and naval forces. The base facilities include the strategic Mid-Atlantic bases of Lages and Santa Maria in the Azores, which are a vital link in the airlift route from the United States to Southern Europe and the Middle East. The NATO command for the West and Central Atlantic Area is located in the Azores and vested in a Portuguese Naval Officer.

Through a bilateral agreement with Spain, Portugal cooperated in the defense of the Iberian Peninsula.

Pursuant to a 1951 Mutual Defense Assistance Agreement Portugal grants to the United States, in implementation of NATO defense plans, rights for the development and use of military facilities in the Azores which provide a significant contribution to the security of the United States.

The Government of Portugal, under the leadership of Premier Antonio Salazar, is firmly anti-Communist and pro-western in outlook. It adheres to the principle of collective security and generally supports the United States in the United Nations, and in other international forums. The Communist Party is not permitted to operate in Portugal and its underground influence is negligible.

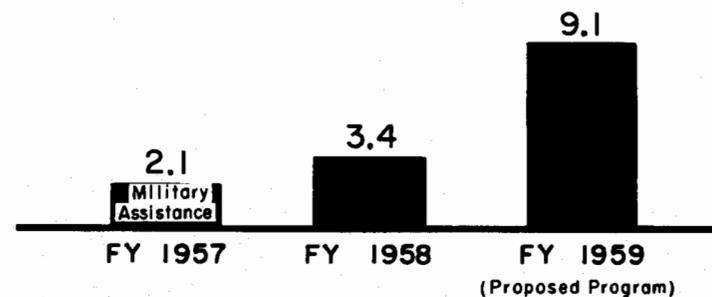
Although Portugal is the least developed country of Western Europe and has the lowest per-capita income of any country in this region, its economy is stable and grows at a gradual rate. The well-being of the Portuguese economy depends in large measure on its favorable trade with the Portuguese overseas provinces in Africa.

The United States is an important traditional market for Portuguese cork, wine, fruit and fish products, as well as for certain strategic minerals. Portugal participates in the OEEC and has signed an Investment Guaranty Agreement with the U.S. Strictly controlled barter trade with the Soviet bloc in non-strategic commodities is a very small portion of Portugal's over-all trade. Portugal does not recognize or maintain diplomatic relations with any Communist countries.

THE PROGRAM FY 1957-59

(\$ Millions)

SECRET



Obligations and Expenditures \$ in thousands			
MILITARY ASSISTANCE	PROGRAMMED	DEL./EXP.	UNLIQUIDATED
Cumulative 6/30/57	253,497	220,402	33,095
Estimate F.Y. 1958	3,441	15,931	XXX
Cumulative 6/30/58	256,938	236,333	20,605
ECONOMIC ASSISTANCE	OBLIGATIONS	EXPENDITURES	UNLIQUIDATED
Cumulative 6/30/57	49,806	49,806	
Estimate F.Y. 1958			XXX
Cumulative 6/30/58	49,806	49,806	

Portugal

SECRET
MILITARY ASSISTANCE

*Shaded areas are Security classified
and must not be divulged to
unauthorized individuals. All
other material is unclassified.*

Major Components by Category (all values in thousands of dollars)	Annual Programs				Del./Exp. F.Y. 1950-58 Programs		
	Quantity and Value		Proposed F.Y. 1959		Estimate F.Y. 1958	Cumulative June 30, 1958	F.Y. 1959 and Later
	F.Y. 1957	F.Y. 1958	Quantity	Value			
Country Total	\$2,093	\$3,441	-	\$9,103	\$15,931	\$236,333	\$20,605
Aircraft, Components, Spares & Related Equip.	\$ 269	\$ 92	-	\$7,587	\$12,620	\$ 60,091	\$ 7,846
S2F	-	-	9	\$4,827	-	-	-
C-54	-	-	-	-	-	-	9
F-47D	-	-	-	-	-	50	-
F-84G	-	-	-	-	6	98	-
T-33	-	-	2	\$ 264	-	15	-
F-86F	-	-	2	\$ 331	60	60	-
PV-2	-	-	-	-	-	34	-
SA-16A	-	-	-	-	-	3	-
SR2C	-	-	-	-	-	36	-
Ships and Harbor Craft, Components and Spares	-	-	-	-	-	\$ 58,216	\$ 109
Coastal Minesweeper (MSC)	-	-	-	-	-	10	-
Destroyer Escort (DE)	-	-	-	-	-	3	-
Ocean Minesweeper (MSO)	-	-	-	-	-	4	-
Submarine Chaser (PC)	-	-	-	-	-	6	-
Tanks, Other Vehicles, Weapons, Comp. & Spares	\$ 679	\$ 71	-	\$ 42	\$ 413	\$ 58,521	\$ 1,611
Tank, Medium, M26, M46, M47, M48 Series	11	-	-	-	-	112	11
Truck, 1/4 Ton, 4x4 (all models)	-	1	-	-	-	1,339	1
Trailer, Fuel Servicing F7	-	-	1	\$ 15	-	-	-
Gun, Automatic, 40mm, M1, w/carriage	-	64	-	-	21	53	43
Rifle, 106mm, w/mount	-	-	-	-	-	48	-
Launcher, Rocket, 3.5" M20 Series	-	-	-	-	-	902	-
Ammunition	\$ 215	\$ 801	-	\$1,076	\$ 265	\$ 23,234	\$ 867
Cartridge, Cal..30 (all types) (M Rds)	-	-	58	\$ 9	-	2,137	-
Cartridge, 40mm (all types) (M Rds)	-	32	40	\$ 237	-	388	32
Cartridge, HEAT, w/f, 106mm Rifle (M Rds)	-	-	-	-	-	10	-
Cartridge, Fix., HE, w/f PD, 90mm Gun (M Rds)	-	-	-	-	-	52	-
Cartridge, Fix., HE, w/f MTSQ, 90mm Gun (M Rds)	-	-	-	-	-	4	-
Cartridge, HE, 81mm Mortar (M Rds)	-	-	-	-	1	65	-
Rocket, 2/75" FFAR, HEAT	-	-	37,783	-	-	-	-
Electronics & Comm. Equipment, Comp. & Spares	\$.143	\$1,864	-	\$ 167	\$ 903	\$ 18,007	\$ 7,821
AN/ARN-21 Class V Kits	-	24	-	-	-	-	24
AN/FPS-6 Height Finder Radar	-	2	-	-	-	1	5
Other Materiel	\$ 440	\$ 178	-	\$ 39	\$ 934	\$ 10,169	\$ 1,809
Construction	-	-	-	-	-	-	-
Training	\$ 347	\$ 185	-	\$ 192	\$ 108	\$ 4,522	\$ 116
All Other	-	\$ 250	-	-	\$ 688	\$ 3,573	\$ 426

SECRET

Portugal

SECRET MILITARY ASSISTANCE

Shaded areas are Security classified and must not be divulged to unauthorized individuals. All other material is unclassified.

Objectives of Military Assistance

- (a) Support Portuguese participation in NATO and the defense of Europe;
- (b) Further Portuguese cooperation in providing base facilities in the Azores for U.S. forces.

Major Combat Forces:

Strategic Objectives

1 Division
48 Naval Vessels
24 Naval ASW Patrol a/c
4 Air Squadrons

MAP Supported

1 Division
36 Naval Vessels
24 Naval ASW Patrol a/c
5 Air Squadrons

Active Military Strength - 86,290

MAP Accomplishments: In 1951, Portuguese forces consisted of small poorly equipped cadre army units, some 50 small naval vessels in need of modernization and a number of obsolete aircraft. Since then the Portuguese forces have, with the help of MAP, been expanded and improved.

One infantry division has been organized and earmarked for SHAPE. The Navy has thirty (30) ships on hand committed to NATO and two anti-submarine squadrons of PV2 aircraft. The Air Force now has two (2) active squadrons of jet fighter-bombers and is scheduled to receive aircraft and supporting equipment for two (2) IIF squadrons.

MAP has also been instrumental in enabling the US to obtain an extension on the Azores base rights until January 1963. It has provided and is now supporting one squadron of fighter aircraft beyond those required to meet the Strategic Objectives set out above, as a result of requirements for aid emerging from the negotiations for Azores base rights.

Appraisal of Forces: The lack of an adequate logistics support system and training program and, above all, the inadequacy of budgetary support severely limit the capability of Portuguese forces to perform their NATO military missions. However, the anti-submarine warfare capability of the Portuguese Navy will be significantly improved with the replacement of its present PV2 aircraft by more modern aircraft under the proposed FY 1959 program.

PROGRAMS (In Thousands Dollars)	FY 1957	FY 1958	Proposed FY 1959
Country Programs	2,093	3,441	9,103
Portion Special Materiel Program	(2,546)	(1,374)	(2,911)
Total	(4,639)	(4,815)	(12,014)

Country Contribution: Base facilities for U.S. forces in the Azores are an important contribution to NATO and to U.S. security. Active Portuguese forces committed to NATO total over 50,000 men. Portuguese defense expenditures have risen steadily, but remain low in relation to Portuguese financial capacity. However, Portugal is one of the least developed NATO countries with a GNP of \$227 per capita. The Portuguese Government is dedicated to a policy of internal financial stability and a costly welfare program which makes any further increase in the defense budget unlikely.

Portugal has some facilities for ship construction and for production of small arms and ammunition, but requires external financial aid in order to fully use this capacity. Portugal has assumed responsibility for Navy spare parts and for a portion of its Air Force spares.

Proposed FY 1959 Program Provides:

Army: Training support

Navy: Maintenance and training support; 9 S2F ASW aircraft as time-phased partial replacement of obsolete PV2 aircraft.

Air Force: Maintenance and training support.

Miscellaneous Data: U.S. excess stocks delivered at no charge through 30 June 1958: \$15.5 million. Military sales through 30 June 1957: \$.5 million.

MAAG Strength:	US Mil	US Civ	Local	Total
1957	50	7	33	90
1958	40	7	33	80

SECRET

Revised 24 March 1958

SPAIN

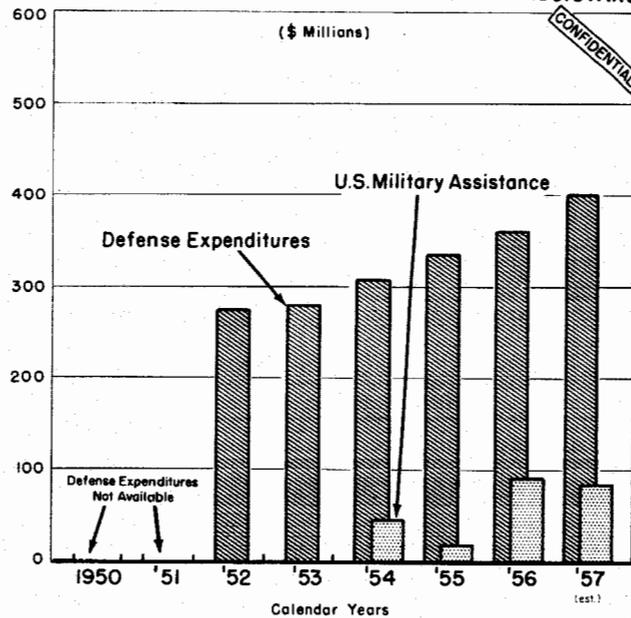
CONFIDENTIAL (As Noted)



ECONOMIC TRENDS

	Unit	Calendar Years			
		1954	1955	1956	1957 Est.
GROSS NATIONAL PRODUCT*					
Total GNP (In 1955 Prices)	\$ Millions	7,080	7,200	7,550	7,910
Per Capita GNP	Dollars	246	248	259	269
PRODUCTION					
Agricul. Prod. Index ^a	Prewar=100	106	101	102	109
Per Capita Index	"	89	84	84	89
Wheat	1,000 MT	4,900	4,100	4,200	4,400
Industrial Prod. Index	1953=100	104	117	129	137
FOREIGN TRADE					
Total Exports (f.o.b.)	\$ Millions	464	446	441	470
Total Imports (c.i.f.)	"	614	617	767	760
Trade Balance	"	-150	-171	-326	-290
GOLD & SHORT-TERM DOLLAR ASSETS (end of year)					
	\$ Millions	188	221	160	116(Nov)
COST OF LIVING INDEX					
	1953=100	101	105	111	122

DEFENSE EXPENDITURES and U.S. MILITARY ASSISTANCE



CENTRAL GOVERNMENT FINANCES*

Country Fiscal Year Ending - December 31	- \$ Millions -		
	1955	1956	1957 (Budget)
Total Expenditures	1,213	1,463	1,467
Revenues, excl. receipts of U.S. Grant Aid	899	1,058	1,119
Deficit or Surplus before U.S. Grant Aid	-314	-405	-348
Budgetary Receipts from U.S. Grant Aid	7	18	14
Budgetary Receipts from U.S. Loans	10	27	0
DEFENSE EXPENDITURES			
Total Defense Expenditures	335	360	400
As percent of Total Gov't Expenditures	28%	25%	27%
As percent of Gross National Product	4.7%	4.4%	4.0%
TOTAL DEBT (gross)			
Total Debt	2,605	3,069	3,507
As percent of GNP	36%	37%	35%
Foreign Debt	210	207	197

n.a. - Not Available a - Crops harvested in crop-year beginning in year stated.
*Converted into dollars at the rate of 42 pesetas per \$1.00.

CONFIDENTIAL (As Noted)

Country SPAIN

MUTUAL SECURITY PROGRAM

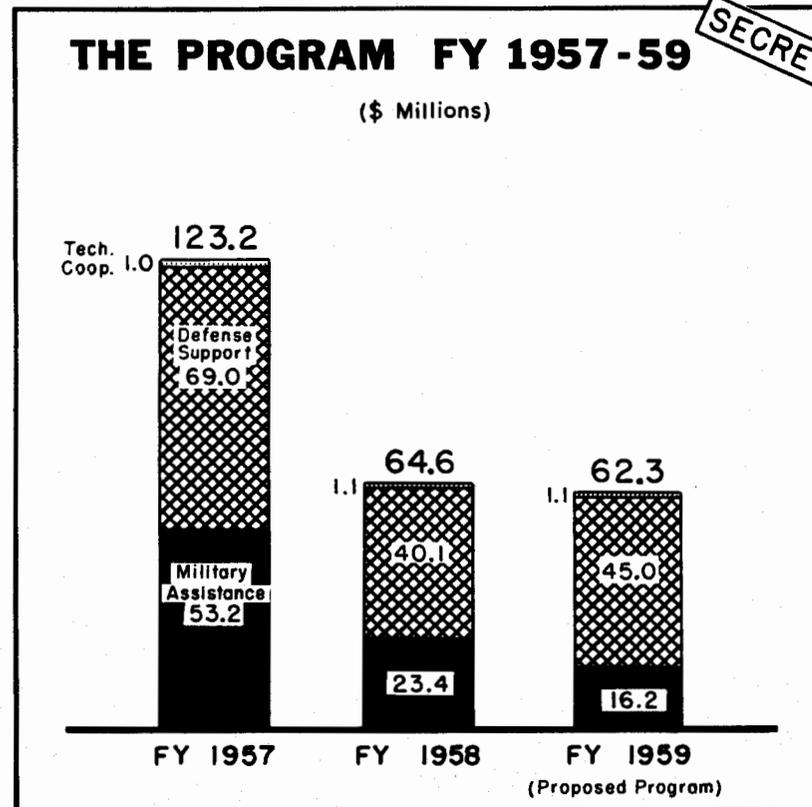
Shaded areas are Security classified and must not be divulged to unauthorized individuals. All other material is unclassified.

U.S. Interests: Spain's location at the southwestern extremity of Europe is important for the command of the western Mediterranean, eastern Atlantic sea lanes, and the Straits of Gibraltar. Its relative remoteness to central Europe, behind the Pyrenees Mountains, makes it one of the least exposed areas of Europe to attack from the East.

Although not a member of NATO, Spain contributes to the European mutual defense effort through bilateral agreements with the U.S., including a Mutual Defense Assistance Agreement, and with Portugal, with which it cooperates in assuring the joint defense of the Iberian peninsula. Pursuant to the 1953 bilateral agreements, the U.S. is making a multi-million dollar investment in Spain for the development of air and naval bases for joint use with the Spanish armed forces. **These bases provide an important link in the chain of U.S. SAC and Sixth Fleet bases between the U.K. and Morocco.**

The Spanish Government is under the firm control of General Franco, who enjoys the support of the major political forces in the country. Its relations with the U.S. are close and cooperative. Spain, through its recently acquired membership in the U.N., and its participation in other international organizations, provides effective support for policies designed to counter international Communism. Within Spain itself, the influence of Communism is negligible.

Although the Spanish economy is poor, and as yet underdeveloped, and provides only a very low standard of living for the mass of the people, the industrial base is expanding, and living conditions for the average Spaniard are gradually improving. Spain is an exporter of raw materials, including strategically important mercury and wolfram, and of agricultural products (chiefly fruits), while it imports capital and manufactured goods, petroleum products, and sizable quantities of U.S. agricultural surpluses to remedy shortages caused by the vagaries of Spanish weather. Foreign private investment is limited, and foreign exchange shortages and restrictions act to discourage it at present, although it has signed an Investment Guaranty Agreement with the U.S. Trade relations with the Soviet bloc are limited to barter agreements for the exchange of non-strategic commodities on a non-governmental basis. Spain does not have diplomatic relations with any Communist-controlled country.



Obligations and Expenditures \$ in thousands			
MILITARY ASSISTANCE	PROGRAMMED	DEL./EXP.	UNLIQUIDATED
Cumulative 6/30/57	342,717	195,046	147,671
Estimate F.Y. 1958	23,390	42,410	XXX
Cumulative 6/30/58	366,107	237,456	148,651
ECONOMIC ASSISTANCE	OBLIGATIONS	EXPENDITURES	UNLIQUIDATED
Cumulative 6/30/57	360,460	290,395	70,065
Estimate F.Y. 1958	41,150	69,415	XXX
Cumulative 6/30/58	401,610	359,810	41,800

Spain

SECRET
MILITARY ASSISTANCE

*Shaded areas are Security classified
and must not be divulged to
unauthorized individuals. All
other material is unclassified.*

Major Components by Category (all values in thousands of dollars)	Annual Programs				Del./Exp. F.Y. 1950-58 Programs		
	Quantity and Value		Proposed F.Y. 1959		Estimate F.Y. 1958	Cumulative June 30, 1958	F.Y. 1959 and Later
	F.Y. 1957	F.Y. 1958	Quantity	Value			
Country Total	\$53,163	\$23,390	-	\$16,181	\$42,410	\$237,456	\$128,651
Aircraft, Components, Spares & Related Equip.	\$ 698	-	-	-	\$ 4,907	\$ 74,513	\$ 22,802
F-86F	-	-	-	-	55	270	-
HR8-3	-	-	-	-	1	6	-
S-55	1	-	-	-	1	1	-
T-33	-	-	-	-	-	30	18
T-34	-	-	-	-	15	15	-
T6G	-	-	-	-	60	60	-
Ships and Harbor Craft, Components and Spares	\$16,727	\$14,520	-	\$ 4,840	\$ 8,143	\$ 28,511	\$ 65,311
Coastal Minesweeper (MSC)	6	-	-	-	-	6	6
Destroyer, Coastal (DC) Modernization	-	-	-	-	1	1	8
Destroyer (DD) (Including Activation)	-	3	1	\$ 4,500	-	2	3
Destroyer (DD) Modernization	-	-	-	-	-	-	2
Submarine (SS) Modernization	-	-	-	-	1	1	1
Submarine Chaser (PC) Modernization	-	-	-	-	2	2	3
Tanks, Other Vehicles, Weapons, Comp. & Spares	\$17,729	\$ 2,084	-	\$ 463	\$15,136	\$ 71,548	\$ 11,850
Tank, Medium, M26, M46, M47, M48 Series	73	-	-	-	15	134	24
Carriage, Motor, 105mm How (all models)	24	-	-	-	24	28	-
Tractor, HS, 13 Ton, M-5 Series	53	-	-	-	53	87	-
Truck, 3/4 Ton, 4x4, Cargo (all models)	128	17	-	-	137	1,071	17
Truck, 2 1/2 Ton, 6x6, Cargo (all models)	405	39	30	\$ 222	275	1,863	263
Truck, 4-5-6 Ton, 6x6, Cargo (PM)	88	-	-	-	30	131	58
Gun, 40mm (Single)	-	-	-	-	2	12	2
Howitzer, 155mm, M1, w/carriage	-	-	-	-	40	64	-
Ammunition	\$ 6,240	\$ 283	-	\$ 2,274	\$ 2,468	\$ 17,712	\$ 7,168
Cartridge, 40mm (all types) (M Rds)	124	1	-	-	14	15	159
Cartridge, Cal..50 (all types) (M Rds)	123	288	4,250	\$ 1,403	1,540	2,827	3,651
Cartridge, 75mm (all types) (M Rds)	-	2	9	\$ 180	-	54	2
Cartridge, HEAT, w/f, 106mm Rifle (M Rds)	-	-	-	-	-	19	-
Cartridge, HE, M1, w/f, 105mm How, M2 (M Rds)	101	6	-	-	93	145	13
Shell, 3"/50 (all types) (M Rds)	28	-	-	-	-	11	29
Electronics & Comm. Equipment, Comp. & Spares	\$ 2,591	\$ 133	-	\$ 4,728	\$ 6,778	\$ 17,219	\$ 10,207
AN/APS-31 Radar	-	-	12	\$ 152	-	-	-
AN/GRC-9 Radio	15	13	-	-	15	283	13
SCR-506 (AN/GRC-19) Radio	21	2	-	-	15	60	15
Microwave System	-	-	-	\$ 2,480	-	-	-
Other Materiel	\$ 2,882	\$ 3,636	-	\$ 1,841	\$ 3,728	\$ 13,002	\$ 8,786
Construction	-	-	-	-	-	-	-
Training	\$ 5,575	\$ 2,402	-	\$ 2,035	\$ 402	\$ 13,906	\$ 2,174
All Other	\$ 721	\$ 282	-	-	\$ 848	\$ 1,045	\$ 353

SECRET

Spain

SECRET
MILITARY ASSISTANCE

Shaded areas are Security classified
and must not be divulged to
unauthorized individuals. All
other material is unclassified.

Objectives of Military Assistance:

(a) To provide the minimum military assistance essential to promote Spanish cooperation with the U.S., particularly in respect to US use of Spanish bases and facilities;

(b) With such assistance, increase Spain's capability to contribute to the defense of the Iberian Peninsula, including defense of U.S. occupied bases.

Major Combat Forces:

Strategic Objectives

7 Divisions
1 Marine Regt.
79 Naval Vessels
10 Air Squadrons

MAP Supported

5 Divisions
1 Marine Regt.
67 Naval Vessels
10 Air Squadrons

Active Military Strength: 403,270

MAP Accomplishments: Prior year programs have fulfilled a U.S. commitment to provide Spain's armed forces with military end-item assistance under terms of the Defense and MDAP agreements of September 26, 1953.

Apart from equipment for modernization, the MAP has assisted in the construction of training centers and facilities, and the establishment of training programs to provide skilled personnel for units receiving or scheduled to receive MAP equipment. MAP has stimulated a rejuvenation process in all echelons and systems of the Spanish armed forces. Personnel, supply and maintenance systems have been or are being modified to meet basic requirements for modern military forces. Combat readiness training in MAP supported units has just begun.

Appraisal of Forces: The Spanish army is capable of maintaining internal security and engaging in limited military operations in defense of the Iberian Peninsula. The capability of the Spanish Navy for the defense of Spain's ports and naval bases, control of its coastal waters and defense of the lines of communications to its insular and North African territories is limited, but is expected to improve considerably during 1958 and 1959 when the bulk of the modern MAP equipment will be delivered. This will overcome major equipment deficiencies and provide an improved anti-submarine warfare and mine countermeasure capability. The Spanish Air Force is now an ineffective combat force, but progress is being made in reorganizing its training, personnel, supply, and maintenance systems. The Air Force has also undertaken a program for the construction of additional facilities to house and disperse its combat squadrons.

PROGRAMS (In Thousands Dollars)	FY 1957	FY 1958	Proposed FY 1959
Country Programs	53,163	23,390	16,181
Portion Special Materiel Program	(5,298)	(4,617)	(16,314)
Total	(58,461)	(28,007)	(32,495)

Country Contribution: Spain provides a complex of air and naval bases for joint use by U.S. and Spanish forces. Spain is basing its military planning for defense of the Iberian Peninsula upon joint Spanish-Portuguese defense planning. Spanish expenditures for military purposes amounted in 1957 to 27% of the total national budget. The Spanish defense effort, of course, is limited by the country's poverty and by current inflationary pressures.

Proposed FY 1959 Program Provides:

Army: Maintenance and training support.

Navy: Maintenance and training support; one (1) US loan destroyer.

Air Force: Maintenance and training support; communication and electronics equipment to complete major equipment requirements for air defense net; PCL for jet aircraft.

Fifty percent of the above represents a minimum maintenance program; it is recognized that some additional, limited assistance for force improvement will be required to meet US objectives of retaining Spanish cooperation in the U.S. use of Spanish bases. Discussions with the Spanish in the near future are expected to indicate the most effective form of such assistance; meanwhile an allowance of \$10 million to cover possible additional requirements for Spain in FY 1959 has been included within "Programs Under Negotiation."

Miscellaneous Data: U.S. excess stocks delivered at no charge through 30 June 1958: \$9.4 million. Military sales through 30 June 1957: \$.1 million.

MAAG Strength:	US Mil	US Civ	Local	Total
1957	101	17	35	153
1958	111	17	35	163

SECRET

Country: SPAIN

ECONOMIC ASSISTANCE
SUMMARY OF PROGRAM BY FUNCTION - PROJECT AND NON-PROJECT ASSISTANCE

*Shaded areas are Security classified
and must not be divulged to
unauthorized individuals. All
other material is unclassified.*

(In thousands of dollars)

MAJOR COST COMPONENT	ACTUAL FY 1957				ESTIMATE FY 1958				PROPOSED FY 1959		
	Total	Def Sup	Tech. Coop.	Other	Total	Def Sup	Tech. Coop.	Other	Total	Def Sup	Tech. Coop.
PROJECT ASSISTANCE											
Technicians	213		213		358		358		334		334
Participants	577		577		499		499		404		404
Contractual Services	96		96		205		205		324		324
Supplies and Equipment	6,002	5,906	96		2,114	2,100	14		2,514	2,500	14
Contrib. to Coop. Services											
Other Costs	158	140	18		24		24		24		24
Total Project Assistance	7,046	6,046	1,000		3,200	2,100	1,100		3,600	2,500	1,100
NON-PROJECT ASSISTANCE											
Agric. Commodities Total	18,500	18,500			25,000	25,000 ^{a/}			20,000	20,000	
Surplus	18,500	18,500			25,000	25,000			20,000	20,000	
Other											
Industrial Commodities Total	44,453	44,453			12,900	12,900 ^{b/}			22,500	22,500	
Raw Materials and Fuels	32,414	32,414			12,900	12,900			21,000	21,000	
Machinery and Equipment	8,149	8,149							1,500	1,500	
Other Indus. Commodities	3,890	3,890									
Cash Transactions											
Other					50	50 ^{c/}					
Total Non-Project Assistance	62,953	62,953			37,950	37,950			42,500	42,500	
TOTAL COUNTRY PROGRAMS	69,999	68,999	1,000		41,150	40,050	1,100		46,100	45,000	1,100
NUMBER OF PEOPLE											
Technicians (On duty close of year)	25		25		33		33		31		31
U.S. Employed	16		16		19		19		19		19
Contract	9		9		14		14		12		12
Participants (Programmed during year)	413		413		321		321		298		298
Non-Contract	413		413		321		321		298		298
Contract											

^{a/} Including \$5,000,000 sales to other European countries in exchange for industrial equipment to be supplied by them to Spain.

^{b/} Not including \$5,000,000 to be supplied by other European countries as per footnote a/.

^{c/} Emergency Relief from President's Special Fund for Valencia Flood.

GPO 934793

Country SPAIN

ECONOMIC ASSISTANCE

*Shaded areas are Security classified
and must not be divulged to
unauthorized individuals. All
other material is unclassified.*

Objectives

- To support through economic means the principal U.S. objective in Spain, i.e., the completion of the complex of air and naval bases set up by the joint U.S.-Spanish Agreement of 1953, and to contribute to the maintenance of economic and political conditions within Spain which will insure a climate of opinion favorable to their operation by U.S. forces.
- Within this over-all objective to contribute towards the control of inflation, growth of the economy, and elimination of the foreign exchange gap.
- To encourage Spain to enter into fuller economic partnership with the other countries of Western Europe.

Accomplishments

Strategic rail lines serving the bases have been rehabilitated and strengthened; access highways to the bases have been repaired, widened and made usable for U.S. military transport.

Spain's primarily hydroelectric generating capacity has been augmented by a thermoelectric reserve, thus reducing power shortages that restrict production. The power transmission system has been strengthened.

Critical shortages of food, arising from crop failure (with resultant sharp declines in export earnings), have been avoided.

Production and employment have been maintained during a period of critical foreign exchange shortage.

A start has been made toward adaptation of Spanish industry and agriculture to more modern methods of production and marketing.

Spain is moving toward closer association with the OEEC.

Most important of all, the provision of U.S. economic assistance during a period of economic difficulty and growth has helped the Spanish Government in its efforts to maintain internal economic stability and has thus contributed to a climate of cooperation under which the base construction program could proceed in a mutually satisfactory manner.

Major Problems: The continuing inflation, under which wholesale prices rose 20%, the volume of currency in circulation increased 22%, and the money velocity 12% over the past year; the absence of

a/ Includes \$50 thousand financed from Special Assistance funds.

Summary of Program \$ in thousands

Function	Actual F.Y. 1957	Estimate F.Y. 1958	Proposed F.Y. 1959
Defense Support	68,999	40,050 ^{a/}	45,000
Technical Cooperation	1,000	1,100	1,100
Total	69,999	41,150	46,100

adequate reserves, either in foreign exchange (estimated decline in 1957 \$40 million), or in agricultural foodstuffs or industrial raw materials, which tends to aggravate even relatively minor economic setbacks; the relative backwardness of Spanish industry and agriculture; the continuing economic isolation of Spain.

Proposed FY 1959 Program

Defense Support: A \$45 million Defense Support program is proposed for FY 1959. The U.S. commodity program (including P.L. 480) is designed to assist Spanish efforts to check the progress of inflation by supplementing Spanish imports, as well as Spanish efforts to undertake fiscal reforms, curtail the rate of over-all investment, and put Spanish industrial export capacity on a more competitive basis. Accordingly, the proposed \$45 million defense support program contains only a small (\$2.5 million) component for capital items; the bulk, \$42.5 million, is programmed for raw materials, of which \$20 million is proposed for U.S. surplus agricultural commodities, and \$22.5 million for industrial raw materials.

The capital items in the program include: \$1 million for electric transmission equipment to reduce power losses; \$0.5 million for air navigation and control facilities.

Spain's need for agricultural commodities center on vegetable oils, cotton, barley and eggs.

The industrial raw materials and semi-fabricated products portion of the program includes: \$8 million steel scrap; \$6 million coking coal; \$1 million nickel, manganese and ferro alloys; \$0.75 million semi-finished steel products; to help maintain steel production at the present rate of 1.2 million tons per year. (1929 production: one million tons.) \$4 million copper to help build up the gravely deficient electric power transmission system; \$0.5 million rubber to keep minimum automotive transport running; \$0.75 million tin plate to increase exports of canned products; \$1 million metallic components for freight car production to improve the Spanish railways.

Country: SPAIN

ECONOMIC ASSISTANCE - Continued

Shaded areas are Security classified and must not be divulged to unauthorized individuals. All other material is unclassified.

Technical Cooperation: The proposed \$1.1 million Technical Co-operation program in Spain has four major objectives: (1) to make Spanish industry conscious of the benefits of a concerted effort to raise productivity; (2) to insure through agricultural demonstrations that the considerable funds, including aid generated local currency and P.L. 480 loans, currently being used in irrigation, soil conservation and water development are supported by up-to-date technical advice; (3) to acquaint Spanish Government administrators with modern methods of public administration; and (4) to assist the Spanish in setting up adequate air traffic controls and to improve the Spanish railway system. The funds are programmed principally for personal services, i.e., to provide highly qualified short-term technical consultants from the U.S. and to send about 300 Spanish technicians for training in the U.S.

Development Loan Fund: Since the growth of the Spanish economy is to a large extent dependent upon imported capital equipment for the railway, power, steel, and cement industries, substantial loan applications to the DLF are expected. In fact, Spain has already submitted an application containing a lengthy list of projects to the DLF. Almost no other source of foreign capital financing is open to Spain. It is not a member of the IBRD. Export-Import Bank loans to Spain have been intermittent; with her meager gold and dollar reserves, Spain is not in a position to raise substantial sums in private foreign capital markets.

ECONOMIC ASSISTANCE - PROJECT ASSISTANCE BY FIELD OF ACTIVITY

(In thousands of dollars)

Function and Fiscal Year	Total Cost	Agriculture and Natural Resources	Industry and Mining	Transportation	Labor	Health and Sanitation	Education	Public Administration	Community Develop., Social Welfare & Housing	General and Miscellaneous
ACTUAL FY 1957										
Defense Support	6,046	502	75	5,469						
Development Assistance . .										
Technical Cooperation	1,000	193	402	203			19	23	20	140
Other Programs										
Total	7,046	695	477	5,672			19	23	20	140
ESTIMATE FY 1958										
Defense Support	2,100			2,100						
Special Assistance										
Technical Cooperation	1,100	200	373	170				85	31	241
Other Programs (or DA)										
Total	3,200	200	373	2,270				85	31	241
PROPOSED FY 1959										
Defense Support	2,500		1,000	1,500						
Special Assistance										
Technical Cooperation	1,100	278	405	127				90		200
Total	3,600	278	1,405	1,627				90		200

Country: SPAIN

ECONOMIC ASSISTANCE

DISTRIBUTION OF FY 1959 PROJECT ASSISTANCE

TABLE I

(In thousands of dollars and equivalent)

Functions and Projects	DIRECT U.S. DOLLAR COST - Proposed							Local Currency Cost - Proposed	
	Total	U.S. Technicians	Non-Contract Participants	Contracts	Commodities	Other Costs	Contributions to Cooperative Services	MSP includ. Counterpart	P. L. 480 Administered by ICA
TECHNICAL COOPERATION									
<u>Agriculture - Total</u>	278	78	161	39				231	20,600
Assistance in setting up Agricultural Extension Services and Farm Mechanization programs	60	26	34					231	
Demonstrations in Modern Forestry Techniques, Reforestation and Watershed control	50	13	24	13					7,700
Improvement of Forage and Range Management (Demonstrations)	12		12						1,300
Improved Methods of Agricultural Statistics and Crop Reporting	25		12	13					
Improvement of Livestock Husbandry Methods, including Disease Control	25		12	13					1,300
Export Marketing of Fruits and Vegetables	37	13	24						
Irrigation and Underground Water Development	23	13	10						1,300
Soil Improvement and Conservation	25	13	12						1,300
Storage of Agricultural Products	9		9						7,700
Dairy Production Processing and Distribution	12		12						
<u>Industry and Mining - Total</u>	405	10	169	212	14			351	7,700
Industrial Advisory Service on Management problems	42			42				100	
Productivity Team Studies of key industries	60		60					96	
U.S. Coal Mining Consultant	9			9					
Iron and Steel Industry Organization Studies	100			100				60	
Management Seminar by U.S. businessmen	15			15				20	
Impact studies by top steel managers followed by U.S. consultant	29		20	9				20	7,700
Training of Spanish Instructors for the National Productivity Commission	29		20	9					
Improvement of Marketing and Distribution through study in U.S. and consultant in Spain	29		20	9					
Operation and Maintenance of Heavy Construction Equipment	19	10	9						
Engineering Services for National Petroleum Testing Center	10			10				55	

Country: SPAIN

ECONOMIC ASSISTANCE

DISTRIBUTION OF FY 1959 PROJECT ASSISTANCE

TABLE I

(In thousands of dollars and equivalent)

Functions and Projects	DIRECT U.S. DOLLAR COST - Proposed							Local Currency Cost - Proposed	
	Total	U.S. Technicians	Non-Contract Participants	Contracts	Commodities	Other Costs	Contributions to Cooperative Services	MSP includ. Counterpart	P. L. 480 Administered by ICA
TECHNICAL COOPERATION (Continued)									
<u>Industry and Mining - Total (Continued)</u>									
Consultants on Improvement of Tourist Industry	9			9					
Specialized Studies in Peaceful Uses of Atomic Energy	40		40						
Technical literature and films	14				14				
<u>Transportation - Total</u>	127	70	40	17				431	
Civil Aviation Advisory Group	127	70	40	17				431	
Education								15	
<u>Public Administration - Total</u>	90		34	56				50	
U.S. Instructors for Industrial Management School	20			20					
U.S. Consultant and Spanish technical studies in U.S. for governmental reorganization	19		10	9					
Census Improvement	21		12	9					
National Economic Advisory Services	30		12	18					
Community Development, Housing								31	
<u>Miscellaneous</u>	200	176				24		160	
Mission Support Costs	200	176				24			
Total Technical Cooperation	1,100	334	404	324	14	24		1,269	28,300
DEFENSE SUPPORT									
<u>Industry and Mining - Total</u>	1,000				1,000				21,900
Improve Electric Power Transmission	1,000				1,000				11,000
Increase Electric Power Generating capacity									10,900

Country: SPAIN

ECONOMIC ASSISTANCE

DISTRIBUTION OF FY 1959 PROJECT ASSISTANCE

TABLE I

(In thousands of dollars and equivalent)

Functions and Projects	DIRECT U.S. DOLLAR COST - Proposed							Local Currency Cost - Proposed	
	Total	U.S. Technicians	Non-Contract Participants	Contracts	Commodities	Other Costs	Contributions to Cooperative Services	MSP incl. Counterpart	P. L. 480 Administered by ICA
<u>DEFENSE SUPPORT (Continued)</u>									
<u>Transportation - Total</u>	1,500				1,500			20,473	
Air Navigation and Control Equipment	500				500			2,029	
Metallic components of coal cars	1,000				1,000			9,222	
Rehabilitation of Highways								9,222	
Total Defense Support	2,500				2,500			20,473	21,900
GRAND TOTAL	3,600	334	404	324	2,514	24		21,742	50,200

Country: SPAIN

ECONOMIC ASSISTANCE
COMPOSITION OF NON-PROJECT ASSISTANCE

TABLE II

*Shaded areas are Security classified
and must not be divulged to
unauthorized individuals. All
other material is unclassified.*

(In thousands of dollars)

Commodities and Other	PROGRAM		
	Actual FY 1957	Estimate FY 1958	Proposed FY 1959
Surplus Agricultural Commodities - Total	18,500	20,000	20,000
Vegetable oils	13,997	5,400	3,600
Cotton		11,700	9,200
Barley	1,990	900	2,700
Eggs	2,346		2,500
Ocean Freight	167	2,000	2,000
Add sales to other countries for the benefit of this country		5,000	
Net imports for the benefit of this country	18,500	25,000	20,000
Food, Feed and Fertilizer			
Fuel - Total	7,975	2,500	6,000
Coking Coal	7,975	2,500	6,000
Raw Materials and Semi-Finished Products - Total	24,439	10,400	15,000
Steel Scrap	5,782	4,000	8,000
Copper	10,960	3,000	4,000
Aluminum	4,982	1,500	
Ferroalloys, nickel and manganese	250		1,000
Rubber	1,715	1,000	500
Tinplate		900	750
Steel products	750		750
Machinery and Vehicles - Total	8,149		1,500
Agricultural Machinery and Spare Parts	4,089		1,200
Highway Construction Equipment			300
Coal Mining Equipment			
Steel Work Machinery	113		
Electric Power Machinery	3,947		
Miscellaneous and Unclassified - Total	3,890		
Electrodes and Rectifier for Steel Industry			
Chemicals	250		
Ocean Transportation	3,640		
Cash Grants			
Other (Valencia Flood Relief)		50	
Total Non-Project Assistance Program	62,953	37,950	42,500

Shaded areas are Security classified and must not be divulged to unauthorized individuals. All other material is unclassified.

LOCAL CURRENCY - Narrative

SPAIN

Mutual Security Program local currencies expected to be available for commitment in Spain in FY 1959 include about ~~\$52 million~~ counterpart and about ~~\$34 million~~ proceeds from the sale of surplus agricultural products under Section 402. However, under present arrangements, 60% of the MSP local currencies are reserved for U.S. uses in connection with the base construction program (in addition to the 10% normally reserved for miscellaneous U.S. uses). Consequently, only about one-third of the foregoing availabilities will actually be available for Spanish programs. By the end of FY 1959, about \$33 million of the available MSP local currencies is expected to be uncommitted and about \$49 million unexpended, including the amounts reserved for U.S. base expenditures.

~~\$63~~ million is also expected to be available for commitment in FY 1959 from the proceeds of sales of surplus agricultural commodities under Title I of P.L. 480. By June 30, 1959, all but about \$7 million is expected to be committed. Unexpended deposits are expected to be about \$74 million.

The previously stated U.S. objectives in Spain require the introduction of new resources into the economy in FY 1959 in the form of MSP and P.L. 480 financed commodity imports. The peseta availabilities described above cannot be used for this purpose, and so they have no effect on the requirement for new MSP dollar appropriations.

Nevertheless, the U.S. is cooperating with the Spanish Government in planning the most useful allocations of these internal financial resources in furtherance of the purposes of the Mutual

Security Act. These local currency uses are described in Tables I and V. MSP local currencies are being used to build U.S. bases for Spanish economic development, mainly in the field of transportation which also supports the bases. P.L. 480 local currencies, other than a small amount for Spanish military air field improvement, will be programmed in FY 1959 for loans to improve irrigation, soil conservation, reforestation, electric power, housing and transportation, all of which contribute to the growth and stability of the Spanish economy.

Inflation has been a serious problem in Spain for the past two years. Since investment expenditures by the Spanish Government tend, over the short term at least, to exert an additional inflationary impact on the economy, this factor has tended to delay somewhat the expenditure of available local currency funds. This same factor may also require some stretching out of local currency expenditures beyond present estimates.

It should be noted that the Spanish Government has officially notified the United States Government that it would like to see the present distribution of local currency proceeds from Mutual Security programs under which 70% is reserved for U.S. uses, brought more into line with the practice prevailing in other countries with which the United States has Mutual Security arrangements. Normally the U.S. retains 10% or less.

(In thousands of dollars) SUMMARY SALES PROGRAM UNDER P.L. 480, TITLE I AND FOREIGN CURRENCY PROGRAM EARMARKING (Foreign Currency in thousands of dollar equivalent) TABLE III

SALES AGREEMENT BY FISCAL YEAR		Foreign Currency Reserved for U.S. Uses	Foreign Currency Administered by Ex-Im Bank (Cooley Amend.)	FOREIGN CURRENCY TO BE ADMINISTERED BY MSP AGENCIES				
Fiscal Year in Which Sales Agreement Signed	Total Value of Sales			Sec. 104c	Sec. 104d	Sec. 104e	Sec. 104g	Total Administered by MSP Agencies
FY 1955 Actual	21,000	10,500					10,500	10,500
FY 1956 Actual	98,522	40,551					57,971	57,971
FY 1957 Actual	66,800	20,980					35,551	45,820
FY 1958 Estimate	69,100	38,000 ^{b/}					31,100	31,100
FY 1959 Estimate	75,000	40,000 ^{b/}					35,000	35,000
TOTAL	330,422	150,031		10,269 ^{a/}			170,122	180,391

a/ \$10,269,000 transferred from Sec. 104 (g) to Sec. 104 (c) and administered by the Department of Defense.

b/ Includes foreign currency for Cooley Amendment which may have to be reserved for U.S. uses.

Country: SPAIN

STATUS OF LOCAL CURRENCY FUNDS
(Administered by MSP Agencies)
(In thousands of dollar equivalent)

*Shaded areas are Security classified
and must not be divulged to
unauthorized individuals. All
other material is unclassified.*

TABLE IV

Type of Programs Generating Local Currencies and its Utilization	ACTUAL FY 1957			ESTIMATE FY 1958		PROPOSED FY 1959	
	Cumulative Through 7/1/56	Net Change	Cumulative Through 6/30/57	Net Change	Cumulative Through 6/30/58	Net Change	Cumulative Through 6/30/59
<u>MSP U.S.-OWNED LOCAL CURRENCIES</u>							
Potential Generation from U.S. Dollar Program . .	96,293	18,728	115,021	20,000	135,021	20,000	155,021
Deposits	72,741	34,749	107,490	27,531	135,021	20,000	155,021
Obligations	48,012	36,327	84,339	36,701	121,040	21,717	142,757
Expenditures	37,227	40,247	77,474	41,320	118,794	23,957	142,751
<u>COUNTERPART</u>							
Potential Generation from U.S. Dollar Program . .	113,782	43,576	157,358	16,000 ^{b/}	173,358	20,500	193,858
Deposits	55,116	27,529	82,645	51,744	134,389	59,170	193,559
Commitments	86,381	35,327	121,708	19,964	141,672	30,759	172,431
Expenditures	45,937	19,446	65,383	47,403	112,786	43,769	156,555
<u>P.L. 480 TITLE I</u>							
Potential Generation from U.S. Dollar Program . .	68,471	45,820	114,291	31,100	145,391	35,000	180,391
Deposits	10,500	79,097	89,597	53,794	143,391	37,000	180,391
Obligations	8,986		8,986	108,669	117,655	55,200	172,855
Expenditures	8,986		8,986	22,569	31,555	75,100	106,655
<u>OTHER LOCAL CURRENCY</u>							
Potential Generation from U.S. Dollar Program . .							
Deposits							
Commitments							
Expenditures							

a/ Includes base construction costs.

b/ Includes counterpart generated by Sec. 402 triangular sales.

Country: SPAIN

**SUMMARY OF LOCAL CURRENCY PROGRAM ADMINISTERED BY MSP AGENCIES
BY PURPOSE AND FIELD OF ACTIVITY**
Obligations or Commitments by Fiscal Year
(In thousands of dollar equivalent)

*Shaded areas are Security classified
and must not be divulged to
unauthorized individuals. All
other material is unclassified.*

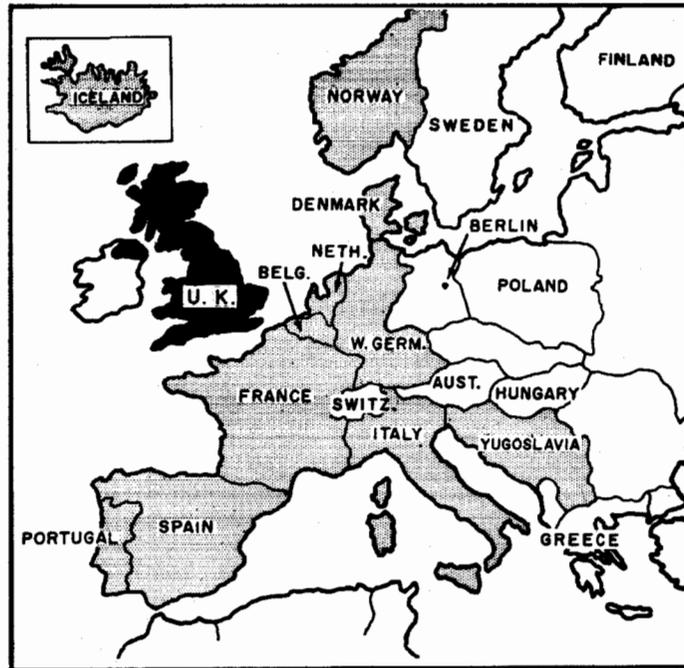
TABLE V

PURPOSE AND ACTIVITY	FY 1957			FY 1958			FY 1959		
	MSP Source	P.L. 480 Title I Source	Other Sources	MSP Source	P.L. 480 Title I Source	Other Sources	MSP Source	P.L. 480 Title I Source	Other Sources
MILITARY PURPOSES									
Projects ... (Base Construction)	62,415			37,363	5,269		30,734	5,000	
Budget Support									
Military Procurement									
Total Military Purposes	62,415			37,363	5,269		30,734	5,000	
ECONOMIC PURPOSES									
Project Assistance by Field of Activity									
Agriculture	32			385	39,900		231	20,600	
Industry and Mining	19			181	48,200		351	29,600	
Transportation	9,076			18,356	9,000		20,904		
Labor									
Health and Sanitation	-33								
Education				5	2,500		15		
Public Administration	6			15			50		
Community Development, Social Welfare and Housing					3,800		31		
General and Miscellaneous	139			360			160		
Total	9,239			19,302	103,400		21,742	50,200	
Budget Support (Not Elsewhere Classified)									
Total Economic Purposes	9,239			19,302	103,400		21,742	50,200	
Procurement for Third Country	XXX			XXX			XXX		
TOTAL ALL PURPOSES	71,654			56,665	108,669^{a/}		52,476	55,200^{a/}	

^{a/} Includes \$10,269,000 104(c) funds for Spanish military projects.

UNITED KINGDOM

CONFIDENTIAL (As Noted)



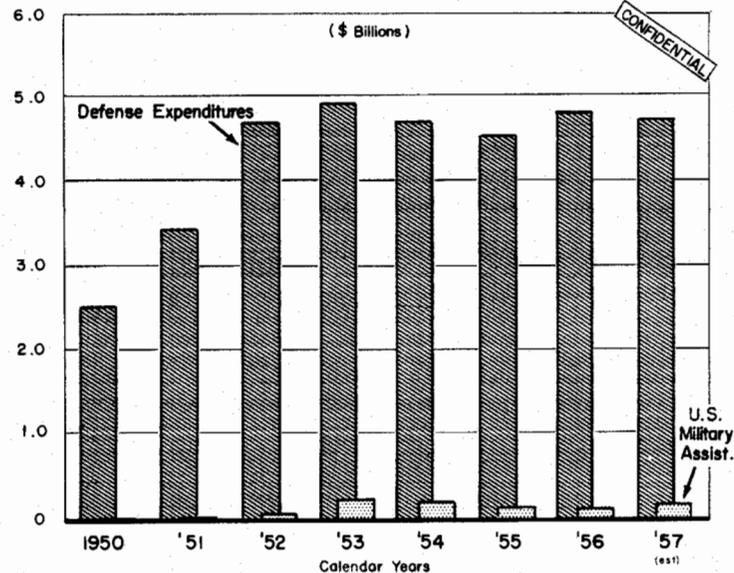
ECONOMIC TRENDS

	Unit	1954	- Calendar Years -		1957Est
			1955	1956	
DEFENSE EXPENDITURES					
Total Defense Expenditures.	\$ Millions	4,658	4,491	4,794	4,650
As Percent of GNP.....	Percent	9.2%	8.3%	8.3%	7.6%
As Percent of Central Gov't Expenditures.....	Percent	32%	30%	30%	29%
GROSS NATIONAL PRODUCT					
Total GNP (In 1955 Prices).	\$ Billions	52.0	53.8	54.8	56.0
Per Capita GNP.....	Dollars	1,019	1,051	1,064	1,085
INDUSTRIAL PRODUCTION.....	1953=100	108	114	113	114
AGRICULTURAL PRODUCTION ^a ...	Prewar=100	138	133	141	n.a.
CONSUMER PRICES.....	1953=100	102	106	112	115
GOLD & SHORT-TERM DOLLAR ASSETS (end of year).....					
	\$ Millions	2,762	2,120	2,133	2,273

n.a. - Not Available

^a - Crops harvested in crop-year beginning in year stated.

DEFENSE EXPENDITURES and U.S. MILITARY ASSISTANCE



BALANCE OF PAYMENTS

	1955	1956	1957Est
Calendar Years - in millions of dollars -			
Exports (f.o.b.).....	8,286	9,206	9,770
Imports (f.o.b.) (-).....	-9,529	-9,659	-10,050
Net Services ^b	715	860	755
Net Capital Operations.....	-478	-928	-800
BALANCE BEFORE SPECIAL RECEIPTS FROM U.S....	-1,006	-521	-325
Special Receipts from U.S.:			
U.S. Military & OSP Expenditures	362	436	523
Economic			
MSP Aid Receipts.....	118	52	13
PL 480 Receipts.....	16	14	5
Less: Local Currency for U.S. Use...	-26	-14	-5
NET TOTAL SPECIAL RECEIPTS FROM U.S.	470	488	536
BALANCE AFTER SPECIAL RECEIPTS FROM U.S....	-536	-33	211

^b - Before Special Receipts from U.S.

CONFIDENTIAL (As Noted)

Country UNITED KINGDOM

MUTUAL SECURITY PROGRAM

Shaded areas are Security classified and must not be divulged to unauthorized individuals. All other material is unclassified.

U.S. interests: The United Kingdom is the strongest NATO ally of the U.S. and contributes military forces second only to those of the U.S. in fire power and effectiveness. It is the only free world power other than the U.S. possessing nuclear weapons. The industrial and scientific resources of the U.K. enable it to make a major contribution to the Western cause.

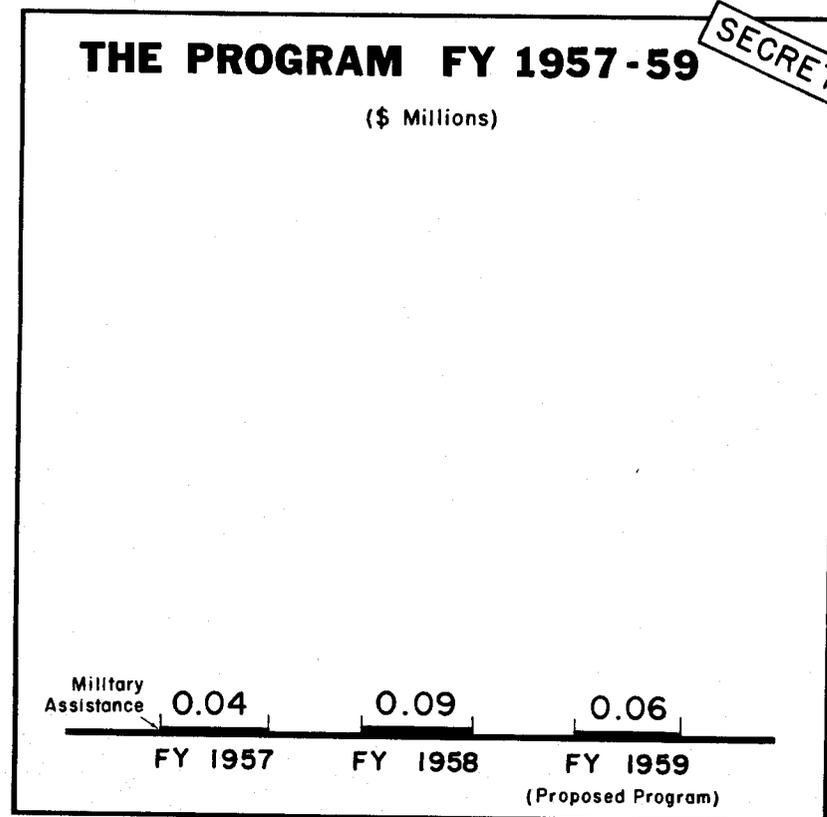
The geographic location of the U.K. makes it of vital importance to maintaining control of the North Sea and the Eastern Atlantic and would enable the British Isles to serve as a staging area for strategic and tactical operations in the event of hostilities. Moreover, many important BSSR targets would be within range of IRBM's stationed in the U.K.

The U.S. maintains valuable military bases in the British Isles and various British possessions. The U.K. has joined with the U.S. in a Mutual Defense Assistance Agreement and is expected to be the first country to conclude arrangements with the U.S. for the stationing of IRBM units.

Although the U.K.'s ability to make military or economic commitments abroad is restricted by recurrent financial strains, it exercises considerable political and economic influence throughout the world as the leader of the British Commonwealth. It is consulted by other members of the Commonwealth on international issues, acts as a banker for the Sterling Area, and provides capital to its territories and former territories, thus assisting underdeveloped areas to resist Soviet economic penetration. Despite its island position, lack of natural resources, and large population relative to area, the United Kingdom has the capacity to maintain itself as a major power, to continue to increase its standard of living and to contribute significantly to the defense of the West.

The U.K. is a leading trading partner of the U.S., and has signed an Investment Guaranty Agreement with the U.S.

Since taking office in January 1957, the Conservative Government has been largely successful, despite additional crises during the year, in restoring confidence in Britain. As national elections are not anticipated until 1959-1960 the present Government is expected to remain in power until that time, carrying out its major policies of strengthening the Anglo-American alliance and improving through anti-inflation measures the economic base upon which Britain's political and strategic contributions must rest.



SECRET

Obligations and Expenditures \$ in thousands			
MILITARY ASSISTANCE	PROGRAMMED	DEL./EXP.	UNLIQUIDATED
Cumulative 6/30/57	832,097	671,366	160,731
Estimate F.Y. 1958	93	29,208	XXX
Cumulative 6/30/58	832,190	700,574	131,616
ECONOMIC ASSISTANCE	OBLIGATIONS	EXPENDITURES	UNLIQUIDATED
Cumulative 6/30/57	3,828,891	3,828,880	11
Estimate F.Y. 1958			XXX
Cumulative 6/30/58	3,828,891	3,828,891	

United Kingdom

SECRET
MILITARY ASSISTANCE

Shaded areas are Security classified
and must not be divulged to
unauthorized individuals. All
other material is unclassified.

Major Components by Category (all values in thousands of dollars)	Annual Programs				Del./Exp. F.Y. 1950-58 Programs		
	Quantity and Value		Proposed F.Y. 1959		Estimate F.Y. 1958	Cumulative June 30, 1958	F.Y. 1959 and Later
	F.Y. 1957	F.Y. 1958	Quantity	Value			
Country Total	\$38	\$93	-	\$55	\$29,208	\$700,574	\$131,616
Aircraft, Components, Spares & Related Equip.	-	-	-	-	\$14,584	\$347,582	\$ 4,043
AD-4W	-	-	-	-	-	50	-
B-29	-	-	-	-	-	84	-
F86E	-	-	-	-	-	70	-
F2V-5	-	-	-	-	-	52	-
EB-29	-	-	-	-	-	3	-
Hawker Hunter	-	-	-	-	68	513	-
Sea Hawk	-	-	-	-	-	154	-
Ships and Harbor Craft, Components and Spares	-	-	-	-	\$ 25	\$ 2,480	\$ 33
Tanks, Other Vehicles, Weapons, Comp. & Spares	-	-	-	-	\$12,738	\$131,464	\$100,598
Carriage, Motor, 157mm How (all models)	-	-	-	-	1	58	-
Carrier, Pers. HT, M3 (Car, HT, M2, M9)	-	-	-	-	-	1,334	-
Truck, 4-5-6 Ton, 6x6, Cargo (PM)	-	-	-	-	(12)	364	-
Truck, 4-5-6 Ton, 6x6, Wrecker	-	-	-	-	-	62	-
Corporal Missiles Ground Sets (Bn)	-	-	-	-	2	13	-
Corporal Missiles	-	-	-	-	82	113	-
Fire Control System, MK63	-	-	-	-	-	22	-
Launcher, Rocket, 3.5" M20 Series	-	-	-	-	-	148	-
IREM (4-Thor)	-	-	-	-	-	-	-
Ammunition	-	-	-	-	(\$ 15)	\$ 31,597	\$ 4,305
Rocket, HEAT, 3.5", M28 Series	-	-	-	-	-	148	-
Electronics & Comm. Equipment, Comp. & Spares	-	-	-	-	\$ 2,153	\$145,562	\$ 21,361
AN/APX-6 Radar	-	-	-	-	-	-	2,199
AN/CRD-6 Radio	-	-	-	-	-	75	76
AN/FPS-6 Height Finder Radar	-	-	-	-	-	29	15
AN/GRC-27 Radio	-	-	-	-	-	159	400
AN/UPX-5 IFF	-	-	-	-	57	350	-
Radar British No. 4, MK VII	-	-	-	-	-	90	-
Other Materiel	-	-	-	-	(\$ 356)	\$ 13,405	\$ 1,244
Construction	-	-	-	-	-	-	-
Training	\$38	\$93	-	\$55	\$ 79	\$ 12,417	\$ 32
All Other	-	-	-	-	-	\$ 16,067	\$ -

() Indicate negative figure.

SECRET

United Kingdom

SECRET
MILITARY ASSISTANCE

Shaded areas are Security classified and must not be divulged to unauthorized individuals. All other material is unclassified.

Objectives of Military Assistance: Assist the British defense effort as required to advance the integrated defense of the NATO area.

Major Combat Forces:

Strategic Objectives

- 6 1/3 Divisions
- 1 Marine Commando Brig.
- 2 Corporal/Sgt Bns.
- 3 1/3 Honest John/Little John Bns.
- 4 Hawk Bns, 4 Nike Bns, 1 Lacrosse Bn.
- 723 Naval Vessels
- 17 Terrier Batteries
- 76 Air Sqdns, 4 IRRM Sqdns.

MAP Supported

- 2 Corporal/Sgt Bns
- 4 IRRM Squadrons

Active Military Strength: 741,200

MAP Accomplishments: MAP has provided materiel and training to supplement Britain's own considerable efforts to modernize its armed forces, which in 1950 were inadequately equipped with obsolete materiel. These combined efforts have resulted in a marked improvement in British force capabilities, enabling a more effective contribution to NATO. Items delivered or programmed under MAP include substantial quantities of modern aircraft, electronics equipment and Corporal missiles.

No new military assistance funds have been requested for the UK since FY 1956 except for modest training programs and certain FAP and MWDP projects. However, prior year funds in the UK program have been deobligated and used to provide two battalions of CORPORAL missiles to be used in support of SACEUR. The UK has agreed to contribute the sterling equivalent of the high priority cost of these missiles to mutually agreed projects in support of the UK defense effort.

\$100 million of prior year funds in the UK program have also been applied to meet as much as possible of the US share of the costs of the IRRMs which are to be provided pursuant to the understandings reached with the British. Because of the high cost of these missiles, it is expected that additional funds may be necessary in the future to complete this UK program.

Appraisal of Forces: The British armed forces are currently undergoing a major reorganization in accordance with the concept set forth in the Defense Policy White Paper of April 1957. This reorganization involves substantial reduction in manpower over the following five years, and greater reliance on the increased firepower of modern nuclear weapons. The British Army continues to constitute an important element of the free world's ground force strength. While it is achieving some increase in effectiveness

PROGRAMS (In Thousands Dollars)	FY 1957	FY 1958	Proposed FY 1959
Country Programs	38	93	55
Portion Special Materiel Program	(5,290)	(699)	(1,769)
Total	(5,328)	(792)	(1,824)

through the acquisition of new weapons systems, its capabilities are limited by understrengths in major combat formations as well as in combat and service support units. The Royal Navy is excellent compared with other European navies and is undergoing a modernization program that is expected to result in the replacement or renovation of the entire active fleet by 1962. Meanwhile it lacks a missile capability and the current reorganization into fast carrier task groups has reduced its effectiveness for anti-submarine warfare. Despite planned reductions, the RAF remains the largest and most effective NATO Air Force aside from that of the U.S. It is developing an important deterrent capability through development of its V-bomber force. Deficiencies in the air defense systems are being met through the introduction of air-to-air and surface-to-air missiles.

Country Contribution: Except for some types of aircraft and missiles, the UK is furnishing all major materiel for its forces from its own resources. The UK provides valuable military bases for US forces in the British Isles and elsewhere. The UK's military forces add significantly to the nuclear deterrent strength of NATO. British ground forces and the 2nd Tactical Air Force in Germany constitute a major contribution to NATO.

British defense expenditures over the past five years have averaged almost 9% of GNP, a level of effort exceeded in NATO only by the US. Stationing of UK forces in many areas of the world has contributed to the strength and deterrent capacity of Free World forces, but has caused considerable drain on the UK's foreign exchange reserves.

Proposed FY 1959 Program Provides: No grant aid materiel program is proposed. A continuation of a modest grant aid training program. MWDP assistance for approved projects.

Miscellaneous Data: US excess stocks delivered at no charge through 30 June 1958: \$74.1 million (Est). Military sales through 30 June 1957: \$7.5 million.

MAAG Strength:

	US Mil	US Civ	Local	Total
1957	25	5	0	30
1958	21	4	0	25

SECRET

YUGOSLAVIA

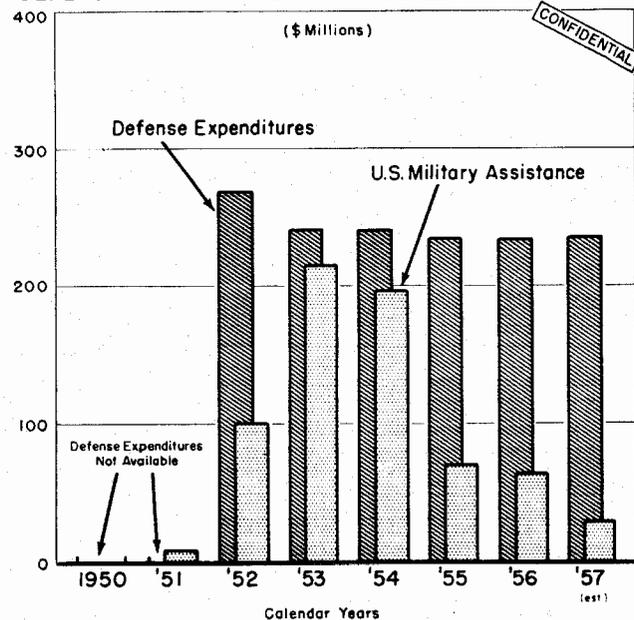
CONFIDENTIAL (As Noted)



ECONOMIC TRENDS

	Unit	Calendar Years			
		1954	1955	1956	1957 Est.
GROSS NATIONAL PRODUCT *					
Total GNP (In 1955 Prices)	\$ Millions	2,615	2,890	2,895	3,305
Per Capita GNP	Dollars	151	164	162	182
PRODUCTION					
Agricul. Prod. Index	Prewar=100	99	108	97	120
Per Capita Index	"	84	90	79	97
Wheat	1,000 MT	1,825	2,430	1,760	2,940
Industrial Prod. Index ...	1953=100	115	134	147	166
FOREIGN TRADE					
Total Exports (f.o.b).....	\$ Millions	236	257	322	390
Total Imports (c.i.f).....	"	334	441	473	660
Trade Balance	"	-98	-184	-151	-270
GOLD & SHORT-TERM DOLLAR ASSETS (end of year)					
	\$ Millions	23	29	34	30(Nov)
COST OF LIVING INDEX					
	1953=100	102	114	119	121

DEFENSE EXPENDITURES and U.S. MILITARY ASSISTANCE



CENTRAL GOVERNMENT FINANCES*

Country Fiscal Year Ending - December 31	- \$ Millions -		
	1955	1956	1957 (Budget)
Total Expenditures.....	569	533	625
Revenues, excl. receipts of U.S. Grant Aid....	500	482	650
Deficit or Surplus before U.S. Grant Aid....	-69	-51	+25
Budgetary Receipts from U.S. Grant Aid.....	25	119	54
Budgetary Receipts from U.S. Loans.....	n.a.	n.a.	n.a.
DEFENSE EXPENDITURES			
Total Defense Expenditures.....	234	233	235
As percent of Total Gov't Expenditures.....	41%	44%	38%
As percent of Gross National Product.....	8.1%	7.7%	6.7%
TOTAL DEBT (gross).....			
As percent of GNP.....	NOT AVAILABLE		
Foreign Debt.....	NOT AVAILABLE		

n.a. - Not Available a - Crops harvested in crop-year beginning in year stated.

*Converted into dollars at the rate of 600 dinars per \$1.00.

CONFIDENTIAL (As Noted)

Country YUGOSLAVIA

MUTUAL SECURITY PROGRAM

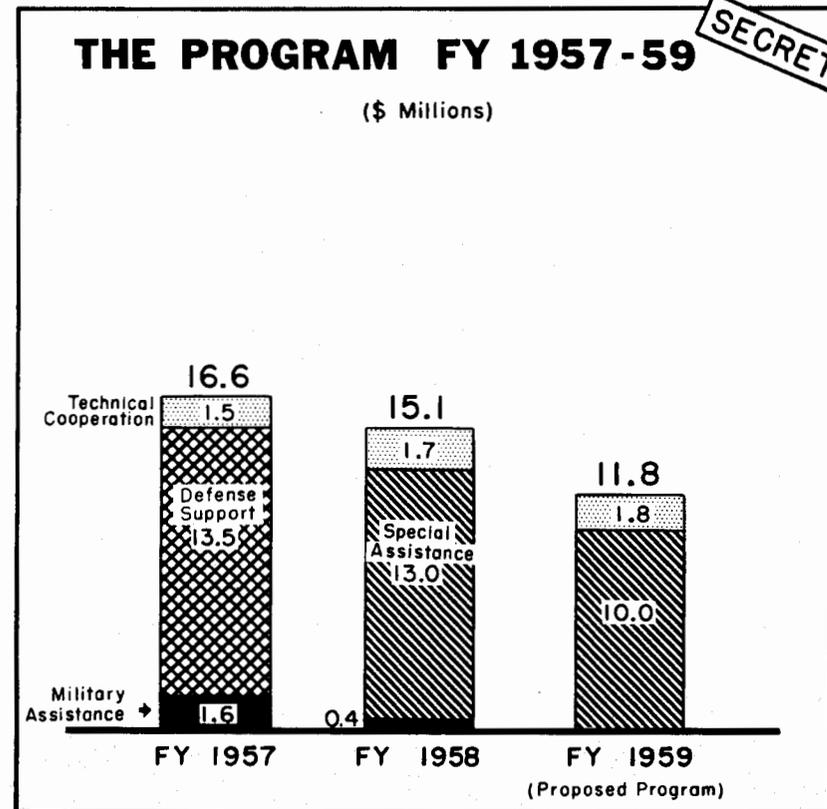
Shaded areas are Security classified and must not be divulged to unauthorized individuals. All other material is unclassified.

U.S. Interests: Yugoslavia's successful defection from the Soviet bloc in 1948, and its continued independence since that time have served U.S. interests by denying to the USSR important strategic positions in southeastern Europe, by encouraging the hope that other countries in Eastern Europe can also peacefully move toward ridding themselves of Soviet domination, and by constituting a disruptive element in the world Communist movement.

U.S. efforts to assist Yugoslavia to maintain its independence in the face of Soviet pressures, and blandishments serve to demonstrate that once a Communist nation has gained freedom from Soviet control and has ceased to participate in efforts to subvert the Free World, it may enjoy mutually advantageous and friendly relations with the U.S. Yugoslavia has signed a Mutual Defense Assistance Agreement and an Investment Guaranty Agreement with the U.S.

While Yugoslavia has made efforts toward friendly relations with the USSR and other countries of the Soviet bloc, it has demonstrated that it will not sacrifice its independence for this purpose. Recent developments, most notably the failure of Yugoslavia's President Tito to join Communist leaders in Moscow on the occasion of the Fortieth Anniversary of the Bolshevik Revolution and, more importantly the refusal of Yugoslavia's representatives to sign the Declaration by Soviet bloc Communist parties at the conclusion of the Moscow celebration, have provided renewed evidence of Yugoslavia's determination not to subject itself to the domination of the Soviet Union. They also serve to demonstrate the ideological differences between Yugoslavia and the USSR.

Developments within Yugoslavia, while they do not go as far towards liberalization as we would like, offer some encouragement. Since 1950, largely as a result of exposure to western ideas and methods, some of the harshest aspects of the Communist system have been ameliorated. Collectivization of agriculture has been curbed, the economy has been considerably decentralized, and religion is less harassed. These and other reforms in Yugoslavia have had their influence on the thinking in other Communist countries in Eastern Europe, have increased the pressures on the satellite regimes for similar reforms and tend to promote ideological controversy within the Soviet bloc.



SECRET

Obligations and Expenditures \$ in thousands			
MILITARY ASSISTANCE	PROGRAMMED	DEL./EXP.	UNLIQUIDATED
Cumulative 6/30/57	705,411	627,880	77,531
Estimate F.Y. 1958	394	19,936	XXX
Cumulative 6/30/58	705,805	647,816	57,989
ECONOMIC ASSISTANCE	OBLIGATIONS	EXPENDITURES	UNLIQUIDATED
Cumulative 6/30/57	400,506	396,176	4,330
Estimate F.Y. 1958	14,750	10,680	XXX
Cumulative 6/30/58	415,256	406,856	8,400

Yugoslavia

SECRET
MILITARY ASSISTANCE

*Shaded areas are Security classified
and must not be divulged to
unauthorized individuals. All
other material is unclassified.*

Major Components by Category (all values in thousands of dollars)	Annual Programs				Del./Exp. F.Y. 1950-58 Programs		
	Quantity and Value		Proposed F.Y. 1959		Estimate F.Y. 1958	Cumulative June 30, 1958	F.Y. 1959 and Later
	F.Y. 1957	F.Y. 1958	Quantity	Value			
Country Total	\$1,627	\$394	-	-	\$19,936	\$647,816	\$57,989
Aircraft, Components, Spares & Related Equip.	\$ 743	-	-	-	\$ 6,910	\$ 70,214	\$28,347
F-47D	-	-	-	-	-	126	-
F-84G	-	-	-	-	20	159	-
F-86E GPP	-	-	-	-	15	30	150
Ships and Harbor Craft, Components and Spares	\$ 65	-	-	-	\$ 5,320	\$ 11,440	\$ 4,020
Submarine Chaser (PC)	-	-	-	-	-	1	-
Coastal Minesweeper (MSC)	-	-	-	-	-	3	-
Inshore Minesweeper (MSI)	-	-	-	-	-	-	4
Tanks, Other Vehicles, Weapons, Comp. & Spares	\$ 153	-	-	-	\$ 1,758	\$366,936	\$ 7,981
Tank, Medium, M26, M46, M47, M48 Series	-	-	-	-	-	319	-
Tank, Medium, 76mm Gun, M4 Series	-	-	-	-	-	599	-
Carriage, Motor, 76mm Gun, M-18	-	-	-	-	-	240	-
Carriage, Motor, 90mm Gun, M36 Series	-	-	-	-	-	399	-
Tractor, HS, 13 Ton, M5 Series	-	-	-	-	-	789	-
Trailer, 1-1 1/2 Ton, 2 Wheel, Cargo	14	-	-	-	100	2,685	624
Truck, 1/4 Ton, 4x4 (all models)	-	-	-	-	-	2,285	-
Truck, 2 1/2 Ton, 6x6, Cargo (all models)	-	-	-	-	-	8,299	17
Director, AA, British No 11, Contraves	-	-	-	-	-	31	-
Gun, Automatic 40mm, M1, w/carriage	-	-	-	-	23	404	-
Gun, 155mm, M2, w/carriage	-	-	-	-	-	66	24
Howitzer, 155mm, M1, w/carriage	-	-	-	-	5	267	-
Ammunition	-	-	-	-	\$ 3,937	\$128,465	\$11,113
Cartridge, Cal..50 (all types) (M Rds)	-	-	-	-	568	32,216	-
Cartridge, HE (HEAT) 75mm Rifle (M Rds)	-	-	-	-	2	263	26
Cartridge, Fix., HE, w/f, M193, 90mm Gun (M Rds)	-	-	-	-	-	229	-
Cartridge, HE, M1, w/f, 105mm How, M2 (M Rds)	-	-	-	-	-	383	99
Cartridge, HE, 105mm How (other types) (M Rds)	-	-	-	-	2	14	28
Cartridge, HE, 155mm How (all types) (M Rds) (procured by complete rounds)	-	-	-	-	-	303	61
Rocket, HEAT, 3.5", M28 Series	-	-	-	-	-	413	31
Electronics & Comm. Equipment, Comp. & Spares	\$ 219	\$ 26	-	-	\$ 761	\$ 36,179	\$ 3,187
AN/TRC-3 Radio Terminal	-	-	-	-	16	28	-
AN/VRC-3 (AN/PRC-10) Radio	-	-	-	-	-	910	-
SCR-528 (AN/GRC-4) Radio	-	-	-	-	-	1,006	-
SCR-609, 610, 619 (AN/PRC-9 w/AM-598/U) (AN-VRC-9) Radio	-	-	-	-	-	2,126	-
Other Materiel	\$ 133	\$229	-	-	\$ 1,023	\$ 27,776	\$ 2,429
Construction	-	-	-	-	-	-	-
Training	\$ 314	\$139	-	-	\$ 196	\$ 2,140	\$ 74
All Other	-	-	-	-	\$ 31	\$ 4,666	\$ 838

SECRET

Yugoslavia

SECRET
MILITARY ASSISTANCE

Shaded areas are Security classified and must not be divulged to unauthorized individuals. All other material is unclassified.

Objectives of Military Assistance:

to provide the Yugoslav Armed Forces with the most modern and possible Soviet type equipment, thereby to the most important strategic positions in southeastern Europe.

Major Combat Forces:

Strategic Objectives

MAP Supported

8 Divisions
74 Naval Vessels
13 Air Squadrons

None

Active Military Strength: 355,000

MAP Accomplishments: Prior to the initiation of MAP in 1951, Yugoslav armed forces were loosely organized and poorly equipped with obsolete German, Italian and Russian equipment. MAP has provided initial equipment, follow-on spares, supplies, ammunition and training to support 8 divisions, 17 air squadrons and 37 naval vessels (11 of which have been provided under the MAP). At the time of MAP termination in January 1958, the program had provided:

- (a) Main equipment, including tanks, artillery, vehicles, patrol craft, minesweepers, communication equipment and other electronic units, and aircraft (including attrition and command support);
- (b) Spare parts and training ammunition;
- (c) 60 days ammunition war reserve for Army, 90 days ammunition war reserve for Navy and 30 days ammunition war reserve for Air Force.

Deliveries of all aircraft were terminated in December 1957. In January 1958, on Yugoslav initiative, negotiations were begun concerning the orderly termination of all grant military assistance. No further deliveries under MAP are being made.

Appraisal of Forces: The Yugoslav Armed forces have no significant offensive capability. The Army is capable of containing and eventually repulsing an attack by any one of its satellite neighbors. If subjected to non-nuclear attack by the Soviets and satellites, it is expected that the Yugoslav army could resist for 30 days.

The Navy is basically organized to provide tactical and operational support to the Army. It has only a limited mine-sweeping, minelaying, amphibious and anti-submarine warfare capability.

PROGRAMS (In Thousands Dollars)	FY 1957	FY 1958	Proposed FY 1959
Country Programs	1,627	394	-
Portion Special Materiel Program	(1,374)	(3,613)	-
Total	(3,001)	(4,007)	-

The Air Force has a limited capability to perform the missions of air defense and ground support for the Army. It could not function for more than 7-14 days combat without outside logistical support.

Country Contribution: Yugoslav determination to resist any attack upon or through its territory is a significant factor in the protection of the southern flank of NATO.

Information on Yugoslavia's defense expenditures is not as complete as for NATO countries, but available data, considered in the light of the under-developed nature of the country and its limited resources, indicates that the Yugoslav defense effort is a substantial one. The proportion of GNP devoted to defense in 1957 is estimated at 7%, which ranks it among the highest of any European country. Yugoslavia has some industrial capacity for the production of ships, artillery, and light weapons.

Proposed FY 1959 Program Provides: In view of the Yugoslav proposal to terminate all U. S. military assistance programs, no MAP for Yugoslavia is being proposed. However, there is a possibility of a military sales program with Yugoslavia, the nature and extent of which cannot be determined at this time.

Miscellaneous Data: US excess stocks delivered (no charge) through 30 June 1958: \$27.8 million (Est). Military sales through 30 June 1957: \$1.4 million.

	US Mil.	US Civ.	Local	Total
MAAG Strength 1957	59	0	7	66
1958	Phase out expected prior to 1 March 1958			

SECRET

Country: YUGOSLAVIA

ECONOMIC ASSISTANCE
SUMMARY OF PROGRAM BY FUNCTION - PROJECT AND NON-PROJECT ASSISTANCE

*Shaded areas are Security classified
and must not be divulged to
unauthorized individuals. All
other material is unclassified.*

(In thousands of dollars)

MAJOR COST COMPONENT	ACTUAL FY 1957				ESTIMATE FY 1958				PROPOSED FY 1959		
	Total	Def Sup	Tech. Coop.	Other	Total	Sp Asst	Tech. Coop.	Other	Total	Sp Asst	Tech. Coop.
PROJECT ASSISTANCE											
Technicians	45		45		164		164		425		425
Participants	1,153		1,153		1,106		1,106		935		935
Contractual Services	167		167		426		426		343		343
Supplies and Equipment	87		87		1,962	1,962			2,300	2,300	
Contrib. to Coop. Services											
Other Costs	40		40		92	38	54		97		97
Total Project Assistance	1,492		1,492		3,750	2,000	1,750		4,100	2,300	1,800
NON-PROJECT ASSISTANCE											
Agric. Commodities Total	13,500	13,500			3,000	3,000			2,100	2,100	
Surplus	13,500	13,500			3,000	3,000			2,100	2,100	
Other											
Industrial Commodities Total					8,000	8,000			4,600	4,600	
Raw Materials and Fuels											
Machinery and Equipment					8,000	8,000			4,600	4,600	
Other Indus. Commodities											
Cash Transactions											
Other									1,000	1,000	
Total Non-Project Assistance	13,500	13,500			11,000	11,000			7,700	7,700	
TOTAL COUNTRY PROGRAMS	14,992	13,500	1,492		14,750	13,000	1,750		11,800	10,000	1,800
NUMBER OF PEOPLE											
Technicians (On duty close of year)	11		11		28		28		30		30
U.S. Employed	4		4		13		13		17		17
Contract	7		7		15		15		13		13
Participants (Programmed during year)											
Non-Contract	546	546			536		536		525		525
Contract											

GPO 934793

Objectives

- Provide an alternative source of supply for basic commodities to prevent undue dependence on the Soviet bloc.
- Seek the maximum impact of Western ideas and techniques in administering both Special Assistance and Technical Cooperation programs to further encourage liberal tendencies within the Yugoslav economy and to develop closer Yugoslav ties with the Free World.

Accomplishments

U.S. assistance has made it possible for Yugoslavia to avoid undue economic dependence on the Soviet bloc, and has thereby supported Yugoslavia's policy of exerting an independent influence in world politics. This independent Yugoslav course has in turn contributed significantly to the upheavals in Eastern Europe.

Despite the totalitarian nature of the Government of Yugoslavia, major shifts in economic policy occurred during the period of U.S. aid leading to the decollectivization of farms, termination of forced deliveries, decentralization of economic activity and increasing dependence upon indirect fiscal and monetary control techniques. The market price system plays an increasingly important role in economic affairs and measures are in progress to eliminate discriminatory multiple exchange rates and substitute a single exchange rate with Western tariffs.

In the growing Technical Cooperation program, U.S. technicians in increasing numbers have been well received in Yugoslavia. Greater impact has also been possible as many more Yugoslavs, including increasing numbers of important officials and policy makers, have been sent to Western Europe and the U.S. for training. Activities carried on under the Technical Cooperation program have served to draw Yugoslavia closer to the West by providing urgently desired technical know-how.

Specific successes have been achieved in projects such as hybrid corn where U.S. technicians, in conjunction with Yugoslavs trained by the U.S., have effectively demonstrated the benefits of hybrid strains. Hybrid seeds as well as U.S. seed-drying equipment provided the necessary commodity support. In another instance, one U.S. technician assisted two asbestos cement plants in Yugoslavia to achieve production increases of 20% and 50%, and his return has been requested in letters of commendation from the Yugoslav Government.

a/ Financed from Defense Support, Europe, to cover costs of Technical Exchange projects in FY 1957.

b/ Includes sale of \$3,000,000 of Sec. 402 commodities in recognition of Yugoslav assistance to the Hungarian Refugees.

Summary of Program \$ in thousands

Function	Actual F.Y. 1957	Estimate F.Y. 1958	Proposed F.Y. 1959
Defense Support	13,500		
Development Assistance			
Special Assistance		13,000 ^{b/}	10,000
Technical Cooperation	1,492 ^{a/}	1,750	1,800
Other Programs			
Total	14,992	14,750	11,800

Major Problems: Difficulties in identifying common U.S.-Yugoslav interests and arranging mutually acceptable programs where these affect internal Yugoslav policies, such as programs for the use of aid generated local currencies or for technical assistance. The diplomatic break with West Germany possibly disturbing trade with Yugoslavia's major trading partner and U.S. training of Yugoslavs there, and interfering with trend of closer Yugoslav ties with Western Europe.

Proposed FY 1959 Program

Realization of the illustrative \$82.5 million P.L. 480, Title I sales program should adequately cover the basic food and fiber needs of Yugoslavia to prevent undue dependence upon the Soviet Union. Both the proposed Technical Cooperation and Special Assistance programs would therefore be directed towards expanding the impact of Western ideas and methods in Yugoslavia and demonstrating continued U.S. interest in its independence.

Technical Cooperation: \$1.8 million is proposed for projects designed to have an impact upon key individuals and attitudes in Yugoslavia. Increasing efforts would be directed towards activities in education, public administration and public health. Initial contacts with these sectors indicate great interest in U.S. Technical Cooperation. Increasing contact with Yugoslav intellectuals and professional people could enhance considerably U.S. impact objectives. Industry and agriculture sector programs will continue at a high level as there appear to be gradual favorable shifts in Yugoslav attitudes, particularly in the agricultural area where intensive efforts are being made by the Yugoslav Government to reach a workable arrangement with the private farmer. While socialization is still the goal of the present government, an increasingly pragmatic approach to the decentralized economy has fostered a more flexible attitude for continuation of U.S. activities.

Country: YUGOSLAVIA

ECONOMIC ASSISTANCE - Continued

*Shaded areas are Security classified
and must not be divulged to
unauthorized individuals. All
other material is unclassified.*

Special Assistance: Of the \$10 million requested for Special Assistance, \$2.3 million would be for commodities and demonstration equipment to be used in conjunction with Technical Cooperation projects. The remaining \$7.7 million would provide tangible examples of U.S. interest and increase the U.S. impact in the same activity areas. About \$2 million would be for insecticides,

fertilizer and seeds and roughly \$4.5 million would be used to procure road-building equipment, rubber and asbestos processing machinery, and railway and other equipment. Approximately \$1 million would be used to cover costs of U.S. patent and licensing arrangements with Yugoslav firms.

ECONOMIC ASSISTANCE - PROJECT ASSISTANCE BY FIELD OF ACTIVITY

(In thousands of dollars)

Function and Fiscal Year	Total Cost	Agriculture and Natural Resources	Industry and Mining	Transportation	Labor	Health and Sanitation	Education	Public Administration	Community Develop., Social Welfare & Housing	General and Miscellaneous
ACTUAL FY 1957										
Defense Support										
Development Assistance										
Technical Cooperation	1,492 ^{a/}	589	514	133		23	36	71	26	100
Other Programs										
Total	1,492	589	514	133		23	36	71	26	100
ESTIMATE FY 1958										
Defense Support										
Special Assistance	2,000	935	467	450			65	25		58
Technical Cooperation	1,750	682	489	136		37	79	119	47	161
Other Programs (or DA)										
Total	3,750	1,617	956	586		37	144	144	47	219
PROPOSED FY 1959										
Defense Support										
Special Assistance	2,300	1,160	487	250		105	100	95	30	73
Technical Cooperation	1,800	479	676	135		75	115	125	40	155
Total	4,100	1,639	1,163	385		180	215	220	70	228

^{a/} Technical Exchange Projects funded from Defense Support, Europe.

Country: YUGOSLAVIA

ECONOMIC ASSISTANCE

DISTRIBUTION OF FY 1959 PROJECT ASSISTANCE

TABLE I

(In thousands of dollars and equivalent)

Functions and Projects	DIRECT U.S. DOLLAR COST - Proposed							Local Currency Cost - Proposed	
	Total	U.S. Technicians	Non-Contract Participants	Contracts	Commodities	Other Costs	Contributions to Cooperative Services	MSP includ. Counterpart	P. L. 480 Administered by ICA
TECHNICAL COOPERATION									
<u>Agriculture and Natural Resources - Total</u>	479	118	361						
Crop Production	106	16	90						
Livestock Production	63	18	45						
Farm Mechanization	42	18	24						
Fruit, Vine and Vegetable Production	31	16	15						
Soil Improvement and Water Resources	38	8	30						
Forestry	24		24						
Food Processing	15		15						
Agriculture Extension	139	42	97						
Agriculture Policies & Agric. Economics	15		15						
Fisheries	6		6						
<u>Industry and Mining - Total</u>	676	57	329	238		52			
Mining and Minerals	190	19	91	80					
Power Development	87	19	43	25					
Manufacturing and Processing	235		151	84					
Industrial Management	112	19	44	49					
Indus. Information Translation & Distribution	42					42			
Technical Inquiry Service Support	10					10			
<u>Transportation - Total</u>	135	55	55	25					
Road, Rail & Air Transportation Improvement	135	55	55	25					
<u>Health and Sanitation - Total</u>	75	20	55						
Public Health Improvement	75	20	55						
<u>Education - Total</u>	115	40	75						
Vocational Educ. - English Language Training	115	40	75						
<u>Public Administration - Total</u>	125		45	80					
Improvement of Govt. Organization & Management	125		45	80					
<u>Community Develop., Social Welfare & Housing</u>	40	25	15						
<u>General and Misc. (Incl. Technical Support)</u>	155	110				45			
Total Technical Cooperation	1,800	425	935	343		97			

Country: YUGOSLAVIA

ECONOMIC ASSISTANCE

DISTRIBUTION OF FY 1959 PROJECT ASSISTANCE

Shaded areas are Security classified
and must not be divulged to
unauthorized individuals. All
other material is unclassified.

TABLE I

(In thousands of dollars and equivalent)

Functions and Projects	DIRECT U.S. DOLLAR COST - Proposed							Local Currency - Cost - Proposed	
	Total	U.S. Technicians	Non- Contract Participants	Contracts	Commodities	Other Costs	Contribu- tions to Cooperative Services	MSP includ. Counter- part	P. L. 480 Adminis- tered by ICA
<u>SPECIAL ASSISTANCE</u>									
<u>Agriculture and Natural Resources - Total</u>	1,160				1,160			14,000	13,000
Crop Production	275				275				
Livestock Production	50				50				
Farm Mechanization	50				50				
Soil Improvement and Water Resources	400				400				
Forestry	5				5				
Agriculture Extension	380				380			9,000 ^{a/}	13,000
Land Development								5,000	
<u>Industry and Mining - Total</u>	487				487			18,000	25,000
Electric Power									25,000
Coal Mining								12,000	
Slaughter Houses and Refrigeration								6,000 ^{a/}	
Industry and Mining	172				172				
Manufacturing and Processing	165				165				
Industrial Management	150				150				
<u>Transportation - Total</u>	250				250			4,000	5,000
Road Construction								4,000	5,000
Road, Rail & Air Transportation Improvement	250				250				
<u>Health and Sanitation - Total</u>	105				105			1,000	
Public Health Centers								1,000 ^{a/}	
Public Health Improvements	105				105				
<u>Education - Total</u>	100				100			1,870	
Vocational Training Schools								1,870	
Vocational Education	100				100				
<u>Public Administration - Total</u>	95				95			2,000	
Management Training Institute								2,000 ^{a/}	
Improvement of Govt. Organization & Management	95				95				

a/ Includes Title II, P.L. 480 currencies.

Country: YUGOSLAVIA

ECONOMIC ASSISTANCE
DISTRIBUTION OF FY 1959 PROJECT ASSISTANCE

*Shaded areas are Security classified
and must not be divulged to
unauthorized individuals. All
other material is unclassified.*

TABLE I

(In thousands of dollars and equivalent)

Functions and Projects	DIRECT U.S. DOLLAR COST - Proposed							Local Currency Cost - Proposed	
	Total	U.S. Technicians	Non-Contract Participants	Contracts	Commodities	Other Costs	Contributions to Cooperative Services	MSP includ. Counterpart	P. L. 480 Administered by ICA
<u>SPECIAL ASSISTANCE - Continued</u>									
<u>Community Develop., Social Welfare & Housing - Total</u>	30				30			3,000	5,000
Workers' Housing Housing Construction	30				30			3,000	5,000
<u>General and Miscellaneous (Including Technical Support - Total)</u>	73				73			2,000	2,000
Total Special Assistance	2,300				2,300			45,870 ^{a/}	50,000
GRAND TOTAL	4,100	425	935	343	2,300	97		45,870	50,000

^{a/} Includes \$15 million from Title II, P.L. 480.

Country: YUGOSLAVIA

ECONOMIC ASSISTANCE
COMPOSITION OF NON-PROJECT ASSISTANCE

TABLE II

*Shaded areas are Security classified
and must not be divulged to
unauthorized individuals. All
other material is unclassified.*

(In thousands of dollars)

Commodities and Other	PROGRAM		
	Actual FY 1957	Estimate FY 1958	Proposed FY 1959
<u>Surplus Agricultural Commodities - Total</u>	13,500	3,000	
Wheat	7,100		
Cotton	4,800		
Fats and Oils		2,500	
Freight	1,600	500	
<u>Food, Feed and Fertilizer - Total</u>			2,100
Seeds			300
Fertilizer			1,700
Pesticides			100
<u>Machinery and Vehicles - Total</u>		8,000	4,600
Road Building Equipment			1,000
Railway Equipment			1,000
Mining Machinery and Equipment		8,000	500
Rubber Processing Equipment			500
Asbestos Processing Equipment			500
Textile Equipment			600
Earth Moving & Heavy Construction Machinery			500
<u>Other - Total</u>			1,000
Patents and Licenses			1,000
Total Non-Project Assistance Program	13,500	11,000	7,700

YUGOSLAVIA

LOCAL CURRENCY - Narrative

Shaded areas are Security classified and must not be divulged to unauthorized individuals. All other material is unclassified.

Relatively large amounts of local currency are expected to be available for programming in Yugoslavia in FY 1959, as indicated in Table IV. These include about \$5 million U.S.-owned dinars derived from MSP sales of surplus agricultural commodities, about \$5 million dinar counterpart of MSP aid, and about \$157 million dinars generated under P.L. 480, Title I and Title II programs. In recent years, the largest amounts have been derived from sales programs under P.L. 480, Title I. Of the cumulative deposits of all local currencies through FY 1959, virtually all of the counterpart is expected to be committed and about three-fourths of the MSP U.S.-owned local currency and about two-thirds of the local currency from P.L. 480, Title I and II programs are expected to be obligated by June 30, 1959. However, sizable balances of local currency proceeds from sales of surplus agricultural commodities under the Mutual Security Program and P.L. 480 will still be left unobligated and unexpended.

The P.L. 480 sales program and the MSP dollar program in Yugoslavia have arisen out of the Yugoslav need for additional external resources in the form of imports of commodities and equipment, and not because of a requirement for dinars. Local currency resulting from these programs cannot be used to procure these imports. Its accrual is incidental to the main purposes of covering basic food and fiber needs of Yugoslavia, thereby preventing undue Yugoslav dependence upon the USSR, and enabling expanded Western impact in Yugoslavia.

As shown on Tables I and V, local currency available for programming is largely used for economic purposes as project assistance in industry and mining, agriculture, transportation and other related fields of activity where U.S. Special Assistance and Technical Cooperation dollar funds are being utilized to expand the impact of Western ideas and techniques.

Yugoslavia has shown little real interest in utilizing local currency funds, although local currency is being applied to supplement dollar project assistance in certain fields, as noted above. In the centrally controlled and directed Yugoslav economy, there is little real need for the U.S. controlled currency, and therefore little Yugoslav desire to work with U.S. personnel in planning internal development expenditures. This plus a desire to reduce the inflationary pressures in the Yugoslav economy by holding back the rate of its dinar expenditures has impelled the Yugoslav Government to go slow in committing and spending MSP and P.L. 480 local currencies. However, the USOM is now in the process of reaching agreement with the Yugoslavs, and it is expected that the various local currency pipelines will be reduced substantially during FY 1959, as shown in Table IV.

(In thousands of dollars) **SUMMARY SALES PROGRAM UNDER P.L. 480, TITLE I AND FOREIGN CURRENCY PROGRAM EARMARKING** (Foreign Currency in thousands of dollar equivalent) **TABLE III**

SALES AGREEMENT BY FISCAL YEAR		Foreign Currency Reserved for U.S. Uses	Foreign Currency Administered by Ex-Im Bank (Cooley Amend.)	FOREIGN CURRENCY TO BE ADMINISTERED BY MSP AGENCIES				
Fiscal Year in Which Sales Agreement Signed	Total Value of Sales			Sec. 104c	Sec. 104d	Sec. 104e	Sec. 104g	Total Administered by MSP Agencies
FY 1955 Actual	52,200	14,480		37,720				37,720
FY 1956 Actual	71,400	11,216		51,184			9,000	60,184
FY 1957 Actual	99,619	24,905					74,714	74,714
FY 1958 Estimate	70,000	17,400					52,600	52,600
FY 1959 Estimate	82,500	20,500					62,000	62,000
TOTAL	375,719	88,501		88,904			198,314	287,218

Country: YUGOSLAVIA

STATUS OF LOCAL CURRENCY FUNDS
(Administered by MSP Agencies)
(In thousands of dollar equivalent)

*Shaded areas are Security classified
and must not be divulged to
unauthorized individuals. All
other material is unclassified.*

TABLE IV

Type of Programs Generating Local Currencies and its Utilization	ACTUAL FY 1957			ESTIMATE FY 1958		PROPOSED FY 1959	
	Cumulative Through 7/1/56	Net Change	Cumulative Through 6/30/57	Net Change	Cumulative Through 6/30/58	Net Change	Cumulative Through 6/30/59
MSP U.S.-OWNED LOCAL CURRENCIES							
Potential Generation from U.S. Dollar Program ..	83,032	13,500	96,532	3,000	99,532		99,532
Deposits	57,984	21,999	79,983	17,273	97,256	2,072	99,328
Obligations	20,000	19,833	39,833	5,000	44,833	30,000	74,833
Expenditures	20,000	19,833	39,833	5,000	44,833	18,000	62,833
COUNTERPART							
Potential Generation from U.S. Dollar Program ..	263,986		263,986		263,986	6,930	270,916
Deposits	246,885	4,531	251,416	12,000	263,416	7,500	270,916
Commitments	235,574		235,574	26,700	262,274	7,870	270,144
Expenditures	189,414	35,303	224,717	14,000	238,717	24,257	262,974
P.L. 480 TITLE I ^{a/}							
Potential Generation from U.S. Dollar Program ..	97,904	74,714	172,618	52,600	225,218	62,000	287,218
Deposits	46,456	111,043	157,499 ^{b/}	36,044	193,543	58,000	251,543
Obligations				117,200	117,200	50,000	167,200
Expenditures				63,300	63,300	65,000	128,300
OTHER LOCAL CURRENCY PL 480 Title II							
Potential Generation from U.S. Dollar Program ..	23,047		23,047		23,047		23,047
Deposits	22,990		22,990	57	23,047		23,047
Commitments						15,000	15,000
Expenditures						10,000	10,000

^{a/} Includes Section 104(c) funds used for MSP purposes.

^{b/} Dollar equivalent based upon collection rate. At rate of exchange prevailing June 30, 1957, actual dollar equivalent is only 50% of the amount indicated.

Country: YUGOSLAVIA

**SUMMARY OF LOCAL CURRENCY PROGRAM ADMINISTERED BY MSP AGENCIES
BY PURPOSE AND FIELD OF ACTIVITY**
Obligations or Commitments by Fiscal Year
(In thousands of dollar equivalent)

*Shaded areas are Security classified
and must not be divulged to
unauthorized individuals. All
other material is unclassified.*

TABLE V

PURPOSE AND ACTIVITY	FY 1957			FY 1958			FY 1959		
	MSP Source	P.L. 480 Title I Source	Other Sources	MSP Source	P.L. 480 Title I Source	Other Sources	MSP Source	P.L. 480 Title I Source	Other Sources
MILITARY PURPOSES									
Projects					57,300		5,000		
Budget Support									
Military Procurement									
Total Military Purposes					57,300		5,000		
ECONOMIC PURPOSES									
Project Assistance by Field of Activity									
Agriculture	1,843			17,200	13,777		5,000	13,000	9,000
Industry and Mining	6,520			3,000	27,554		15,000	25,000	3,000
Transportation	7,225			8,200	6,589		4,000	5,000	
Labor									1,000
Health and Sanitation							1,870		2,000
Education									
Public Administration									
Community Development, Social Welfare and Housing	4,245				11,980		3,000	5,000	
General and Miscellaneous				3,300			2,000	2,000	
Total	19,833			31,700	59,900		30,870	50,000	15,000
Budget Support (Not Elsewhere Classified) ..							2,000		
Total Economic Purposes	19,833			31,700	59,900		32,870	50,000	15,000
Procurement for Third Country	XXX			XXX			XXX		
TOTAL ALL PURPOSES	19,833			31,700	117,200		37,870	50,000	15,000

Shaded areas are Security classified and must not be divulged to unauthorized individuals. All other material is unclassified.

U.S. Interests:

Multilateral Programs:

Continued European economic growth, based on increased productivity, and further progress toward European integration are essential if our European allies are to make their full contribution in the struggle against international communism. In contrast with the Marshall plan period, the major burden of current efforts to achieve these aims is being borne by European countries with their own means. The United States lends friendly encouragement and participates in certain regional economic activities in Europe. Its financial contributions are, however, very small as compared with the past.

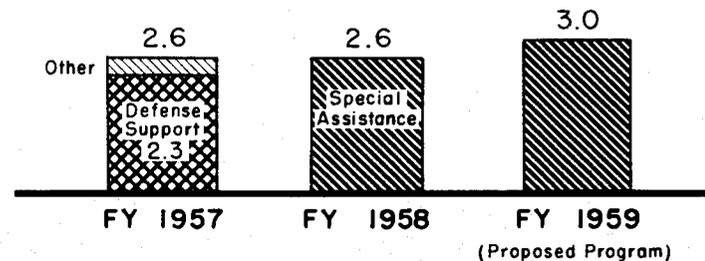
Insofar as the U.S. continues to contribute financially to European regional programs, its role is changing from that of essentially a major donor nation to that of a partner, sharing both costs and benefits of the various activities. Thus the U.S. and its European allies both stand to gain from (a) programs to increase economic growth through improved productivity and sound economic practices and (b) measures to improve the supply and quality of scientists and engineers in the face of the Soviet threat to the West's scientific primacy.

Bilateral Programs:

In certain European countries, the struggle against Communist influence and penetration is most evident in specific areas, as in the labor movement in France and Italy. In Austria the formerly Soviet-Occupied Zone is currently a focal point for combatting Soviet influence. Therefore several small bilateral programs are continuing in these sensitive areas.

THE PROGRAM FY 1957-59

(\$ Millions)



Obligations and Expenditures \$ in thousands			
MILITARY ASSISTANCE	PROGRAMMED	DEL./EXP.	UNLIQUIDATED
Cumulative 6/30/57			XXX
Estimate F.Y. 1958			XXX
Cumulative 6/30/58			
ECONOMIC ASSISTANCE	OBLIGATIONS	EXPENDITURES	UNLIQUIDATED
Cumulative 6/30/57	62,651 ^{a/}	59,049	3,602
Estimate F.Y. 1958	2,600	4,402	XXX
Cumulative 6/30/58	65,251	63,451	1,800

^{a/} Includes Programs in Austria, France, Italy, USRO, Portugal, United Kingdom, Belgium, Denmark, Netherlands, Norway, Sweden, Trieste, and Ireland.

EUROPEAN TECHNICAL EXCHANGE

ECONOMIC ASSISTANCE

SUMMARY OF PROGRAM BY FUNCTION - PROJECT AND NON-PROJECT ASSISTANCE

Shaded areas are Security classified
and must not be divulged to
unauthorized individuals. All
other material is unclassified.

	(In thousands of dollars)								
	Actual FY 1957			Estimate FY 1958			Proposed FY 1959		
	Total	Defense Support	Other ^{b/}	Total	Spec. Assist.	Other	Total	Spec. Assist.	Other
PROJECT ASSISTANCE									
Austria	309		309	200	200		190	190	
France	180	180		190	190		190	190	
Italy	322	322		220	220		220	220	
USRO Technical Support	270	270		350	350		400	400	
Other	21	21		40	40				
Total Project Assistance	1,102	793	309	1,000	1,000^{c/}		1,000	1,000	
NON-PROJECT ASSISTANCE									
Cash Grant to EPA	1,500	1,500		1,100	1,100 ^{d/}		1,000	1,000	
Matching Contribution to OEEC Scientific and Engineering Manpower Program				500	500		1,000	1,000	
Total Non-Project Assistance	1,500	1,500		1,600	1,600		2,000	2,000	
TOTAL PROGRAM	2,602	2,293^{a/}	309	2,600	2,600^{a/}		3,000	3,000	
PROJECT ASSISTANCE BY MAJOR COST COMPONENTS									
Technicians	316	262	54	313	313		314	314	
Participants	379	282	97	330	330		335	335	
Contractual Services	224	94	130	95	95		100	100	
Other Costs	183	155	28	262	262		251	251	
Total	1,102	793	309	1,000	1,000		1,000	1,000	
NUMBER OF PEOPLE									
Technicians (On duty close of year)	52	47	5	59	59		50	50	
U.S. Employed	25	20	5	27	27		25	25	
Contract	27	27		32	32		25	25	
Participants (Programmed during year)	264	188	76	201	201		200	200	
Non-Contract	264	188	76	201	201		200	200	
Contract									

a/ Excludes \$98 thousand and \$100 thousand for FY 1957 and FY 1958 respectively which is included in Iceland country presentation.

b/ Joint Control Areas.

c/ Includes \$200 thousand funded from Joint Control Areas.

d/ Does not include \$250 thousand equivalent in Italian Lira and Yugoslav Dinars which may be provided as additional Cash Grant to EPA.

Country EUROPEAN TECHNICAL EXCHANGE

ECONOMIC ASSISTANCE

Shaded areas are Security classified and must not be divulged to unauthorized individuals. All other material is unclassified.

MULTILATERAL PROGRAMS

Objectives

Through cooperative U.S.-European programs, to stimulate, assist and supplement efforts:

- To increase the number and improve the quality and utilization of scientists and engineers.
- To disseminate technical knowledge and foster attitudes conducive to increasing competition and productivity in the OEEC area.
- To develop and disseminate techniques of economic development for less developed areas.

In this way:

- To increase the scientific and technical resources available in the Atlantic Community relative to those of the Soviet bloc.
- To contribute to the effectiveness of the movement toward European economic integration in creating a dynamic and prosperous economy in Western Europe.
- To encourage European interest in and capacity for providing technical and other assistance to other areas.

Accomplishments

Efforts since shortly after the war by European leaders, supported by the United States, to foster economic cooperation and integration among the countries of Western Europe have begun to bear fruit with the entry into force of the Common Market and the EURATOM treaties and the negotiations for a broader European free trade area. As has been the case with earlier successful efforts in the liberalization of European trade and payments, these developments are expected to reduce protectionism and intensify competition and thus create additional incentives to raising levels of productivity. The productivity program itself (first under direct U.S. administration and then under the European Productivity Agency (EPA)) has in turn helped to provide the information and to develop institutional changes needed actually to bring increases in productivity in response to the new incentives. This has assisted European productivity to increase at a rate approximating that of the U.S.

There has been a widespread increase in publicly and privately financed productivity activities throughout the OEEC area, such as regional and local productivity councils and other institutions, conferences and seminars, special articles and publications, self-financed trips to the U.S. and other countries to study improved production practices, and so forth. A major achievement of EPA has been its contribution to the development among Europeans of an

Summary of Program \$ in thousands

Function	Actual F.Y. 1957	Estimate F.Y. 1958	Proposed F.Y. 1959
Defense Support	2,293		
Development Assistance . . .		2,600	3,000
Special Assistance			
Technical Cooperation			
Other Programs	309		
Total	2,602	2,600	3,000

awareness of the problem of restrictive practices and the necessity for effective anti-cartel legislation. This has been accomplished through such means as periodic meetings of governmental and other experts.

Specific examples of progress to which the ICA productivity program has contributed are as follows: Shifting away from protectionism towards emphasis on increased efficiency on the part of many regionally organized groups, e.g., practices designed to enable more speedy turn around of ships were recently endorsed by an EPA sponsored dock workers seminar; a demonstration project has been initiated in Sardinia, as a model for similar depressed area economic development undertakings in other places. Ten schools of business management have been established in France with U.S. technical assistance. OEEC is presently developing details of a program for overcoming shortages of scientists and engineers. EPA is coordinating a multicountry effort in the acquisition, translation, and distribution of Soviet scientific and technical literature. European regional groups are engaging actively in the joint study of such problems as fatigue in metals and aerial map making.

Major Problems: With regard to the new Scientific and Engineering Manpower program, there is a danger that undue pressures for action may precipitate concentration on unwise short run measures for expediency rather than on needed long range remedial measures.

Proposed FY 1959 Program

Grant to European Productivity Agency (EPA): The U.S. role with regard to EPA is changing from major external donor to that of working partner, sharing benefits and costs with other participants. Thus, while the U.S. contribution of \$1 million proposed for FY 1959 represents a reduction from FY 1958, it is anticipated that eventually a level will be reached at which the U.S. contribution will be maintained in terms of the direct and indirect benefits to the U.S. of continued participation. EPA, as one of

a family of regional institutions, has demonstrated ability to help unify and strengthen the Atlantic Community. The progressive concentration of EPA activities in fields designed to facilitate adaptation to the European Common Market and Free Trade Area contributes to Mutual Security objectives. Also, the Agency provides a framework for the U.S. to cooperate with Western Europe in areas of particular interest outside of the military field, especially through coordinated and joint research activities.

Of the total \$1 million requested for FY 1959, approximately 80% (\$800,000) is to support certain key activities of special interest to the U.S. The remaining 20% (\$200,000) is equally divided between support of general administrative costs and "other activities", under which category such projects as encouragement of competition, better manpower utilization and agricultural productivity activities would be undertaken. The estimated distribution by activity of the total EPA program and the U.S. portion thereof is as follows:

	Total Program Cost	U.S. Grant	
		Thousand Dollars	As % of Total
Cooperative Research on Scientific and Technological Problems	530	150	28
Aid to Less Developed Areas in Europe	775	300	39
Improvement of Management and Trade Union Training	2,675	350	13
Other Activities	975	100	10
Information (general, technical and audio-visual)	530		
General Administration and Opera- ting Costs	915	100	11
Total	6,400 ^{a/}	1,000	16

a/ Includes expected EPA budget of \$2,300,000 and an estimated \$3,100,000 in direct project costs borne by participating OEEC countries, plus the proposed \$1,000,000 U.S. grant.

Scientific and Engineering Manpower: It is proposed to make a \$1 million grant available in FY 1959 to support a multilateral OEEC program to expand and improve the training of scientific and engineering manpower in the North Atlantic Community. This program would be designed primarily to make the various national efforts in this field more effective. The proposed grant, like a similar contribution in FY 1958, would be conditional on at least

a matching amount being contributed to the program by the OEEC Member Countries. It is contemplated that the U.S. and Member Country contributions would be merged into a single fund. Thus, a total program of approximately \$2 million is envisaged. The increased U.S. contribution in FY 1959 is needed to accelerate the modest program begun with the initial FY 1958 allocation. This will also help to demonstrate the increased sense of urgency with which the U.S. views the problem.

The future security of the Western countries and their further economic expansion depend on a marked increase in highly trained personnel in the scientific and engineering fields. Major scientific and technological advances of recent years, that have both defense and economic implications, have demonstrated the critical importance of scientific and engineering talent for the survival of the Free World. The program being developed will attack the scientific and engineering manpower problem in two ways: reorientation of science education, and improved utilization of existing personnel. The reorientation of education will involve stimulating the creation of teacher-training centers, pilot-training schemes, and provision of improved teaching materials. Improved utilization of existing personnel will be achieved through extension of on-the-job training, and establishment of specialized regional centers providing intensive short-term courses.

Present plans for FY 1959 include 15 to 20 U.S. and approximately 50 European consultants; over 100 participants to visit the U.S., and an estimated 200 participants training within Europe; also the purchase of some training equipment and other essential items in both the U.S. and Europe. About two-thirds of the total costs would be payable in European currencies.

The tentative projects and estimated distribution of funds among them are as follows:

Country: EUROPEAN TECHNICAL EXCHANGE

ECONOMIC ASSISTANCE - Continued

Shaded areas are Security classified and must not be divulged to unauthorized individuals. All other material is unclassified.

<u>Field of Activity</u>	<u>Total Cost</u> (\$000)
A. <u>Measures to Improve Utilization of Existing Scientific and Engineering Personnel</u>	
1. Advanced Training for Employed Technicians	200
2. Establishment of Specialized Advanced Training Centers	500
3. Development of Coordinated Census and Other Statistics	30
4. Development of Scale of Educational Equivalents in Engineering	<u>10</u>
Subtotal	740
B. <u>Reorientation of Science Education to Increase Future Supply and Quality of Scientists and Engineers</u>	
1. Pilot Summer School Training of Secondary School Science Teachers	500
2. Demonstration Center for Teaching Mathematics	200
3. Multilateral Exchange of Teachers of Advanced Science	300
4. Dissemination of Improved Science Education Methods	<u>260</u>
Subtotal	1,260
GRAND TOTAL	2,000 ^{a/}

^{a/} Total shared equally between the U.S. and OEEC Member Countries, but no breakdown on costs feasible on an individual-project basis.

BILATERAL PROGRAMS

Objectives

- To strengthen democratic trade unions in France and Italy and to improve labor management relations.
- To assist the area formerly in the Soviet occupied Zone of Austria to increase its productivity to the level of the rest of the country and to demonstrate in a sensitive border area the advantage of reintegration with the West.

Accomplishments

While the Communist-dominated unions in France and Italy are still the strongest element in the organized labor movement, the non-Communist unions have been growing in strength and are gradually building up a young, vigorous leadership which has the spirit and ability for continued growth. The Communist-directed unions, despite strong support and financial assistance from Moscow, have been losing ground in relation to the free unions. In Italy, this is demonstrated by the Shop Stewards' elections of recent years in which the free unions have made sizeable gains. In France, Communist-inspired strikes which are identifiably political in nature and which are opposed by the non-Communist unions no longer receive the support of the mass of the workers. The Communist-directed unions in both France and Italy have also been forced to abandon their campaigns against the productivity program which the free trade unions (and the U.S.) have actively supported. The gains of the free trade unions have been due in substantial measure to the support and technical assistance which the U.S. has provided during the past several years.

In Austria, several regional development councils (mostly in the former Soviet-occupied Zone) have been or are in the process of formation; the productivity of the tin can, food canning, and paper industries has been increased; and agreement has been reached to establish an industrial management curriculum in one of the Universities.

Major Problems: While progress has been made in getting the free trade unions on solid footings, much remains to be done. Major weaknesses continue to be (1) the shortage of trained and competent leaders in the younger age brackets to cope with the Communist trade union apparatus and (2) the necessity for greater appreciation within the unions of the role which free labor can take in promoting economic growth and political stability.

Recent Soviet successes in the scientific field are expected to augment the Communist Party's popularity in both France and Italy. This, in turn, may be expected to lead to strengthening of the Communist-dominated labor federations in both countries at the expense of the free trade unions.

In Austria, an important group of former Soviet-controlled enterprises are now operating under the temporary control of government administrators who are faced with the problem of reintegrating these enterprises into the Austrian economy and of providing for their return to private ownership at the earliest possible date.

Austria's accession to the proposed Free Trade Area will highlight the inability to compete of much of Austrian industry located in the former East Zone.

Proposed FY 1959 Program

French and Italian Bilateral Labor Programs: The \$190,000 and \$220,000 programs respectively proposed for France and Italy are intended to help remedy the problems mentioned above by carrying forward special training programs for promising individuals from the rank and file of the free unions, including support costs related to these and other ICA activities in these countries. Under both programs, short-term team visits for study of technical aspects of labor union management and operation, and longer periods of study for individual labor leaders will be provided to approximately 170 individuals. In addition, in France, a study evaluating the impact of the program on the activity of returned labor leaders will be continued.

U.S. support of these programs is essential if they are to be continued. In view of the strength of the Communist parties in both France and Italy, neither government would be in a position to sponsor and obtain public funds to finance programs benefiting only one portion - the minority portion - of their respective labor movements.

Austrian Program: The proposed FY 1959 program of \$190,000 provides for continuation of projects designed to assist Austria solve the problems arising from the State Treaty, and in particular to help the former Soviet Zone draw abreast of Western technology and attitudes relating to increased productivity, scientific management, regional development, and improved labor relations.

As in the past, U.S. consultants will continue to assist industry located within the former Soviet-occupied areas; management and labor productivity teams, with participants drawn largely from Eastern Austria, will be sent to the U.S. for training; assistance by The Massachusetts Institute of Technology to the Technical University in Vienna in establishing an industrial engineering and management school will be completed; and a U.S. regional development expert will assist the Burgenland Economic Development Council and similar prospective organizations in other parts of the former Soviet-occupied areas in the formulation of local regional development programs.

EUROPEAN TECHNICAL EXCHANGE

ECONOMIC ASSISTANCE

PROJECT ASSISTANCE BY FIELD OF ACTIVITY

(In thousands of dollars)

	Total Cost	Agriculture and Natural Resources	Industry and Mining	Transportation	Labor	Health and Sanitation	Educational	Public Administration	Community Development, Social Welfare & Housing	General and Miscellaneous
<u>ACTUAL FY 1957</u> ^{a/}										
Austria	309		157		40			30		82
France	180				150					30
Italy	322				151			75		96
USRO Technical Support	270									270
Other	21									21
Total	1,102		157		341			105		499
<u>ESTIMATE FY 1958</u> ^{b/}										
Austria	200		45		25			30	25	75
France	190				150					40
Italy	220				150					70
USRO Technical Support	350									350
Other	40									40
Total	1,000		45		325			30	25	575
<u>PROPOSED FY 1959 (Special Assistance)</u>										
Austria	190		45		30			30	20	65
France	190				150					40
Italy	220				150					70
USRO Technical Support	400									400
Total	1,000		45		330			30	20	575

^{a/} All Defense Support except Austria, which was funded under "Other Programs". (Joint Control Areas)

^{b/} All Special Assistance except Austria, which was funded under "Other Programs". (Joint Control Areas)

ECONOMIC ASSISTANCE

TABLE I

DISTRIBUTION OF FY 1959 PROJECT ASSISTANCE

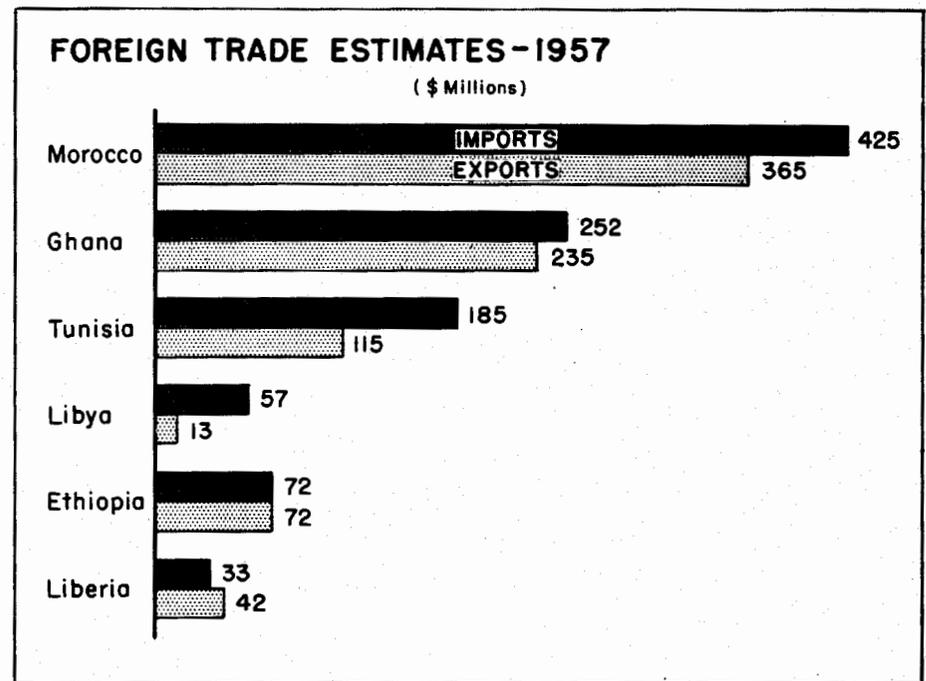
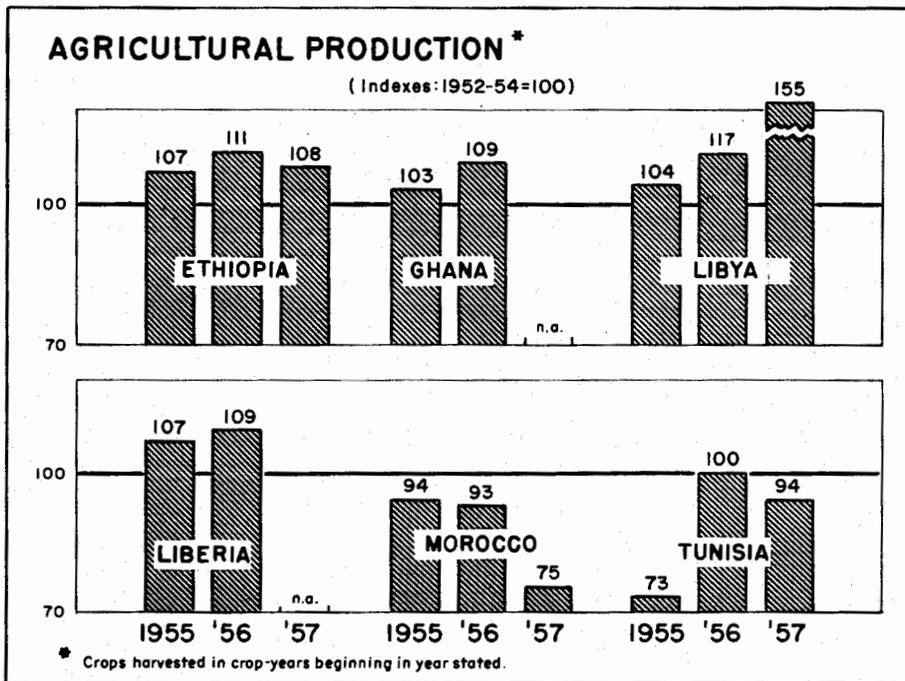
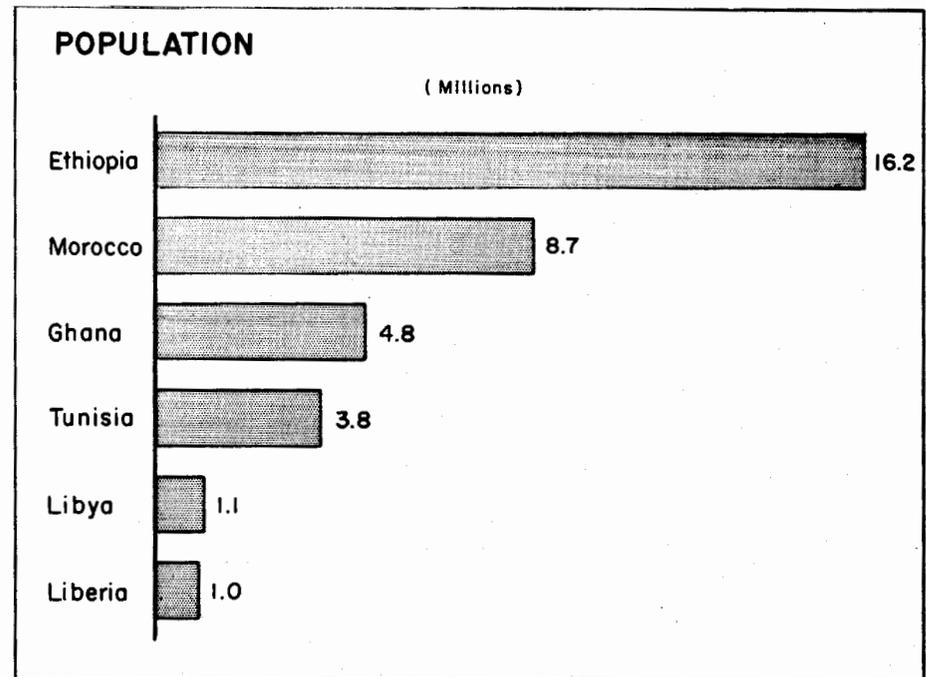
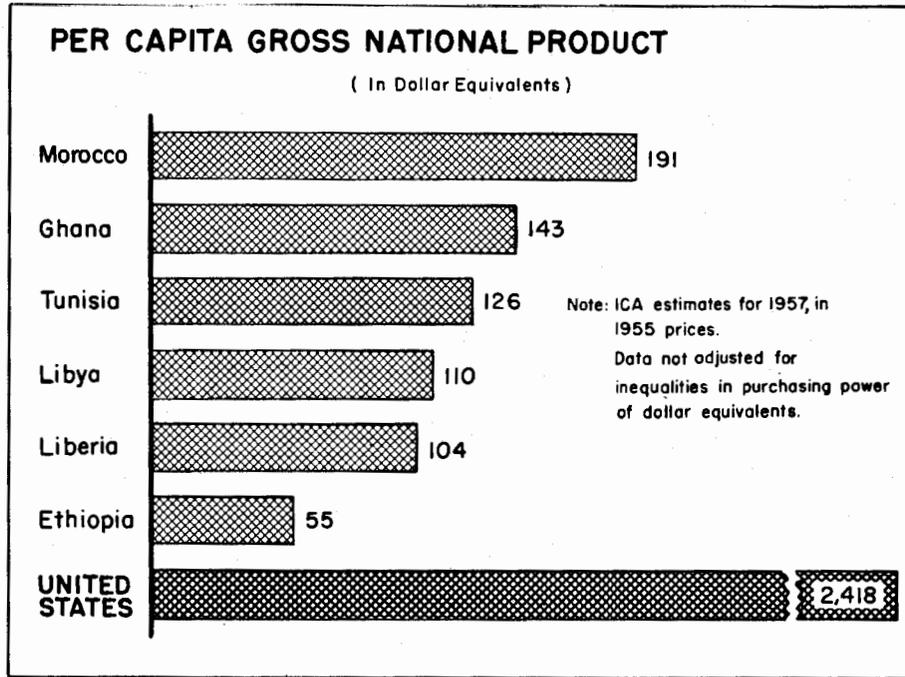
(In thousands of dollars and equivalent)

Special Assistance	DIRECT U.S. DOLLAR COST - Proposed							Local Currency Cost - Proposed	
	Total	U.S. Technicians	Non-Contract Participants	Contracts	Commodities	Other Costs	Contributions to Cooperative Services	MSP includ. Counter-part	P. L. 480 Adminis-tered by ICA
<u>AUSTRIA - Total</u>	190	35	45	80		30			
<u>Industry - Total</u>	45		15	30					
Consultant Services for Former Soviet Controlled Enterprises	10			10					
Plant Level Productivity	20			20					
Management Productivity Teams - E. Austria	15		15						
<u>Labor - Total</u>	30		30						
Labor Productivity Teams - E. Austria	20		20						
Labor Research Team - Lower Austria	10		10						
<u>Public Administration - Total</u>	30			30					
Industrial Management Engineering Education	30			30					
<u>Community Development - Total</u>	20			20					
Regional Development Support	20			20					
<u>General and Miscellaneous - Total</u>	65	35				30			
Technical Support	65	35				30			
<u>FRANCE - Total</u>	190	29	140			21			
<u>Labor - Total</u>	150		140			10			
Trade Union Improvement	150		140			10			
<u>General and Miscellaneous - Total</u>	40	29				11			
Technical Support	40	29				11			
<u>ITALY - Total</u>	220	45	150			25			
<u>Labor - Total</u>	150		150						
Strengthening Free Trade Unions	150		150						
<u>General and Miscellaneous - Total</u>	70	45				25			
Technical Support	70	45				25			
<u>USRO - Total</u>	400	205		20		175			
<u>General and Miscellaneous - Total</u>	400	205		20		175			
Technical Support a/	400	205		20		175 b/			
GRAND TOTAL	1,000	314	335	100		251			

a/ Provides backstopping for EPA, Scientific and Engineering Manpower, and Third Country Training Programs.

b/ Includes costs of local personnel, and travel and per diem costs of U.S. consultants attending conferences, etc.

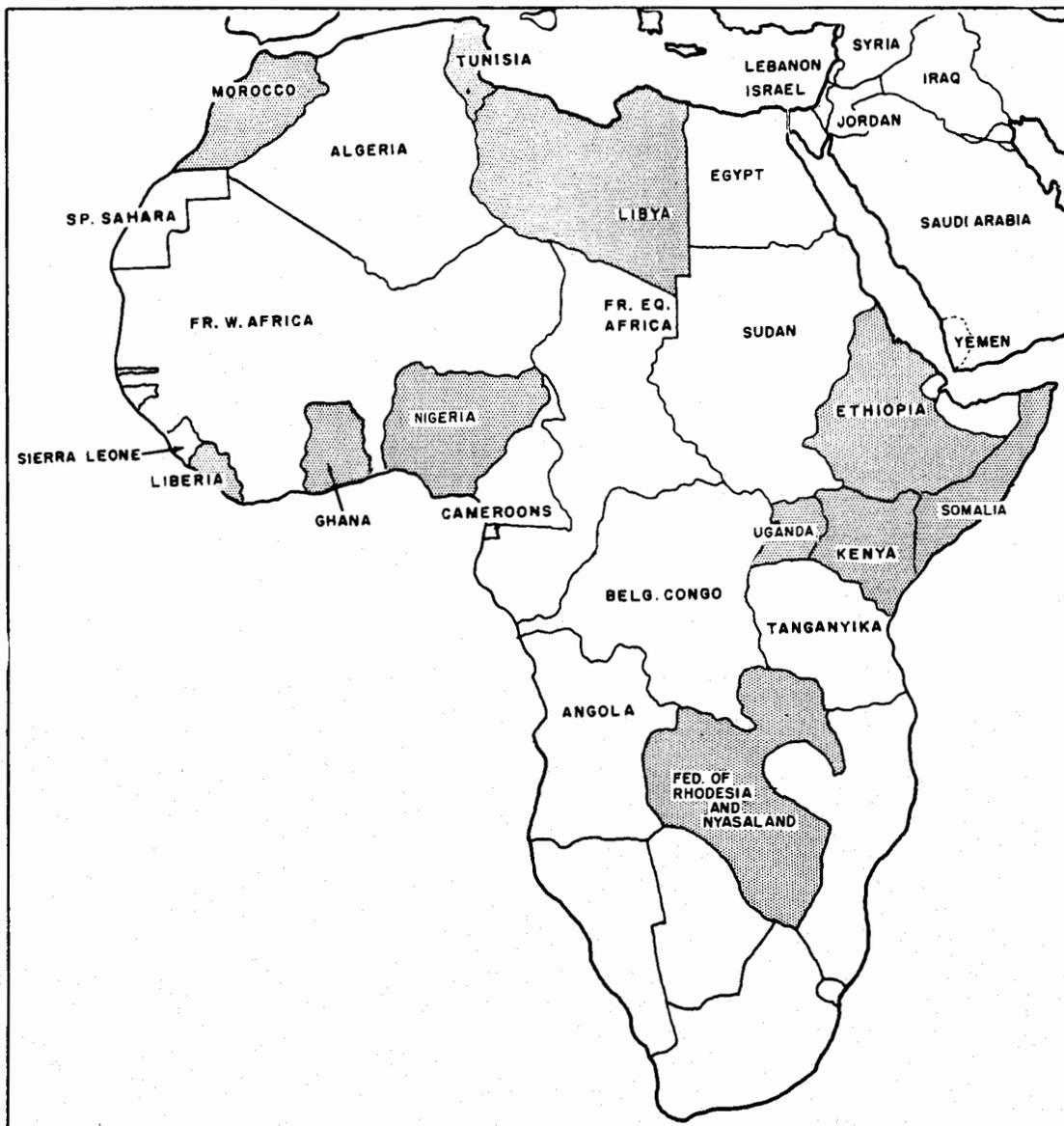
AFRICA-BASIC DATA



AFRICA

*Shaded areas are Security classified
and must not be divulged to
unauthorized individuals. All
other material is unclassified.*

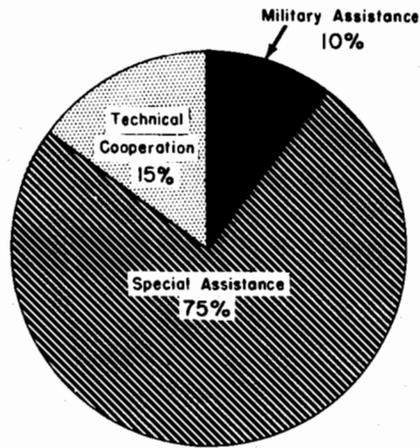
SECRET



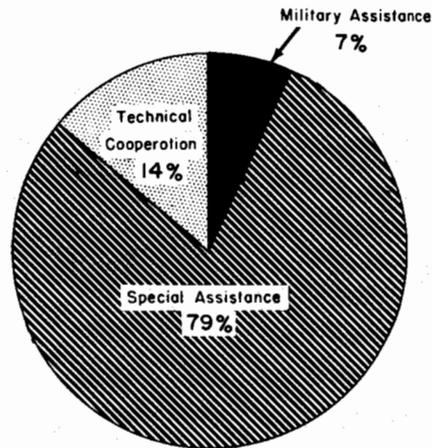
Country	FY 1959 PROGRAM Type of Assistance (Millions of Dollars)		
	Military Assist.	Special Assist.	Tech. Coop.
Ethiopia	4.2	3.0	4.0
Ghana	—	—	1.2
Liberia	—	—	2.0
Libya	3.2	20.0	2.4
Morocco	—	45.0	1.0
Somalia	—	0.5	0.4
Tunisia	—	14.5	1.5
Overseas Territories	—	—	1.2
Regional and Undistributed	—	—	0.8
Total	7.3	83.0	14.5

SECRET

AFRICA - PROGRAM BY FUNCTION



FY 1958 Total - \$ 69.5 million

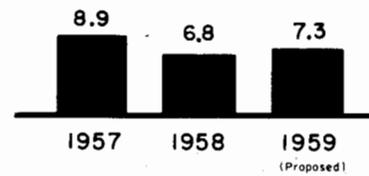


FY 1959 Total - \$ 104.8 million

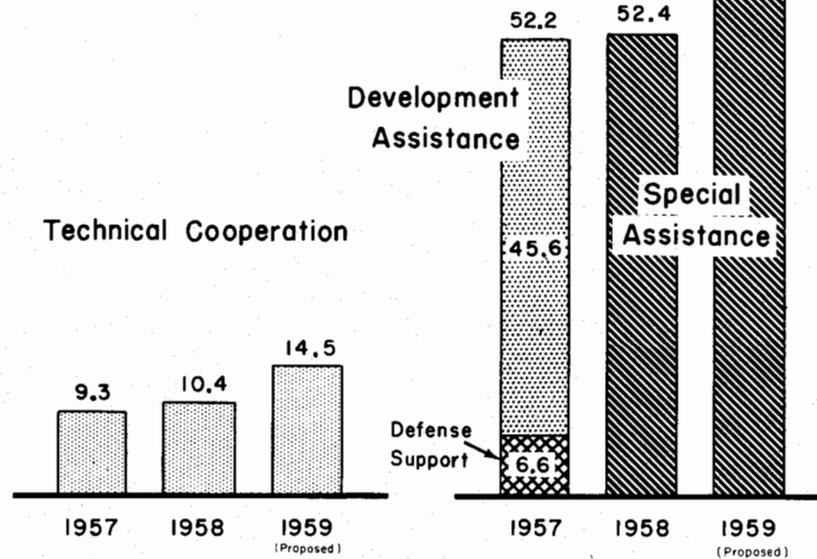
TREND BY FUNCTION

(\$ Millions)

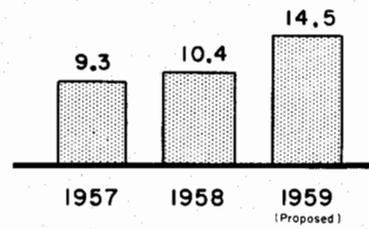
Military Assistance



Development Assistance



Technical Cooperation



U. S. Fiscal Years

Country: AFRICA REGIONAL

SUMMARY OF MUTUAL SECURITY PROGRAMS BY FUNCTION

(In thousands of dollars)

FUNCTION	PROGRAM		
	Actual FY 1957	Estimate FY 1958	Proposed FY 1959
<u>MILITARY ASSISTANCE</u>	8,892	6,758	7,324
<u>ECONOMIC ASSISTANCE</u>			
Defense Support	6,600		
Development Assistance	45,580		
Technical Cooperation	9,305	10,350	14,450
Special Assistance		52,400	83,000
Other Programs			
Total Economic Assistance	61,485	62,750	97,450
TOTAL ALL PROGRAMS	70,377	69,508	104,774

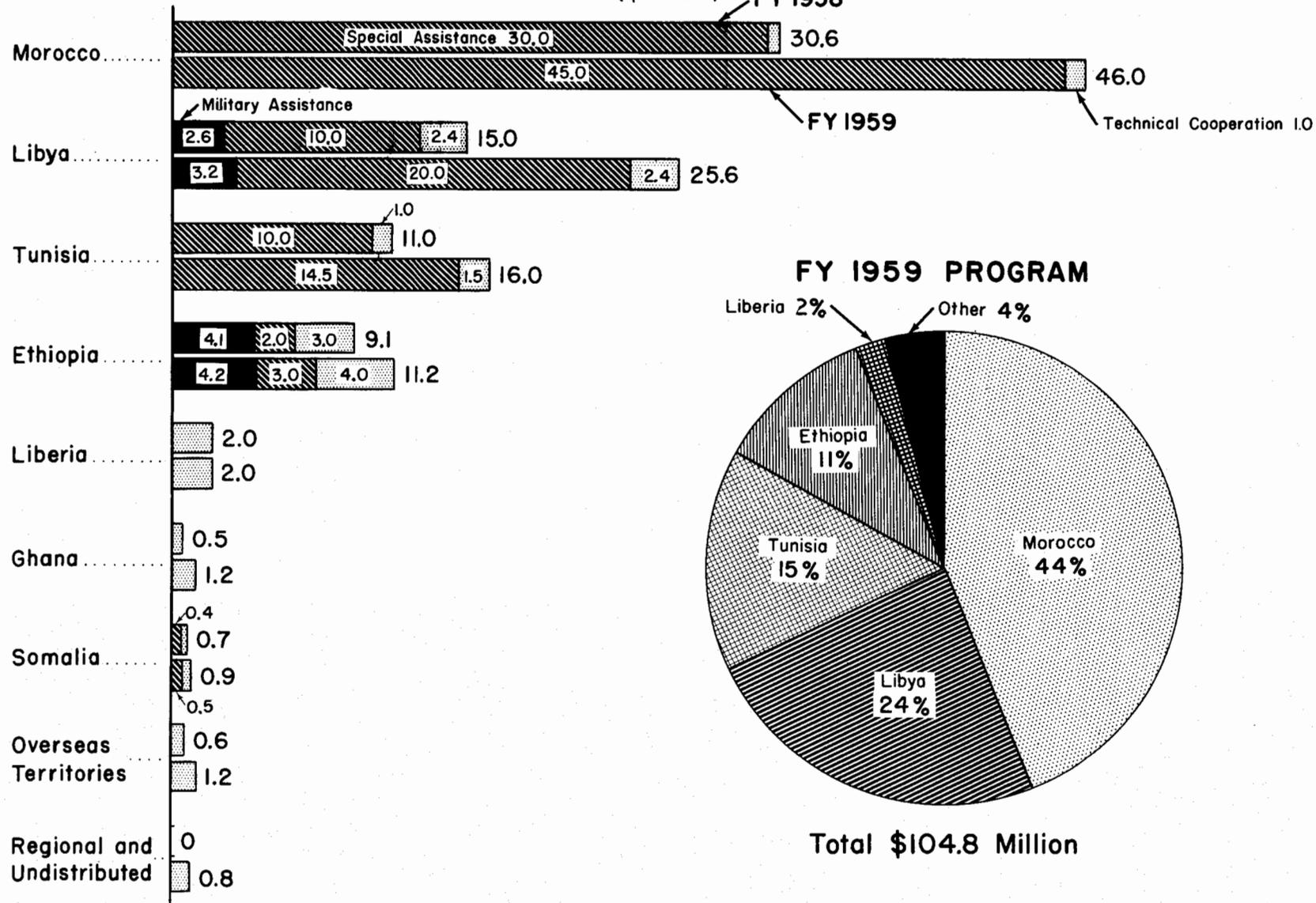
ESTIMATED OBLIGATIONS AND EXPENDITURES

(In thousands of dollars)

	Programmed	Del./Exp.	Unliquidated		Obligations	Expenditures	Unliquidated
<u>MILITARY ASSISTANCE</u>				<u>ECONOMIC ASSISTANCE</u>			
Cumulative 6/30/57	21,284	13,067	8,217	Cumulative 6/30/57	124,063	68,473	55,590
Estimate FY 1958	6,758	7,793	XXX	Estimate FY 1958	62,750	52,940	XXX
Cumulative 6/30/58	28,042	20,860	7,182	Cumulative 6/30/58	186,813	121,413	65,400

AFRICA - PROGRAM BY COUNTRY

(\$ Millions) FY 1958



SECRET
MILITARY ASSISTANCE

*Shaded areas are Security classified
and must not be divulged to
unauthorized individuals. All
other material is unclassified.*

Major Components by Category (all values in thousands of dollars)	Annual Programs				Del./Exp. F.Y. 1950-58 Programs		
	Value		Proposed F.Y. 1959		Estimate F.Y. 1958	Cumulative June 30, 1958	F.Y. 1959 and Later
	F.Y. 1957	F.Y. 1958	Quantity	Value			
AFRICA	\$8,892	\$6,758		\$7,324	\$7,793	\$20,860	\$7,182
Ethiopia	8,754	4,133	NOT APPLICABLE	4,160	7,487	20,416	4,863
Liberia	138	-		-	-	138	-
Libya	-	2,625		3,164	306	306	2,319

SECRET

SECRET

MILITARY ASSISTANCE PROGRAMS
(All Values in Thousands of Dollars)

*Shaded areas are Security classified
and must not be divulged to
unauthorized individuals. All
other material is unclassified.*

AFRICA

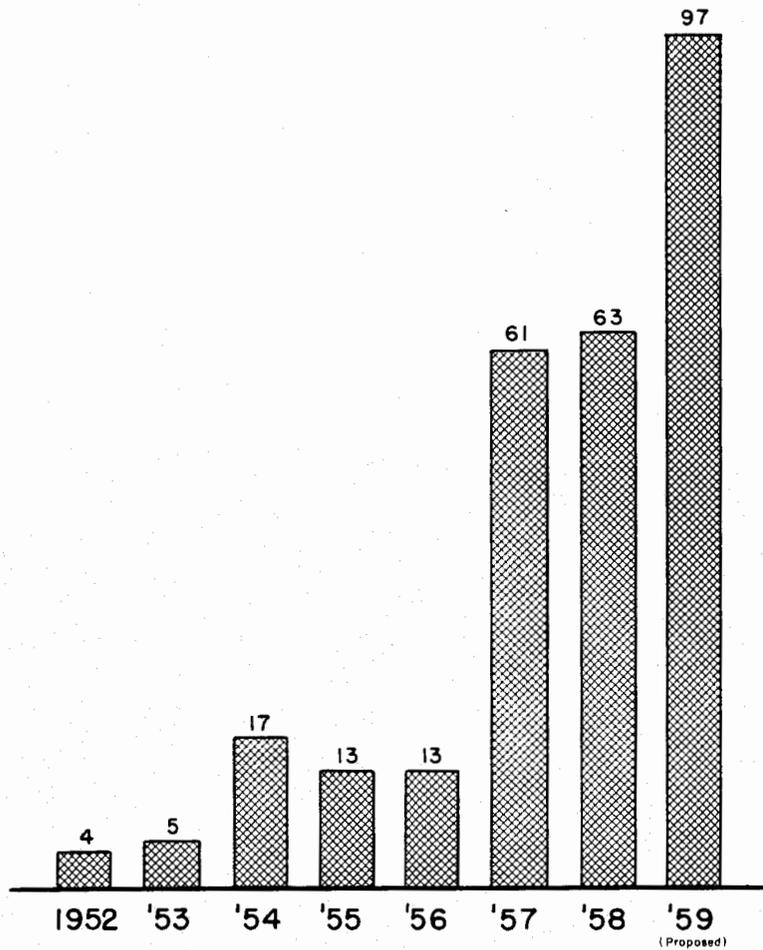
Country	FY 1957			FY 1958			FY 1959		
	Country Program	Special Materiel Program	Estimated Total	Country Program	Special Materiel Program	Estimated Total	Country Program	Special Materiel Program	Estimated Total
Africa Total	\$8,892	(\$354)	(\$9,246)	\$6,758	(\$1,550)	(\$8,308)	\$7,324	(\$1,742)	(\$9,066)
Ethiopia	8,754	(349)	(9,103)	4,133	(1,500)	(5,633)	4,166	(1,592)	(5,758)
Liberia	138	(5)	(143)	-	-	-	-	-	-
Libya	-	-	-	2,625	(50)	(2,675)	3,164	(150)	(3,314)

SECRET

AFRICA-PROGRAMS FOR ECONOMIC ASSISTANCE

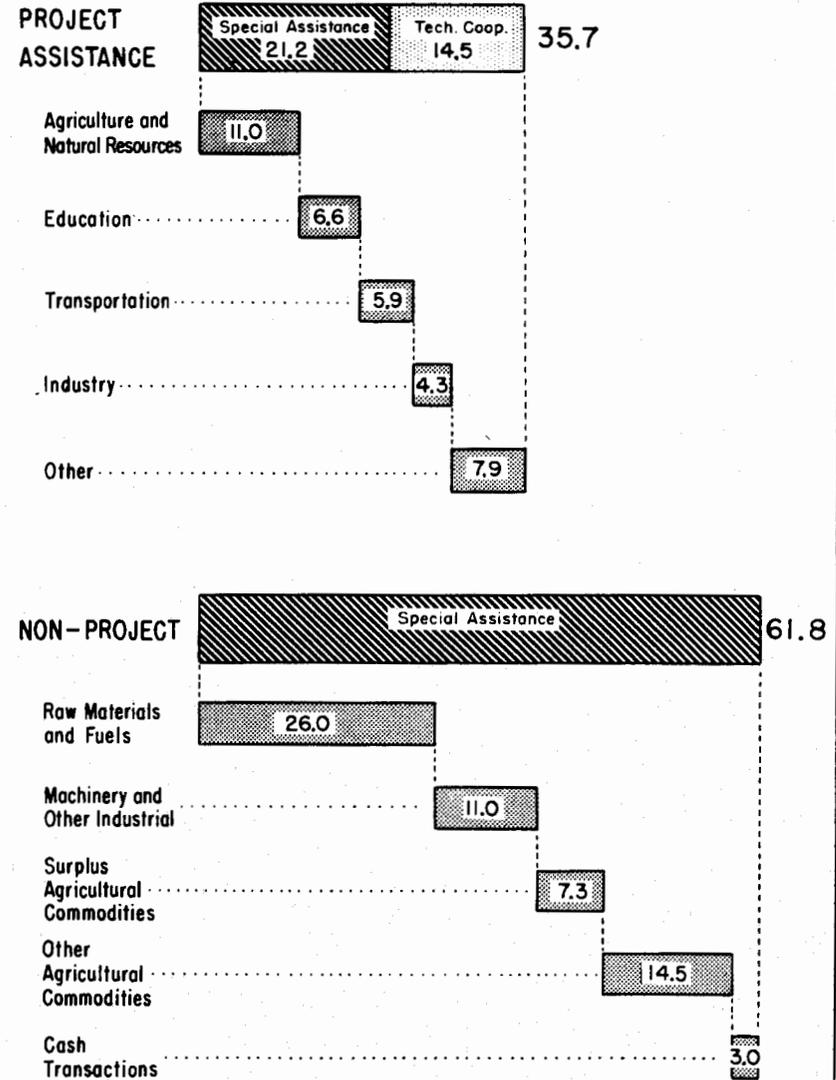
TREND OF ECONOMIC ASSISTANCE

(\$ Millions)



1959 PROGRAM

(\$ Millions)



AFRICA REGIONAL

SUMMARY OF ECONOMIC ASSISTANCE PROGRAMS

By Function and Country

*Shaded areas are Security classified
and must not be divulged to
unauthorized individuals. All
other material is unclassified.*

(In thousands of dollars)

Country	Total			Defense Support			Development Assistance			Special Assistance			Technical Cooperation		
	FY 1957	FY 1958	FY 1959	FY 1957	FY 1958	FY 1959	FY 1957	FY 1958	FY 1959	FY 1957	FY 1958	FY 1959	FY 1957	FY 1958	FY 1959
Ethiopia	9,600	5,000	7,000	6,600						2,000	3,000		3,000	3,000	4,000
Ghana	360	500	1,200										360	500	1,200
Liberia	1,716	2,000	2,000										1,716	2,000	2,000
Libya	19,280	12,400	22,400				16,580			10,000	20,000		2,700	2,400	2,400
Morocco	20,067	30,600	46,000				20,000			30,000	45,000		67	600	1,000
Somalia	1,387	650	850				1,000			400	500		387	250	350
Tunisia	8,489	11,000	16,000				8,000			10,000	14,500		489	1,000	1,500
Overseas Territories (U.K. and Others)	586	600	1,200										586	600	1,200
Regional Projects			800												800
TOTAL PROGRAMS	61,485	62,750	97,450	6,600			45,580			52,400	83,000		9,305	10,350	14,450

Country: AFRICA REGIONAL

ECONOMIC ASSISTANCE
SUMMARY OF PROGRAM BY FUNCTION - PROJECT AND NON-PROJECT ASSISTANCE

(In thousands of dollars)

MAJOR COST COMPONENT	ACTUAL FY 1957				ESTIMATE FY 1958				PROPOSED FY 1959		
	Total	Def Sup	Tech. Coop.	Dev Asst	Total	Sp Asst	Tech. Coop.	Other	Total	Sp Asst	Tech. Coop.
PROJECT ASSISTANCE											
Technicians	3,457		3,457		4,961	343	4,618		6,696	386	6,310
Participants	605		555	50	789		789		1,522		1,522
Contractual Services	8,561	2,932	2,129	3,500	2,495	420	2,075		4,549	1,380	3,169
Supplies and Equipment	4,635	3,418	1,217		3,883	3,092	791		8,004	6,980	1,024
Contrib. to Coop. Services	13,977		947	13,030	8,153	7,035	1,118		13,222	12,154	1,068
Other Costs	1,250	250	1,000		1,269	310	959		1,657	300	1,357
Total Project Assistance	32,485	6,600	9,305	16,580	21,550	11,200	10,350		35,650	21,200	14,450
NON-PROJECT ASSISTANCE											
Agric. Commodities Total	21,000			21,000	20,800	20,800			21,800	21,800	
Surplus	5,200			5,200	15,800	15,800			7,300	7,300	
Other	15,800			15,800	5,000	5,000			14,500	14,500	
Industrial Commodities Total	8,000			8,000	20,400	20,400			37,000	37,000	
Raw Materials and Fuels	8,000			8,000	11,500	11,500			26,000	26,000	
Machinery and Equipment					3,000	3,000			4,000	4,000	
Other Indus. Commodities					5,900	5,900			7,000	7,000	
Cash Transactions									3,000	3,000	
Other											
Total Non-Project Assistance	29,000			29,000	41,200	41,200			61,800	61,800	
TOTAL COUNTRY PROGRAMS	61,485	6,600	9,305	45,580	62,750	52,400	10,350		97,450	83,000	14,450
NUMBER OF PEOPLE											
Technicians (On duty close of year)	335		335		571	27	544		691	44	647
U.S. Employed	262		262		392	22	370		437	19	418
Contract	73		73		179	5	174		254	25	229
Participants (Programmed during year)	164		153	11	187		187		425		425
Non-Contract	164		153	11	185		185		425		425
Contract					2		2				

GPO 934793

PROJECT ASSISTANCE BY FIELD OF ACTIVITY

(In thousands of dollars)

Function and Fiscal Year	Total Cost	Agriculture and Natural Resources	Industry and Mining	Transportation	Labor	Health and Sanitation	Education	Public Administration	Community Develop., Social Welfare & Housing	General and Miscellaneous
ACTUAL FY 1957										
Defense Support	6,600	1,646	164	466		1,345	579	200	1,060	1,140
Development Assistance . . .	16,580	1,662	9,376	907		1,186	2,595	350		504
Technical Cooperation	9,305	3,216	315	385	28	1,226	2,160	662	56	1,257
Other Programs										
Total	32,485	6,524	9,855	1,758	28	3,757	5,334	1,212	1,116	2,901
ESTIMATE FY 1958										
Defense Support										
Special Assistance	11,200	3,555	1,880	2,010		1,430	1,050	800	200	275
Technical Cooperation	10,350	3,171	1,016	612	44	1,253	2,183	453	72	1,546
Other Programs (or DA)										
Total	21,550	6,726	2,896	2,622	44	2,683	3,233	1,253	272	1,821
PROPOSED FY 1959										
Defense Support										
Special Assistance	21,200	6,180	2,820	5,000		1,150	3,525	600	150	1,775
Technical Cooperation	14,450	4,787	1,474	892	153	1,363	3,110	624	142	1,905
Other Programs										
Total	35,650	10,967	4,294	5,892	153	2,513	6,635	1,224	292	3,680

Country ETHIOPIA

MUTUAL SECURITY PROGRAM

Shaded areas are Security classified and must not be divulged to unauthorized individuals. All other material is unclassified.

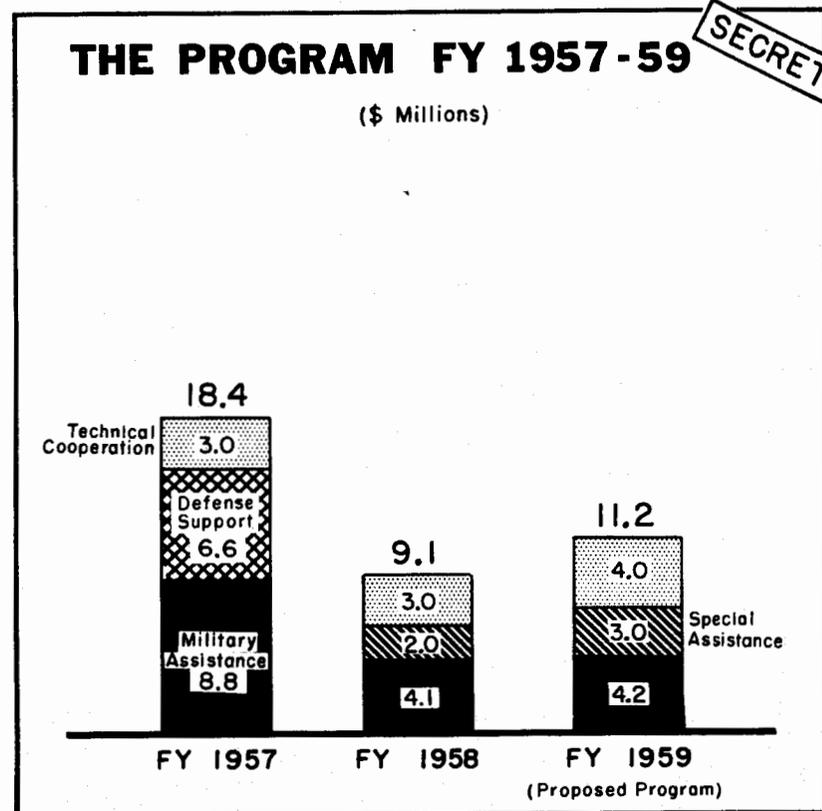
U.S. Interests: Ethiopia is situated on the east coast, near the Horn of Africa, with a long coast line on the Red Sea. The country constitutes both a physical and political barrier to the southward expansion in Africa of influences inimical to Western interests. It is also an important factor in the stability of Northeast Africa.

Ethiopia maintains friendly relations with most members of the Afro-Asian group of nations, particularly India. Its continued cooperation in the U.N. and strong support of collective security, as evidenced by its provision of troops in Korea, are important contributions to the over-all Western position. It endorsed the American doctrine on the Middle East and supported the U.S. position on the Suez and Hungarian issues. It is highly desirable that close relations be maintained with this strongly independent African State which is a symbol of resistance to aggression.

The country is a Constitutional Monarchy but power is concentrated in the person of the Emperor, Haile Selassie, who has been friendly towards the U.S. since our non-recognition of the Italian conquest in 1935. Our relations with Ethiopia have grown steadily closer since World War II and today we exercise the strongest foreign influence within the country. However, until the visit of the Richards Mission in 1957, our position was being weakened by a growing feeling on the part of the Ethiopians -- including the Emperor -- that countries less friendly and cooperative towards the U.S. were receiving economic assistance on a far larger scale. The economic assistance extended in FY 1957 at least temporarily arrested this feeling.

Under a Base Rights Agreement signed in 1953, the U.S. maintains an Army Communications Station at Asmara which forms a major link in the Army's world-wide communication system. The U.S. Navy has certain rights at the Port of Massawa, and there is an important emergency evacuee camp near Asmara. There are also potential requirements for additional military facilities. Ethiopia has signed a Mutual Defense Assistance Agreement with the U.S.

The demonstration by the U.S. of a continuing interest in the development of a strong and stable Ethiopia discourages the growth of neutralist and Communist influences within the country and maintains its current pro-U.S. orientation.



Obligations and Expenditures \$ in thousands			
MILITARY ASSISTANCE	PROGRAMMED	DEL./EXP.	UNLIQUIDATED
Cumulative 6/30/57	21,146	12,929	8,217
Estimate F.Y. 1958	4,133	7,487	XXX
Cumulative 6/30/58	25,279	20,416	4,863
ECONOMIC ASSISTANCE	OBLIGATIONS	EXPENDITURES	UNLIQUIDATED
Cumulative 6/30/57	21,987	12,562	9,425
Estimate F.Y. 1958	5,000	5,825	XXX
Cumulative 6/30/58	26,987	18,387	8,600

Ethiopia

SECRET
MILITARY ASSISTANCE

*Shaded areas are Security classified
and must not be divulged to
unauthorized individuals. All
other material is unclassified.*

Major Components by Category (all values in thousands of dollars)	Annual Programs				Del./Exp. F.Y. 1950-58 Programs		
	Quantity and Value		Proposed F.Y. 1959		Estimate F.Y. 1958	Cumulative June 30, 1958	F.Y. 1959 and Later
	F.Y. 1957	F.Y. 1958	Quantity	Value			
Country Total	\$8,754	\$4,133	-	\$4,160	\$7,487	\$20,416	\$4,863
Aircraft Components, Spares & Related Equip.	\$ 995	\$ 248	-	\$ 77	\$ 995	\$ 995	\$ 248
Observation and Liaison	-	-	4	\$ 51	-	-	-
Ships and Harbor Craft, Components and Spares	\$ 600	\$ 600	-	\$ 600	\$ 601	\$ 2,001	\$ 599
Coast Guard Patrol Boat (CGPB)	1	1	1	\$ 594	1	1	1
Submarine Chaser (PC)	-	-	-	-	-	1	-
Tanks, Other Vehicles, Weapons, Comp. & Spares	\$5,047	\$1,421	-	\$1,084	\$3,169	\$8,634	\$2,738
Tank, Light, M-24	5	1	11	-	5	5	1
Trailer, 1-1 1/2 Ton, 2 Wheel, Cargo	70	100	295	\$ 173	91	183	79
Truck, 1/4 Ton, 4x4 (all models)	170	299	5	\$ 12	184	248	245
Truck, 3/4 Ton, 4x4, Cargo (all models)	315	-	4	\$ 15	266	400	-
Truck, 2 1/2 Ton, 6x6, Cargo (all models)	342	98	2	\$ 14	81	111	285
Truck, Tractor, 5 Ton, 6x6	-	-	13	\$ 132	-	-	-
Vehicle, Tank Recovery M-74	-	-	2	\$ 93	-	-	-
Gun, Machine, Cal..30 (all models)	218	-	-	-	-	569	58
Mortar, 60mm (all models)	59	-	-	-	27	175	-
Mortar, 4.2" w/Mount (all models)	31	-	-	-	54	102	7
Mortar, 81mm (all models)	165	-	-	-	33	252	-
Rifle, 106mm w/Mount	-	-	18	\$ 58	-	-	-
Rifle, 57mm, Recoilless	50	32	-	-	32	217	-
Rifle, 75mm, Recoilless	37	-	-	-	9	94	28
Launcher, Rocket, 3.5", M20-Series	277	-	-	-	10	767	-
Ammunition	\$ 864	\$ 363	-	\$ 727	\$ 714	\$ 4,626	\$ 348
Cartridge, Cal..50 (all types) (M Rounds)	-	95	-	-	169	428	-
Cartridge, HE (HEAT) 57mm Rifle (M Rounds)	11	9	-	-	9	23	-
Cartridge, HE (HEAT) 75mm Rifle (M Rounds)	3	-	-	-	-	6	-
Cartridge, HE 75mm How w/f (M Rounds)	1	3	10	-	4	26	-
Cartridge, HE, 81mm Mortar (M Rounds)	39	6	8	\$ 92	10	15	35
Cartridge, HE, M1, w/f, 105mm How, M2 (M Rds)	1	-	-	-	-	12	-
Cartridge, HE, w/f PD, 4.2" Mortar (M Rds)	5	4	3	\$ 73	7	14	-
Cartridge, HE, 60mm Mortar (M Rounds)	15	6	6	\$ 28	15	19	6
Rocket, HEAT, 3.5", M28-Series	10,000	12,000	-	-	6,000	23,000	12,000
Electronics & Comm. Equipment, Comp. & Spares	\$ 241	\$ 378	-	\$ 301	\$ 567	\$ 1,852	\$ 245
SCR-300 (AN/PRC-10) Radio Set	127	166	38	\$ 19	127	446	166
SCR-536 (AN/PRC-6) Radio Set	66	50	256	\$ 50	-	538	50
AN/VRC-10 Radio Set	-	-	113	\$ 114	-	-	-
Other Materiel	\$ 653	\$ 541	-	\$ 592	\$ 552	\$ 828	\$ 529
Construction	-	-	-	-	-	-	-
Training	\$ 321	\$ 521	-	\$ 779	\$ 668	\$ 1,230	\$ 126
All Other	\$ 33	\$ 61	-	-	\$ 221	\$ 250	\$ 30

SECRET

Ethiopia

SECRET MILITARY ASSISTANCE

Shaded areas are Security classified
and must not be divulged to
unauthorized individuals. All
other material is unclassified.

Objectives of Military Assistance:

- (a) to assist in the development of the Ethiopian armed forces to maintain internal security and defend against border incursions; aid in maintaining in power a government friendly to the West.
- (b) Aid in the creation of an atmosphere which will ensure the continued availability to the U.S. of base rights in Ethiopia.

Major Combat Forces:

Strategic Objectives

2 Motorized Commands
1 Mountain Command (1 US Div
equiv)
10 Vessels

MAP Supported

1 Mountain Command
2 Motorized Commands
3 Vessels

Active Military Strength: 32,731

MAP Accomplishments: MAP assistance has been limited to support of approved units in the Ethiopian Army and Navy. It has involved the provision of screened unit deficiencies, maintenance and training for such units on a phased basis.

Appraisal of Forces:

Army: Capable of insuring internal security, and of defense against attack by neighboring nations but not against invasion with modern weapons.

Navy: No current capability, but progress noted in training of cadets and enlisted personnel.

Air Force: Can provide limited transport support and assistance in maintenance of internal security, but would have no combat effectiveness against a modern air force.

Force effectiveness is limited by lack of uniformity in Army organization, inadequate logistic support systems, and shortage of Air Force equipment.

PROGRAMS (In Thousands Dollars)	FY 1957	FY 1958	Proposed FY 1959
Country Programs	8,754	4,133	4,160
Portion Special Materiel Program	(349)	(1,500)	(1,592)
Total	(9,103)	(5,633)	(5,752)

Country Contribution:

- (a) 28% of national budget for armed forces;
- (b) About 32,731 men in armed forces;
- (c) \$18 million annually for defense.

The country has no heavy industry and, with the exception of an ammunition plant, cannot support its military forces without outside assistance.

Proposed FY 1959 Program Provides: Continuance of phased support (maintenance improvements and training) to approved army and navy units.

Miscellaneous Data: U.S. excess stocks delivered at no charge through 30 June 1958: \$1.5. Military Sales through 30 June 1957: \$.5 million.

MAAG Strength Authorized:	US	US Civ	Local	Total
1957	33	0	3	36
1958	40	0	3	43

SECRET

Revised 24 March 1958

Country: ETHIOPIA

ECONOMIC ASSISTANCE
SUMMARY OF PROGRAM BY FUNCTION - PROJECT AND NON-PROJECT ASSISTANCE

*Shaded areas are Security classified
and must not be divulged to
unauthorized individuals. All
other material is unclassified.*

(In thousands of dollars)

MAJOR COST COMPONENT	ACTUAL FY 1957				ESTIMATE FY 1958				PROPOSED FY 1959		
	Total	Def Sup	Tech. Coop.	Other	Total	Sp Asst ^{a/}	Tech. Coop.	Other	Total	Sp Asst	Tech. Coop.
PROJECT ASSISTANCE											
Technicians	1,323		1,323		1,668	343	1,325		1,918	346	1,572
Participants	178		178		146		146		345		345
Contractual Services	3,802	2,932	870		1,240	420	820		1,590	500	1,090
Supplies and Equipment	3,418	3,418			892	892			700	700	
Contrib. to Coop. Services	414		414		594	35	559		897	154	743
Other Costs	465	250	215		460	310	150		550	300	250
Total Project Assistance	9,600	6,600	3,000		5,000	2,000	3,000		6,000	2,000	4,000
NON-PROJECT ASSISTANCE											
Agric. Commodities Total									1,000	1,000	
Surplus											
Other											
Industrial Commodities Total											
Raw Materials and Fuels											
Machinery and Equipment											
Other Indus. Commodities											
Cash Transactions											
Other											
Total Non-Project Assistance									1,000	1,000	
TOTAL COUNTRY PROGRAMS	9,600	6,600	3,000		5,000	2,000	3,000		7,000	3,000	4,000
NUMBER OF PEOPLE											
Technicians (On duty close of year)	141		141		172	22	150		161	19	142
U.S. Employed	86		86		125	22	103		114	17	97
Contract	55		55		47		47		47	2	45
Participants (Programmed during year)	31		31		37		37		71		71
Non-Contract	31		31		37		37		71		71
Contract											

a/ Programmed as Defense Support activity in FY 1958.

GPO 934793

Country ETHIOPIA

ECONOMIC ASSISTANCE

Objectives

- To help Ethiopia increase its rate of economic development and technical advance. In meeting this over-all objective, the following are immediate goals.
- Increasing production and productivity, especially in exportable products.
- Increasing the number of trained teachers and raising technical education levels to produce the skilled manpower needed for economic advancement.
- Establishment of an effective public health service.
- Improving the government's ability to administer a national development program.

Accomplishments

Agriculture: The Imperial Ethiopian College of Agricultural and Mechanical Arts, established in 1956 with U.S. assistance, graduated its first class of 11 students in 1957 and now has 100 students in a regular four-year course. The Agricultural Technical School has now graduated four classes; its enrollment has increased from 80 in 1952 to 215 at present. Twenty-seven Ethiopian extension agents have so far been trained to demonstrate a new coffee processing technique. Coffee processed by this technique brings prices as much as 25% above other Ethiopian coffee.

Education: U.S. assistance has contributed to raising the annual output of trained school teachers from 30 to 400. Vocational trade schools supported by the U.S. graduated over 150 trainees in 1957.

Public Health: The training school set up in 1953 with ICA aid graduated its first class of 20 public health officers, 15 community nurses and 12 sanitarians in August 1957. They have been assigned to newly-established local health centers. The malaria control program has so far provided protection in two important development areas.

Qualified Ethiopians are being trained as co-pilots for the Ethiopian Air Lines and as surveyors and field engineers for water resources investigation projects.

Of the 210 Ethiopians who have so far been sent abroad under ICA training programs (mostly to the U.S.), 79 have completed their overseas training and are now working in Ethiopia.

Summary of Program \$ in thousands

Function	Actual F.Y. 1957	Estimate F.Y. 1958	Proposed F.Y. 1959
Defense Support	6,600		
Development Assistance			
Special Assistance		2,000	3,000
Technical Cooperation	3,000	3,000	4,000
Other Programs			
Total	9,600	5,000	7,000

Major Problems: Low output and productivity; lack of adequate transportation, communications, power and processing facilities; difficult institutional environment for effective investment of foreign and domestic capital and for development of group of Ethiopians capable of organizing and operating economic enterprises; government not yet sufficiently experienced in economic development problems; extremely low levels of literacy and health which handicap the people in achieving their own economic betterment.

Proposed FY 1959 Program

Technical Cooperation: In the proposed \$4.0 million Technical Cooperation program for FY 1959, priority will be given to teaching qualified Ethiopians the technical and administrative skills needed to carry out the development program and to train others of their countrymen in those same skills, thus assuring the continuing benefits of the program. The program will seek to increase productivity and to concentrate activities in regions with the greatest development and export potentialities (e.g., the coffee and livestock regions). U.S. technical guidance will be given in:

- Agricultural education and extension work;
- Training public school teachers and trade school teachers;
- Training public health officers, community nurses and sanitarians, as well as field workers for the malaria eradication project;
- Setting up a central organization and management (O&M) staff;
- On-the-job training in public administration;
- Continued training to Ethiopian Airlines air and ground crews;
- Training in technical specialties to enlarge Ethiopian participation in water resources investigation;
- Establishing a Bureau of Census and Statistics.

Country: ETHIOPIA

ECONOMIC ASSISTANCE - Continued

Shaded areas are Security classified and must not be divulged to unauthorized individuals. All other material is unclassified.

In addition, it is planned to train 71 participants outside of Ethiopia in agriculture, education, public administration, water resources and related subjects.

Special Assistance: The FY 1959 Special Assistance program of \$1.2 million is intended to help maintain Ethiopia's alignment with the West by providing projects of considerable political impact.

A special multipurpose project in a few representative areas will demonstrate effective rural development through concentrated application of skills and practices introduced in connection with technical assistance programs, combined with required capital

resources. This project will include the establishment of agricultural extension centers, livestock stations, coffee processing installations, public health centers, community water supply, community schools, feeder roads, small power units, etc. The project for exploration of the water resources of the Blue Nile will also be continued. In the case of both projects, the planned activity is expected to have progressed beyond the scope and size of a technical assistance project.

Development Loan Fund: Considerable interest in the DLF has been expressed in both public and private sectors. One proposal has already been submitted and several more are expected before the end of FY 1958.

ECONOMIC ASSISTANCE - PROJECT ASSISTANCE BY FIELD OF ACTIVITY

(In thousands of dollars)

Function and Fiscal Year	Total Cost	Agriculture and Natural Resources	Industry and Mining	Transportation	Labor	Health and Sanitation	Education	Public Administration	Community Develop., Social Welfare & Housing	General and Miscellaneous
ACTUAL FY 1957										
Defense Support	6,600	1,646	164	466		1,345	579	200	1,060	1,140 ^{a/}
Development Assistance . . .	3,000	1,060	57	5		712	649	51		466
Other Programs										
Total	9,600	2,706	221	471		2,057	1,228	251	1,060	1,606
ESTIMATE FY 1958										
Defense Support										
Special Assistance	2,000	200	840	610		350				
Technical Cooperation	3,000	1,088	366	5		617	506	48		370
Other Programs (or DA)										
Total	5,000	1,288	1,206	615		967	506	48		370
PROPOSED FY 1959										
Defense Support										
Special Assistance	2,000		500							1,500 ^{b/}
Technical Cooperation	4,000	1,430	241	304		670	666	167	35	487
Other Programs										
Total	6,000	1,430	741	304		670	666	167	35	1,987

^{a/} Radio broadcasting studio and audio-visual service center.

^{b/} Multipurpose Area Development Program, covering several activity fields.

Country: ETHIOPIA

ECONOMIC ASSISTANCE

TABLE I

DISTRIBUTION OF FY 1959 PROJECT ASSISTANCE

(In thousands of dollars and equivalent)

Functions and Projects	DIRECT U.S. DOLLAR COST - Proposed							Local Currency Cost - Proposed	
	Total	U.S. Technicians	Non-Contract Participants	Contracts	Commodities	Other Costs	Contributions to Cooperative Services	MSP includ. Counterpart	P. L. 480 Administered by ICA
TECHNICAL COOPERATION									
<u>Agriculture and Natural Resources - Total</u>	1,430	236	54	840			300		
Agricultural Education, Research and Extension	994		29	840			125		
Crop Production, Processing and Marketing	176	96	15				65		
Livestock Improvement	133	48	10				75		
Farm Machinery Project	56	31					25		
Agricultural Administrative Support	71	61					10		
<u>Industry and Mining - Total</u>	241	119	72				50		
Mapping and Geography Institute	114	60	14				40		
Commerce and Industry	23	15	8						
Water Resources Training	50		50						
Water Resources Administrative Support	54	44					10		
<u>Transportation - Total</u>	304		8	250			46		
National Airlines Training	304		8	250			46		
<u>Health and Sanitation - Total</u>	670	444	51				175		
Public Health College and Training Center - Gondar	168	108	25				35		
Hospital Makalle									
Nurses Training - Asmara	70	60					10		
Public Health Advisory Services	77	36	21				20		
Community Water Supply	288	183	5				100		
Health Administrative Support	67	57					10		
<u>Education - Total</u>	666	451	88				127		
Cooperative Education Advisory Services	153	75	38				40		
Teacher Education	112	72	10				30		
Community School Teacher Training	28	18					10		
Vocational and Trades Education	312	235	40				37		
Education Administrative Support	61	51					10		

Country: ETHIOPIA

ECONOMIC ASSISTANCE

DISTRIBUTION OF FY 1959 PROJECT ASSISTANCE

Shaded areas are Security classified
and must not be divulged to
unauthorized individuals. All
other material is unclassified.

TABLE I

(In thousands of dollars and equivalent)

Functions and Projects	DIRECT U.S. DOLLAR COST - Proposed							Local Currency Cost - Proposed	
	Total	U.S. Technicians	Non-Contract Participants	Contracts	Commodities	Other Costs	Contributions to Cooperative Services	MSP includ. Counterpart	P. L. 480 Administered by ICA
TECHNICAL COOPERATION - Continued									
Public Administration - Total	167	90	52				25		
Public Administration Advisory Services	149	72	52				25		
Civil Police Administration	18	18							
Community Development, Social Welfare and Housing - Total	35	15	20						
Community Development and Housing	35	15	20						
General and Miscellaneous - Total	487	217				250	20		
Audio Visual Center	54	34					20		
Technical Support	433	183				250			
Total Technical Cooperation	4,000	1,572	345	1,090		250	743		
SPECIAL ASSISTANCE									
Industry and Mining - Total	500	346					154		
Blue Nile River Basin Investigation	500	346					154		
General and Miscellaneous - Total	1,500			500	700	300		1,000	
Multipurpose Area Rural Development Program	1,500			500	700	300		1,000	
Total Special Assistance	2,000	346		500	700	300	154	1,000	
GRAND TOTAL	6,000	1,918	345	1,590	700	550	897	1,000	

Country: ETHIOPIA

ECONOMIC ASSISTANCE
COMPOSITION OF NON-PROJECT ASSISTANCE

TABLE II

*Shaded areas are Security classified
and must not be divulged to
unauthorized individuals. All
other material is unclassified.*

(In thousands of dollars)

Commodities and Other	PROGRAM		
	Actual FY 1957	Estimate FY 1958	Proposed FY 1959
<u>Surplus Agricultural Commodities - Total</u>			1,000
Cotton			1,000
<u>Food, Feed and Fertilizer - Total</u>			
Sugar			
Fuel			
Raw Materials and Semifinished Products			
Machinery and Vehicles			
Miscellaneous and Unclassified			
Cash Grants			
Other			
Total Non-Project Assistance Programs			1,000

ETHIOPIA

LOCAL CURRENCY - Narrative

Shaded areas are Security classified and must not be divulged to unauthorized individuals. All other material is unclassified.

The only local currency available for programming in FY 1959 in Ethiopia will be \$1 million worth of U.S.-owned local currency generated by the Section 402 sales of surplus agricultural commodities that are planned within the proposed \$3 million Special Assistance program for FY 1959. These local currency funds are expected to be deposited and obligated by the end of FY 1959, though expenditure will not be completed until FY 1960.

The foregoing \$1.0 million in local currency will be used together with \$1.5 million of dollar project assistance in the multipurpose rural development project described in the previous narrative presentation of the FY 1959 Special Assistance program.

**SUMMARY SALES PROGRAM UNDER P.L. 480,
TITLE I AND FOREIGN CURRENCY PROGRAM EARMARKING**

TABLE III

(In thousands of dollars) (Foreign Currency in thousands of dollar equivalent)

SALES AGREEMENT BY FISCAL YEAR		Foreign Currency Reserved for U.S. Uses	Foreign Currency Administered by Ex-Im Bank (Cooley Amend.)	FOREIGN CURRENCY TO BE ADMINISTERED BY MSP AGENCIES				
Fiscal Year in Which Sales Agreement Signed	Total Value of Sales			Sec. 104c	Sec. 104d	Sec. 104e	Sec. 104g	Total Administered by MSP Agencies
FY 1955 Actual								
FY 1956 Actual								
FY 1957 Actual								
FY 1958 Estimate								
FY 1959 Estimate								
TOTAL								

Country: ETHIOPIA

STATUS OF LOCAL CURRENCY FUNDS
 (Administered by MSP Agencies)
 (In thousands of dollar equivalent)

*Shaded areas are Security classified
 and must not be divulged to
 unauthorized individuals. All
 other material is unclassified.*

TABLE IV

Type of Programs Generating Local Currencies and its Utilization	ACTUAL FY 1957			ESTIMATE FY 1958		PROPOSED FY 1959	
	Cumulative Through 7/1/56	Net Change	Cumulative Through 6/30/57	Net Change	Cumulative Through 6/30/58	Net Change	Cumulative Through 6/30/59
<u>MSP U.S.-OWNED LOCAL CURRENCIES</u>							
Potential Generation from U.S. Dollar Program ..							
Deposits						1,000	1,000
Obligations						1,000	1,000
Expenditures						200	200
<u>COUNTERPART</u>							
Potential Generation from U.S. Dollar Program ..							
Deposits							
Commitments							
Expenditures							
<u>P.L. 480 TITLE I</u>							
Potential Generation from U.S. Dollar Program ..							
Deposits							
Obligations							
Expenditures							
<u>OTHER LOCAL CURRENCY</u>							
Potential Generation from U.S. Dollar Program ..							
Deposits							
Commitments							
Expenditures							

Country: ETHIOPIA

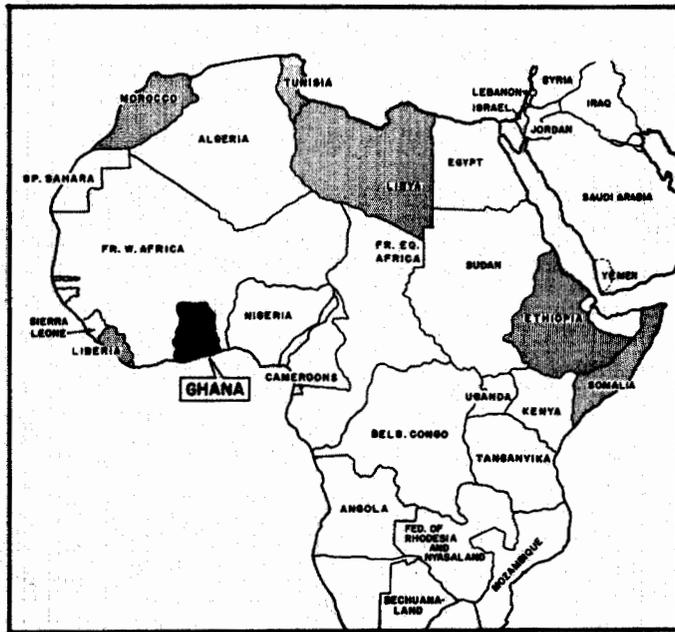
**SUMMARY OF LOCAL CURRENCY PROGRAM ADMINISTERED BY MSP AGENCIES
BY PURPOSE AND FIELD OF ACTIVITY
Obligations or Commitments by Fiscal Year
(In thousands of dollar equivalent)**

*Shaded areas are Security classified
and must not be divulged to
unauthorized individuals. All
other material is unclassified.*

TABLE V

PURPOSE AND ACTIVITY	FY 1957			FY 1958			FY 1959		
	MSP Source	P.L. 480 Title I Source	Other Sources	MSP Source	P.L. 480 Title I Source	Other Sources	MSP Source	P.L. 480 Title I Source	Other Sources
MILITARY PURPOSES									
Projects									
Budget Support									
Military Procurement									
Total Military Purposes									
ECONOMIC PURPOSES									
Project Assistance by Field of Activity									
Agriculture									
Industry and Mining									
Transportation									
Labor									
Health and Sanitation									
Education									
Public Administration									
Community Development, Social Welfare and Housing									
General and Miscellaneous							1,000		
Total							1,000		
Budget Support (Not Elsewhere Classified) ..									
Total Economic Purposes							1,000		
Procurement for Third Country	XXX			XXX			XXX		
TOTAL ALL PURPOSES							1,000		

GHANA



BASIC DATA

Population	4.8 million
Annual Growth	1.6 percent
Agricultural Land	22% of area
Agri. Land per Capita	2.8 acres
Literacy Rate	25 percent

	GHANA	U.S.
Life Expectancy (Years).....	n.a.	70
Inhabitants per Physician ..	19,000	760
Road Miles per 1,000 sq.mi..	88	1,020
Electric Power per Capita... (KWH per year)	48	4,070

ECONOMIC TRENDS

	Unit	Calendar Years			
		1954	1955	1956	1957Est.
GROSS NATIONAL PRODUCT					
Total GNP (In 1955 Prices),	\$ Millions	n.a.	700	675	680
Per Capita GNP	Dollars	n.a.	152	144	143
PRODUCTION					
Agricul. Prod. Index ^a	1952-54=100	n.a.	103	109	n.a.
Cocoa	1,000 L.T.	220	241	275	245
Manganese (Exports)	"	461	540	636	670
Diamonds	1,000 Carats	2,135	2,258	2,539	2,540
FOREIGN TRADE					
Total Exports (f.o.b).....	\$ Millions	294	244	222	235
Cocoa	"	237	184	143	n.a.
Gold	"	27	25	21	n.a.
Total Imports (c.i.f).....	"	199	246	249	252
Trade Balance	"	95	-2	-27	-17
COST OF LIVING INDEX (Accra)	1953=100.	102	104	108	110
COCOA PRICE INDEX (London)..	"	160	106	75	85

CENTRAL GOVERNMENT FINANCES

Country Fiscal Year Ending - June 30	- \$ Millions -		
	1956 (Budget)	1957 (Budget)	1958 (Budget)
Total Expenditures.....	149	183	161
Revenues, excl. receipts of U.S. Grant Aid....	143	128	145
Deficit or Surplus before U.S. Grant Aid....	-6	-55	-16
Budgetary Receipts from U.S. Grant Aid.....	-	-	2
Budgetary Receipts from U.S. Loans.....	-	-	-
DEFENSE EXPENDITURES			
Total Defense Expenditures.....	9	10	11
As percent of Total Gov't Expenditures....	6%	5%	7%
As percent of Gross National Product.....	1%	1%	n.a.
TOTAL DEBT (gross).....	n.a.	32.0	32.0
As percent of GNP.....	n.a.	4.5%	n.a.
Foreign Debt.....	n.a.	7.8	7.8

n.a. - Not Available a - Crops harvested in crop-year beginning in year stated.

Country GHANA

MUTUAL SECURITY PROGRAM

Shaded areas are Security classified and must not be divulged to unauthorized individuals. All other material is unclassified.

U.S. interests: Ghana, newest independent nation in Africa and a member of the British Commonwealth, is the first former colonial country in the area to be granted complete independence (by the British). Therefore, it is the focus of attention by peoples all over the world who have an interest in the ability of colonial Africans to govern themselves and to create a viable, politically stable state. **Because the United States has long espoused the doctrine of self-determination and has lent assistance to underdeveloped areas, our policies and programs in Ghana are subject to the most intensive examination and judgment.** Ghana is surrounded by other countries which are destined for independence and which look upon our policies there as an indicator of American intentions toward the new African states.

It is not yet possible to make a useful evaluation of the stability of the Government of Ghana. The nation became independent only in March 1957 and has been understandably beset with problems connected with the transition from dependent to independent status. The Government is based upon the British parliamentary system, with a Prime Minister and Cabinet responsible to the single-chamber legislature. **There are political parties in opposition to the Prime Minister's party but they are not well-organized and are hampered by somewhat restrictive policies of the Government.**

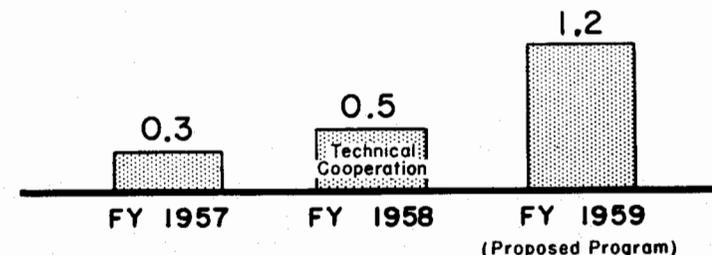
The new Government of Ghana has not yet had time to develop clear-cut international policies but would appear to be "neutralist" in tendency, maintaining friendship with both Communist and non-Communist countries. Ghana has established a position in the UN Asian-African bloc and has recently initiated commercial and other relations with Egypt and Israel.

Except for a period of reduced cocoa prices in 1956 and the early part of 1957, Ghana has enjoyed an extended period of relative prosperity and rapid economic as well as political development. The Government has been able to finance a substantial development program mainly out of reserves accumulated by the Cocoa Marketing Board. Expenditures for expanding social services and facilities have also grown substantially. As the cocoa industry is the Government's major source of revenue, particularly for financing the development program, a dip in cocoa prices in 1955-57 caused a sharp drop in revenue which converted the previous Government surplus into sizable deficits. Greater attention is now being given to productive projects which will broaden the revenue base.

The output of primary products - cocoa, timber, gold, diamonds, manganese and other minerals - almost entirely for export, accounts for about one-half of the country's total production of goods and

THE PROGRAM FY 1957-59

(\$ Millions)



Obligations and Expenditures \$ in thousands			
MILITARY ASSISTANCE	PROGRAMMED	DEL./EXP.	UNLIQUIDATED
Cumulative 6/30/57			XXX
Estimate F.Y. 1958			XXX
Cumulative 6/30/58			XXX
ECONOMIC ASSISTANCE	OBLIGATIONS	EXPENDITURES	UNLIQUIDATED
Cumulative 6/30/57	729		729
Estimate F.Y. 1958	500	429	XXX
Cumulative 6/30/58	1,229	429	800

Country: GHANA

ECONOMIC ASSISTANCE - Continued

services. Cocoa alone accounts for around 70% of Ghana's total exports. The U.S. purchases about 20 - 25% of Ghana's cocoa crop and over half of its exports of manganese.

While cocoa prices have now recovered to a relatively satisfactory level, Ghana continues to be faced with the problems of financing

the basic services and facilities needed for progressive expansion of agriculture and industry and of attracting outside investment capital and know-how to help develop its resources.

Country: GHANA

ECONOMIC ASSISTANCE
SUMMARY OF PROGRAM BY FUNCTION - PROJECT AND NON-PROJECT ASSISTANCE

(In thousands of dollars)

MAJOR COST COMPONENT	ACTUAL FY 1957				ESTIMATE FY 1958				PROPOSED FY 1959		
	Total	DS or DA	Tech. Coop.	Other	Total	DS, DA or SA	Tech. Coop.	Other	Total	DS or SA	Tech. Coop.
PROJECT ASSISTANCE											
Technicians					180		180		270		270
Participants					50		50		150		150
Contractual Services	345		345		150		150		500		500
Supplies and Equipment	15		15		100		100		160		160
Contrib. to Coop. Services					(20)		(20)		(20)		(20)
Other Costs											
Total Project Assistance	360		360		500		500		1,200		1,200
NON-PROJECT ASSISTANCE											
Agric. Commodities Total											
Surplus											
Other											
Industrial Commodities Total											
Raw Materials and Fuels											
Machinery and Equipment											
Other Indus. Commodities											
Cash Transactions											
Other											
Total Non-Project Assistance											
TOTAL COUNTRY PROGRAMS											
NUMBER OF PEOPLE											
Technicians (On duty close of year)					26		26		43		43
U.S. Employed					10		10		15		15
Contract					16		16		28		28
Participants (Programmed during year)											
Non-Contract					10		10		30		30
Contract					10		10		30		30

GPO 934793

Shaded areas are Security classified
and must not be divulged to
unauthorized individuals. All
other material is unclassified.

Country GHANA

ECONOMIC ASSISTANCE

Objectives of Technical Cooperation

- To assist Ghana in the development of its economy, and thereby help to build a friendly and mutually advantageous relationship between this newly-independent country and the United States.
- To develop a Technical Cooperation program that will advance economic development.

Accomplishments of Technical Cooperation

A bilateral agreement with Ghana was signed on June 3, 1957, and an ICA liaison office has been established in Accra. Two contracts are being carried out; one in the field of community development and the other a demonstration project in soil conservation. An advisor was requested and sent for a Ghanaian project to employ and train unemployed young people. In response to a request by the Ghana Government, a survey team has been sent to investigate further program possibilities.

Major Problems: There is need to mobilize capital and to make changes in the economic structure. The economy is now dependent for its export earnings on one crop, cocoa. The land is divided into many thousands of holdings of uneconomic size. Water is lacking in certain rural areas.

There is a relative shortage of people technically trained in agriculture, government administration, trade, and industry. At the same time, there is unemployment among unskilled workers, who have left the rural areas.

Ghana has only recently become independent, and has not yet had time to develop fully its plans and policies in the economic area.

Proposed FY 1959 Program

The proposed \$1.2 million Technical Cooperation program proposed below represents the U.S. estimate of some technical assistance that its aid could advantageously supply. The program will be developed further through consultation with the Ghana Government.

In agriculture, a number of technicians would be sent out to help the Ghanaians set up an extension service and to train them in carrying out this kind of work. Experimentation and training in developing plants, seeds, and livestock suitable to Ghanaian conditions would be carried out to help diversify agricultural output. The possibilities of developing a water supply for livestock and cash crops in certain areas which now have inadequate water

Summary of Program \$ in thousands

Function	Actual F.Y. 1957	Estimate F.Y. 1958	Proposed F.Y. 1959
Technical Cooperation	360	500	1,200

would be investigated. Another agricultural industry which the Ghanaians are interested in developing is sugar.

A project would be developed to provide advice and training in the development of local processing industries of a wide variety.

In the field of mining, a project in geological services would be developed. This would include both a survey of parts of the country, and training Ghanaian geologists and technical assistants of the Geological Survey Department in geological survey methods.

The possibilities of using rivers for transportation purposes would be investigated, as well as the practicability of developing a canal system.

In the manpower field, advice and training would be given on making a survey of manpower requirements and availabilities, with a view to coordinating the various training programs with the major needs. Vocational training itself would be supplied through a university contract.

Advice to the Ghanaian Government on its program for training and employing unemployed workers would be continued.

Ghana has already exhibited an interest in Development Loan Fund financing for high priority development projects, but has not yet submitted any formal applications.

Country: GHANA

ECONOMIC ASSISTANCE - Continued

PROJECT ASSISTANCE BY FIELD OF ACTIVITY

(\$ in thousands)

FISCAL YEAR	TOTAL COST	AGRICULTURE AND NATURAL RESOURCES	INDUSTRY AND MINING	TRANSPORTATION	LABOR	HEALTH AND SANITATION	EDUCATION	PUBLIC ADMINISTRATION	COMMUNITY DEVELOP., SOCIAL WELFARE & HOUSING	GENERAL AND MISCELLANEOUS
ACTUAL FY 1957 Technical Cooperation	360	345								15
ESTIMATE FY 1958 Technical Cooperation	500	115	220	65						100
PROPOSED FY 1959 Technical Cooperation	1,200	225	350	70	45		350			160

Country: GHANA

ECONOMIC ASSISTANCE

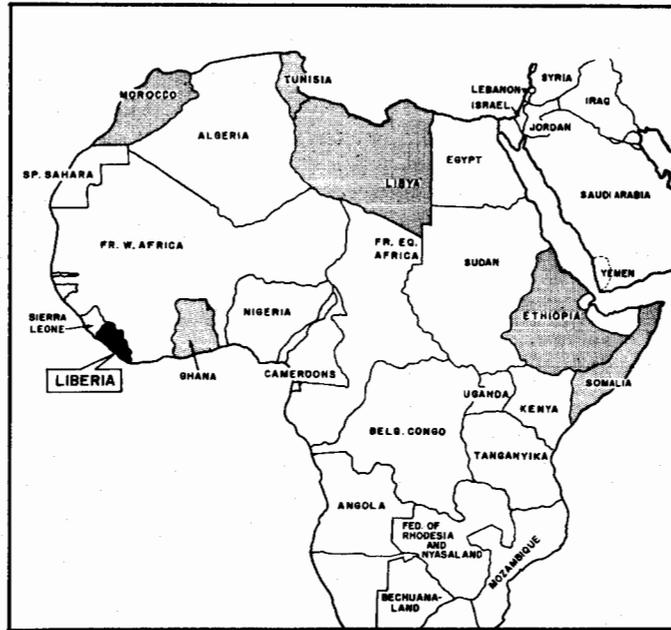
DISTRIBUTION OF FY 1959 PROJECT ASSISTANCE

TABLE I

(In thousands of dollars and equivalent)

Function: Technical Cooperation Projects	DIRECT U.S. DOLLAR COST - Proposed							Local Currency Cost - Proposed	
	Total	U.S. Technicians	Non- Contract Participants	Contracts	Commodities	Other Costs	Contribu- tions to Cooperative Services	MSP includ. Counter- part	P. L. 480 Adminis- tered by ICA
<u>Food and Agriculture - Total</u>	225	90	75		50	10			
Agricultural Extension and Experimentation	225	90	75		50	10			
<u>Industry and Mining - Total</u>	350	90	50	150	50	10			
Geological Survey	285	54	25	150	50	6			
Industrial Development	65	36	25			4			
<u>Transportation - Total</u>	70	54			10	6			
Survey of River Navigation Possibilities	70	54			10	6			
<u>Labor - Total</u>	45	18	25			2			
Manpower Advisor	45	18	25			2			
<u>Education - Total</u>	350			350					
Vocational Education	350			350					
<u>General and Miscellaneous - Total</u>	160	18			50	92			
Builder's Brigade	20	18				2			
Technical Support, Supplies and Equipment	140				50	90			
Total Technical Cooperation	1,200	270	150	500	160	120			

LIBERIA



ECONOMIC TRENDS

	Unit	Calendar Years			
		1954	1955	1956	1957 Est.
GROSS NATIONAL PRODUCT					
Total GNP (In 1955 Prices)	\$ Millions	n.a.	100	103	105
Per Capita GNP	Dollars		100	103	104
PRODUCTION					
Agricul. Prod. Index ^a	1952-54=100	n.a.	106	109	n.a.
Rice (milled)	1,000 MT	108	112	115	82
Rubber	"	38	40	43	45
Iron ore	"	1,220	1,900	2,143	2,350
FOREIGN TRADE					
Total Exports (f.o.b.)	\$ Millions	26	43	45	42
Rubber	"	19	33	30	n.a.
Iron ore	"	4	7	8	n.a.
Total Imports (c.i.f.)	"	23	26	27	33
Trade Balance	"	3	17	18	9
SHORT-TERM DOLLAR ASSETS (end of year)					
	\$ Millions	6	13	24	n.a.

BASIC DATA

Population	1.0 million	
Annual Growth	0.4 percent	
Agricultural Land	43% of area	
Agri. Land per Capita	10.1 acres	
Literacy Rate	5 percent	

	LIBERIA	U.S.
Life Expectancy (Years)	n.a.	70
Inhabitants per Physician	15,000	760
Road Miles per 1,000 sq.mi.	26	1,020
Electric Power per Capita... (kWh per year)	38	4,070

CENTRAL GOVERNMENT FINANCES

Country Fiscal Year Ending - December 31	- \$ Millions -		
	1955	1956	1957 (Budget)
Total Expenditures	15.9	19.6	20.0
Revenues, excl. receipts of U.S. Grant Aid	15.3	17.9	19.0
Deficit or Surplus before U.S. Grant Aid	-0.6	-1.7	-1.0
Budgetary Receipts from U.S. Grant Aid	-	-	-
Budgetary Receipts from U.S. Loans	1.1	1.5	3.0
DEFENSE EXPENDITURES			
Total Defense Expenditures	0.8	0.8	1.0
As percent of Total Gov't Expenditures	5%	4%	5%
As percent of Gross National Product	1%	1%	1%
TOTAL DEBT (gross)	7.9	10.9	n.a.
As percent of GNP	8%	10%	-
Foreign Debt	3.8	4.8	-

n.a. - Not Available a - Crops harvested in crop-year beginning in year stated.

Country LIBERIA

MUTUAL SECURITY PROGRAM

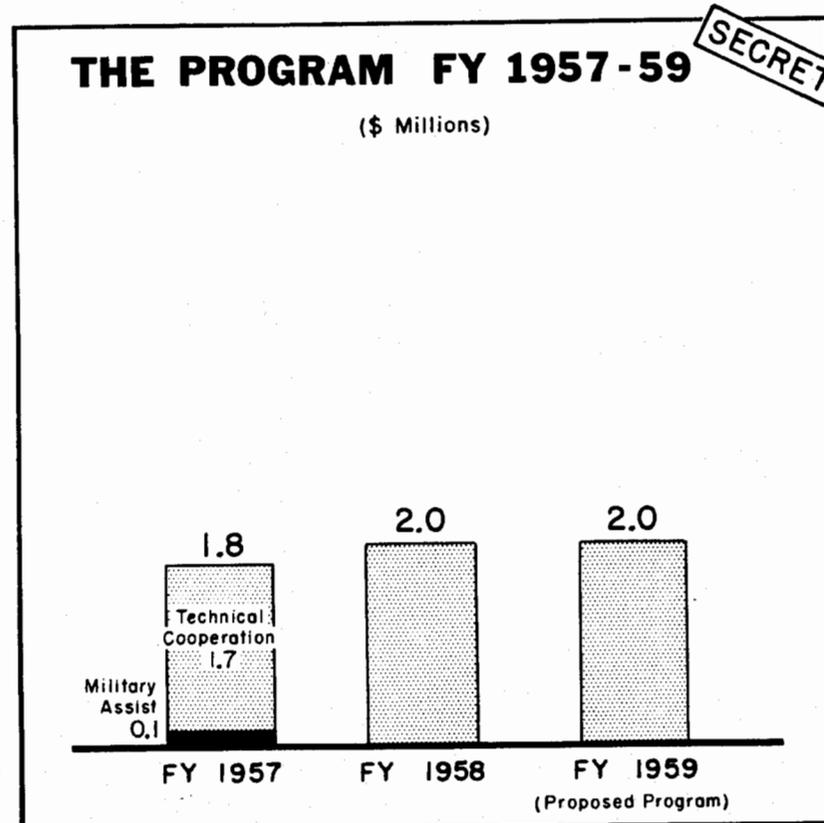
Shaded areas are Security classified and must not be divulged to unauthorized individuals. All other material is unclassified.

U.S. interests: Liberia, the oldest republic in Africa, is significant to United States interests in that it lies within an area of increasing economic importance to the United States and in a region which is gradually changing from dependent to independent status. For over 110 years it has been the one West African country in which American private interests have been dominant and has been, for this reason, the focal point for those neighboring Africans interested in discerning American policies in West Africa.

Liberia's present government has a high degree of stability under the close control of President William V. S. Tubman. His government is organized on the same pattern as that of the United States with Executive, Judicial, and Legislative branches. Both the President and members of the two-chamber legislature are popularly elected. While strongly aligned with the Free World, it cannot be considered a genuine democracy because there is only one political party and an apathetic body politic outside the capital.

The Government of Liberia lends its support, in general, to the international policies of the United States. The major exception to this is the Liberian position issues involving "colonialism," where Liberia aligns itself with the Asian-African bloc.

Economically, Liberia is a major source of supply of natural rubber for the U.S. and an increasingly important source of iron ore. The country's cash economy is still primarily dependent on the production and export of rubber, but steady progress is being made in developing other products such as iron ore, palm nuts and oil, timber, bananas, and cacao. The U.S. is the leading supplier of Liberia's imports and the best customer for its exports. Economic conditions have been satisfactory for some years and the growth in government revenues has permitted the financing of new and improved public services and facilities which will contribute to the country's further economic growth. Private capital and enterprise, principally American, has been primarily responsible for Liberia's development. It is estimated that U.S. private investment in Liberia amounts to approximately \$340 million.



Obligations and Expenditures \$ in thousands			
MILITARY ASSISTANCE	PROGRAMMED	DEL./EXP.	UNLIQUIDATED
Cumulative 6/30/57	138	138	XXX
Estimate F.Y. 1958	138	138	XXX
Cumulative 6/30/58	138	138	XXX
ECONOMIC ASSISTANCE	OBLIGATIONS	EXPENDITURES	UNLIQUIDATED
Cumulative 6/30/57	8,945	7,234	1,711
Estimate F.Y. 1958	2,000	1,711	XXX
Cumulative 6/30/58	10,945	8,945	2,000

Liberia

SECRET
MILITARY ASSISTANCE

Shaded areas are Security classified and must not be divulged to unauthorized individuals. All other material is unclassified.

Major Components by Category (all values in thousands of dollars)	Annual Programs				Del./Exp. F.Y. 1950-58 Programs		
	Quantity and Value		Proposed F.Y. 1959		Estimate F.Y. 1958	Cumulative June 30, 1958	F.Y. 1959 and Later
	F.Y. 1957	F.Y. 1958	Quantity	Value			
Country Total	\$138	-	-	-	-	\$138	-
Aircraft Components, Spares & Related Equip.	-	-	-	-	-	-	-
Ships and Harbor Craft, Components and Spares	\$120	-	-	-	-	\$120	-
Coast Guard Utility Boat (40') (CGUB)	2	-	-	-	-	2	-
Tanks, Other Vehicles, Weapons, Comp. & Spares	-	-	-	-	-	-	-
Ammunition	-	-	-	-	-	-	-
Electronics & Comm. Equipment, Comp. & Spares	-	-	-	-	-	-	-
Other Materiel	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-
Training	\$ 18	-	-	-	-	\$ 18	-
All Other	-	-	-	-	-	-	-

SECRET

Liberia

SECRET MILITARY ASSISTANCE

Shaded areas are Security classified
and must not be divulged to
unauthorized individuals. All
other material is unclassified.

Objectives of Military Assistance: Providing a small, well-trained force in Liberia capable of maintaining internal security.

MAP Accomplishments: There is no bilateral agreement with Liberia for grant military assistance. The U.S. has provided under section 401(a) of the Mutual Security Act, two coast guard utility boats and a training team to instruct in their operation. Vehicles and small arms have been made available through military sales. The Military Mission to Liberia has undertaken training, advice, and assistance to Liberian armed forces, with a view to enhancing the efficiency of these forces in maintaining internal security.

Appraisal of Forces: The Liberian Frontier Force is capable of maintaining internal security but could not render effective resistance to even a small well-equipped and well-trained force.

Country Contribution:

- (a) 5% of budget (\$1 million) for defense.
- (b) 2,200 men in frontier force.

No FY 1959 program is proposed.

Miscellaneous Data: U.S. excess stocks delivered at no charge through 30 June 1958: \$0. Military sales through 30 June 1957: \$.9 million.

PROGRAMS (In Thousands Dollars)	FY 1957	FY 1958	Proposed FY 1959
Country Programs	138	-	-
Portion Special Materiel Program	(5)	-	-
Total	(143)	-	-

<u>U.S. Military Mission:</u>	<u>US Mil.</u>	<u>US Civ</u>	<u>Local</u>	<u>Total</u>
1956	7	0	0	7
1957	7	0	0	7

SECRET

Country: LIBERIA

ECONOMIC ASSISTANCE
SUMMARY OF PROGRAM BY FUNCTION - PROJECT AND NON-PROJECT ASSISTANCE

(In thousands of dollars)

MAJOR COST COMPONENT	ACTUAL FY 1957				ESTIMATE FY 1958				PROPOSED FY 1959		
	Total	DS or DA	Tech. Coop.	Other	Total	DS, DA or SA	Tech. Coop.	Other	Total	DS or SA	Tech. Coop.
PROJECT ASSISTANCE											
Technicians	743		743		1,027		1,027		1,100		1,100
Participants	85		85		161		161		164		164
Contractual Services	335		335		236		236		299		299
Supplies and Equipment	418		418		353		353		235		235
Contrib. to Coop. Services											
Other Costs	135		135		223		223		202		202
Total Project Assistance	1,716		1,716		2,000		2,000		2,000		2,000
NON-PROJECT ASSISTANCE											
Agric. Commodities Total											
Surplus											
Other											
Industrial Commodities Total											
Raw Materials and Fuels											
Machinery and Equipment											
Other Indus. Commodities											
Cash Transactions											
Other											
Total Non-Project Assistance											
TOTAL COUNTRY PROGRAMS	1,716		1,716		2,000		2,000		2,000		2,000
NUMBER OF PEOPLE											
Technicians (On duty close of year)	69		69		108		108		104		104
U.S. Employed	56		56		75		75		74		74
Contract	13		13		33		33		30		30
Participants (Programmed during year)	24		24		22		22		27		27
Non-Contract	24		24		22		22		27		27
Contract											

Objectives of Technical Cooperation

- To assist Liberia's economic development by raising and improving agricultural output, by contributing to the development of a road system, by helping to establish and expand basic educational facilities, by helping lengthen life expectancy through improving public health services and teaching of sanitation methods, and by encouraging the development of small local industries and businesses.
- To help Liberia continue to attract foreign private capital.

Accomplishments of Technical Cooperation

Agricultural output has been increased by such measures as the training of 95 Liberian extension workers to demonstrate improved agricultural practices to large numbers of farmers; supplying of 10 million seedlings and 12,000 pounds of superior seed varieties of coffee, cocoa, rubber, kola nuts, citrus, oil palms, and coconut during 1951-1956. Planting from these (excluding rubber) covered 35,000 acres. Exports of tree crops other than rubber are consequently expected to double by 1961. Eighteen fish ponds have been set up to help supply necessary protein to the diet in the interior.

To preserve and develop forest resources, 4 million acres of forest land are being placed in reserve to assure a continuing supply of high grade timber; the only courses in West Africa in forestry have been started at the University of Liberia.

Road construction has been financed by the Export-Import Bank, and is continuing, and these roads are being maintained by Liberians trained with the help of ICA technicians.

Educational facilities have been extended and improved. ICA technicians have helped establish a demonstration rural school district which shows great promise, and in-service training of teachers. American technicians have been helping to build up and maintain the Booker Washington Institute, a vocational high school, which in November 1957 graduated 14 majors in electricity, 11 in agriculture, 11 in auto mechanics, 3 in secretarial training, and 2 each in carpentry, machine shop, masonry, and cabinet making.

Summary of Program \$ in thousands

Function	Actual F.Y. 1957	Estimate F.Y. 1958	Proposed F.Y. 1959
Technical Cooperation	1,716	2,000	2,000

Other technical training of Liberians includes the use of drills to test for mineral deposits.

Basic training has been provided in health and sanitation, and malaria is being brought under control in Monrovia and along the coast.

A civil police training project has helped the National Police Service in its organization, keeping of records, traffic control system, radio communication and internal security.

Major Problems: Lack of communications, both road and telephone; lack of electric power; lack of local credit facilities; very serious lack of trained Liberians, in all fields from skilled technicians to teachers and business managers; lack of educational facilities to overcome the deficiency in training. About 95% of the population is illiterate, and only 10% of school age children are in school. Inadequate labor supply to keep pace with new foreign and local investments, particularly investments in tree plantations which require large amounts of labor.

Proposed FY 1959 Program

The FY 1959 Technical Cooperation program of \$2.0 million will continue the effort to help meet the problems described above and includes the following:

Agricultural extension and experimentation, which will teach better farming methods, encourage forest conservation, demonstrate the possibility and desirability of ponds for raising fish to remedy the protein deficiency, and help develop more productive and hardy trees, crops, and animals.

An education project will concentrate on pre-service teacher training, to try to get enough teachers to lead to a major Liberian expansion of elementary education. Night and vacation training of present teachers will also continue to be carried out.

The highways project is training Liberians in the construction and maintenance of roads. It will be expanded to include low cost farm-to-market feeder roads, so that agricultural production can reach its markets in the towns, foreign concessions, and overseas.

An industry project will supply advice on the development of a credit organization, and of small local industries.

Public health projects include training midwives to reduce the high infant mortality rate, teaching sanitation, and training Liberians in public health administration.

PROJECT ASSISTANCE BY FIELD OF ACTIVITY

(\$ in thousands)

FISCAL YEAR	TOTAL COST	AGRICULTURE AND NATURAL RESOURCES	INDUSTRY AND MINING	TRANSPORTATION	LABOR	HEALTH AND SANITATION	EDUCATION	PUBLIC ADMINISTRATION	COMMUNITY DEVELOP., SOCIAL WELFARE & HOUSING	GENERAL AND MISCELLANEOUS
ACTUAL FY 1957 Technical Cooperation	1,716	319	100	343		202	386	110	18	238
ESTIMATE FY 1958 Technical Cooperation	2,000	373	163	438		268	361	101	10	286
PROPOSED FY 1959 Technical Cooperation	2,000	391	120	448		177	489	81		294

Country: LIBERIA

ECONOMIC ASSISTANCE

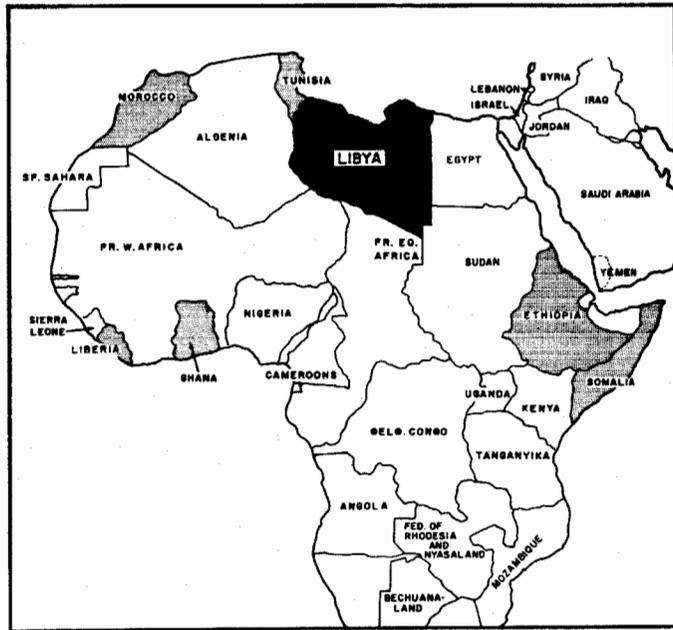
DISTRIBUTION OF FY 1959 PROJECT ASSISTANCE

TABLE I

(In thousands of dollars and equivalent)

Function: Technical Cooperation Projects	DIRECT U.S. DOLLAR COST - Proposed						Local Currency Cost - Proposed	
	Total	U.S. Technicians	Non-Contract Participants	Contracts	Commodities	Other Costs	Contributions to Cooperative Services	MSP includ. Counterpart
<u>Food and Agriculture - Total</u>	391	302	10	4	44	31		
Agricultural Experimentation	150	119	6		15	10		
Agricultural Extension	184	145			24	15		
Forest Conservation	57	38	4	4	5	6		
<u>Industry and Mining - Total</u>	120	73	7	15	18	7		
Public Works Consultant	31	17			11	3		
Small Business Advisor	89	56	7	15	7	4		
<u>Transportation - Total</u>	448	314	68		38	28		
Highway Maintenance	448	314	68		38	28		
<u>Health and Sanitation - Total</u>	177	125	17		26	9		
Rural Health Demonstration - Gbarnga	41	30			9	2		
Public Health Nursing & Nursing Education	60	40	10		9	1		
Public Health Administration, Health Education and Sanitation	76	55	7		8	6		
<u>Education - Total</u>	489	124	39	280	33	13		
Vocational and Agricultural Education	280			280				
Elementary Education	137	70	26		29	12		
Educational Management	72	54	13		4	1		
<u>Public Administration - Total</u>	81	51	10		15	5		
Civil Police Training	81	51	10		15	5		
<u>General and Miscellaneous - Total</u>	294	111	13		61	109		
Audio-Visual Services	58	35	13		9	1		
Technical Support	236	76			52	108		
<u>Total Technical Cooperation</u>	2,000	1,100	164	299	235	202		

LIBYA



ECONOMIC TRENDS

	Unit	Calendar Years			
		1954	1955	1956	1957 Est.
GROSS NATIONAL PRODUCT					
Total GNP (In 1955 Prices)	\$ Millions	85	94	100	125
Per Capita GNP	Dollars	78	85	89	110
PRODUCTION					
Agricul. Prod. Index ^a	1952-54=100	n.a.	104	117	155
Barley	1,000 MT	46	73	126	160
Wheat	"	12	15	32	58
Olive oil	"	2.3	3.4	2.8	7.9
FOREIGN TRADE					
Total Exports (f.o.b.)	\$ Millions	11	13	10	13
Peanuts	"	1.6	1.8	2.3	n.a.
Livestock	"	1.4	1.8	1.6	n.a.
Total Imports (c.i.f.)	"	32	44	49	57
Trade Balance	"	-21	-31	-39	-44
SHORT-TERM DOLLAR ASSETS \$ Millions					
(end of year)		2	10	4	n.a.
COST OF LIVING INDEX: Food.. Jan '55=100					
(Tripoli)		n.a.	102	111	104

BASIC DATA

Population	1.1 million
Annual Growth	1.5 percent
Agricultural Land	8% of area
Agri. Land per Capita	28.9 acres
Literacy Rate	10 percent

	LIBYA	U.S.
Life Expectancy (Years).....	n.a.	70
Inhabitants per Physician ..	10,000	760
Road Miles per 1,000 sq.mi..	13	1,020
Electric Power per Capita... (KWH per year)	57	4,070

CENTRAL GOVERNMENT FINANCES^b

Country Fiscal Year Ending - March 31	- \$ Millions -		
	1956	1957 (Budget)	1958 (Budget)
Total Expenditures.....	38.4	41.4	58.1
Revenues, excl. receipts of U.S. Grant Aid....	30.7	32.8	37.6
Deficit or Surplus before U.S. Grant Aid....	-7.7	-8.6	-20.5
Budgetary Receipts from U.S. Grant Aid.....	9.0	9.5	22.4
Budgetary Receipts from U.S. Loans.....	-	-	-
DEFENSE EXPENDITURES			
Total Defense Expenditures.....	1.5	2.0	2.6
As percent of Total Gov't Expenditures....	4%	5%	4%
As percent of Gross National Product.....	2%	2%	2%
TOTAL DEBT (gross).....			
As percent of GNP.....	NOT AVAILABLE		
Foreign Debt.....	NOT AVAILABLE		

n.a. - Not Available a - Crops harvested in crop-year beginning in year stated.

b - Consolidated statement of provincial and central government finances.

Country LIBYA

MUTUAL SECURITY PROGRAM

Shaded areas are Security classified and must not be divulged to unauthorized individuals. All other material is unclassified.

U.S. Interests: Lying between Egypt and the rest of North Africa, the independence of Libya is vital to the defense of North Africa and the southern flank of NATO.

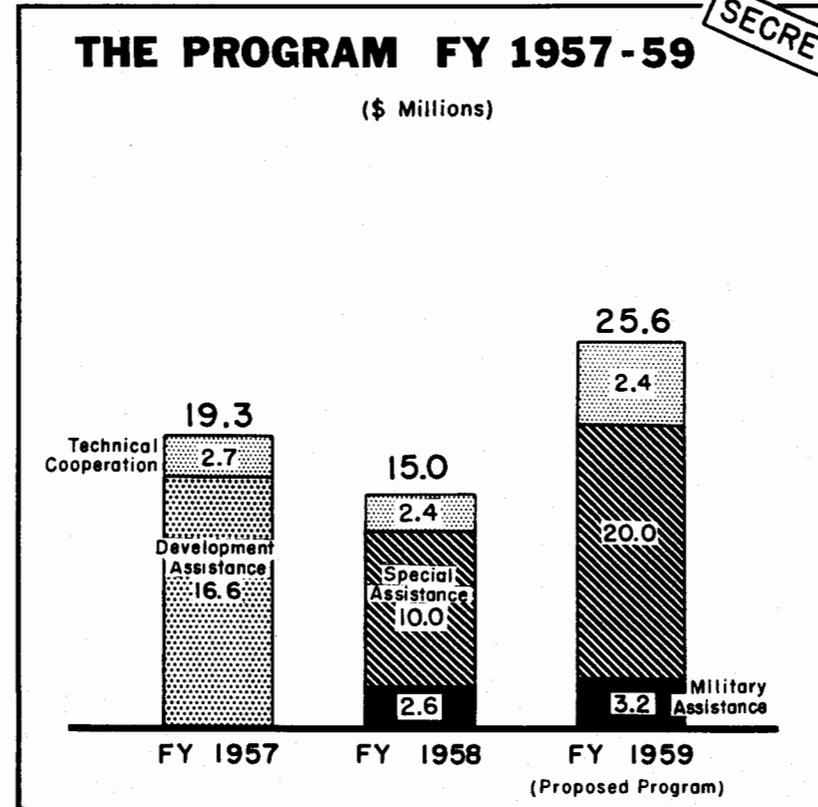
By agreement with the Libyan Government, the United States has constructed a large U.S. Air Force Base (Wheelus Field) near Tripoli, as well as several other smaller military installations. The value and importance of this Base in the event of hostilities has been increased by the deterioration of the British base position in the Near East and by the Soviet penetration of Egypt and Syria.

The United States also has rights under the Base Rights Agreement to construct additional military facilities in Libya. Libya has signed a Mutual Defense Assistance Agreement with the U.S.

Libya is closely bound to the Near East by religious and cultural ties. She is a member of the Arab League. The continuation of a successful working relationship between the U.S. and Libya constitutes a valuable political asset in the future of U.S. relations with the Arab world.

Libya is a constitutional monarchy and has a bicameral legislature. The King, Idris I, has paramount power which he exercises primarily through the Prime Minister, whom he selects. Since ascending the throne in 1951, King Idris has been consistently pro-Western and pro-U.S. The Libyan government publicly declared its strong support of the American Doctrine for the Middle East. It also supported our position in the U.N. on the Suez and Hungarian issues.

Libya is an extremely poor country in natural resources although there are indications of important oil deposits which, if commercially exploitable, could have a significant impact upon both the Libyan economy and the mid-East political scene. Until such time as oil is developed commercially, Libya is dependent upon outside financial assistance for its continued existence as an independent state. With the prospect of reduced assistance from the U.K. in the future, the U.S. will undoubtedly be called upon to assume the major portion of the responsibility for Libya's economic welfare and for the development of its military forces. Unless we meet that call, the Government of Libya may feel itself compelled to look to sources unfriendly to the West for aid. The Soviet Union has offered Libya economic and military assistance, but the offers have so far been refused by the Libyan Government.



Obligations and Expenditures \$ in thousands			
MILITARY ASSISTANCE	PROGRAMMED	DEL./EXP.	UNLIQUIDATED
Cumulative 6/30/57			
Estimate F.Y. 1958	2,625	306	XXX
Cumulative 6/30/58	2,625	306	2,319
ECONOMIC ASSISTANCE	OBLIGATIONS	EXPENDITURES	UNLIQUIDATED
Cumulative 6/30/57	36,491	25,018	11,473
Estimate F.Y. 1958	12,400	13,073	XXX
Cumulative 6/30/58	48,891	38,091	10,800

Libya

SECRET
MILITARY ASSISTANCE

Shaded areas are Security classified
and must not be divulged to
unauthorized individuals. All
other material is unclassified.

Major Components by Category (all values in thousands of dollars)	Annual Programs				Del./Exp. F.Y. 1950-58 Programs		
	Quantity and Value		Proposed F.Y. 1959		Estimate F.Y. 1958	Cumulative June 30, 1958	F.Y. 1959 and Later
	F.Y. 1957	F.Y. 1958	Quantity	Value			
Country Total	-	\$2,625	-	\$3,164 ^{a/}	\$306	\$306	\$2,319
Aircraft, Components, Spares & Related Equip.	-	-	-	-	-	-	-
Ships and Harbor Craft, Components and Spares	-	-	-	-	-	-	-
Tanks, Other Vehicles, Weapons, Comp. & Spares	-	\$ 559	-	\$1,518	\$151	\$151	\$ 408
Trailer, 1/4 Ton, 2 Wheel, Cargo	-	-	60	\$ 13	-	-	-
Trailer, 1-1 1/2 Ton, 2 Wheel, Cargo	-	9	18	\$ 11	-	-	9
Truck, 1/4 Ton, 4x4 (all models)	-	44	88	\$ 94	44	44	-
Truck, 3/4 Ton, 4x4, Cargo (all models)	-	30	60	\$ 176	8	8	22
Truck, 2 1/2 Ton, 6x6, Cargo (all models)	-	56	112	\$ 639	-	-	56
Howitzer, 105mm, M2 (all models)	-	13	24	\$ 46	7	7	6
Rifle, U.S. Cal..30, M1	-	663	1,326	\$ 99	663	663	-
Rifle, Automatic, Cal..30 Brag.	-	100	200	\$ 42	100	100	-
Ammunition	-	\$ 19	-	\$ 152	\$ 18	\$ 18	\$ 1
Cartridge, HE, M1, w/f, 105mm How (M Rds)	-	3	3	\$ 80	3	3	-
Cartridge, Cal..30 (all types) (M Rds)	-	116	189	\$ 32	116	116	-
Rocket, HEAT, 3.5" M28 Series	-	120	360	\$ 5	120	120	-
Electronics & Comm. Equipment, Comp. & Spares	-	\$ 42	-	\$ 136	\$ 20	\$ 20	\$ 22
SCR-536 (AN/PRC-6) Radio	-	49	98	\$ 12	49	49	-
SCR-694 (AN/GRC-9) Radio	-	20	40	\$ 49	13	13	7
SCR-300 (AN/PRC-8, 9, 10) Radio	-	31	62	\$ 28	31	31	-
Other Materiel	-	\$ 286	-	\$1,036	-	-	\$ 286
Construction	-	\$1,500	-	-	-	-	\$1,500
Training	-	\$ 172	-	\$ 322	\$117	\$117	\$ 55
All Other	-	\$ 47	-	-	-	-	\$ 47

^{a/} Packing, crating, handling and transportation charges approved for this country, \$150 thousand, are reflected in the "Special Materiel Program".

SECRET

Revised 24 March 1958

Libya

SECRET MILITARY ASSISTANCE

Shaded areas are Security classified
and must not be divulged to
unauthorized individuals. All
other material is unclassified.

Objectives of Military Assistance:

- (a) Assist in the development of the capability of the Libyan Army to maintain internal security;
- (b) Contribute to national unity;
- (c) Aid in creation and maintenance of atmosphere in which can be achieved such goals as the secure operation of U.S. military installations within Libya.

Major Combat Forces:

Strategic Objectives

MAP Supported

1 Brigade

1 Brigade

Active Military Strength: 2,300 (1 Oct 57)

MAP Accomplishments: During FY 1956, MAP provided one-half of the equipment (principally transport items and mortars) for an armored car squadron. The other half was provided by the United Kingdom. FY 1958 funds have been utilized to provide military equipment, individual equipment, and clothing, in accordance with a U.S. agreement to equip a thousand man increase in the Libyan Army.

Appraisal of Forces:

Army: Capable of assisting in the maintenance of internal security and limited border patrol. It is inferior in strength, however, to either the Cyrenaican or Tripolitanian Provincial Police Forces.

Navy: None

Air Force: None

Force effectiveness is limited by poor leadership, health and educational handicaps, limited training and lack of experience.

Country Contribution: Libya's main contribution has been the granting of base rights to the U.S. for Wheelus AFB at Tripoli.

The Libyan National Army has about 2000 men, and will increase to approximately 3000 during FY 1958 as the result of the U.S. agreement to support such an increase. A British Mission provides training to the Libyan Army. However, the U.K.

PROGRAMS (In Thousands Dollars)	FY 1957	FY 1958	Proposed FY 1959
Country Programs	-	2,625	3,164
Portion Special Material Program	-	(50)	(150)
Total	-	(2,675)	(3,314)

has indicated its intention to reduce its budget support (currently in the amount of \$9.1 million per year) and to phase out its military training mission. If U.K. support is reduced, increased U.S. assistance probably will be required. Accordingly, consideration is being given to the progressive assumption by the U.S. of the responsibility for equipping and training of the entire Libyan Army.

Proposed FY 1959 Program Provides: On the assumption that the U.K. substantially reduces its support, and withdraws its training mission, it is planned to provide recurring costs and training for the 1000 man increase equipped by U.S. in FY 1958 and recurring costs, equipment, and training for the 2000 troops now supported by the U.K.

Miscellaneous Data: U.S. excess stocks delivered through 30 June 1958: \$.1. Military Sales through 30 June 1957: \$0.

MAAG Strength:	US Mil	US Civ	Local	Total
1957	0	0	0	0
1958	14	1	0	15

SECRET

Country: LIBYA

ECONOMIC ASSISTANCE
SUMMARY OF PROGRAM BY FUNCTION - PROJECT AND NON-PROJECT ASSISTANCE

*Shaded areas are Security classified
and must not be divulged to
unauthorized individuals. All
other material is unclassified.*

(In thousands of dollars)

MAJOR COST COMPONENT	ACTUAL FY 1957				ESTIMATE FY 1958				PROPOSED FY 1959		
	Total	Dev Asst	Tech. Coop.	Other	Total	Sp Asst	Tech. Coop.	Other	Total	Sp Asst	Tech. Coop.
PROJECT ASSISTANCE											
Technicians	1,192		1,192		1,340		1,340		1,340		1,370
Participants	144	50	94		66		66		165		165
Contractual Services	3,500	3,500			3,500				3,500		
Supplies and Equipment	274		274		50		50		40		40
Contrib. to Coop. Services	13,563	13,030 ^{a/}	533		7,559	7,000 ^{b/}	559		12,385	12,000 ^{c/}	325
Other Costs	607		607		385		385		500		500
Total Project Assistance	19,280	16,580	2,700		9,400	7,000	2,400		14,400	12,000	2,400
NON-PROJECT ASSISTANCE											
Agric. Commodities Total					1,000	1,000			1,000	1,000	
Surplus					1,000	1,000			1,000	1,000	
Other											
Industrial Commodities Total					2,000	2,000			4,000	4,000	
Raw Materials and Fuels					1,000	1,000			2,500	2,500	
Machinery and Equipment											
Other Indus. Commodities					1,000	1,000			1,500	1,500	
Cash Transactions									3,000	3,000	
Other											
Total Non-Project Assistance					3,000	3,000			8,000	8,000	
TOTAL COUNTRY PROGRAMS	19,280	16,580	2,700		12,400	10,000	2,400		22,400	20,000	2,400
NUMBER OF PEOPLE											
Technicians (On duty close of year)	109		109		124	5	119		126	13	113
U.S. Employed	109		109		119		119		113		113
Contract					5	5			13	13	
Participants (Programmed during year)	55	11	44		15		15		38		38
Non-Contract	55	11	44		15		15		38		38
Contract											

^{a/} Programmed as Defense Support activity in FY 1958.
^{b/} Contribution to the Libyan American Reconstruction Commission.

Shaded areas are Security classified
and must not be divulged to
unauthorized individuals. All
other material is unclassified.

Country LIBYA

ECONOMIC ASSISTANCE

Objectives

- To contribute towards a rate of economic development conducive to the maintenance of Libyan hope for economic betterment and of an environment suitable for effective operation of U.K. military installations in Libya.
- To train Libyans to replace third country nationals, currently occupying a large part of the country's teaching positions and many important governmental positions.
- To assist Libyan efforts to reduce the extreme scarcity of technical skills among its people in nearly all technical, industrial, and professional fields.

Accomplishments

U.S. aid has made possible the establishment of facilities and programs for training large numbers of Libyans and the inauguration of a limited economic development program. Both activities have given the Libyans cause for hope, increasing their support for the U.S. and the West and deterring them from accepting Soviet assistance. Accomplishments include: Relatively significant increases in gross national product; encouraging large numbers of farmers to engage in self-help projects; helping to provide school facilities and teachers that have permitted secondary and vocational school enrollment to increase five-fold and primary school enrollment from 40,000 to 80,000, so that 65% of all primary school-age children are now attending school; capitalizing an agricultural bank, which made loans to over 200 farmers in its first 4 months of operation; treating 120,000 sheep for internal parasites; protecting 16,000 families in malarial areas and eliminating malaria in most of the country; reducing incidence of trachoma among school age children by 75%.

Major Problems: Highly depleted agricultural resources upon which Libya is primarily dependent, and limited known other natural resources; large chronic budget and balance of payments deficits and a complete lack of development funds from limited indigenous resources; dearth of trained Libyans and generally low educational status of the people; dependence of Libyan Government upon large number of foreign employees, especially Egyptians. Egyptian and Soviet propaganda designed to undermine U.S. efforts and objectives. Prospective major reduction in U.K. budgetary assistance.

Proposed FY 1959 Program

Special Assistance: \$20 million of Special Assistance is recommended for Libya in 1959, of which an estimated \$12 million will be channeled through a joint fund for economic development purposes

Summary of Program \$ in thousands

Function	Actual F.Y. 1957	Estimate F.Y. 1958	Proposed F.Y. 1959
Defense Support			
Development Assistance	16,580		\$0,000
Special Assistance		10,000	2,400
Technical Cooperation	2,700	2,400	
Other Programs			
Total	19,280	12,400	\$2,400

and \$8 million will be used to support the ordinary budget. \$5 million of this latter amount would finance the import of needed commodities, sale of which would generate Libyan currency for budgetary use. In 1959, the ordinary expenditures of the Libyan Government are expected to exceed total ordinary revenues by approximately \$12 million, of which deficit the U.K. plans to defray possibly only \$3.5 million, leaving approximately \$8 million to be covered out of Special Assistance. The need for this \$8 million arises from the fact that Libyan Government ordinary budget expenditures are expected to increase faster than revenues and the U.K. contribution to budgetary support is expected to be reduced from its previous level of \$7.7 to perhaps as low as \$3.5 million.

In addition to \$4 million made available by the Air Force in connection with the Base Rights Agreement of September, 1954, the \$12 million Special Assistance for development will finance continuing programs in road construction, soil and water conservation, development of domestic water supplies, expansion of education facilities, expansion of telecommunications facilities, and assistance to the University of Libya. Libya's limited economic resources, which make it imperative that at least a minimum amount of aid be assured for 1959, also make it unlikely that many Libyan projects will be eligible for Development Loan Fund financing although an application for a power generation project is expected in FY 1958. Proposals for several smaller industrial and warehousing facilities are also anticipated.

Technical Cooperation: The recommended \$2.4 million Technical Cooperation program will continue to train Libyans, primarily in agriculture, education, and health.

Agricultural projects will emphasize increasing production through more effective utilization of surface and underground water, soil conservation, reforestation, improved irrigation, reclamation of land, control of plant and animal diseases, improved marketing

Shaded areas are Security classified
and must not be divulged to
unauthorized individuals. All
other material is unclassified.

Country: LIBYA

ECONOMIC ASSISTANCE - Continued

and processing, expansion of the agricultural extension service and of agricultural credit facilities, and assistance to agricultural cooperatives.

The education program will continue to emphasize training of Libyan teachers, expansion of technical and vocational education, provision of instructional materials, and assistance for Libyan students studying overseas.

In health, the program is focused on the development of domestic water supplies, control of trachoma, sanitation training, development of sanitation services, and improvements in hospital and clinic administrative practices.

Other Technical Cooperation activities include the provision of advisory services to the Libyan Government in public administration, community development, minerals investigation, audiovisual work, public safety, and communications.

ECONOMIC ASSISTANCE - PROJECT ASSISTANCE BY FIELD OF ACTIVITY

(In thousands of dollars)

Function and Fiscal Year	Total Cost	Agriculture and Natural Resources	Industry and Mining	Transportation	Labor	Health and Sanitation	Education	Public Administration	Community Develop., Social Welfare & Housing	General and Miscellaneous
ACTUAL FY 1957										
Defense Support										
Development Assistance . .	16,580	1,662	9,376	907		1,186	2,595	350		504
Technical Cooperation	2,700	943	42			312	632	352	33	386
Other Programs										
Total	19,280	2,605	9,418	907		1,498	3,227	702	33	890
ESTIMATE FY 1958										
Defense Support										
Special Assistance	7,000	2,055	1,040	1,300		1,080	1,050		200	275
Technical Cooperation	2,400	776	44			368	560	118	23	511
Other Programs (or DA)										
Total	9,400	2,831	1,084	1,300		1,448	1,610	118	223	786
PROPOSED FY 1959										
Defense Support										
Special Assistance	12,000	2,580	2,320	2,000		1,150	3,525		150	275
Technical Cooperation	2,400	791	73			416	402	135	32	551
Total	14,400	3,371	2,393	2,000		1,566	3,927	135	182	826

Country: LIBYA

ECONOMIC ASSISTANCE

DISTRIBUTION OF FY 1959 PROJECT ASSISTANCE

Shaded areas are Security classified
and must not be divulged to
unauthorized individuals. All
other material is unclassified.

TABLE I

(In thousands of dollars and equivalent)

Functions and Projects	DIRECT U.S. DOLLAR COST - Proposed							Local Currency Cost - Proposed	
	Total	U.S. Technicians	Non-Contract Participants	Contracts	Commodities	Other Costs	Contributions to Cooperative Services	MSP includ. Counterpart	P. L. 480 Administered by ICA
TECHNICAL COOPERATION (Continued)									
<u>Community Development - Total</u>	32	25				7			
Community Development	32	25				7			
<u>General Projects - Total</u>	551	260	12		6	248	25		
Technical Support	250	40			2	208			
Libyan American Joint Services Central Administration	159	130			4	25			
Audio-Visual Activities	142	90	12			15	25		
Total - Technical Cooperation	2,400	1,370	165		40	500	325		
SPECIAL ASSISTANCE^{a/}									
<u>Food and Agriculture - Total</u>	2,580			(15)	(632)	(1,933)	2,580		
Agricultural Guidance	225				(50)	(175)	225		
Forestry	575				(100)	(475)	575		
Range Management	25				(12)	(13)	25		
Soil and Surface Water Conservation	1,240				(200)	(1,040)	1,240		
Livestock Improvement	35				(15)	(20)	35		
Soil Surveys	45			(15)	(20)	(10)	45		
Crop Protection	40				(25)	(15)	40		
Ground Water Investigation	250				(150)	(100)	250		
Irrigation	100				(40)	(60)	100		
Agricultural Marketing	45				(20)	(25)	45		
<u>Industry - Total</u>	2,320			(250)	(1,800)	(270)	2,320		
Minerals Investigation	20					(20)	20		
Telecommunications	2,300			(250)	(1,800)	(250)	2,300		
<u>Transportation - Total</u>	2,000				(500)	(1,500)	2,000		
Federal Roads	2,000				(500)	(1,500)	2,000		
<u>Health Programs - Total</u>	1,150			(225)	(360)	(565)	1,150		
Domestic Water Supplies	500			(200)	(200)	(100)	500		
Sanitation	75				(10)	(65)	75		
Trachoma Control and Basic Health	275				(50)	(225)	275		
Rehabilitation of Health Facilities	300			(25)	(100)	(175)	300		

^{a/} FY 1959 funds will be channeled through the Libyan American Reconstruction Commission. Figures in parentheses indicate the planned expenditure categories. Other costs include local labor, local procurement, local transportation, etc.

Country: LIBYA

ECONOMIC ASSISTANCE

DISTRIBUTION OF FY 1959 PROJECT ASSISTANCE

TABLE I

(In thousands of dollars and equivalent)

Functions and Projects	DIRECT U.S. DOLLAR COST - Proposed							Local Currency Cost - Proposed	
	Total	U.S. Technicians	Non-Contract Participants	Contracts	Commodities	Other Costs	Contributions to Cooperative Services	MSP includ. Counterpart	P. L. 480 Administered by ICA
<u>TECHNICAL COOPERATION</u>									
<u>Food and Agriculture - Total</u>	791	520	40		16	130	85		
Agric. and Water Res. Joint Services Support	214	70			3	56	85		
Agricultural Extension	210	155	24		4	27			
Forestry	14	13				1			
Livestock Improvement	36	30				6			
Range Management	30	20	6		1	3			
Soil and Surface Water Conservation	90	65	10		2	13			
Ground Water Investigation and Development	75	65			2	8			
Irrigation	24	20				4			
Agricultural Cooperatives	16	12			2	2			
Lend Tenure and Settlement	13	10			2	1			
Agricultural Credit	69	60				9			
<u>Industry - Total</u>	73	55	6		2	10			
Industrial Development	45	30	6		2	7			
Minerals Investigation	28	25				3			
<u>Health and Sanitation - Total</u>	416	230	30		4	42	110		
Health and Sanitation Joint Services Support	182	50			2	20	110		
Development of Domestic Water Supplies	56	50				6			
Sanitation	68	50	12			6			
Trachoma Control and Basic Public Health	88	65	12		2	9			
Hospital Administration	22	15	6			1			
<u>Education - Total</u>	402	210	35		6	46	105		
Education Joint Services Support	152	70			2	25	55		
Teacher Education	68	35	25		3	5			
Instructional Materials	60	50			1	9			
Vocational and Technical Education	72	55	10			7			
English Language Training	50						50		
<u>Public Administration - Total</u>	135	70	42		6	17			
Public Finance	27	20			2	5			
Public Administration	50	26	12		4	8			
Civil Police	58	24	30			4			

Country: LIBYA

ECONOMIC ASSISTANCE

DISTRIBUTION OF FY 1959 PROJECT ASSISTANCE

(In thousands of dollars and equivalent)

Shaded areas are Security classified
and must not be divulged to
unauthorized individuals. All
other material is unclassified.

TABLE I

Functions and Projects	DIRECT U.S. DOLLAR COST - Proposed						Local Currency Cost - Proposed		
	Total	U.S. Technicians	Non-Contract Participants	Contracts	Commodities	Other Costs	Contributions to Cooperative Services	MSP incl. Counterpart	P. L. 480 Administered by ICA
SPECIAL ASSISTANCE (Continued)^{a/}									
<u>Education - Total</u>	3,525			(1,265)	(95)	(2,165)	3,525		
Teacher Training	1,000			(15)	(20)	(965)	1,000		
Technical and Vocational Education	500				(25)	(475)	500		
Instructional Materials	75					(75)	75		
Teacher Education	350					(350)	350		
Overseas Study	300					(300)	300		
Libyan University	1,300			(1,250)	(50)		1,300		
<u>Community Development - Total</u>	150				(25)	(125)	150		
Area Development	150				(25)	(125)	150		
<u>General Projects - Total</u>	275				(50)	(225)	275		
Audio-Visual Activities	50				(40)	(10)	50		
Radio Program Management	75					(75)	75		
Support of LAJS Administration	150				(10)	(140)	150		
Total - Special Assistance	12,000			(1,755)	(3,462)	(6,783)	12,000		
GRAND TOTAL	14,400	1,370	165		40	500	12,325		

a/ FY 1959 funds will be channeled through the Libyan American Reconstruction Commission. Figures in parentheses indicate the planned expenditure categories. Other costs include local labor, local procurement, local transportation, etc.

Country: LIBYA

ECONOMIC ASSISTANCE
COMPOSITION OF NON-PROJECT ASSISTANCE

TABLE II

*Shaded areas are Security classified
and must not be divulged to
unauthorized individuals. All
other material is unclassified.*

(In thousands of dollars)

Commodities and Other	PROGRAM		
	Actual FY 1957	Estimate FY 1958	Proposed FY 1959
<u>Surplus Agricultural Commodities - Total</u>		1,000	1,000
Wheat Flour		1,000	1,000
<u>Fuel - Total</u>			1,500
<u>Raw Materials and Semifinished Products - Total</u>		1,000	1,000
Lumber		500	500
Cement		500	500
<u>Miscellaneous and Unclassified - Total</u>		1,000	1,500
Cotton Fabrics		500	1,000
Pharmaceuticals		500	500
<u>Cash Grants - Total</u>			3,000
Total Non-Project Assistance		3,000	8,000

Shaded areas are Security classified
and must not be divulged to
unauthorized individuals. All
other material is unclassified.

LOCAL CURRENCY - Narrative

LIBYA

\$1 million U.S.-owned local currency resulting from sales of surplus agricultural commodities under Section 402 and \$4 million counterpart funds will be available for programming in Libya in FY 1959, as indicated in Table IV. These local currencies will all be generated by commodity imports under the Special Assistance Program proposed for Fiscal Year 1959. All of the local currency funds deposited in FY 1958 and FY 1959 will be fully obligated but an estimated \$1.5 million equivalent will remain unexpended on June 30, 1959.

the maintenance of U.S. military facilities in the country. The rationale for this program has been described in the preceding country narrative. It is estimated that Libya's ordinary budget expenditures will exceed its ordinary revenues in FY 1959 by approximately \$12 million and that \$3.5 million of this amount will be defrayed by a grant from the United Kingdom, leaving about \$8 million to be covered by Special Assistance. \$5 million of this will be financed by sales proceeds of commodity imports.

While the proposed dollar commodity assistance will provide needed additional resources to the Libyan economy, the resulting local currency sales proceeds will be used for the support of the ordinary Libyan budget in furtherance of the over-all objective of providing a political and economic environment conducive to

SUMMARY SALES PROGRAM UNDER P.L. 480,
TITLE I AND FOREIGN CURRENCY PROGRAM EARMARKING

TABLE III

(In thousands of dollars)

(Foreign Currency in thousands of dollar equivalent)

SALES AGREEMENT BY FISCAL YEAR		Foreign Currency Reserved for U.S. Uses	Foreign Currency Administered by Ex-Im Bank (Cooley Amend.)	FOREIGN CURRENCY TO BE ADMINISTERED BY MSP AGENCIES				
Fiscal Year in Which Sales Agreement Signed	Total Value of Sales			Sec. 104c	Sec. 104d	Sec. 104e	Sec. 104g	Total Administered by MSP Agencies
FY 1955 Actual								
FY 1956 Actual								
FY 1957 Actual								
FY 1958 Estimate								
FY 1959 Estimate								
TOTAL								

Country: LIBYA

STATUS OF LOCAL CURRENCY FUNDS
 (Administered by MSP Agencies)
 (In thousands of dollar equivalent)

*Shaded areas are Security classified
 and must not be divulged to
 unauthorized individuals. All
 other material is unclassified.*

TABLE IV

Type of Programs Generating Local Currencies and its Utilization	ACTUAL FY 1957			ESTIMATE FY 1958		PROPOSED FY 1959	
	Cumulative Through 7/1/56	Net Change	Cumulative Through 6/30/57	Net Change	Cumulative Through 6/30/58	Net Change	Cumulative Through 6/30/59
<u>MSP U.S.-OWNED LOCAL CURRENCIES</u>							
Potential Generation from U.S. Dollar Program . .				1,000	1,000	1,000	2,000
Deposits				1,000	1,000	1,000	2,000
Obligations				1,000	1,000	1,000	2,000
Expenditures				800	800	900	1,700
<u>COUNTERPART</u>							
Potential Generation from U.S. Dollar Program . .				2,000	2,000	4,000	6,000
Deposits				2,000	2,000	4,000	6,000
Commitments				2,000	2,000	4,000	6,000
Expenditures				1,600	1,600	3,200	4,800
<u>P.L. 480 TITLE I</u>							
Potential Generation from U.S. Dollar Program . .							
Deposits							
Obligations							
Expenditures							
<u>OTHER LOCAL CURRENCY</u>							
Potential Generation from U.S. Dollar Program . .							
Deposits							
Commitments							
Expenditures							

Country: LIBYA

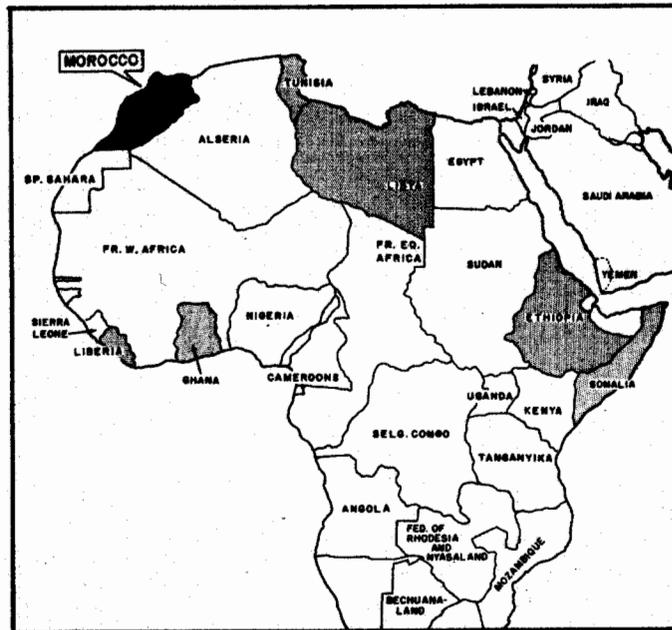
**SUMMARY OF LOCAL CURRENCY PROGRAM ADMINISTERED BY MSP AGENCIES
BY PURPOSE AND FIELD OF ACTIVITY
Obligations or Commitments by Fiscal Year
(In thousands of dollar equivalent)**

*Shaded areas are Security classified
and must not be divulged to
unauthorized individuals. All
other material is unclassified.*

TABLE V

PURPOSE AND ACTIVITY	FY 1957			FY 1958			FY 1959		
	MSP Source	P.L. 480 Title I Source	Other Sources	MSP Source	P.L. 480 Title I Source	Other Sources	MSP Source	P.L. 480 Title I Source	Other Sources
MILITARY PURPOSES									
Projects									
Budget Support									
Military Procurement									
Total Military Purposes									
ECONOMIC PURPOSES									
Project Assistance by Field of Activity									
Agriculture									
Industry and Mining									
Transportation									
Labor									
Health and Sanitation									
Education									
Public Administration									
Community Development, Social Welfare and Housing									
General and Miscellaneous									
Total									
Budget Support (Not Elsewhere Classified) ..				3,000			5,000		
Total Economic Purposes				3,000			5,000		
Procurement for Third Country	XXX			XXX			XXX		
TOTAL ALL PURPOSES				3,000			5,000		

MOROCCO



ECONOMIC TRENDS

	Unit	Calendar Years			
		1954	1955	1956	1957 Est.
GROSS NATIONAL PRODUCT*					
Total GNP (In 1955 Prices),	\$ Millions	1,820	1,730	1,770	1,670
Per Capita GNP	Dollars	216	203	206	191
PRODUCTION					
Agricul. Prod. Index ^a	1952-54=100	n.a.	94	93	75
Wheat	1,000 MT	1,263	964	1,032	630
Barley	"	2,027	1,248	1,575	479
Phosphate rock	"	5,020	5,328	5,623	6,000
FOREIGN TRADE					
Total Exports (f.o.b.)	\$ Millions	287	326	340	365
Phosphate rock	"	57	61	67	n.a.
Barley	"	25	19	23	n.a.
Total Imports (c.i.f.)	"	480	497	452	425
Trade Balance	"	-193	-171	-119	-60
GOLD AND SHORT-TERM DOLLAR ASSETS (end of year)					
	\$ Millions	27	36	37	n.a.
COST OF LIVING INDEX (Food). 1953=100					
		99	102	108	112

BASIC DATA

Population	8.7 million	
Annual Growth	1.6 percent	
Agricultural Land	45% of area	
Agri. Land per Capita	5.0 acres	
Literacy Rate	5 percent	

	MOROCCO	U.S.
Life Expectancy (Years).....	35	70
Inhabitants per Physician ..	8,900	760
Road Miles per 1,000 sq.mi..	198	1,020
Electric Power per Capita... (KWH per year)	1,077 108	4,070

CENTRAL GOVERNMENT FINANCES*

Country Fiscal Year Ending - December 31	- \$ Millions -		
	1955	1956 (Budget)	1957 (Budget)
Total Expenditures.....	348	421	451
Revenues, excl. receipts of U.S. Grant Aid....	279	340	399
Deficit or Surplus before U.S. Grant Aid....	-69	-81	-92
Budgetary Receipts from U.S. Grant Aid.....	-	-	-
Budgetary Receipts from U.S. Loans.....	-	-	20
DEFENSE EXPENDITURES			
Total Defense Expenditures.....	6	34	51
As percent of Total Gov't Expenditures....	2%	8%	11%
As percent of Gross National Product.....	0.3%	1.8%	2.7%
TOTAL DEBT (gross).....			
As percent of GNP.....	410	430	n.a.
Foreign Debt.....	24%	23%	-
	n.a.	n.a.	n.a.

n.a. - Not Available a - Crops harvested in crop-year beginning in year stated.
b - Less than 0.5%.

*Converted into dollars at the rate of 350 francs per U.S. dollar.

Country MOROCCO

MUTUAL SECURITY PROGRAM

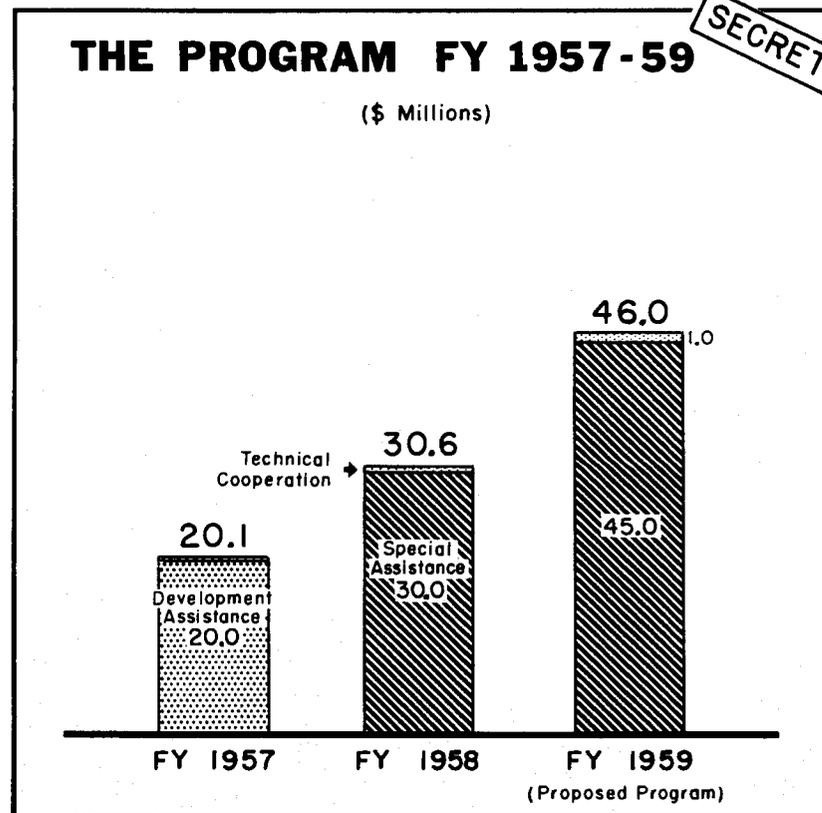
Shaded areas are Security classified and must not be divulged to unauthorized individuals. All other material is unclassified.

U.S. Interests: Located at the northwest corner of Africa, commanding the Straits of Gibraltar and having access to both the Mediterranean Sea and the Atlantic Ocean, Morocco is an area of high strategic importance. It is the site of four major United States air bases, a large naval air and communications complex, and an important Voice of America relay station. The availability and successful functioning of these installations will depend greatly on the conditions of stability and cooperation which prevail in Morocco.

Morocco is a theocratic monarchy in which all authority in theory resides in the King as both temporal and spiritual ruler. The present King, Mohamed V, was exiled from 1953 to 1955, when he returned to complete the negotiations with the French which brought Morocco its independence in 1956. Morocco has a Consultative Assembly with political parties, but the King remains the great national hero and focal point for religious and political loyalty.

Under the leadership of King Mohamed V, Morocco is seeking to provide a bridge between the Arab world and the Western powers, addressing its first efforts to a peaceful solution of the Algerian conflict. The royal government has refrained from joining the Arab League or from exchanging diplomatic representatives with a Sino-Soviet power, and in general has been a definite regional influence for moderation.

Morocco has considerable natural resources, many as yet undeveloped, and a number of United States businesses have interests there. However, Morocco's budget and external payments are far from balanced and have been dependent upon French assistance, which is now declining. In the last year prior to independence (1955) France financed 70% of the Moroccan development budget through French Government loans and government-guaranteed borrowing in French money markets. Large military and civil expenditures were also paid directly from the French budget. While this assistance has not stopped, a large portion is being terminated and the Moroccan Government is having to undertake in addition many extra expenses resulting from independence. On its own the Moroccan economy is not self-supporting; it can cover only about three-fourths of the level of imports. It will be difficult for the government to prevent unrest unless enough external assistance is provided, by both France and the U.S., to keep the living standard at least at its current low level and provide some signs of hope for future progress.



Obligations and Expenditures \$ in thousands			
MILITARY ASSISTANCE	PROGRAMMED	DEL./EXP.	UNLIQUIDATED
Cumulative 6/30/57			XXX
Estimate F.Y. 1958			XXX
Cumulative 6/30/58			XXX
ECONOMIC ASSISTANCE	OBLIGATIONS	EXPENDITURES	UNLIQUIDATED
Cumulative 6/30/57	20,067	11	20,056
Estimate F.Y. 1958	30,600	22,356	XXX
Cumulative 6/30/58	50,667	22,367	28,300

Country: MOROCCO

ECONOMIC ASSISTANCE
SUMMARY OF PROGRAM BY FUNCTION - PROJECT AND NON-PROJECT ASSISTANCE

*Shaded areas are Security classified
and must not be divulged to
unauthorized individuals. All
other material is unclassified.*

(In thousands of dollars)

MAJOR COST COMPONENT	ACTUAL FY 1957				ESTIMATE FY 1958				PROPOSED FY 1959		
	Total	Dev Asst	Tech. Coop.	Other	Total	Sp Asst ^{a/}	Tech. Coop.	Other	Total	Sp Asst	Tech. Coop.
PROJECT ASSISTANCE											
Technicians	19		19		232		232		460	40	420
Participants					90		90		190		190
Contractual Services					150		150		1,125	880	245
Supplies and Equipment	46		46		208	100	108		4,225	4,080	145
Contrib. to Coop. Services	2		2		20		20				
Other Costs											
Total Project Assistance	67		67		700	100	600		6,000	5,000	1,000
NON-PROJECT ASSISTANCE											
Agric. Commodities Total	20,000	20,000			17,000	17,000			15,000	15,000	
Surplus	4,200 ^{b/}	4,200 ^{b/}			12,000 ^{c/}	12,000 ^{c/}			5,000	5,000	
Other	15,800	15,800			5,000	5,000			10,000	10,000	
Industrial Commodities Total					12,900	12,900			25,000	25,000	
Raw Materials and Fuels					7,000	7,000			15,500	15,500	
Machinery and Equipment					3,000	3,000			4,000	4,000	
Other Indus. Commodities					2,900	2,900			5,500	5,500	
Cash Transactions											
Other											
Total Non-Project Assistance	20,000	20,000			29,900	29,900			40,000	40,000	
TOTAL COUNTRY PROGRAMS	20,067	20,000	67		30,600	30,000	600		46,000	45,000	1,000
NUMBER OF PEOPLE											
Technicians (On duty close of year)	2		2		12		12		39	12	27
U.S. Employed	2		2		12		12		21	2	19
Contract									18	10	8
Participants (Programmed during year)					18		18		35		35
Non-Contract					18		18		35		35
Contract											

a/ Programmed as Defense Support activity in FY 1958.

b/ This amount was furnished on a loan basis and was not administered under the provisions of Sec. 402.

c/ Includes 5,000 thousand sales to France for ultimate benefit of Morocco.

GPO 934793

Shaded areas are Security classified
and must not be divulged to
unauthorized individuals. All
other material is unclassified.

Country MOROCCO

ECONOMIC ASSISTANCE

Objectives

- To assist the orderly economic development of Morocco in order to insure political and economic stability and a continued favorable climate for maintenance and operation of four Air Force bases and one Naval air facility.
- To assist in programs to offset increased unemployment and a decline in the standards of living of the Moroccans.
- To foster conditions which stimulate economic initiative and private investment, both foreign and domestic.

Accomplishments

The U.S. aid program in Morocco is so new that its impact to date must be measured more in psychological and political terms than in economic achievements. An economic and technical assistance agreement was signed on April 2, 1957. The local currency resulting from the U.S. loan of \$20 million in Fiscal Year 1957 is helping the Moroccan Government to continue a restricted development program, thereby providing some relief for urban unemployment and assisting in limiting economic recession and maintaining stability. In Fiscal Year 1957 the U.S. also granted 50,000 tons of wheat under Title II P.L. 480 to alleviate potential hunger caused by a serious drought. U.S. assistance has thus helped to create a favorable climate in which it is hoped that the successful negotiation of the status of U.S. base rights in Morocco can be concluded.

Major Problems: Adjustment to independence from its former relationship to France in which the economy was tied to and dependent upon the metropolitan power; uncertainty of future Franco-Moroccan political and economic relations. This has already resulted in the withdrawal of private capital and technicians and delays in making French public loans available. Chronic balance of payments and capital budget deficits formerly covered by French expenditures which have declined substantially; serious rise in underemployment and unemployment (currently estimated at between 200,000 and 300,000) results in a cadre of increasingly dissatisfied people who are potential targets for communist infiltration and a serious threat to the political stability of the country. Shortage of indigenous qualified and experienced leaders, civil servants and technicians; unsettled political situation in North Africa and territorial dispute with Spain and sympathy of the Moroccan people for their Algerian neighbors in the Franco-Algerian conflict have and will greatly influence Morocco's western orientation. Continued armed conflict in Algeria and sporadic disturbances with Spain could very well jeopardize effective implementation of the U.S. aid program and achievement of U.S. objectives.

Summary of Program \$ in thousands

Function	Actual F.Y. 1957	Estimate F.Y. 1958	Proposed F.Y. 1959
Defense Support		30,000	
Development Assistance	20,000		
Special Assistance			45,000
Technical Cooperation	67	600	1,000
Other Programs			
Total	20,067	30,600	46,000

Proposed FY 1959 Program

Special Assistance: \$45 million Special Assistance is recommended in Fiscal Year 1959 to provide Morocco with resources to prevent retrogression of the economy and to support a level of investment which will enable the minimum economic growth consistent with political stability for all of Morocco, including the newly integrated northern zone (ex-Spanish Zone), thereby maintaining a favorable climate for operation of U.S. bases in Morocco.

The Moroccan Government requires a minimum of 45 billion francs (\$107 million at 420 francs = \$1) for this purpose. Not more than 7 billion francs will be available from internal resources, since any increases in revenue will be absorbed by the cost of (a) building up a Moroccan army and other security forces and other new governmental functions and (b) integrating the Spanish Zone. Whereas France formerly contributed 26 billion francs for Moroccan economic development, the most that can be expected in 1959 is approximately 16 billion francs (the amount promised for 1957 but not contributed as of December). The resulting gap of Morocco's investment requirements therefore is about \$55 million and may be greater if the optimistic assumptions of availability of internal resources and French aid are not realized.

Foreign exchange problems raise a serious question regarding prospects for any large volume of loans repayable in dollars. It is expected that Morocco will attempt to fill the investment gap to some extent by loans for suitable projects from the Development Loan Fund, but it is in the U.S. interest to provide sufficient special assistance to insure a government effort at something approaching the minimum requirement stated above.

\$40 million will be used to finance needed commodity imports. Local currency generated from these sales will assist financing of development projects, in part public works projects to

Country: MOROCCO

ECONOMIC ASSISTANCE - Continued

Shaded areas are Security classified and must not be divulged to unauthorized individuals. All other material is unclassified.

provide maximum employment opportunities, mainly in the fields of transportation, rural development including irrigation, improvement of agricultural methods, transportation, housing and education. \$5 million will finance import of capital equipment and supplies needed for some of the projects.

Technical Cooperation: U.S. specialists to assist the Moroccan Government in developing and carrying out these programs will

be financed under the recommended \$1 million Technical Cooperation program. The program will concentrate initially in the Northern Zone (ex-Spanish Zone) and in the extreme south, and will provide technical advice and guidance for development activities primarily in the fields of irrigation, agriculture, technical education, and transportation.

ECONOMIC ASSISTANCE - PROJECT ASSISTANCE BY FIELD OF ACTIVITY
(In thousands of dollars)

Function and Fiscal Year	Total Cost	Agriculture and Natural Resources	Industry and Mining	Transportation	Labor	Health and Sanitation	Education	Public Administration	Community Develop., Social Welfare & Housing	General and Miscellaneous
ACTUAL FY 1957										
Defense Support										
Development Assistance										
Technical Cooperation	67	50					10			7
Other Programs										
Total	67	50					10			7
ESTIMATE FY 1958										
Defense Support	100			100						
Special Assistance										
Technical Cooperation	600	330	20	20			180			50
Other Programs (or DA)										
Total	700	330	20	120			180			50
PROPOSED FY 1959										
Defense Support										
Special Assistance	5,000	2,000		3,000						
Technical Cooperation	1,000	430	210	20	30		220			90
Total	6,000	2,430	210	3,020	30		220			90

Country: MOROCCO

ECONOMIC ASSISTANCE
DISTRIBUTION OF FY 1959 PROJECT ASSISTANCE

*Shaded areas are Security classified
and must not be divulged to
unauthorized individuals. All
other material is unclassified.*

TABLE I

(In thousands of dollars and equivalent)

Functions and Projects	DIRECT U.S. DOLLAR COST - Proposed							Local Currency Cost - Proposed	
	Total	U.S. Technicians	Non-Contract Participants	Contracts	Commodities	Other Costs	Contributions to Cooperative Services	MSP includ. Counterpart	P. L. 480 Administered by ICA
<u>TECHNICAL COOPERATION</u>									
<u>Food and Agriculture - Total</u>	430	210	90	65	65				
Irrigation and Land Development	55	20	25		10				
Water Investigation	70			65	5				
Soil Conservation	40	20	20						
Agricultural Extension	110	50	20		40				
Livestock Improvement	50	40	10						
Locust Control	15		15						
Technical Support	90	80			10				
<u>Industry and Mining - Total</u>	210	30		180					
Industry Survey	200	20		180					
Technical Support	10	10							
<u>Transportation (Technical Support) - Total</u>	20	20							
<u>Labor - Total</u>	30	20	10						
On-Job Training	30	20	10						
<u>Education - Total</u>	220	80	90		50				
Rural Education	110	40	50		20				
Vocational Agriculture Education	90	20	40		30				
Technical Support	20	20							
<u>General - Technical Support - Total</u>	90	60			30				
<u>Total Technical Cooperation</u>	1,000	420	190	245	145				
<u>SPECIAL ASSISTANCE</u>									
<u>Food and Agriculture - Total</u>	2,000	20		400	1,580			24,500	
Rharb Drainage	2,000	20		400	1,580			3,500	
Other Projects								21,000	

Country: MOROCCO

ECONOMIC ASSISTANCE

DISTRIBUTION OF FY 1959 PROJECT ASSISTANCE

(In thousands of dollars and equivalent)

Shaded areas are Security classified and must not be divulged to unauthorized individuals. All other material is unclassified.

TABLE I

Functions and Projects	DIRECT U.S. DOLLAR COST - Proposed							Local Currency Cost - Proposed	
	Total	U.S. Technicians	Non-Contract Participants	Contracts	Commodities	Other Costs	Contributions to Cooperative Services	MSP includ. Counterpart	P. L. 480 Administered by ICA
<u>SPECIAL ASSISTANCE - Continued</u>									
<u>Transportation - Total</u>	3,000	20		480	2,500			9,000	5,000
<u>Highway Development</u>	3,000	20		480	2,500			9,000	5,000
<u>Industry and Mining - Total</u>								2,000	2,755
<u>Community Development, Social Welfare and Housing</u>								1,000	
Total Special Assistance	5,000	40		880	4,080			36,500	7,755
GRAND TOTAL	6,000	460	190	1,125	4,225			36,500	7,755

Country: MOROCCO

ECONOMIC ASSISTANCE
COMPOSITION OF NON-PROJECT ASSISTANCE

TABLE II

*Shaded areas are Security classified
and must not be divulged to
unauthorized individuals. All
other material is unclassified.*

(In thousands of dollars)

Commodities and Other	PROGRAM		
	Actual FY 1957	Estimate FY 1958	Proposed FY 1959
Surplus Agricultural Commodities - Total	4,200 ^{a/}	7,000	5,000
Fats and Oils	2,740	5,000	4,000
Cotton	1,460	2,000	1,000
Deduct sales to this country for benefit of other countries			
Add sales to other countries for benefit of this country		5,000	
Net imports for benefit of this country	4,200 ^{a/}	12,000	5,000
Food, Feed and Fertilizer - Total	15,800	5,000	10,000
Sugar	15,800	5,000	10,000
Fuel		1,000	7,000
Raw Materials and Semi-finished Products		6,000	8,500
Machinery and Vehicles		3,000	4,000
Other Industrial Commodities		2,900	5,500
Total Non-Project Assistance Programs	20,000	29,900	40,000

^{a/} Not administered under the provisions of Section 402.

MOROCCO

LOCAL CURRENCY - Narrative

Shaded areas are Security classified and must not be divulged to unauthorized individuals. All other material is unclassified.

Local currency in Morocco is derived as the counterpart of MSP aid and as proceeds from sale of surplus agricultural products under Sec. 402 and P.L. 480 Title I programs, as indicated in Table IV. The MSP local currency available for commitment in FY 1959 would all be derived from commodity shipments under the dollar program proposed above for that year.

To expedite the use of local currency, it is planned that the Government of Morocco will make deposits to the special counterpart account and the U.S. account for Sec. 402 sales proceeds when the dollar aid is made available and before actual arrival of the commodities. It is anticipated that all of these funds deposited in FY 1958 and FY 1959 will be fully programmed by the end of FY 1959. The rate of deposits and obligations will be slower in the case of P.L. 480 Title I programs, but by June 30, 1959, P.L. 480 funds are also expected to be obligated in full. At the end of FY 1959, therefore, it is expected that all available local currency will be programmed but an estimated balance of \$22.5 million will remain unexpended, largely in the Sec. 402 and counterpart accounts.

As indicated in the foregoing country narrative, Special Assistance and P.L. 480 Title I sales to Morocco will bring needed

additional commodities into Morocco. Local currency proceeds from the sale of these commodities will assist the Moroccan Government to finance an economic development program necessary to preserve continued acceptability of U.S. rights to bases and the present Government's pro-Western orientation. The local currency generated through U.S. dollar aid is an important supplement to public and private loans as a source of financing the Government's development budget. These funds will assist the Government of Morocco in combatting the serious underemployment and unemployment situation and in initiating a long range development program to develop Morocco's economic potential. Local currency generated by U.S. assistance will be used primarily in the fields of agriculture, industry and mining, and transportation and will be of particular importance in assisting the Moroccan Government to develop the Northern Zone (ex-Spanish Zone) and previously neglected areas in the South.

The P.L. 480 Title I program which resulted from the effect of a severe drought in Calendar Year 1957 on cereal production will be instituted late in FY 1958. A large portion of local currency generated by that program will therefore become available and be spent in the latter part of Calendar Year 1958 and in 1959. This availability has been taken into account fully in estimating local currency requirements for the Moroccan development budget.

(In thousands of dollars) **SUMMARY SALES PROGRAM UNDER P.L. 480, TITLE I AND FOREIGN CURRENCY PROGRAM EARMARKING** (Foreign Currency in thousands of dollar equivalent) **TABLE III**

SALES AGREEMENT BY FISCAL YEAR		Foreign Currency Reserved for U.S. Uses	Foreign Currency Administered by Ex-Im Bank (Cooley Amend.)	FOREIGN CURRENCY TO BE ADMINISTERED BY MSP AGENCIES				
Fiscal Year in Which Sales Agreement Signed	Total Value of Sales			Sec. 104c	Sec. 104d	Sec. 104e	Sec. 104g	Total Administered by MSP Agencies
FY 1955 Actual								
FY 1956 Actual								
FY 1957 Actual								
FY 1958 Estimate	19,500	3,900	2,925				12,675	12,675
FY 1959 Estimate	3,200	640	480				2,080	2,080
TOTAL	22,700	4,540	3,405				14,755	14,755

Country: MOROCCO

STATUS OF LOCAL CURRENCY FUNDS
(Administered by MSP Agencies)
(In thousands of dollar equivalent)

*Shaded areas are Security classified
and must not be divulged to
unauthorized individuals. All
other material is unclassified.*

TABLE IV

Type of Programs Generating Local Currencies and its Utilization	ACTUAL FY 1957		ESTIMATE FY 1958		PROPOSED FY 1959		
	Cumulative Through 7/1/56	Net Change	Cumulative Through 6/30/57	Net Change	Cumulative Through 6/30/58	Net Change	Cumulative Through 6/30/59
MSP U.S.-OWNED LOCAL CURRENCIES							
Potential Generation from U.S. Dollar Program . .				7,000	7,000	5,000	12,000
Deposits				7,000	7,000	5,000	12,000
Obligations				7,000	7,000	5,000	12,000
Expenditures				2,000	2,000	5,000	7,000
COUNTERPART							
Potential Generation from U.S. Dollar Program . .				17,910 ^{a/}	17,910 ^{a/}	31,500	49,410
Deposits				17,910	17,910	31,500	49,410
Commitments				17,910	17,910	31,500	49,410
Expenditures				8,000	8,000	25,000	33,000
P.L. 480 TITLE I							
Potential Generation from U.S. Dollar Program . .				12,675	12,675	2,080	14,755
Deposits				8,000	8,000	6,755	14,755
Obligations				7,000	7,000	7,755	14,755
Expenditures				3,000	3,000	10,675	13,675
OTHER LOCAL CURRENCY							
Potential Generation from U.S. Dollar Program . .							
Deposits							
Commitments							
Expenditures							

^{a/} Includes counterpart deposits for commodities procured with U.S.-owned European currency proceeds of section 402 sales.

Country: MOROCCO

**SUMMARY OF LOCAL CURRENCY PROGRAM ADMINISTERED BY MSP AGENCIES
BY PURPOSE AND FIELD OF ACTIVITY
Obligations or Commitments by Fiscal Year
(In thousands of dollar equivalent)**

*Shaded areas are Security classified
and must not be divulged to
unauthorized individuals. All
other material is unclassified.*

TABLE V

PURPOSE AND ACTIVITY	FY 1957			FY 1958			FY 1959		
	MSP Source	P.L. 480 Title I Source	Other Sources	MSP Source	P.L. 480 Title I Source	Other Sources	MSP Source	P.L. 480 Title I Source	Other Sources
MILITARY PURPOSES									
Projects									
Budget Support									
Military Procurement									
Total Military Purposes									
ECONOMIC PURPOSES									
Project Assistance by Field of Activity									
Agriculture				19,210	2,000		24,500	2,000	2,755
Industry and Mining				5,700	5,000		9,000	5,000	
Transportation									
Labor									
Health and Sanitation									
Education									
Public Administration									
Community Development, Social Welfare and Housing							1,000		
General and Miscellaneous									
Total				24,910	7,000		36,500	7,755	
Budget Support (Not Elsewhere Classified) ..									
Total Economic Purposes				24,910	7,000		36,500	7,755	
Procurement for Third Country	XXX			XXX			XXX		
TOTAL ALL PURPOSES				24,910	7,000		36,500	7,755	

Country SOMALIA

MUTUAL SECURITY PROGRAM

Shaded areas are Security classified and must not be divulged to unauthorized individuals. All other material is unclassified.

U.S. Interests: Somalia, a U.N. Trust Territory under Italian administration, lies on the Horn in Northeast Africa. It will receive its independence in 1960, under the terms of a U.N. resolution. The territory has an elected Legislature and a Cabinet which are assuming more and more responsibilities.

As a former Italian colony and since World War II, successively under British and Italian administration, it is currently oriented towards the West. It is hoped that the new state will continue to support Western ideals when it joins the family of nations; however, Egypt has been making a concerted effort to win Somali support for Egyptian aims and objectives. An independent Somalia under Egyptian or Communist influence could be a threat to Western strategic interests in adjacent areas.

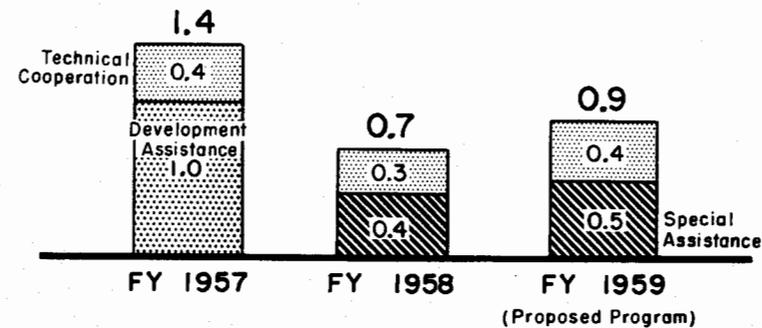
The major problem confronting Somalia is that of economic non-viability. Most of the country is arid or semi-arid with only 10% of it cultivable. Except for the possible existence of oil, no commercially exploitable mineral resources are believed to exist. Industry is practically non-existent. Egypt is reported to have offered financial aid to the Territory and it is possible that when Somalia becomes independent in 1960 either Egypt or the Soviet Union will endeavor to take advantage of Somalia's inability to support herself to extend their influence in East Africa.

A significant U.S. economic interest in Somalia will be created if the current petroleum explorations of a U.S. oil company prove to be successful. While the U.S. must avoid becoming the sole financial support of the new government, it is definitely in our interests not to let the country fall by default within anti-Western spheres of influence. An indication at this time of our understanding of its problems and our willingness to assist in solving them will probably forestall any acceptance of Egyptian or Communist aid in the near future. Without some indication of possible Western assistance the new government would have no other alternative.

THE PROGRAM FY 1957-59

SECRET

(\$ Millions)



Obligations and Expenditures \$ in thousands			
MILITARY ASSISTANCE	PROGRAMMED	DEL./EXP.	UNLIQUIDATED
Cumulative 6/30/57			XXX
Estimate F.Y. 1958			XXX
Cumulative 6/30/58			XXX
ECONOMIC ASSISTANCE	OBLIGATIONS	EXPENDITURES	UNLIQUIDATED
Cumulative 6/30/57	2,428	813	1,615
Estimate F.Y. 1958	650	900	XXX
Cumulative 6/30/58	3,078	1,713	1,365

Country: SOMALIA

ECONOMIC ASSISTANCE
SUMMARY OF PROGRAM BY FUNCTION - PROJECT AND NON-PROJECT ASSISTANCE

*Shaded areas are Security classified
and must not be divulged to
unauthorized individuals. All
other material is unclassified.*

(In thousands of dollars)

MAJOR COST COMPONENT	ACTUAL FY 1957				ESTIMATE FY 1958				PROPOSED FY 1959		
	Total	Dev Asst	Tech. Coop.	Other	Total	Sp Asst	Tech. Coop.	Other	Total	Sp Asst	Tech. Coop.
PROJECT ASSISTANCE											
Technicians	59		59		125		125		190		190
Participants	30		30		40		40		70		70
Contractual Services											
Supplies and Equipment	288		288		100	100			200	200	
Contrib. to Coop. Services											
Other Costs	10		10		85		85		90		90
Total Project Assistance	387		387		350	100	250		550	200	350
NON-PROJECT ASSISTANCE											
Agric. Commodities Total	1,000	1,000 ^{a/}			300	300 ^{a/}			300 ^{b/}	300	
Surplus	1,000	1,000 ^{a/}			300	300			300	300	
Other											
Industrial Commodities Total											
Raw Materials and Fuels											
Machinery and Equipment											
Other Indus. Commodities											
Cash Transactions											
Other											
Total Non-Project Assistance	1,000	1,000			300	300			300	300	
TOTAL COUNTRY PROGRAMS	1,387	1,000	387		650	400	250		850	500	350
NUMBER OF PEOPLE											
Technicians (On duty close of year)	2		2		19		19		24		24
U.S. Employed	2		2		14		14		18		18
Contract					5		5		6		6
Participants (Programmed during year)	9		9		9		9		25		25
Non-Contract	9		9		9		9		25		25
Contract											

^{a/} Includes transactions through Italy, Lire proceeds to be used for projects in the fields of agriculture and transportation. ^{GPO 934793}
^{b/} Lire proceeds to be used for reclamation (native irrigation and rehabilitation of low lying areas).

Shaded areas are Security classified and must not be divulged to unauthorized individuals. All other material is unclassified.

Country SOMALIA

ECONOMIC ASSISTANCE

Objectives

- To prepare Somalis for positions of responsibility in the economy and government of their country.
- To aid the efforts of the people of Somalia to develop their resources and improve their working and living conditions.
- To demonstrate U.S. interest in the problems of this deficit economy as Somalia approaches independence.

Accomplishments

A ground water development program has resulted in the drilling of over 150 successful deep and shallow wells for livestock and domestic use since 1954. These new wells are currently producing over 750,000 gallons of water per day more than before the program - an amount sufficient to water 150,000 head of cattle per day. Tangible benefits are evident in the decrease in the number of stock dying from thirst, greater personal cleanliness and declines in disease among the people.

A small low cost irrigation project in 1956 resulted in the harvest of an estimated 13,200 tons of corn, while all adjacent non-irrigated areas failed. New grain drying and storage methods are helping to salvage from 25% to 50% of the crop formerly lost by improper storage.

A hides and skins specialist has introduced a new type of skinning knife which is slowly being adopted. Demonstration of modern techniques for removing hides and skins is improving the quality of the leather and resulting in better prices.

Major Problems: Lack of Natural Resources - Somalia is a poor country with almost no known natural resources. The native economy is almost wholly agricultural, largely of a subsistence rather than a marketing nature. The problems of a one-crop economy are evidenced by the fact that bananas, accounting for 70% of total export value, are sold in a single country, Italy, at a price generally above the world market price.

Lack of Technical and Administrative Skills - The people are almost wholly illiterate and nearly half are nomadic. Lack of skilled labor and training in government administration preclude rapid development.

Summary of Program \$ in thousands

Function	Actual F.Y. 1957	Estimate F.Y. 1958	Proposed F.Y. 1959
Defense Support			
Development Assistance	1,000		
Special Assistance		400	500
Technical Cooperation	387	250	350
Other Programs			
Total	1,387	650	850

Budgetary Weakness - Tax revenues cover only about 40% of the annual budget, equivalent to \$14 million; the balance of expenditures are met from Italian grants-in-aid. Future planning is made difficult because of uncertainty regarding the source of budgetary funds needed to support the economy when Somalia, now under United Nations Trusteeship, becomes independent in 1960.

Proposed FY 1959 Program

Special Assistance: A total of \$500,000 in Special Assistance is proposed. Of this amount, \$200,000 will be a contribution to the Somalia Development Fund to finance the dollar cost of demonstration equipment for native irrigation development, the rehabilitation of low lying areas along the rivers, gear for fishing demonstration and a village abattoir to demonstrate better slaughtering methods. This equipment is needed for development projects to which the technical cooperation work in the country also contributes. The proceeds of \$300,000 in sales of surplus cotton to Italy under Section 402 will be granted for the purchase of small amounts of equipment in Italy and the local cost of labor for continuing work in the rehabilitation and development of native agriculture and the construction of small diversions for native irrigation.

Development Loan Fund: In order to accelerate the rate of economic development and broaden the base of the economy prior to independence, project proposals have already been submitted to the DLF. Additional applications are expected.

Country: SOMALIA

ECONOMIC ASSISTANCE - Continued

Technical Cooperation: The \$350,000 program requested would maintain the going program of supplying U.S. technicians and providing training for Somalis both in the U.S. and within the Country. The program will continue emphasis on agriculture.

Agricultural yields will be improved by better seeds and crop husbandry, as well as by more effective control of pests. The use of modern water control methods will prevent inundation of cultivated areas during flood seasons. Additional water supplies will be made available in areas where large numbers of cattle die annually because of insufficient surface water. The development of forestry resources, now extremely scarce because of the formerly unrestricted production of charcoal for export, will be stimulated. Somali herdsmen will be encouraged to adopt more efficient methods of animal husbandry and to market and otherwise utilize livestock products economically. The introduction of a rural credit program for small farmers would make possible a limited start on the use of small hand tools and improved

seeds and insecticides. Better methods of marketing and distribution will reduce the great losses that occur between the producer and consumer. Improved fishing methods and techniques being taught native fishermen should lead to a larger catch of fish for domestic consumption and canning for export, as well as for the production of fish meal for livestock feed.

Instruction in more efficient methods of removing hides from livestock will make possible the production of higher quality leather. Technical services will be provided to help develop the canning and processing of fish, meat products and tropical fruits, as well as other consumer goods.

The training program will be continued, with greater emphasis on training both within the country and in other countries. It is anticipated that greater use will be made of the vocational agricultural schools at Baidoa and Ganale in the training of Somalis, as well as the local public administration training center being conducted by the United Nations.

ECONOMIC ASSISTANCE - PROJECT ASSISTANCE BY FIELD OF ACTIVITY

(In thousands of dollars)

Function and Fiscal Year	Total Cost	Agriculture and Natural Resources	Industry and Mining	Transportation	Labor	Health and Sanitation	Education	Public Administration	Community Develop., Social Welfare & Housing	General and Miscellaneous
ACTUAL FY 1957										
Defense Support										
Development Assistance										
Technical Cooperation	387	324		2			11	11		39
Other Programs										
Total	387	324		2			11	11		39
ESTIMATE FY 1958										
Defense Support										
Special Assistance	100	100								
Technical Cooperation	250	118	10	12			10	15		85
Other Programs (or DA)										
Total	350	218	10	12			10	15		85
PROPOSED FY 1959										
Defense Support										
Special Assistance	200	200								
Technical Cooperation	350	205	25	10				20		90
Total	550	405	25	10				20		90

Country: SOMALIA

ECONOMIC ASSISTANCE
DISTRIBUTION OF FY 1959 PROJECT ASSISTANCE

*Shaded areas are Security classified
and must not be divulged to
unauthorized individuals. All
other material is unclassified.*

TABLE I

(In thousands of dollars and equivalent)

Functions and Projects	DIRECT U.S. DOLLAR COST - Proposed							Local Currency Cost - Proposed	
	Total	U.S. Technicians	Non-Contract Participants	Contracts	Commodities	Other Costs	Contributions to Cooperative Services	MSP incl. Counterpart	P. L. 480 Administered by ICA
TECHNICAL COOPERATION									
<u>Agriculture and Natural Resources - Total</u>	205	155	50						
Agricultural Education	38	18	20						
Agricultural Extension	86	66	20						
Forestry	18	13	5						
Fisheries	13	13							
Well Drilling	13	13							
Livestock Improvement	25	20	5						
Reclamation	12	12							
<u>Industry - Total</u>	25	25							
Small Industry	12	12							
Food Technology	13	13							
<u>Transportation - Total</u>	10	10							
Soil Stabilization	10	10							
<u>Public Administration - Total</u>	20		20						
<u>General and Miscellaneous - Total</u>	90					90			
Technical Support	90					90			
Total Technical Cooperation	350	190	70			90			
SPECIAL ASSISTANCE									
<u>Agriculture and Natural Resources - Total</u>	200				200				
Fisheries	25				25				
Well Drilling	50				50				
Livestock Improvement (slaughtering)	25				25				
Reclamation (native irrigation and rehabilitation low lying areas)	100				100				
Total Special Assistance	200				200				
GRAND TOTAL	550	190	70		200	90			

Country: SOMALIA

ECONOMIC ASSISTANCE
COMPOSITION OF NON-PROJECT ASSISTANCE

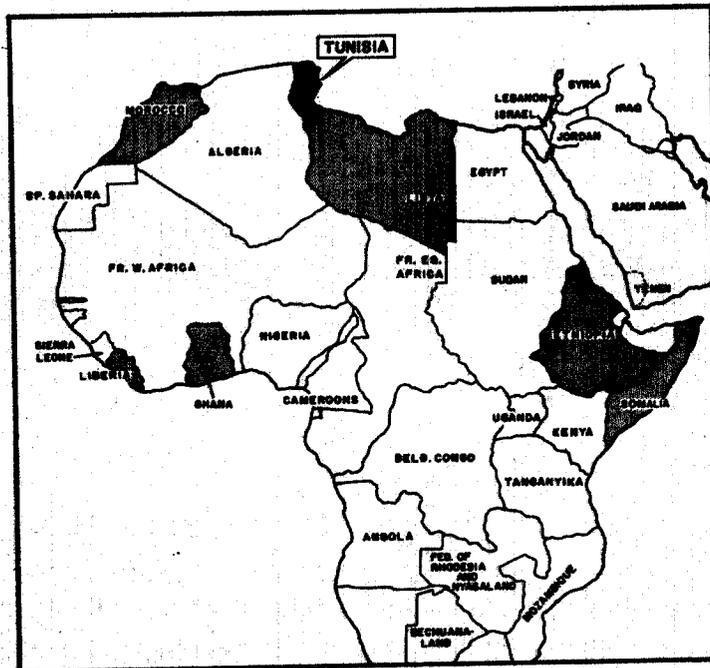
*Shaded areas are Security classified
and must not be divulged to
unauthorized individuals. All
other material is unclassified.*

TABLE II

(In thousands of dollars)

Commodities and Other	PROGRAM		
	Actual FY 1957	Estimate FY 1958	Proposed FY 1959
<u>Surplus Agricultural Commodities</u>			
Sales to other countries (Italy) for benefit of this country			
Cotton	750	300	300
Rice	250		
Total Non-Project Assistance	1,000	300	300

TUNISIA



ECONOMIC TRENDS

	Unit	Calendar Years			
		1954	1955	1956	1957Est.
GROSS NATIONAL PRODUCT*					
Total GNP (In 1955 Prices)	\$ Millions	475	440	490	480
Per Capita GNP	Dollars	129	117	129	126
PRODUCTION					
Agricul. Prod. Index ^a	1952-54=100	n.a.	73	100	94
Wheat	1,000 MT	624	395	477	597
Olive oil	"	53	27	90	50
Phosphate rock	"	1,823	2,100	2,077	2,280
FOREIGN TRADE					
Total Exports (f.o.b.)	\$ Millions	122	107	112	114
Wheat	"	24	13	2	n.a.
Phosphate rock	"	17	16	17	n.a.
Total Imports (c.i.f.)	"	169	181	194	185
Trade Balance	"	-47	-74	-82	-70
SHORT-TERM DOLLAR ASSETS	\$ Millions	0.4	0.7	0.5	n.a.
(end of year)					
COST OF LIVING: Food (Tunis)	1953=100	101	104	109	111

BASIC DATA

Population	3.8 million
Annual Growth	2.0 percent
Agricultural Land	35% of area
Agri. Land per Capita	2.8 acres
Literacy Rate	25 percent

	TUNISIA	U.S.
Life Expectancy (Years)	n.a.	70
Inhabitants per Physician	6,600	760
Road Miles per 1,000 sq.mi.	19	1,020
Electric Power per Capita... (KWH per year)	63	4,070

CENTRAL GOVERNMENT FINANCES*

Country Fiscal Year Ending - March 31	- \$ Millions -		
	1956 (Budget)	1957 (Budget)	1958 (Budget)
Total Expenditures	142	149	157
Revenues, excl. receipts of U.S. Grant Aid	113	103	110
Deficit or Surplus before U.S. Grant Aid	-29	-46	-47
Budgetary Receipts from U.S. Grant Aid	-	-	-
Budgetary Receipts from U.S. Loans	-	-	1
DEFENSE EXPENDITURES			
Total Defense Expenditures	9	4	7
As percent of Total Gov't Expenditures	6%	3%	4%
As percent of Gross National Product	2%	1%	1%
TOTAL DEBT (gross)	252	n.a.	n.a.
As percent of GNP	57%		
Foreign Debt	205		

n.a. - Not Available a - Crops harvested in crop-year beginning in year stated.
*Converted into dollars at the rate of 420 francs per U.S. dollar.

Country TUNISIA

MUTUAL SECURITY PROGRAM

Shaded areas are Security classified and must not be divulged to unauthorized individuals. All other material is unclassified.

U.S. Interests: Tunisia commands the approach to the Western Mediterranean area and is adjacent to Libya, where the U.S. has a large direct military interest at Wheelus Field.

The Western-oriented Government of Tunisia, independent since 1956, has accepted the Middle East Doctrine and up to now has resisted Soviet bloc and pan-Arab extremist blandishments. Its Prime Minister, Habib Bourguiba, is a key figure in North Africa. He has been outspoken in public support of U.S. policies, including our position on the Suez and Hungarian issues.

Tunisia is a member of the franc zone as a consequence of its trade pattern with France and its dependence on France for aid. A Tunisian bank of issue which will be set up in the near future, will permit Tunisia to have its own currency, but for at least the immediate future the basic economic alignment with France will not be affected.

The stability of Tunisia's Government and its continued resistance to anti-Western influences depend in large measure on efforts to promote the economic and social welfare of its people. Possessing few natural resources, Tunisia's deficit economy has been dependent on subsidies from France, which are now declining, and cannot sustain even the present low standard of living without external assistance. Unemployment has risen to alarming proportions (approximately 10% of the total population) and presents a pressing problem for the Tunisian Government.

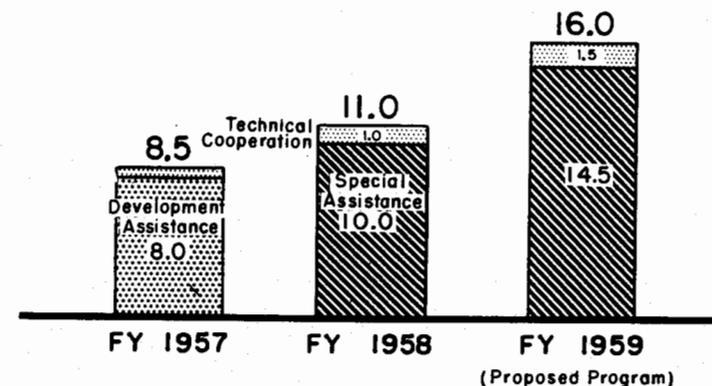
Tunisia serves as an example to the newly independent countries of Africa and Asia of the benefits of pro-western political orientation. The success or failure of the pro-western Tunisian government in meeting its pressing political and economic problems will be directly interpreted by the Asian and African peoples as an indication of the effectiveness of Tunisia's western ties.

Tunisia's ties with the western world, which the present government desires to reinforce, are threatened by Communist and pan-Arab extremist activities which, if successful, would endanger the southern flank of NATO.

THE PROGRAM FY 1957-59

(\$ Millions)

SECRET



Obligations and Expenditures \$ in thousands

MILITARY ASSISTANCE	PROGRAMMED	DEL./EXP.	UNLIQUIDATED
Cumulative 6/30/57			
Estimate F.Y. 1958			XXX
Cumulative 6/30/58			
ECONOMIC ASSISTANCE	OBLIGATIONS	EXPENDITURES	UNLIQUIDATED
Cumulative 6/30/57	8,489	8	8,481
Estimate F.Y. 1958	11,000	8,081	XXX
Cumulative 6/30/58	19,489	8,089	11,400

Country: TUNISIA

ECONOMIC ASSISTANCE
SUMMARY OF PROGRAM BY FUNCTION - PROJECT AND NON-PROJECT ASSISTANCE

*Shaded areas are Security classified
and must not be divulged to
unauthorized individuals. All
other material is unclassified.*

(In thousands of dollars)

MAJOR COST COMPONENT	ACTUAL FY 1957				ESTIMATE FY 1958				PROPOSED FY 1959		
	Total	Dev Asst	Tech. Coop.	Other	Total	Sp Asst	Tech. Coop.	Other	Total	Sp Asst	Tech. Coop.
PROJECT ASSISTANCE											
Technicians	43		43		348		348		748		748
Participants	157		157		196		196		308		308
Contractual Services	127		127		285		285		300		300
Supplies and Equipment	142		142		2,140	2,000	140		2,114	2,000	114
Contrib. to Coop. Services											
Other Costs	20		20		31		31		30		30
Total Project Assistance	489		489		3,000	2,000	1,000		3,500	2,000	1,500
NON-PROJECT ASSISTANCE											
Agric. Commodities Total					2,500	2,500 ^{a/}			4,500	4,500	
Surplus					2,500	2,500			4,500	4,500	
Other											
Industrial Commodities Total	8,000	8,000			5,500	5,500			8,000	8,000	
Raw Materials and Fuels	8,000	8,000			3,500	3,500			8,000	8,000	
Machinery and Equipment											
Other Indus. Commodities					2,000	2,000					
Cash Transactions											
Other											
Total Non-Project Assistance	8,000	8,000			8,000	8,000			12,500	12,500	
TOTAL COUNTRY PROGRAMS	8,489	8,000	489		11,000	10,000	1,000		16,000	14,500	1,500
NUMBER OF PEOPLE											
Technicians (On duty close of year)	3		3		40		40		68		68
U.S. Employed	3		3		27		27		48		48
Contract					13		13		20		20
Participants (Programmed during year)	42		42		68		68		93		93
Non-Contract	42		42		68		68		93		93
Contract											

a/ Triangular 402.

GPO 934793

Country TUNISIA

ECONOMIC ASSISTANCE

Shaded areas are Security classified
and must not be divulged to
unauthorized individuals. All
other material is unclassified.

Objectives

- To assist Tunisia's economic development in order to maintain political stability and the present Western orientation of her leaders.
- To help foster conditions which would encourage private initiative and investment.
- To help in relieving unemployment, especially in the urban areas, where it is a potential cause of unrest.
- To help train Tunisians to man the government and fill managerial jobs in industry and commerce.

Accomplishments

It is still too early to show any definite accomplishments in the Tunisian program. The signing of the Economic and Technical Assistance Agreement with Tunisia on March 26, 1957, and the announcement of the FY 1957 aid program helped the Tunisian Government to maintain the predominant pro-western sentiment in Tunisia.

Arrival of the first U.S. technicians and departure of the first group of Tunisians to be trained in the U.S. under the Technical Cooperation program have provided continuing evidence of U.S. interest in Tunisia's economic progress. Negotiations are under way to use \$3 million of counterpart funds generated by imports financed with U.S. assistance for small industry loan fund.

Following crop failures, 45,000 tons of wheat were made available under Title II of Public Law 480 during 1956 and early 1957, a part of which was used to pay needy persons on a variety of work projects, including road construction and locust control. A \$2 million child feeding program, also under Title II of P.L. 480, has benefitted over 165,000 children in 183 youth centers and over 800 schools. These activities have helped the new Tunisian Government to deal with some of its pressing early difficulties.

Major Problems: Limited natural resources; uncertainty regarding future economic and political relationships with France and the level of future French assistance; widespread Tunisian expectations that independence would bring higher standards of living, whereas, instead, a decrease in economic activity has ensued; departure of French technicians and entrepreneurs, accompanied by a decrease in economic activity and in the efficiency of government services; the general political instability in North Africa. Preoccupation of the country's leaders with such political questions as the Algerian conflict has resulted in lower priority being given to economic problems.

Summary of Program \$ in thousands

Function	Actual F.Y. 1957	Estimate F.Y. 1958	Proposed F.Y. 1959
Defense Support			
Development Assistance	8,000		
Special Assistance		10,000	14,500
Technical Cooperation	489	1,000	1,500
Other Programs			
Total	8,489	11,000	16,000

Proposed FY 1959 Program

In FY 1959, \$14.5 million of Special Assistance funds are recommended. \$12.5 million will finance a part of needed food and fuel imports, sale of which will generate local currency for development projects. \$2 million will finance imports of equipment for agriculture and internal security projects. \$1.5 million Technical Cooperation funds are recommended to provide U.S. technicians, and training for Tunisians in the U.S. and Europe.

Tunisia, faced with growing demands of its people for social and economic betterment to accompany independence, is trying to support a Development Budget at least at the pre-independence level of 17 to 20 billion francs annually. Meanwhile, private capital is leaving Tunisia, and French Government loans will probably be little more than sufficient in the next several years to offset the interest and re-payments of previous development loans. The Tunisian Government's resources are inadequate to meet current budgetary requirements, much less to provide for any major contribution to economic development. Under these circumstances, the proposed U.S. assistance of \$14.5 million (6 billion francs) would be directed toward urgent development activities, and at the same time would be used to encourage maximum Tunisian investment and channeling of the total program toward the most urgent needs. To stimulate needed investment both private investors and the Government of Tunisia are expected to accelerate the flow of applications already initiated with the Development Loan Fund.

Tunisian development programs need to be directed toward the medium and long-run goals of increasing Tunisian output, and at the same time toward meeting such immediate problems as urban underemployment.

Country: TUNISIA

ECONOMIC ASSISTANCE - Continued

Shaded areas are Security classified and must not be divulged to unauthorized individuals. All other material is unclassified.

To stimulate private industrial activities, U.S. advisors and local currency funds will be provided for the industrial loan fund of the new Tunisian Development Bank. Local currency will also be used to improve the Sfax-Gafsa railroad, vital to the phosphate export industry. Technicians financed with Technical Cooperation funds will provide training for industrial managers and key workers, and assist in analysis of the labor force. Tunisians will be sent to the U.S. and Europe for specialized training in these activities.

Funds will be provided for strengthening agricultural credit facilities for both production and equipment loans. Self-help agricultural projects are planned to provide local employment,

make the most effective use of available water, and to train young Tunisians, under the general guidance of U.S. technicians, in demonstrating improved farming practices. Such projects will improve agricultural production and land use, both in the less-developed regions of the Center and South and in the fertile Medjerda Valley in the North.

Support will also be given to activities to mobilize unemployed youth on such projects as reforestation, water and land conservation, and road construction. Urban communities which organize improvement projects of a work-relief nature will also be assisted with local currency.

ECONOMIC ASSISTANCE - PROJECT ASSISTANCE BY FIELD OF ACTIVITY

(In thousands of dollars)

Function and Fiscal Year	Total Cost	Agriculture and Natural Resources	Industry and Mining	Transportation	Labor	Health and Sanitation	Education	Public Administration	Community Develop., Social Welfare & Housing	General and Miscellaneous
ACTUAL FY 1957										
Defense Support										
Development Assistance . .										
Technical Cooperation	489	100	113	20	28		8	138	5	77
Other Programs										
Total	489	100	113	20	28		8	138	5	77
ESTIMATE FY 1958										
Defense Support										
Special Assistance	2,000	1,200						800		
Technical Cooperation	1,000	307	188	20	44		132	171	39	99
Other Programs (or DA)										
Total	3,000	1,507	188	20	44		132	971	39	99
PROPOSED FY 1959										
Defense Support										
Special Assistance	2,000	1,400						600		
Technical Cooperation	1,500	525	275	40	78		153	221	75	133
Total	3,500	1,925	275	40	78		153	821	75	133

Country: TUNISIA

ECONOMIC ASSISTANCE

DISTRIBUTION OF FY 1959 PROJECT ASSISTANCE

TABLE I

(In thousands of dollars and equivalent)

Functions and Projects	DIRECT U.S. DOLLAR COST - Proposed							Local Currency Cost - Proposed	
	Total	U.S. Technicians	Non-Contract Participants	Contracts	Commodities	Other Costs	Contributions to Cooperative Services	MSP includ. Counterpart	P. L. 480 Administered by ICA
TECHNICAL COOPERATION									
<u>Agriculture and Natural Resources - Total</u>	525	340	95	70	20				
Agricultural Extension	180	60	40	70	10				
Training in Water Resources Development	130	120	10						
Range Management	30	20	10						
Dryland Crop Production	30	20	10						
Dairy Production and Animal Diseases	30	20	10						
Rural Credit	35	20	15						
Fisheries	20	20							
Technical Support	70	60			10				
<u>Industry - Total</u>	275	98	77	95	5				
Management Training	127	20	72	35					
Foreman Training	20			20					
Industrial Loan Consultants	38	38							
Training in Industrial Techniques	45		5	40					
Technical Support	45	40			5				
<u>Transportation - Total</u>	40			40					
Railroad Operation and Shop Training	40			40					
<u>Labor - Total</u>	78	20	16	40	2				
Manpower Utilization	40			40					
Trade Union	6		6						
On-the-Job Training	10		10						
Technical Support	22	20			2				
<u>Education - Total</u>	153	76	20	40	17				
Vocational and Technical Education	85	20	20	40	5				
Demonstration in Primary Education	30	20			10				
Technical Support	38	36			2				

Country: TUNISIA

ECONOMIC ASSISTANCE

DISTRIBUTION OF FY 1959 PROJECT ASSISTANCE

*Shaded areas are Security classified
and must not be divulged to
unauthorized individuals. All
other material is unclassified.*

TABLE I

(In thousands of dollars and equivalent)

Functions and Projects	DIRECT U.S. DOLLAR COST - Proposed						Local Currency Cost - Proposed		
	Total	U.S. Technicians	Non-Contract Participants	Contracts	Commodities	Other Costs	Contributions to Cooperative Services	MSP includ. Counterpart	P. L. 480 Administered by ICA
TECHNICAL COOPERATION - Continued									
<u>Public Administration - Total</u>	221	130	90		1			400	
Civil Police	40	20	20						
Public and Business Executive Training	105	45	60					400	
Fiscal, Monetary and Statistical Training	50	40	10						
Technical Support	26	25			1				
<u>Community Development, Social Welfare, and Housing - Total</u>	75	51	10	10	4				
Urban Planning	15	5		10					
Training in Youth Activities	34	20	10		4				
Technical Support	26	26							
<u>General and Miscellaneous - Total</u>	133	33		5	65	30			
Media Production	40	20			20				
Technical Support (not otherwise distributed)	93	13		5	45	30			
Total Technical Cooperation	1,500	748	308	300	114	30		400	
SPECIAL ASSISTANCE									
<u>Agriculture and Natural Resources - Total</u>	1,400				1,400			7,400	
Agriculture Extension	400				400			1,000	
Surface Water Impounding	400				400			300	
Land Drainage and Improvement	600				600			1,100	
Underground Water Resources								800	
Rural Credit Facilities								3,000	
Other Agriculture Projects								1,200	
<u>Industry</u>								1,000	
Industrial Loan Fund								1,000	

Country: TUNISIA

ECONOMIC ASSISTANCE

DISTRIBUTION OF FY 1959 PROJECT ASSISTANCE

(In thousands of dollars and equivalent)

Shaded areas are Security classified and must not be divulged to unauthorized individuals. All other material is unclassified.

TABLE I

Functions and Projects	DIRECT U.S. DOLLAR COST - Proposed							Local Currency Cost - Proposed	
	Total	U.S. Technicians	Non-Contract Participants	Contracts	Commodities	Other Costs	Contributions to Cooperative Services	MSP includ. Counterpart	P. L. 480 Adminis-tered by ICA
SPECIAL ASSISTANCE - Continued									
<u>Transportation - Total</u>								1,700	
Improvement of Sfax-Gafsa Railroad Facilities								1,700	
<u>Community Development, Social Welfare, and Housing</u>								3,500	
Youth Conservation Corps								1,500	
Urban Community Development								2,000	
<u>Public Administration</u>	600				600				
Civil Police Equipment	600				600				
Other Public Administration Projects									
Total Special Assistance	2,000				2,000			13,600	
GRAND TOTAL	3,500	748	308	300	2,114	30		14,000	

Country: TUNISIA

ECONOMIC ASSISTANCE
COMPOSITION OF NON-PROJECT ASSISTANCE

TABLE II

*Shaded areas are Security classified
and must not be divulged to
unauthorized individuals. All
other material is unclassified.*

(In thousands of dollars)

Commodities and Other	PROGRAM		
	Actual FY 1957	Estimate FY 1958	Proposed FY 1959
<u>Surplus Agricultural Commodities - Total</u>		2,500	
<u>Sales to other Countries for Benefit to Tunisia</u>		2,500	
<u>Food, Feed, and Fertilizer - Total</u>			4,500
Sugar			4,500
<u>Fuel - Total</u>	8,000	3,000	8,000
Petroleum and Products	8,000	3,000	8,000
<u>Raw Materials and Semi-Finished Products - Total</u>		2,500	
Chemicals and Related Products		500	
Fabricated Basic Textiles		2,000	
Total Non-Project Assistance Programs	8,000	8,000	12,500

Shaded areas are Security classified
and must not be divulged to
unauthorized individuals. All
other material is unclassified.

LOCAL CURRENCY - Narrative

TUNISIA

The only type of local currency available for programming in Tunisia is the Tunisian franc counterpart generated by sales of commodity imports financed with U.S. Special Assistance funds, as indicated in Table IV. During 1959, \$12.3 million counterpart is expected to be generated, bringing the total counterpart for the period 1957-9 to \$25.4 million. It is estimated that firm programs will have been agreed upon for \$14.0 million equivalent during FY 1959, bringing to \$24.0 million equivalent the cumulative total of programmed counterpart. Thus by the end of 1959 only \$1.4 million equivalent will remain unprogrammed, the remainder being committed to active projects. Because of the pressing need for funds for Tunisian development, it is anticipated that counterpart will be spent very quickly after it becomes available.

As indicated in the preceding country narrative, Tunisia must rely on outside resources to carry forward its development plans. In the past France has contributed heavily to meeting the balance of payments gap and toward public financing of development activities. Since Tunisian independence, this assistance, while still sizeable, has been reduced and the availability of funds has become uncertain. Local currency proceeds of ICA-financed commodity aid will be directed at helping the Tunisians to reverse the downward trend of per capita income since independence. It will provide the U.S. an opportunity to cooperate with the government in planning developmental activities and in encouraging a healthy growth of private economic activity, in order to relieve growing unemployment problems and bring long range economic benefits to the country. Projects in agriculture, industry and mining, transportation and public administration are expected to receive U.S. assistance, as shown in Tables I and V.

SUMMARY SALES PROGRAM UNDER P.L. 480,
TITLE I AND FOREIGN CURRENCY PROGRAM EARMARKING

TABLE III

(In thousands of dollars)

(Foreign Currency in thousands of dollar equivalent)

SALES AGREEMENT BY FISCAL YEAR		Foreign Currency Reserved for U.S. Uses	Foreign Currency Administered by Ex-Im Bank (Cooley Amend.)	FOREIGN CURRENCY TO BE ADMINISTERED BY MSP AGENCIES				
Fiscal Year in Which Sales Agreement Signed	Total Value of Sales			Sec. 104c	Sec. 104d	Sec. 104e	Sec. 104g	Total Administered by MSP Agencies
FY 1955 Actual								
FY 1956 Actual								
FY 1957 Actual								
FY 1958 Estimate								
FY 1959 Estimate								
TOTAL								

Country: TUNISIA

STATUS OF LOCAL CURRENCY FUNDS
(Administered by MSP Agencies)
(In thousands of dollar equivalent)

*Shaded areas are Security classified
and must not be divulged to
unauthorized individuals. All
other material is unclassified.*

TABLE IV

Type of Programs Generating Local Currencies and its Utilization	ACTUAL FY 1957		ESTIMATE FY 1958		PROPOSED FY 1959		
	Cumulative Through 7/1/56	Net Change	Cumulative Through 6/30/57	Net Change	Cumulative Through 6/30/58	Net Change	Cumulative Through 6/30/59
MSP U.S.-OWNED LOCAL CURRENCIES							
Potential Generation from U.S. Dollar Program ..							
Deposits							
Obligations							
Expenditures							
COUNTERPART							
Potential Generation from U.S. Dollar Program ..		5,300	5,300	7,800 ^{a/}	13,100	12,300	25,400
Deposits				6,000	6,000	12,500	18,500
Commitments				10,000	10,000	14,000	24,000
Expenditures				6,000	6,000	12,500	18,500
P.L. 480 TITLE I							
Potential Generation from U.S. Dollar Program ..							
Deposits							
Obligations							
Expenditures							
OTHER LOCAL CURRENCY							
Potential Generation from U.S. Dollar Program ..							
Deposits							
Commitments							
Expenditures							

^{a/} Includes counterpart of commodities imported from Europe, financed with U.S. owned currencies resulting from Section 402 sales.

Country: TUNISIA

**SUMMARY OF LOCAL CURRENCY PROGRAM ADMINISTERED BY MSP AGENCIES
BY PURPOSE AND FIELD OF ACTIVITY**
Obligations or Commitments by Fiscal Year
(In thousands of dollar equivalent)

*Shaded areas are Security classified
and must not be divulged to
unauthorized individuals. All
other material is unclassified.*

TABLE V

PURPOSE AND ACTIVITY	FY 1957			FY 1958			FY 1959		
	MSP Source	P.L. 480 Title I Source	Other Sources	MSP Source	P.L. 480 Title I Source	Other Sources	MSP Source	P.L. 480 Title I Source	Other Sources
MILITARY PURPOSES									
Projects									
Budget Support									
Military Procurement									
Total Military Purposes									
ECONOMIC PURPOSES									
Project Assistance by Field of Activity									
Agriculture				3,400			7,400		
Industry and Mining				5,000			1,000		
Transportation				1,000			1,700		
Labor									
Health and Sanitation									
Education									
Public Administration				200			400		
Community Development, Social Welfare and Housing				400			3,500		
General and Miscellaneous									
Total				10,000			14,000		
Budget Support (Not Elsewhere Classified) . .									
Total Economic Purposes				10,000			14,000		
Procurement for Third Country	XXX			XXX			XXX		
TOTAL ALL PURPOSES				10,000			14,000		

U.S. Interests: These dependent African territories are located in two areas, the West Coast of Africa and Central-East Africa. Nigeria is scheduled to become completely independent early in 1960, when it will become the largest, most populous free nation in Middle Africa, with a population of 32 million. Uganda, Tangayika, Kenya, and the Federation of Rhodesia and Nyasaland are located near the East Coast of Africa, stretching between Sudan and the Union of South Africa. These four areas are all British dependencies moving toward complete independence.

Because of its potential importance, both economically and politically, Nigeria is the area of greatest U.S. interest among these territories. This country will weigh heavily in affairs in West Africa, and it is imperative that the U.S. demonstrate a willingness to assist in its development, particularly since British assistance which will not be available at current levels following independence. All of Middle Africa as well as all dependent African territories will be affected by developments in Nigeria and the success of the U.S. in gaining African support and friendship is greatly dependent upon our success in this key country where the Negro population does and will continue to exercise control.

These areas now remain under the ultimate control of Great Britain. There is a high degree of governmental stability, and it is believed that this will persist after independence because of the fervent determination of the leaders to maintain it. All of these dependent areas are oriented toward the Free World and are resisting Communist efforts at penetration.

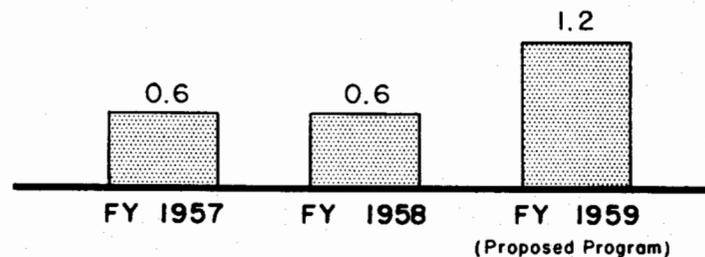
International policies of these dependent territories are formulated at present by the British Government. They have a basic reservoir of goodwill toward the U.S. and if this country demonstrates sympathy, understanding and a willingness to help them in their development, such goodwill and support of American policies should continue.

The Nigerian economy is based on agriculture and a large majority of the people are small entrepreneurs engaged in agriculture and in trading enterprises. General economic conditions have been good for some years and, with the help of the mother country, the Government has been able to finance a substantial development program. The country's further economic development depends not only on continued internal stability and prosperity but also on the availability of external investment capital and technical know-how. U.S. purchases of Nigerian products consist mainly of cocoa and columbite.

The U.S. obtains important quantities of strategic minerals from the Federation, especially copper, asbestos, chrome and beryl.

THE PROGRAM FY 1957-59

(\$ Millions)



Obligations and Expenditures \$ in thousands

MILITARY ASSISTANCE	PROGRAMMED	DEL./EXP.	UNLIQUIDATED
Cumulative 6/30/57			
Estimate F.Y. 1958			XXX
Cumulative 6/30/58			
ECONOMIC ASSISTANCE	OBLIGATIONS	EXPENDITURES	UNLIQUIDATED
Cumulative 6/30/57	24,930	22,829	2,101
Estimate F.Y. 1958	600	400	XXX
Cumulative 6/30/58	25,530	23,229	2,301

Country: AFRICA-OVERSEAS TERRITORIES

ECONOMIC ASSISTANCE
SUMMARY OF PROGRAM BY FUNCTION - PROJECT AND NON-PROJECT ASSISTANCE

(In thousands of dollars)

MAJOR COST COMPONENT	ACTUAL FY 1957				ESTIMATE FY 1958				PROPOSED FY 1959		
	Total	DS or DA	Tech. Coop.	Other	Total	DS, DA or SA	Tech. Coop.	Other	Total	DS or SA	Tech. Coop.
PROJECT ASSISTANCE											
Nigeria	494		494		350		350		700		700
Kenya	8		8						225		225
Federation Rhodesia and Nyasaland	37		37		150		150		175		175
Uganda	47		47		100		100		100		100
Other											
Total Project Assistance	586		586		600		600		1,200		1,200
PROJECT ASSISTANCE BY MAJOR COST COMPONENTS											
Technicians	77		77		41		41		455		455
Participants	11		11		40		40		130		130
Contractual Services	452		452		434		434		400		400
Supplies and Equipment ...	34		34		40		40		190		190
Contribution to Coopera- tive Services											
Other Costs	12		12		45		45		25		25
Total Project Assistance	586		586		600		600		1,200		1,200
NUMBER OF PEOPLE											
Technicians (On duty close of year).	4		4		70		70		110		110
U.S. Employed	4		4		10		10		25		25
Contract					60		60		85		85
Participants (Programmed during year)											
Non-Contract	3		3		8		8		26		26
Contract	3		3		6		6		26		26
					2		2				

GPO 934793

Objectives of Technical Cooperation

- To complement the efforts of the governments of the dependent territories to develop facilities for teaching their peoples the skills needed to accelerate their economic development.
- To assist in programs to conserve and develop natural resources and increase output.
- To improve the climate for private foreign investment in the territories.

Accomplishments of Technical Cooperation

Substantial contributions were made to supplement the resources of various metropolitan powers in accelerating key development projects, with emphasis on increasing the supply of raw and strategic materials from non-dollar areas for Europe, particularly after the outbreak of the Korean War. Assistance in dollar equipment helped improve railway, road, port and power facilities, as well as ground water development and irrigation. U.S. technicians introduced new techniques in agricultural production, processing and marketing; contributed to the improvement of vocational education; and surveyed mineral resources in key areas.

Since FY 1955, Technical Cooperation programs in the territories have been designed to assist peoples to acquire the skills needed to develop their economic resources and manage their own affairs. These programs are just getting under way and few results have yet been obtained. However, the training of key African technicians has been accelerated and new interest in the territories by private investors has been stimulated.

Major Problems: For the most part, the major economic resources of the territories are underdeveloped and productivity is low. The people are handicapped by pests, disease, malnutrition, and lack of education and training. A major deterrent to development is the shortage of skilled African manpower. Access to the interior is made difficult by the scarcity of navigable river routes, of rail and road transport, and of adequate harbors along the west coast.

The territories are extending their efforts to increase economic growth and their living standards. Outside capital is being urgently sought to supply development needs; the resources of the metropolises by themselves are not adequate for this purpose.

Summary of Program \$ in thousands

Function	Actual F.Y. 1957	Estimate F.Y. 1958	Proposed F.Y. 1959
Technical Cooperation	586	600	1,200

The soil is low in fertility in many areas, and is deteriorating through misuse and natural erosion. There is widespread maldistribution of labor, and in several territories there is serious local population pressure.

Proposed FY 1959 Program

A \$1.2 million Technical Cooperation program is proposed for the Dependent Territories for FY 1959.

Nigeria: Increasing resources should be devoted to this territory, which has the largest population of any African country and is rapidly approaching independence. \$700,000 of the \$1.2 million total is planned for use in Nigeria.

The program will be designed in agriculture to (a) increase quality and output of food crops; (b) increase the amount of vegetable and animal protein in the Nigerian diet; (c) conserve and make better use of Nigerian soils and water. The training of a local veterinary staff is planned because animal and poultry diseases are serious problems and too few veterinary officers are now available in the territory.

In education, the program is designed to improve the qualifications of secondary teachers. It is also intended to assist the Eastern Region to establish a "land grant" type of institution so that Nigerians can receive more of their education in Nigeria. In addition, assistance would be given to increase the output of trained mechanics and artisans through improved teaching techniques, and on-the-job training. Emphasis would be on demonstration and training programs and on increased training of African leaders.

Kenya: \$225,000 in Technical Cooperation is planned for assistance on the problems of land utilization and education. Completion of efforts to rehabilitate and resettle the Kikuyu is vital to political stability in Kenya. U.S. technicians in soils, farm planning, irrigation and soil conservation would be employed to assist in resettlement of the Kikuyus in new area which they could

Country: AFRICA-OVERSEAS TERRITORIES

ECONOMIC ASSISTANCE - Continued

*Shaded areas are Security classified
and must not be divulged to
unauthorized individuals. All
other material is unclassified.*

farm productively. Assistance is also planned in training Africans for productive work in industry and commerce through technical education at the trade school level.

Federation of Rhodesia and Nyasaland: \$175,000 in Technical Cooperation is planned for the Federation for U.S. technicians and participant training. U.S. technicians will work on vocational teacher training of Africans in motor mechanics and in the building and engineering trades. Extension work in agriculture will be primarily on soil conservation and farm planning in African settlements.

Uganda: A \$100,000 program is proposed. The territory needs trained African agriculturists and has established two institutes for training Africans to serve as agricultural officers, which it

wishes to improve. U.S. teachers will assist this agricultural education program as the forerunner of an extension program.

Other Territories: Changing situations in territories of other metropolitan powers may result in requirements for assistance to territories other than those mentioned in the illustrative program.

Development Loan Fund: A lengthy list of projects proposals has already been submitted to the Development Loan Fund by four territories, Nigeria, Uganda, Kenya, and Tanganyika. Additional applications are in preparation by the Federation of Rhodesia and Nyasaland and are expected shortly.

PROJECT ASSISTANCE BY FIELD OF ACTIVITY

(\$ in thousands)

FISCAL YEAR	TOTAL COST	AGRICULTURE AND NATURAL RESOURCES	INDUSTRY AND MINING	TRANSPORTATION	LABOR	HEALTH AND SANITATION	EDUCATION	PUBLIC ADMINISTRATION	COMMUNITY DEVELOP., SOCIAL WELFARE & HOUSING	GENERAL AND MISCELLANEOUS
ACTUAL FY 1957 Technical Cooperation	586	75	3	15			464			29
ESTIMATE FY 1958 Technical Cooperation	600	64	5	52			434			45
PROPOSED FY 1959 Technical Cooperation	1,200	540	30				580			50

Country: _____

ECONOMIC ASSISTANCE

DISTRIBUTION OF FY 1959 PROJECT ASSISTANCE

TABLE I

(In thousands of dollars and equivalent)

Technical Cooperation	DIRECT U.S. DOLLAR COST - Proposed							Local Currency Cost - Proposed	
	Total	U.S. Technicians	Non-Contract Participants	Contracts	Commodities	Other Costs	Contributions to Cooperative Services	MSP includ. Counterpart	P. L. 480 Administered by ICA
<u>NIGERIA - TOTAL</u>	700	255	40	300	80	25			
<u>Agriculture - Total</u>	255	175	40		40				
Agricultural Extension, Eastern Region	110	70	20		20				
Agricultural Extension, Western Region	115	80	20		15				
Agricultural Extension, Northern Region	30	25			5				
<u>Education - Total</u>	365	25		300	40				
Teacher Training Assistance, "Land Grant" Institution, Eastern Nigeria	335			300	35				
Vocational Teacher Training	30	25			5				
<u>Industry - Total</u>	30	30							
Industry Advisors, Service Industries and Credit	30	30							
<u>General and Miscellaneous - Total</u>	50	25				25			
Technical Support	50	25				25			
<u>KENYA - TOTAL</u>	225	55	20	100	50				
<u>Agriculture - Total</u>	90	55	10		25				
Agricultural Extension (Farm Planning, Irrigation, Soil Conservation)	90	55	10		25				
<u>Education - Total</u>	135		10	100	25				
Teacher Training, Trade School	135		10	100	25				

Country: AFRICA-OVERSEAS TERRITORIES

ECONOMIC ASSISTANCE

DISTRIBUTION OF FY 1959 PROJECT ASSISTANCE

TABLE I

(In thousands of dollars and equivalent)

Technical Cooperation	DIRECT U.S. DOLLAR COST - Proposed							Local Currency Cost - Proposed	
	Total	U.S. Technicians	Non-Contract Participants	Contracts	Commodities	Other Costs	Contributions to Cooperative Services	MSP includ. Counterpart	P. L. 480 Administered by ICA
FEDERATION RHODESIA AND NYASALAND - TOTAL	175	85	60		30				
<u>Agriculture - Total</u>	95	35	40		20				
Agricultural Extension (Soil Conservation and Farm Planning)	95	35	40		20				
<u>Education - Total</u>	80	50	20		10				
Vocational Teacher Training	80	50	20		10				
UGANDA - TOTAL	100	60	10		30				
<u>Agriculture - Total</u>	100	60	10		30				
Agricultural Education	100	60	10		30				
Total Technical Cooperation	1,200	455	130	400	190	25			

REGIONAL PROJECTS - AFRICA

**ECONOMIC ASSISTANCE
SUMMARY OF PROGRAM BY FUNCTION - PROJECT AND NON-PROJECT ASSISTANCE**

(In thousands of dollars)

MAJOR COST COMPONENT	ACTUAL FY 1957				ESTIMATE FY 1958 ^{a/}				PROPOSED FY 1959		
	Total	DS or DA	Tech. Coop.	Other	Total	DS, DA or SA	Tech. Coop.	Other	Total	DS or SA	Tech. Coop.
PROJECT ASSISTANCE											
Technicians									185		185
Participants	(30)		(30)		(18)		(18)				
Contractual Services	(191)		(191)		(356)		(356)		335		335
Supplies and Equipment									140		140
Contrib. to Coop. Services											
Other Costs									140		140
Total Project Assistance	(221)		(221)		(374)		(374)		800		800
NON-PROJECT ASSISTANCE											
Agric. Commodities Total											
Surplus											
Other											
Industrial Commodities Total											
Raw Materials and Fuels											
Machinery and Equipment											
Other Indus. Commodities											
Cash Transactions											
Other											
Total Non-Project Assistance									800		800
TOTAL COUNTRY PROGRAMS											
NUMBER OF PEOPLE											
Technicians (On duty close of year)									16		16
U.S. Employed									9		9 ^{b/}
Contract									7		7
Participants (Programmed during year)									80		80
Non-Contract									80		80
Contract											

^{a/} Approximate amount of Near East/Asia Regional project costs attributable to African countries.

^{b/} Includes 5 technicians formerly carried by Near East region for the Regional Locust Control Project.

REGIONAL PROJECTS - AFRICA

ECONOMIC ASSISTANCE

Objectives of Technical Cooperation

- To develop interest in multilateral action by encouraging an interchange of skills and experience between countries and by promoting collaboration among countries on economic activities of mutual interest.
- To strengthen the ties with the West of all countries involved, checking the spread of Soviet and Egyptian and other xenophobic influences, promoting development of their economics and social institutions at as rapid a rate as is feasible, and providing evidence to their peoples of U.S. interest in their wellbeing.
- To secure the widest possible impact from use of limited ICA resources.
- To expand the range of U.S. contacts with certain countries, particularly the Dependent Territories, where the bilateral possibilities are relatively limited.

Accomplishments of Technical Cooperation

FY 1959 will be the first year of operation of a program of regional projects focused specifically on African and Mediterranean country needs. However, in past years regional projects operating under Near East regional auspices have provided valuable services to the African region. These activities of a bi-regional nature will be continued where appropriate. Particularly dramatic have been the locust control activities of the USDA team, headquartered in Beirut, in successfully and rapidly dealing with emergency situations in Ethiopia, Libya, Tunisia, and Morocco. Also important has been the willingness of African countries to utilize the ICA supported facilities of the American University of Beirut. ICA sponsored attendance of Africans rose from 32 in FY 1957 to 82 in FY 1958, representing an increase from 7.6% to 16.5% of the total enrollment.

Major Problems: Difficulty of stimulating a regional consciousness and regional approaches to problems in the face of strong and rising nationalistic trends, without dampening positive aspects of nationalistic feelings, since this same emergence of nationalism is one of the important dynamic factors in the development process in these countries; difficulty of attempting to treat Africa as a region or even as a series of regions, in the absence of common languages, traditional trading patterns, or widespread common interests. Scarcity of regional institutions suitable for ICA program needs, and difficulty of working with and through existing entities while at the same time escaping the taint of colonialism with which these institutions are sometimes identified to a greater or lesser degree in African minds.

Summary of Program \$ in thousands			
Function	Actual F.Y. 1957	Estimate F.Y. 1958	Proposed F.Y. 1959
Technical Cooperation	(221) ^{a/}	(374) ^{a/}	800

Proposed FY 1959 Program

Multicountry programs for the African-Mediterranean area must be conceived in long range terms. Returns on the investment of time and money involved will be slow in forthcoming. During the early years, the principal result hoped for will be stimulation of interest in cooperation among the various countries.

The program proposed for FY 1959 provides for continuance of African participation, on a jointly administered basis, in two primarily Near Eastern projects: Regional Insect (Locust) Control and the American University of Beirut Program. \$400,000 of the \$800,000 requested is for these projects. Under the Locust Control project, it is planned to conduct air-spray programs as needed, and to assist in the formation of local control departments, including training of host country personnel. These services will be provided to Tunisia, Morocco, Libya, and Ethiopia. Under the American University of Beirut program about 80 Africans will be given training in the various schools of this institution.

The remaining \$400,000 will be utilized for projects which fall into four general categories. The projects shown are illustrative of a greater number now under consideration. To strengthen the institutional basis for regional cooperation, projects will be undertaken, wherever feasible, through existing regional organizations, such as the Commission for Technical Cooperation in Africa South of the Sahara.

1. Intra-Regional Technical Exchange: In cooperation with interested governments and regional organizations, a series of meetings of senior agricultural officials with appropriate attendance by USOM agricultural officers will be developed. If possible, an existing regional organization will be requested to undertake sponsorship, preparation, operation, and follow-up of the meetings. Also a training specialist will continuously visit all countries in the region to identify third country training opportunities and promote their utilization.

^{a/} Approximate amount of Near East/South Asia Regional Project costs attributable to African countries.

REGIONAL PROJECTS - AFRICA

ECONOMIC ASSISTANCE - Continued

2. Regional Training Centers: Creation of two new, specialized facilities in the Public Health and Industry fields are proposed. The Public Health Center will produce sub-professional personnel, such as sanitarians and laboratory technicians. The Industry Center will provide courses in accounting, management techniques and other related subjects in an effort to develop managerial talent.

3. Studies and Surveys: The need for coordinated developmental planning for all or parts of the Nile Basin has long been apparent.

As an initial and preliminary step, it is proposed to collect and analyze available data. In addition, short term studies and surveys related to monetary policies, agricultural bank development and similar items are planned.

4. Direct Action Projects: The two direct action activities proposed are of a continuing nature. The major effort (Locust Control) has been described above. The other involves providing support costs for the United States Book Exchange Program. It is believed that the meetings and regional studies portions of the program will elicit new and feasible direct action projects.

PROJECT ASSISTANCE BY FIELD OF ACTIVITY

(\$ in thousands)

FISCAL YEAR	TOTAL COST	AGRICULTURE AND NATURAL RESOURCES	INDUSTRY AND MINING	TRANSPORTATION	LABOR	HEALTH AND SANITATION	EDUCATION	PUBLIC ADMINISTRATION	COMMUNITY DEVELOP., SOCIAL WELFARE & HOUSING	GENERAL AND MISCELLANEOUS
ACTUAL FY 1957 Technical Cooperation ^{a/}	(221)	(116)					(105)			
ESTIMATE FY 1958 Technical Cooperation ^{a/}	(374)	(104)					(270)			
PROPOSED FY 1959 Technical Cooperation	800	250	150			100	250			50

^{a/} Approximate amount of Near East/South Asia Regional Project costs attributable to African countries.

REGIONAL PROJECTS - AFRICA

ECONOMIC ASSISTANCE

DISTRIBUTION OF FY 1959 PROJECT ASSISTANCE

(In thousands of dollars and equivalent)

Shaded areas are Security classified and must not be divulged to unauthorized individuals. All other material is unclassified. **TABLE I**

Function: Technical Cooperation Projects	DIRECT U.S. DOLLAR COST - Proposed						Local Currency Cost - Proposed		
	Total	U.S. Technicians	Non-Contract Participants	Contracts	Commodities	Other Costs	Contributions to Cooperative Services	MSP includ. Counter-part	P. L. 480 Adminis-tered by ICA
<u>Food and Agriculture - Total</u>	250	75		135	20	20			
Regional Insect (Locust) control ^{a/}	150	75		35	20	20			
Agricultural Conference of Ministers and Director Generals and Workshop in Extension, and in Credit and Cooperatives	100			100					
<u>Industry and Mining - Total</u>	150	70			50	30			
U.S. Book Exchange Support	10					10			
Wile Basin Development Study	40	30				10			
Business and Industrial Administration Training Center	100	40			50	10			
<u>Health and Sanitation - Total</u>	100	20			70	10			
Sub-Professional Health Personnel Training Center	100	20			70	10			
<u>Education - Total</u>	250			175		75			
American University of Beirut Program ^{b/}	250			175		75			
<u>General and Miscellaneous - Total</u>	50	20		25		5			
Development of Intra-Regional 3rd Country Training	25	20				5			
Consultants on Regional Economic Development	25			25					
Total Technical Cooperation	800	185		335	140	140			

^{a/} Africa's share of \$433,000 continuing project, formerly funded as part of Near East and South Asia Regional Projects, and to be jointly administered in FY 1959 with NESAs.

^{b/} Africa's share of \$1,900,000 continuing project, formerly funded as part of Near East and South Asia Regional Projects, and to be jointly administered in FY 1959 with NESAs.