



# MUTUAL SECURITY PROGRAM

FISCAL YEAR 1959  
ESTIMATES

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WORLD WIDE SUMMARY STATEMENTS

BEST AVAILABLE

UNCLASSIFIED

MUTUAL SECURITY PROGRAM  
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WORLD-WIDE SUMMARY STATEMENTS

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*Smucker* 3/10/81  
PPC/PB

February 20, 1958

UNCLASSIFIED



## Proposed Programs and Appropriation Request for FY 1959

Function	Programmed		Appropriations - New Funds	
	Unrounded Figures	Rounded Figures (In millions)	Unrounded Figures	Rounded Figures (In millions)
<u>Mutual Defense Assistance</u>				
Military Assistance	1,800,000,000	1,800.0	1,800,000,000	1,800.0
<u>Economic Assistance</u>				
Defense Support	835,000,000	835.0	835,000,000	835.0
Development Loan Fund	500,000,000 <sup>a/</sup>	500.0	625,000,000 <sup>a/</sup>	625.0
Technical Cooperation	163,500,000	163.5	163,500,000	163.5
Bilateral Program	(142,000,000)	(142.0)	(142,000,000)	(142.0)
UNTA	(20,000,000)	(20.0)	(20,000,000)	(20.0)
OAS	(1,500,000)	(1.5)	(1,500,000)	(1.5)
Special Assistance	212,000,000	212.0	212,000,000	212.0
Other Programs	306,592,500	306.6	306,592,500	306.6
Contingency Fund	(200,000,000)	(200.0)	(200,000,000)	(200.0)
Migrants, Refugees and Escapees				
ICEM	(12,500,000)	(12.5)	(12,500,000)	(12.5)
U.N. High Commissioner for Refugees	(1,200,000)	(1.2)	(1,200,000)	(1.2)
U.S. Escapee Program	(8,600,000)	(8.6)	(8,600,000)	(8.6)
Children's Welfare	(11,000,000)	(11.0)	(11,000,000)	(11.0)
Palestine Refugees	(25,000,000)	(25.0)	(25,000,000)	(25.0)
Ocean Freight (Voluntary Relief)	(2,100,000)	(2.1)	(2,100,000)	(2.1)
Control Act Expenses	(1,000,000)	(1.0)	(1,000,000)	(1.0)
Administrative Expenses - ICA	(33,000,000)	(33.0)	(33,000,000)	(33.0)
Administrative Expenses (State - 411(c))	(6,692,500)	(6.7)	(6,692,500)	(6.7)
Atoms for Peace Program	(5,500,000)	(5.5)	(5,500,000)	(5.5)
Total Economic Assistance	2,017,092,500	2,017.1	2,142,092,500	2,142.1
Total Mutual Security Program	3,817,092,500	3,817.1	3,942,092,500 <sup>a/</sup>	3,942.1

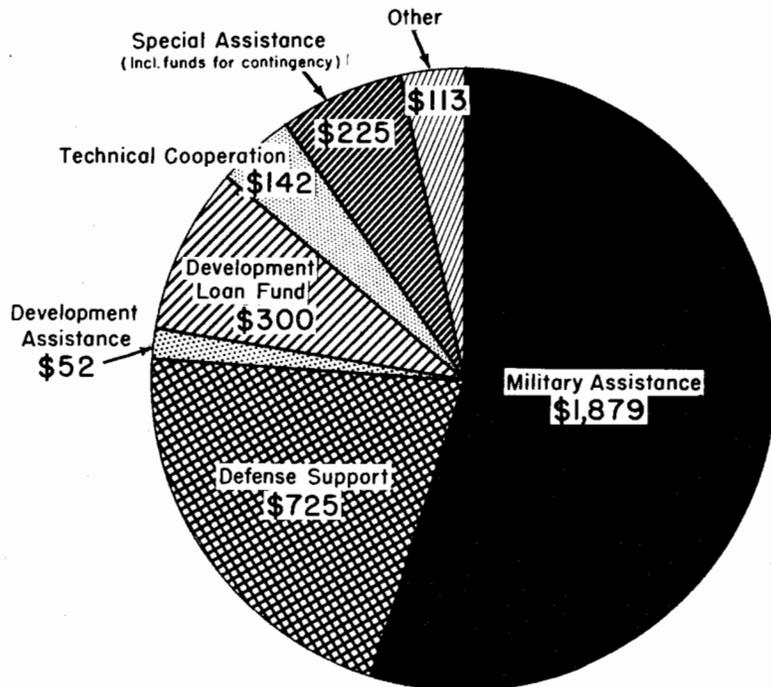
<sup>a/</sup> The difference of \$125 million between the program and appropriations estimate results from the fact that \$225,118,000 of appropriations requested for the Development Loan Fund are not expected to be obligated until after June 30, 1959. This amount is offset by an expected use in FY 1959 of \$100,118,000 of funds appropriated for that Fund in FY 1958 leaving the net difference of \$125 million.

# SUMMARY OF MUTUAL SECURITY APPROPRIATIONS

(\$ Millions)

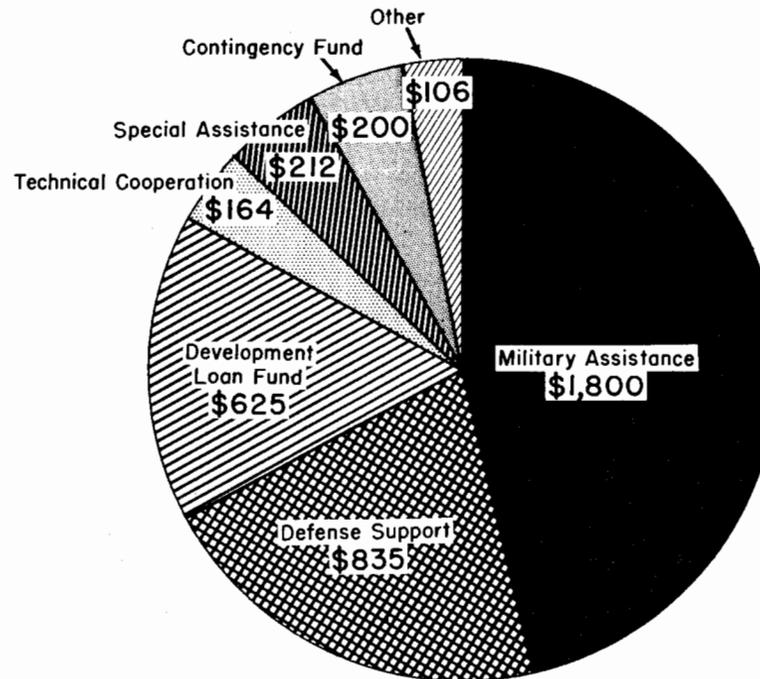
## FY 1958 APPROPRIATION

(Includes Reappropriations)



Total ... \$3,436 Million

## FY 1959 APPROPRIATION REQUEST



Total ... \$3,942 Million

### REAPPROPRIATIONS

Military Assistance	\$539 million
Defense Support	36 "
Technical Cooperation	12 "
Atoms for Peace	4 "
Development Assistance	52 "
UNRWA	24 "
<b>TOTAL</b>	<b>\$667 million</b>

WORLD WIDE

DISTRIBUTION OF FY 1959 MUTUAL SECURITY PROGRAM

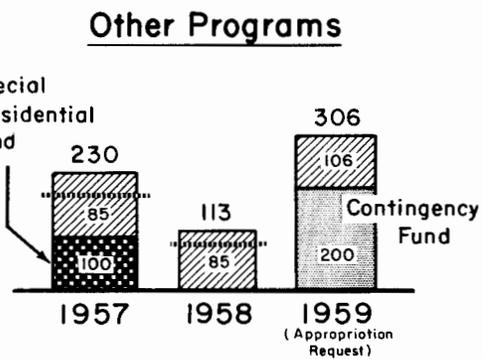
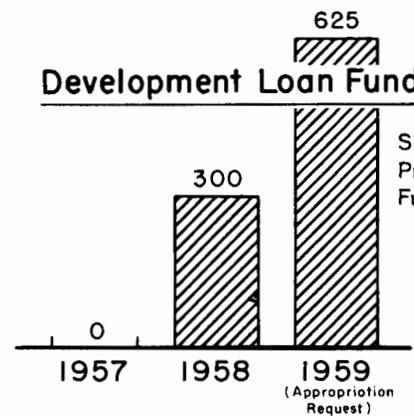
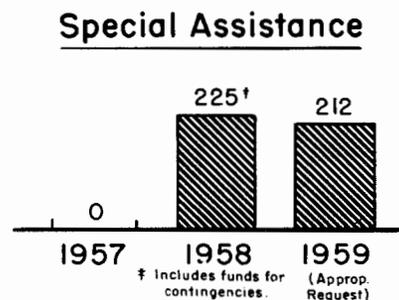
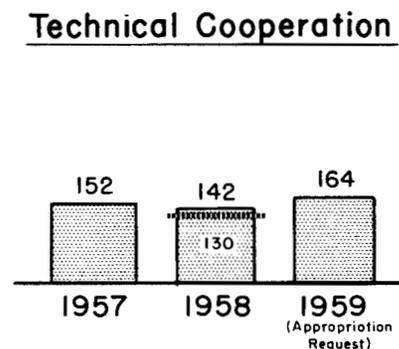
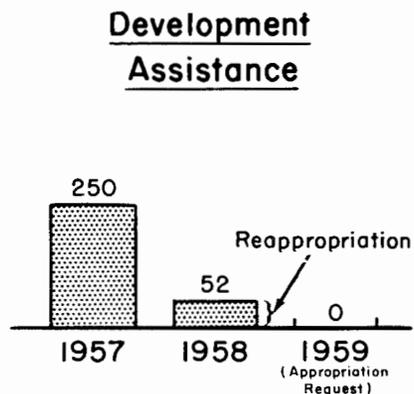
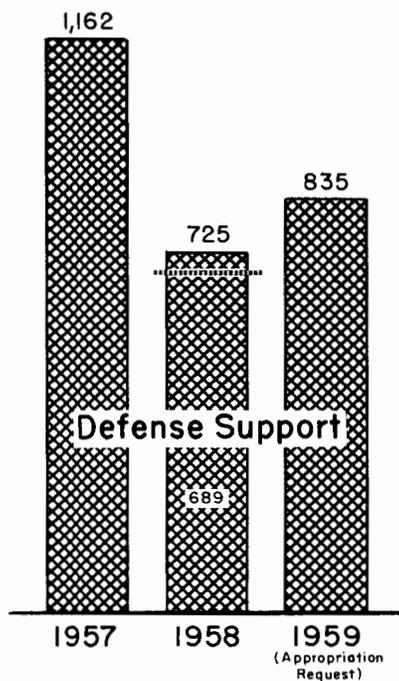
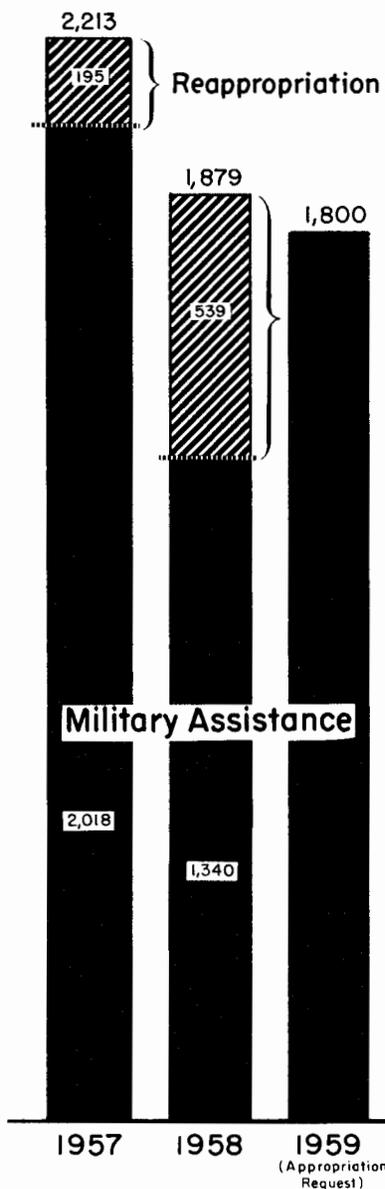
Summary by Area and Function

(In thousands of dollars)

Area	Total All Programs	Military Assistance	Total Economic Assistance	Defense Support	Development Loan Fund	Technical Cooperation	Special Assistance	Other Programs
Europe	280,865	206,565	74,300	45,000		2,900	26,400	
Africa	104,774	7,324	97,450			14,450	83,000	
Near East and South Asia	589,234	279,584	309,650	195,000		41,650	48,000	25,000
Far East	1,033,120	399,120	634,000	595,000		33,000	6,000	
Latin America	92,808	33,308	59,500			36,500	23,000	
Non-Regional Programs	1,716,292	874,099	842,193		500,000	35,000	25,600	281,593
<b>Total Programs, FY 1959</b>	<b>3,817,093</b>	<b>1,800,000</b>	<b>2,017,093</b>	<b>835,000</b>	<b>500,000</b>	<b>163,500</b>	<b>212,000</b>	<b>306,593</b>
Less: Unobligated Carryover FY 1958 Funds	-100,118		-100,118		-100,118			
Add: Unobligated Carryover Available After FY 1959	225,118		225,118		225,118			
<b>Appropriation Request</b>	<b>3,942,093</b>	<b>1,800,000</b>	<b>2,142,093</b>	<b>835,000</b>	<b>625,000</b>	<b>163,500</b>	<b>212,000</b>	<b>306,593</b>

# APPROPRIATIONS BY FUNCTION\*

(\$ Millions)



\* Includes reappropriations of prior years funds.

Fiscal Year

WORLD WIDE

DISTRIBUTION OF FY 1959 PROGRAM

By Region, Country and Function

(In thousands of dollars)

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

Area and Country	Military Assistance	Total Economic Assistance	Defense Support	Development Assistance	Development Loan Fund	Technical Cooperation	Special Assistance	Other Programs	Total All Functions
<b>TOTAL - ALL PROGRAMS</b>	<b>1,800,000</b>	<b>2,017,093</b>	<b>835,000</b>	<b>-</b>	<b>500,000</b>	<b>163,500</b>	<b>212,000</b>	<b>306,593</b>	<b>3,817,093</b>
<b>EUROPE - TOTAL</b>	<b>206,565</b>	<b>74,300</b>	<b>45,000</b>	<b>-</b>	<b>-</b>	<b>2,900</b>	<b>26,400</b>	<b>-</b>	<b>280,865</b>
Austria	27,871	-	-	-	-	-	-	-	27,871
Belgium-Luxembourg	11,375	-	-	-	-	-	-	-	11,375
Berlin	-	8,160	-	-	-	-	8,160	-	8,160
Denmark	47,503	-	-	-	-	-	-	-	47,503
France	54,496	-	-	-	-	-	-	-	54,496
Germany	2,528	-	-	-	-	-	-	-	2,528
Iceland	-	5,100	-	-	-	-	5,100	-	5,100
Italy	13,743	-	-	-	-	-	-	-	13,743
Netherlands	12,095	-	-	-	-	-	-	-	12,095
Norway	11,015	-	-	-	-	-	-	-	11,015
Portugal	9,103	-	-	-	-	-	-	-	9,103
Spain	16,181	46,100	45,000	-	-	1,100	-	-	62,881
United Kingdom	55	-	-	-	-	-	-	-	55
Yugoslavia	-	11,800	-	-	-	1,800	10,000	-	11,800
European Technical Exchange	-	3,000	-	-	-	-	3,000	-	3,000
Interregional Expenses	-	140	-	-	-	-	140	-	140
<b>AFRICA - TOTAL</b>	<b>7,324</b>	<b>97,450</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>14,450</b>	<b>83,000</b>	<b>-</b>	<b>104,774</b>
Ethiopia	4,160	7,000	-	-	-	4,000	3,000	-	11,160
Ghana	-	1,200	-	-	-	1,200	-	-	1,200
Liberia	-	2,000	-	-	-	2,000	-	-	2,000
Libya	3,164	22,400	-	-	-	2,400	20,000	-	25,564
Morocco	-	46,000	-	-	-	1,000	45,000	-	46,000
Somalia	-	850	-	-	-	350	500	-	850
Tunisia	-	16,000	-	-	-	1,500	14,500	-	16,000
Overseas Territories	-	1,200	-	-	-	1,200	-	-	1,200
Regional and Undistributed	-	800	-	-	-	800	-	-	800
<b>NEAR EAST AND SOUTH ASIA - TOTAL</b>	<b>279,584</b>	<b>309,650</b>	<b>195,000</b>	<b>-</b>	<b>-</b>	<b>41,650</b>	<b>48,000</b>	<b>25,000</b>	<b>589,234</b>
Afghanistan	-	8,000	-	-	-	3,000	5,000	-	8,000
Ceylon	-	1,550	-	-	-	1,550	-	-	1,550
Greece	36,858	15,750	15,000	-	-	750	-	-	52,000
India	-	7,300	-	-	-	7,300	-	-	7,300
Iran	50,868	29,000	23,000	-	-	6,000	-	-	79,868
Iraq	14,095	3,000	-	-	-	2,500	500	-	17,095
Israel	-	11,600	-	-	-	1,600	10,000	-	11,600
Jordan	-	26,750	-	-	-	1,750	25,000	-	26,750
Lebanon	6,176	1,750	-	-	-	1,750	-	-	7,926
Nepal	-	2,750	-	-	-	1,250	1,500	-	2,750
Pakistan	50,855	87,900	82,000	-	-	5,900	-	-	138,755
Saudi Arabia	12,485	-	-	-	-	-	-	-	12,485
Sudan	-	7,100	-	-	-	1,100	6,000	-	7,100
Turkey	108,247	79,500	75,000	-	-	4,500	-	-	187,747
Yemen	-	450	-	-	-	450	-	-	450
Palestine Refugees	-	25,000	-	-	-	-	-	25,000	25,000
Regional and Undistributed	-	2,250	-	-	-	2,250	-	-	2,250
<b>FAR EAST - TOTAL</b>	<b>399,120</b>	<b>634,000</b>	<b>595,000</b>	<b>-</b>	<b>-</b>	<b>33,000</b>	<b>6,000</b>	<b>-</b>	<b>1,033,120</b>
Burma	10,000	5,000	-	-	-	-	5,000	-	15,000
Cambodia	5,942	27,200	25,000	-	-	2,200	-	-	33,142
China (Taiwan)	82,674	77,500	75,000	-	-	2,500	-	-	160,174
Indonesia	-	7,000	-	-	-	6,000	1,000	-	7,000
Japan	76,917	2,500	-	-	-	2,500	-	-	79,417
Korea	165,844	245,800	240,000	-	-	5,800	-	-	411,644
Laos	6,613	31,800	30,000	-	-	1,800	-	-	38,413
Philippines	16,513	18,000	15,000	-	-	3,000	-	-	34,513
Thailand	10,178	24,200	20,000	-	-	4,200	-	-	34,378
Viet Nam	24,439	194,500	190,000	-	-	4,500	-	-	218,939
Regional and Undistributed	-	500	-	-	-	500	-	-	500

By Region, Country and Function

(In thousands of dollars)

Area and Country	Military Assistance	Total Economic Assistance	Defense Support	Development Assistance	Development Loan Fund	Technical Cooperation	Special Assistance	Other Programs	Total All Functions
<b>LATIN AMERICA - TOTAL</b>	33,308	59,500	-	-	-	36,500	23,000	-	92,808
Argentina	-	800	-	-	-	800	-	-	800
Bolivia	-	20,000	-	-	-	3,000	17,000	-	20,000
Brazil	7,141	5,000	-	-	-	5,000	-	-	12,141
Chile	4,121	2,750	-	-	-	2,750	-	-	6,871
Colombia	4,912	1,700	-	-	-	1,700	-	-	6,612
Costa Rica	-	1,150	-	-	-	1,150	-	-	1,150
Cuba	3,580	585	-	-	-	585	-	-	4,165
Dominican Republic	424	210	-	-	-	210	-	-	634
Ecuador	3,543	1,900	-	-	-	1,900	-	-	5,443
El Salvador	-	1,100	-	-	-	1,100	-	-	1,100
Guatemala	126	2,675	-	-	-	2,675	-	-	2,801
Haiti	68	3,690	-	-	-	1,650	2,000	-	3,718
Honduras	77	1,550	-	-	-	1,550	-	-	1,627
Mexico	-	700	-	-	-	700	-	-	700
Micaragua	90	1,000	-	-	-	1,000	-	-	1,090
Panama	-	1,300	-	-	-	1,300	-	-	1,300
Paraguay	-	1,500	-	-	-	1,500	-	-	1,500
Peru	5,250	2,900	-	-	-	2,900	-	-	8,150
Uruguay	3,976	200	-	-	-	200	-	-	4,176
Venezuela	-	190	-	-	-	190	-	-	190
Overseas Territories	-	1,050	-	-	-	1,050	-	-	1,050
Regional and Undistributed	-	6,090	-	-	-	2,090	4,000	-	6,090
Organization of American States	-	1,500	-	-	-	1,500	-	-	1,500
<b>NON-REGIONAL PROGRAMS - TOTAL</b>	874,099	842,193	-	-	500,000	35,000	25,600	281,593	1,716,292
<b>Military Assistance - Subtotal</b>	874,099	-	-	-	-	-	-	-	874,099
<b>Special Materiel Programs</b>	583,162	-	-	-	-	-	-	-	583,162
Far East Area Programs	(54,483)*	-	-	-	-	-	-	-	(54,483)*
Modernization - Missiles and Aircraft	(288,246)*	-	-	-	-	-	-	-	(288,246)*
Spare Parts	(56,171)*	-	-	-	-	-	-	-	(56,171)*
Packing, Crating, Handling, and Transportation	(119,500)*	-	-	-	-	-	-	-	(119,500)*
Repair and Rehabilitation	(15,762)*	-	-	-	-	-	-	-	(15,762)*
Programs under Negotiation	(49,000)*	-	-	-	-	-	-	-	(49,000)*
<b>Cost-Sharing Programs</b>	127,500	-	-	-	-	-	-	-	127,500
Facilities Assistance Program	(20,000)*	-	-	-	-	-	-	-	(20,000)*
Infrastructure	(60,000)*	-	-	-	-	-	-	-	(60,000)*
International Military Headquarters	(7,500)*	-	-	-	-	-	-	-	(7,500)*
Mutual Weapons Development Program	(40,000)*	-	-	-	-	-	-	-	(40,000)*
<b>Other Non-Country Programs</b>	163,437	-	-	-	-	-	-	-	163,437
Administration	(25,000)*	-	-	-	-	-	-	-	(25,000)*
Loans	(80,000)*	-	-	-	-	-	-	-	(80,000)*
Nutritional Surveys	(275)*	-	-	-	-	-	-	-	(275)*
Overseas Internal Security Programs	(10,000)*	-	-	-	-	-	-	-	(10,000)*
Training	(29,337)*	-	-	-	-	-	-	-	(29,337)*
U.N. Support - Korea	(12,000)*	-	-	-	-	-	-	-	(12,000)*
Miscellaneous	(6,825)*	-	-	-	-	-	-	-	(6,825)*
<b>Economic Assistance - Subtotal</b>	-	842,193	-	-	500,000	35,000	25,600	281,593	842,193
<b>Development Loan Fund</b>	-	500,000	-	-	500,000	-	-	-	500,000
<b>Technical Cooperation:</b>	-	-	-	-	-	-	-	-	-
UMTA	-	20,000	-	-	-	20,000	-	-	20,000
Interregional Expenses	-	15,000	-	-	-	15,000	-	-	15,000
<b>Other Programs:</b>	-	-	-	-	-	-	-	-	-
Contingency Fund	-	200,000	-	-	-	-	-	200,000	200,000
<b>Migrants, Refugees and Escapees:</b>	-	-	-	-	-	-	-	-	-
ICRM	-	12,500	-	-	-	-	-	12,500	12,500
U.N. High Commissioner for Refugees Program	-	1,200	-	-	-	-	-	1,200	1,200
U.S. Escapee Program	-	8,600	-	-	-	-	-	8,600	8,600
Children's Welfare	-	11,000	-	-	-	-	-	11,000	11,000
Ocean Freight (Voluntary Relief)	-	2,100	-	-	-	-	-	2,100	2,100
Control Act Expenses (MGAC)	-	1,000	-	-	-	-	-	1,000	1,000
Administrative Expenses - ICA	-	33,000	-	-	-	-	-	33,000	33,000
Administrative Expenses, Sec. 411(c)(State)	-	6,693	-	-	-	-	-	6,693	6,693
Atoms for Peace Program	-	5,500	-	-	-	-	-	5,500	5,500
Malaria Eradication Program	-	25,600	-	-	-	-	25,600	-	25,600

\* Non-add.  
Note: Figures may not add due to rounding.

WORLD WIDE

SUMMARY OF FRI  
For FISC

(1)

Area and Country	Military Assistance			Total Economic Assistance			Defense Support		
	1957	1958	1959	1957	1958	1959	1957	1958	1959
<b>TOTAL - ALL PROGRAMS</b>	<b>1,667,792</b>	<b>1,848,800</b>	<b>1,800,000</b>	<b>1,664,163</b>	<b>1,574,001</b>	<b>2,017,093</b>	<b>1,141,085</b>	<b>728,950</b>	<b>835,000</b>
<b>EUROPE - TOTAL</b>	<b>278,918</b>	<b>168,823</b>	<b>206,565</b>	<b>108,713</b>	<b>75,200</b>	<b>74,300</b>	<b>94,357</b>	<b>40,050</b>	<b>45,000</b>
Austria	10,486	21,651	27,671	-	-	-	-	-	-
Belgium-Luxembourg	623	7,477	11,375	-	-	-	-	-	-
Berlin	-	-	-	11,406	11,170	8,166	-	-	-
Denmark	32,539	9,754	47,503	-	-	-	-	-	-
France	111,465	41,489	54,496	-	-	-	-	-	-
Germany	3,504	3,601	2,528	-	-	-	-	-	-
Greece	-	-	-	8,462	5,100	5,100	8,462	-	-
Italy	17,721	26,478	13,743	-	-	-	-	-	-
Netherlands	27,967	8,571	12,895	-	-	-	-	-	-
Norway	17,692	22,484	11,015	-	-	-	-	-	-
Portugal	2,093	3,441	9,103	-	-	-	-	-	-
Spain	53,163	23,390	16,181	69,999	41,150	46,100	68,999	40,050	45,000
United Kingdom	38	93	55	-	-	-	-	-	-
Yugoslavia	1,627	394	-	14,992	14,750	11,800	13,500	-	-
European Technical Exchange	-	-	-	2,602	2,600	3,000	2,293	-	-
Interregional Expenses	-	-	-	1,252	430	140	1,103	-	-
<b>AFRICA - TOTAL</b>	<b>8,892</b>	<b>6,758</b>	<b>7,324</b>	<b>61,485</b>	<b>62,750</b>	<b>97,450</b>	<b>6,600</b>	<b>-</b>	<b>-</b>
Ethiopia	8,754	4,133	4,160	9,600	5,000	7,000	6,600	-	-
Ghana	-	-	-	360	500	1,200	-	-	-
Liberia	138	-	-	1,716	2,000	2,000	-	-	-
Libya	-	2,625	3,164	19,280	12,400	22,400	-	-	-
Morocco	-	-	-	20,067	30,500	46,000	-	-	-
Somalia	-	-	-	1,387	650	850	-	-	-
Tunisia	-	-	-	8,489	11,000	16,000	-	-	-
Overseas Territories	-	-	-	586	600	1,200	-	-	-
Regional and Undistributed	-	-	-	-	-	800	-	-	-
<b>NEAR EAST AND SOUTH ASIA - TOTAL</b>	<b>362,733</b>	<b>339,202</b>	<b>279,584</b>	<b>440,395</b>	<b>298,557</b>	<b>309,650</b>	<b>219,432</b>	<b>156,590</b>	<b>195,000</b>
Afghanistan	-	-	-	14,391	5,000	8,000	-	-	-
Ceylon	-	-	-	6,083	1,400	1,550	-	-	-
Egypt	-	-	-	686	-	-	-	-	-
Greece	28,055	74,562	36,858	25,744	15,700	15,750	24,999	15,000	15,000
India	-	-	-	68,722	6,300	7,300	-	-	-
Iran	36,352	49,400	50,868	51,556	26,590	29,000	44,999	21,590	23,000
Iraq	29,717	7,720	14,095	3,640	2,200	3,000	-	-	-
Israel	-	-	-	26,847	9,000	11,600	-	-	-
Jordan	9,371	-	-	21,200	31,750	26,750	-	-	-
Lebanon	3,233	-	6,176	12,100	2,650	1,750	-	-	-
Nepal	-	-	-	4,347	4,065	2,750	-	-	-
Pakistan	94,907	68,760	50,855	98,673	55,800	87,900	92,684	50,000	82,000
Saudi Arabia	10,223	1,986	12,485	22	25,000	-	-	-	-
Sudan	-	-	-	-	4,520	7,100	-	-	-
Turkey	150,875	136,774	108,247	58,846	74,500	79,500	55,500	70,000	75,000
Yemen	-	-	-	-	950	450	-	-	-
Palestine Refugees	-	-	-	21,500	19,872	25,000	-	-	-
Regional and Undistributed	-	-	-	26,038	12,460	2,250	1,250	-	-
(Baghdad Pact)	-	-	-	-	-	-	-	-	-
(Clearing Suez Canal)	-	-	-	-	-	-	-	-	-
(U.N. Emergency Forces)	-	-	-	-	-	-	-	-	-
<b>FAR EAST - TOTAL</b>	<b>616,336</b>	<b>398,830</b>	<b>399,120</b>	<b>812,451</b>	<b>675,337</b>	<b>634,000</b>	<b>769,563</b>	<b>532,310</b>	<b>595,000</b>
<b>Far East - Subtotal</b>	<b>616,336</b>	<b>398,830</b>	<b>399,120</b>	<b>810,478</b>	<b>594,060</b>	<b>634,000</b>	<b>769,563</b>	<b>532,310</b>	<b>595,000</b>
Burma	-	10,000	10,000	-	12,700	5,000	-	-	-
Cambodia	4,583	4,033	5,942	34,480	26,000	27,200	32,499	24,000	25,000
China (Taiwan)	106,105	74,215	82,674	83,749	60,000	77,500	80,000	57,000	75,000
Indonesia	-	-	-	11,717	21,300	7,000	-	-	-
Japan	106,455	42,120	76,917	2,297	2,500	2,500	-	-	-
Korea	333,301	201,548	165,844	305,665	220,600	245,800	300,183	215,000	240,000
Laos	4,112	6,123	6,613	44,458	31,700	31,800	42,974	30,000	30,000
Philippines	8,073	7,012	16,513	33,908	19,000	18,000	28,913	15,000	15,000
Thailand	9,052	9,827	10,178	34,500	24,000	24,200	30,000	20,000	20,000
Viet Nam	44,655	43,952	24,439	259,438	179,200	194,500	254,994	175,000	190,000
Regional and Undistributed	-	-	-	266	750	500	-	-	-
Less: Prior year recoveries applied to current year program	-	-	-	-	-3,690	-	-	-3,690	-
<b>President's Fund for Asian Econ. Develop. - Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,973</b>	<b>81,277</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

TUAL SECURITY PROGRAM

GRAM BY AREA, COUNTRY AND FUNCTION  
 al Years 1957, 1958 and 1959

Development Assistance			Development Loan Fund			Technical Cooperation			Special Assistance			Other Programs			Total All Functions		
1957	1958	1959	1957	1958	1959	1957	1958	1959	1957	1958	1959	1957	1958	1959	1957	1958	1959
206,435	52,000	-	-	200,000	500,000	146,185	145,800	163,500	-	207,363	212,000	170,458	239,888	306,593	3,331,955	3,422,801	3,817,093
-	-	-	-	-	-	2,492	2,850	2,900	-	32,300	26,400	11,864	-	-	387,631	244,023	280,865
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	10,486	21,651	27,671
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	623	7,477	11,375
-	-	-	-	-	-	-	-	-	-	11,170	8,160	11,406	-	-	11,406	11,170	8,160
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	32,539	9,754	47,503
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	111,465	41,489	54,496
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	3,504	3,601	2,528
-	-	-	-	-	-	-	-	-	-	5,100	5,100	-	-	-	8,462	5,100	5,100
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	17,721	26,478	13,743
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	27,967	8,571	12,995
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	17,692	22,484	11,015
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2,093	3,441	9,103
-	-	-	-	-	-	1,000	1,100	1,100	-	-	-	-	-	-	123,162	64,540	62,281
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	38	93	55
-	-	-	-	-	-	1,492	1,750	1,800	-	13,000	10,000	-	-	-	16,619	15,144	11,800
-	-	-	-	-	-	-	-	-	-	2,600	3,000	-	-	-	2,602	2,600	3,000
-	-	-	-	-	-	-	-	-	-	430	140	309	-	-	1,252	430	140
45,580	-	-	-	-	-	9,305	10,350	14,450	-	52,400	83,000	-	-	-	70,377	69,508	104,774
-	-	-	-	-	-	3,000	3,000	4,000	-	2,000	3,000	-	-	-	18,354	9,133	11,160
-	-	-	-	-	-	360	500	1,200	-	-	-	-	-	-	360	500	1,200
-	-	-	-	-	-	1,716	2,000	2,000	-	-	-	-	-	-	1,854	2,000	2,000
16,580	-	-	-	-	-	2,700	2,400	2,400	-	10,000	20,000	-	-	-	19,280	15,025	25,564
20,000	-	-	-	-	-	67	600	1,000	-	30,000	45,000	-	-	-	20,067	30,600	46,000
1,000	-	-	-	-	-	387	250	350	-	400	500	-	-	-	1,387	650	850
8,000	-	-	-	-	-	489	1,000	1,500	-	10,000	14,500	-	-	-	8,489	11,000	16,000
-	-	-	-	-	-	586	600	1,200	-	-	-	-	-	-	586	600	1,200
-	-	-	-	-	-	-	-	800	-	-	-	-	-	-	-	-	800
156,138	25,000	-	-	-	-	40,075	37,550	41,650	-	59,545	48,000	24,750	19,872	25,000	803,128	637,759	589,234
11,407	-	-	-	-	-	2,984	2,850	3,000	-	2,950	5,000	-	-	-	14,391	5,800	8,000
5,000	-	-	-	-	-	1,083	1,400	1,550	-	-	-	-	-	-	6,083	1,400	1,550
-	-	-	-	-	-	686	-	-	-	-	-	-	-	-	686	-	-
-	-	-	-	-	-	745	700	750	-	-	-	-	-	-	53,799	90,262	52,608
62,500	-	-	-	-	-	6,222	6,300	7,300	-	-	-	-	-	-	68,722	6,300	7,300
-	-	-	-	-	-	6,557	5,000	6,000	-	-	-	-	-	-	87,908	75,990	79,868
1,373	-	-	-	-	-	2,267	2,200	2,500	-	-	500	-	-	-	33,357	9,920	17,095
25,000	-	-	-	-	-	1,847	1,500	1,600	-	7,500	10,000	-	-	-	26,847	9,000	11,600
20,000	-	-	-	-	-	1,200	1,750	1,750	-	30,000	25,000	-	-	-	30,571	31,750	26,750
10,000	-	-	-	-	-	2,100	1,650	1,750	-	1,000	-	-	-	-	15,333	2,650	7,926
3,089	-	-	-	-	-	1,258	1,190	1,250	-	2,875	1,500	-	-	-	4,387	4,065	2,750
-	-	-	-	-	-	5,289	5,800	5,900	-	-	-	-	-	-	193,580	124,560	138,755
22	25,000	-	-	-	-	-	-	-	-	-	-	-	-	-	10,245	26,986	12,485
-	-	-	-	-	-	-	-	1,100	-	4,520	6,000	-	-	-	4,520	7,100	7,100
-	-	-	-	-	-	3,346	4,500	4,500	-	-	-	-	-	-	209,721	211,274	187,747
-	-	-	-	-	-	-	-	450	-	950	-	-	-	-	950	450	450
-	-	-	-	-	-	-	-	-	-	-	-	21,500	19,872	25,000	21,500	19,872	25,000
17,747	-	-	-	-	-	3,791	2,710	2,250	-	9,750	-	3,250	-	-	26,038	12,460	2,250
(12,747)*	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
(5,000)*	-	-	-	-	-	-	-	-	-	(9,750)*	-	(3,250)*	-	-	-	-	-
4,717	27,000	-	-	-	-	36,198	33,750	33,000	-	1,000	6,000	1,973	81,277	-	1,428,787	1,074,167	1,033,120
4,717	27,000	-	-	-	-	36,198	33,750	33,000	-	1,000	6,000	-	-	-	1,426,814	992,890	1,033,120
-	12,700	-	-	-	-	-	-	-	-	-	5,000	-	-	-	-	22,700	15,000
-	-	-	-	-	-	1,981	2,000	2,200	-	-	-	-	-	-	39,063	30,033	33,142
-	-	-	-	-	-	3,749	3,000	2,500	-	-	-	-	-	-	189,894	134,215	160,174
4,717	14,300	-	-	-	-	7,000	6,000	6,000	-	1,000	1,000	-	-	-	11,717	21,300	7,000
-	-	-	-	-	-	2,297	2,500	2,500	-	-	-	-	-	-	108,752	44,680	79,417
-	-	-	-	-	-	5,482	5,600	5,800	-	-	-	-	-	-	638,966	422,148	411,644
-	-	-	-	-	-	1,484	1,700	1,800	-	-	-	-	-	-	48,570	37,823	38,413
-	-	-	-	-	-	4,995	4,000	3,000	-	-	-	-	-	-	41,981	26,012	34,513
-	-	-	-	-	-	4,500	4,000	4,200	-	-	-	-	-	-	43,552	33,827	34,378
-	-	-	-	-	-	4,444	4,200	4,500	-	-	-	-	-	-	304,093	223,152	218,939
-	-	-	-	-	-	266	750	500	-	-	-	-	-	-	266	750	500
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-3,690	-
-	-	-	-	-	-	-	-	-	-	-	-	1,973	81,277	-	1,973	81,277	-

SUMMARY OF PROGRAM BY  
For Fiscal Years

(In thousand)

Area and Country	Military Assistance			Total Economic Assistance			Defense Support			Develop 1957
	1957	1958	1959	1957	1958	1959	1957	1958	1959	
<b>LATIN AMERICA - TOTAL</b>	32,857	33,871	33,308	82,362	62,300	59,500	51,133	-	-	
Argentina	-	-	-	-	350	800	-	-	-	
Bolivia	-	-	-	23,282	20,100	20,000	19,993	-	-	
Brazil	12,292	14,316	7,141	4,512	4,700	5,000	-	-	-	
Chile	6,183	3,508	4,121	2,456	2,500	2,750	-	-	-	
Colombia	2,868	3,692	4,912	1,156	1,290	1,700	-	-	-	
Costa Rica	-	-	-	994	1,050	1,150	-	-	-	
Cuba	3,528	1,996	3,580	569	570	585	-	-	-	
Dominican Republic	277	1,078	424	156	190	210	-	-	-	
Ecuador	1,702	3,464	3,543	1,809	1,880	1,900	-	-	-	
El Salvador	-	-	-	1,069	1,000	1,100	-	-	-	
Guatemala	105	104	126	17,518	12,400	2,675	15,280	-	-	
Haiti	33	82	68	2,126	3,300	3,650	1,010	-	-	
Honduras	101	57	77	1,324	1,350	1,550	-	-	-	
Mexico	-	-	-	888	680	700	-	-	-	
Nicaragua	198	195	90	681	900	1,000	-	-	-	
Panama	-	-	-	1,023	1,170	1,300	-	-	-	
Paraguay	-	-	-	1,530	1,480	1,500	-	-	-	
Peru	4,039	4,172	5,250	2,594	2,850	2,900	-	-	-	
Uruguay	1,532	1,207	3,976	254	200	200	-	-	-	
Venezuela	-	-	-	135	170	190	-	-	-	
Overseas Territories	-	-	-	629	770	1,050	-	-	-	
Regional and Undistributed	-	-	-	16,157	2,400	6,090	14,850	-	-	
Organization of American States	-	-	-	1,500	1,500	1,500	-	-	-	
Deduct: Amount financed from prior year funds	-	-	-	-	-500	-	-	-	-	
<b>NON-REGIONAL PROGRAMS - TOTAL</b>	586,754	972,916	874,099	158,757	399,857	842,193	-	-	-	
<b>Military Assistance - Subtotal</b>	586,754	972,916	874,099	-	-	-	-	-	-	
<b>Special Materiel Programs</b>	358,145	678,910	583,162	-	-	-	-	-	-	
Far East Area Programs	(42,024)*	(92,217)*	(54,483)*	-	-	-	-	-	-	
Modernization - Missiles & Aircraft	(55,032)*	(365,527)*	(288,246)*	-	-	-	-	-	-	
Spare Parts	(135,200)*	(85,470)*	(56,171)*	-	-	-	-	-	-	
Packing, Crating, Handling, & Transportation	(125,836)*	(119,500)*	(119,500)*	-	-	-	-	-	-	
Repair and Rehabilitation	(53)*	(16,196)*	(15,762)*	-	-	-	-	-	-	
Programs under Negotiation	-	-	(49,000)*	-	-	-	-	-	-	
<b>Cost-Sharing Programs</b>	103,465	131,550	127,500	-	-	-	-	-	-	
Facilities Assistance Program	(5,022)*	(20,000)*	(20,000)*	-	-	-	-	-	-	
Infrastructure	(57,756)*	(65,000)*	(60,000)*	-	-	-	-	-	-	
International Military Headquarters	(5,350)*	(6,550)*	(7,500)*	-	-	-	-	-	-	
Mutual Weapons Development Program	(35,337)*	(40,000)*	(40,000)*	-	-	-	-	-	-	
<b>Other Non-Country Programs</b>	125,144	162,456	163,437	-	-	-	-	-	-	
Administration	(20,665)*	(23,500)*	(25,000)*	-	-	-	-	-	-	
Loans	(55,874)*	(97,000)*	(80,000)*	-	-	-	-	-	-	
Nutritional Surveys	(202)*	(210)*	(275)*	-	-	-	-	-	-	
Overseas Internal Security Programs	(2,174)*	(10,000)*	(10,000)*	-	-	-	-	-	-	
Training	(9,426)*	(14,296)*	(29,337)*	-	-	-	-	-	-	
U.N. Support - Korea	(13,664)*	(12,000)*	(12,000)*	-	-	-	-	-	-	
Miscellaneous	(23,139)*	(5,450)*	(6,825)*	-	-	-	-	-	-	
<b>Economic Assistance - Subtotal</b>	-	-	-	158,757	399,857	842,193	-	-	-	
Development Loan Fund	-	-	-	-	200,000	500,000	-	-	-	
Technical Cooperation:	-	-	-	-	-	-	-	-	-	
UNTA	-	-	-	15,500	15,500	20,000	-	-	-	
Interregional Expenses	-	-	-	11,386	13,500	15,000	-	-	-	
Other Programs:	-	-	-	-	-	-	-	-	-	
Contingency Fund	-	-	-	100,000	225,950	200,000	-	-	-	
Less: Funds distributed to programs reflected under other items in this Presentation	-	-	-	-95,357	-165,153	-	-	-	-	
Unobligated balance no longer available	-	-	-	-4,643	-	-	-	-	-	
Undistributed Contingency Fund	-	-	-	-	60,797	200,000	-	-	-	
Migrants, Refugees and Escapees:	-	-	-	-	-	-	-	-	-	
ICEM	-	-	-	12,500	12,500	12,500	-	-	-	
U.N. High Commissioner for Refugees Program	-	-	-	1,900	2,233	1,200	-	-	-	
U.S. Escapee Program	-	-	-	5,989	5,850	8,600	-	-	-	
Hungarian Refugees	-	-	-	31,723	7,500	-	-	-	-	
Algerian Refugees	-	-	-	-	25	-	-	-	-	
Egyptian Refugees	-	-	-	763	-	-	-	-	-	
Children's Welfare	-	-	-	10,000	11,000	11,000	-	-	-	
Ocean Freight (Voluntary Relief)	-	-	-	2,040	2,200	2,100	-	-	-	
Control Act Expenses (MDAC)	-	-	-	1,136	1,040	1,000	-	-	-	
Administrative Expenses - ICA	-	-	-	28,261	30,504	33,000	-	-	-	
Administrative Expenses, Sec. 411(c)(State)	-	-	-	6,402	6,665	6,693	-	-	-	
Atoms for Peace Program	-	-	-	1,050	4,450	5,500	-	-	-	
Malaria Eradication Program	-	-	-	-	22,093	25,600	-	-	-	
Special Economic Programs	-	-	-	30,107	4,000	-	-	-	-	
<b>ADJUSTMENT FOR FUNDING UNDISTRIBUTED - TOTAL</b>	-218,698	-71,600	-	-	-	-	-	-	-	

\* Non-add.

Note: Figures may not add due to rounding.

15-3

TY PROGRAM

4. COUNTRY AND FUNCTION  
17, 1958 and 1959

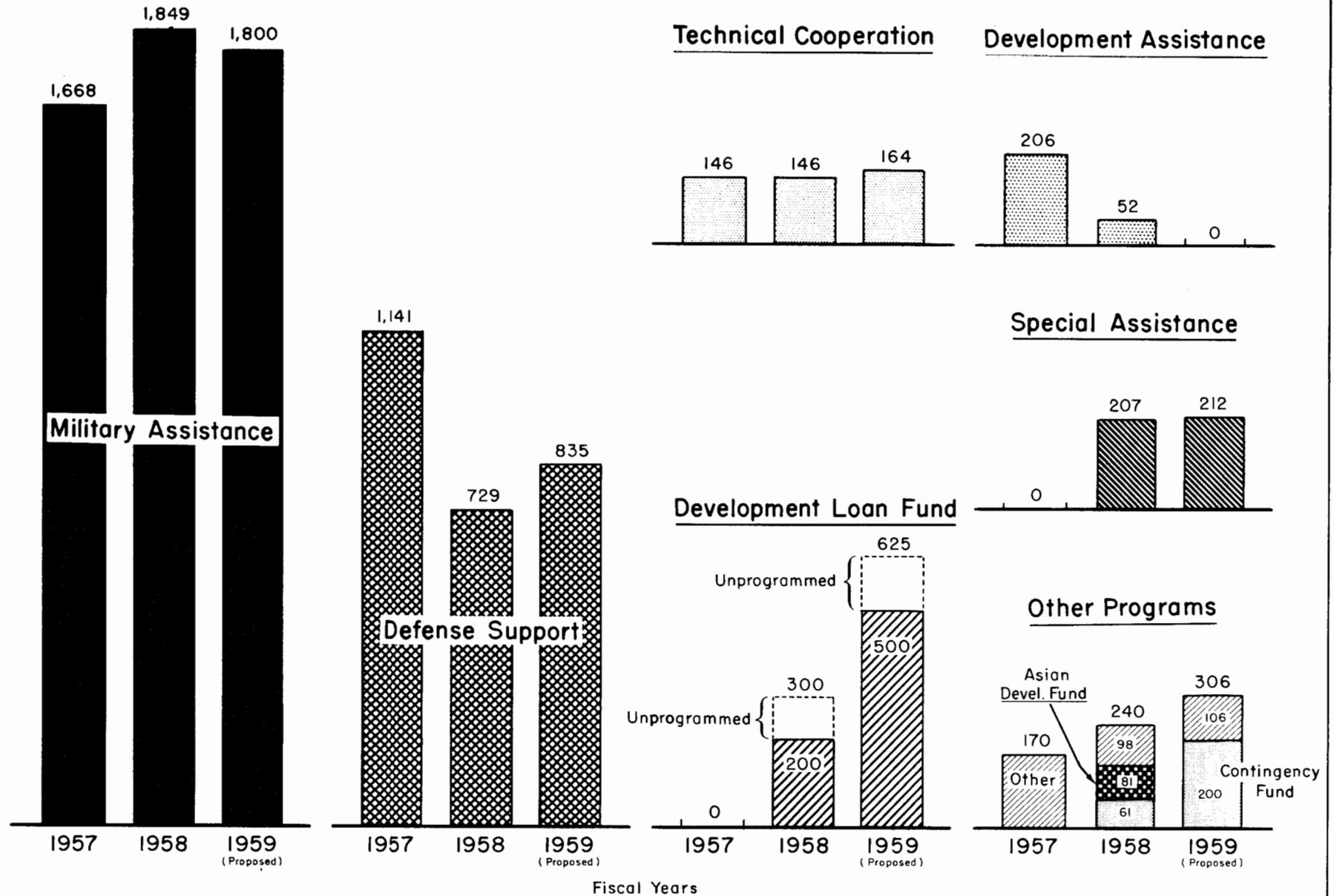
Shaded areas are Security classified  
and must not be divulged to  
unauthorized individuals. All  
other material is unclassified.

(in dollars)

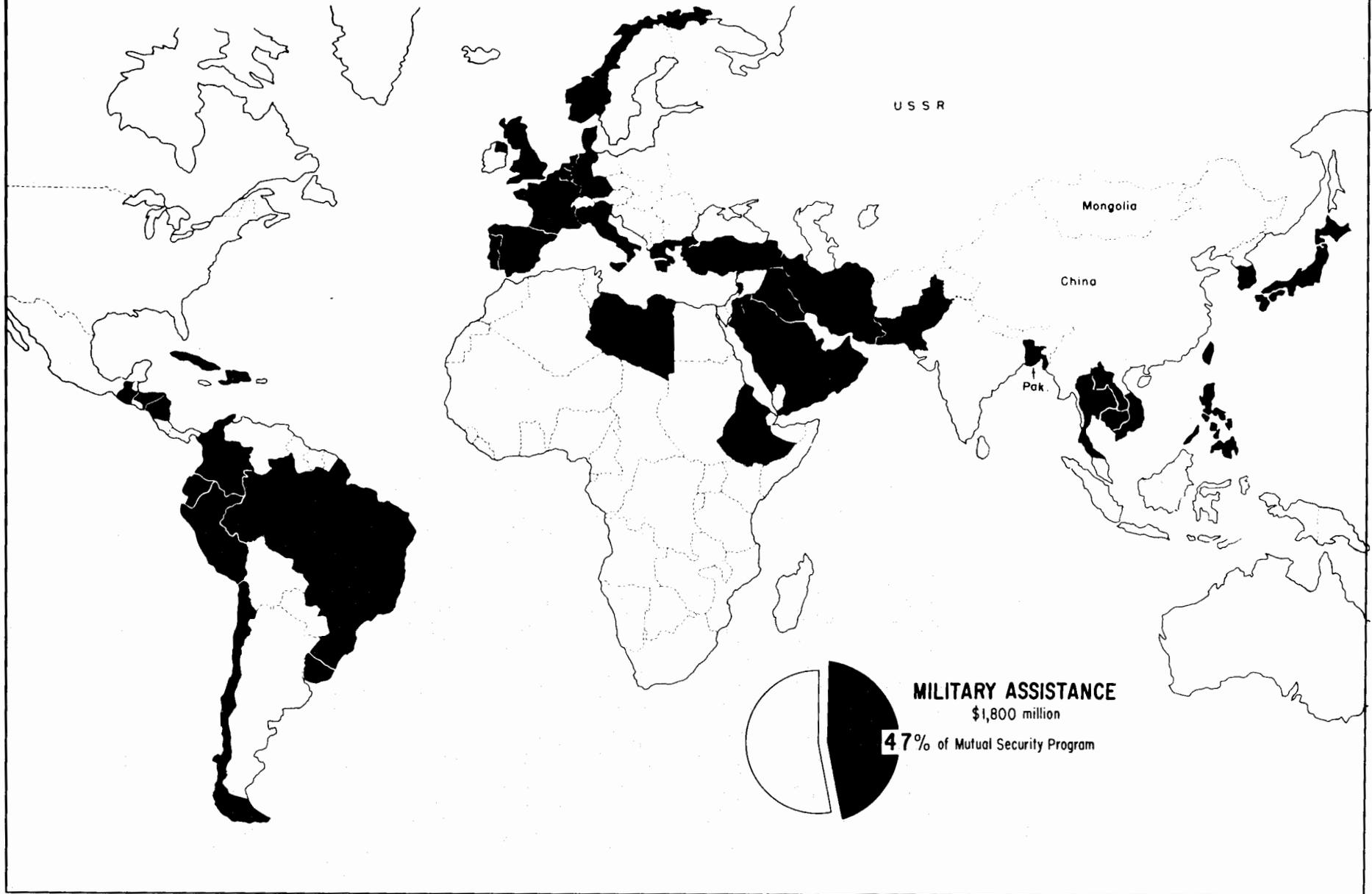
Assistance	Development Loan Fund		Technical Cooperation			Special Assistance			Other Programs			Total All Functions			
	1958	1959	1957	1958	1959	1957	1958	1959	1957	1958	1959	1957	1958	1959	
-	-	-	31,229	32,300	36,500	-	30,000	23,000	-	-	-	115,219	96,171	92,608	
-	-	-	-	350	800	-	-	-	-	-	-	-	350	800	
-	-	-	3,289	3,100	3,000	-	17,000	17,000	-	-	-	23,282	20,100	20,000	
-	-	-	4,512	4,700	5,000	-	-	-	-	-	-	16,804	19,016	12,141	
-	-	-	2,456	2,500	2,750	-	-	-	-	-	-	8,639	6,008	6,871	
-	-	-	1,156	1,290	1,700	-	-	-	-	-	-	4,024	4,982	6,612	
-	-	-	994	1,050	1,150	-	-	-	-	-	-	994	1,050	1,150	
-	-	-	569	570	585	-	-	-	-	-	-	4,097	2,566	4,165	
-	-	-	156	190	210	-	-	-	-	-	-	433	1,268	634	
-	-	-	1,809	1,880	1,900	-	-	-	-	-	-	3,511	5,344	5,443	
-	-	-	1,069	1,000	1,100	-	-	-	-	-	-	1,069	1,000	1,100	
-	-	-	2,238	2,400	2,675	-	10,000	-	-	-	-	17,623	12,504	2,801	
-	-	-	1,116	1,300	1,650	-	2,000	2,000	-	-	-	2,159	3,382	3,718	
-	-	-	1,324	1,350	1,550	-	-	-	-	-	-	1,425	1,407	1,627	
-	-	-	888	680	700	-	-	-	-	-	-	888	680	700	
-	-	-	681	900	1,000	-	-	-	-	-	-	879	1,095	1,090	
-	-	-	1,023	1,170	1,300	-	-	-	-	-	-	1,023	1,170	1,300	
-	-	-	1,530	1,480	1,500	-	-	-	-	-	-	1,530	1,480	1,500	
-	-	-	2,594	2,850	2,900	-	-	-	-	-	-	6,633	7,022	8,150	
-	-	-	254	200	200	-	-	-	-	-	-	1,786	1,407	4,176	
-	-	-	135	170	190	-	-	-	-	-	-	135	170	190	
-	-	-	629	770	1,050	-	-	-	-	-	-	629	770	1,050	
-	-	-	1,307	1,400	2,090	-	1,000	4,000	-	-	-	16,157	2,400	6,090	
-	-	-	1,500	1,500	1,500	-	-	-	-	-	-	1,500	1,500	1,500	
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
-	-	200,000	500,000	26,886	29,000	35,000	-	32,118	25,600	131,871	138,739	281,593	745,511	1,372,773	1,716,292
-	-	-	-	-	-	-	-	-	-	-	-	-	586,754	972,916	874,099
-	-	-	-	-	-	-	-	-	-	-	-	-	358,145	678,910	583,162
-	-	-	-	-	-	-	-	-	-	-	-	-	(42,024)*	(92,217)*	(54,483)*
-	-	-	-	-	-	-	-	-	-	-	-	-	(55,032)*	(365,527)*	(288,246)*
-	-	-	-	-	-	-	-	-	-	-	-	-	(135,200)*	(85,470)*	(56,171)*
-	-	-	-	-	-	-	-	-	-	-	-	-	(125,836)*	(119,500)*	(119,500)*
-	-	-	-	-	-	-	-	-	-	-	-	-	(53)*	(16,196)*	(15,762)*
-	-	-	-	-	-	-	-	-	-	-	-	-	-	(49,000)*	-
-	-	-	-	-	-	-	-	-	-	-	-	-	103,465	131,550	127,500
-	-	-	-	-	-	-	-	-	-	-	-	-	(5,022)*	(20,000)*	(20,000)*
-	-	-	-	-	-	-	-	-	-	-	-	-	(57,756)*	(65,000)*	(60,000)*
-	-	-	-	-	-	-	-	-	-	-	-	-	(5,350)*	(6,550)*	(7,500)*
-	-	-	-	-	-	-	-	-	-	-	-	-	(35,337)*	(40,000)*	(40,000)*
-	-	-	-	-	-	-	-	-	-	-	-	-	125,144	162,456	163,437
-	-	-	-	-	-	-	-	-	-	-	-	-	(20,665)*	(23,500)*	(25,000)*
-	-	-	-	-	-	-	-	-	-	-	-	-	(55,874)*	(97,000)*	(80,000)*
-	-	-	-	-	-	-	-	-	-	-	-	-	(202)*	(210)*	(275)*
-	-	-	-	-	-	-	-	-	-	-	-	-	(2,174)*	(10,000)*	(10,000)*
-	-	-	-	-	-	-	-	-	-	-	-	-	(9,426)*	(14,296)*	(29,337)*
-	-	-	-	-	-	-	-	-	-	-	-	-	(13,664)*	(12,000)*	(12,000)*
-	-	-	-	-	-	-	-	-	-	-	-	-	(23,139)*	(5,450)*	(6,825)*
-	-	200,000	500,000	26,886	29,000	35,000	-	32,118	25,600	131,871	138,739	281,593	158,757	399,857	842,193
-	-	200,000	500,000	-	-	-	-	-	-	-	-	-	-	200,000	500,000
-	-	-	-	15,500	15,500	20,000	-	-	-	-	-	-	15,500	15,500	20,000
-	-	-	-	11,386	13,500	15,000	-	-	-	-	-	-	11,386	13,500	15,000
-	-	-	-	-	-	-	-	-	100,000	225,950	200,000	100,000	225,950	200,000	
-	-	-	-	-	-	-	-	-	-95,357	-165,153	-	-95,357	-165,153	-	
-	-	-	-	-	-	-	-	-	-4,643	-	-	-4,643	-	-	
-	-	-	-	-	-	-	-	-	-	60,797	200,000	-	60,797	200,000	
-	-	-	-	-	-	-	-	-	12,500	12,500	12,500	12,500	12,500	12,500	
-	-	-	-	-	-	-	-	-	1,900	2,233	1,200	1,900	2,233	1,200	
-	-	-	-	-	-	-	-	-	5,989	5,850	8,600	5,989	5,850	8,600	
-	-	-	-	-	-	-	-	7,500	31,723	-	-	31,723	7,500	-	
-	-	-	-	-	-	-	-	25	-	-	-	25	-	-	
-	-	-	-	-	-	-	-	-	763	-	-	763	-	-	
-	-	-	-	-	-	-	-	-	10,000	11,000	11,000	10,000	11,000	11,000	
-	-	-	-	-	-	-	-	-	2,040	2,200	2,100	2,040	2,200	2,100	
-	-	-	-	-	-	-	-	-	1,136	1,040	1,000	1,136	1,040	1,000	
-	-	-	-	-	-	-	-	-	28,261	30,504	33,000	28,261	30,504	33,000	
-	-	-	-	-	-	-	-	-	6,402	6,665	6,693	6,402	6,665	6,693	
-	-	-	-	-	-	-	-	-	1,050	4,450	5,500	1,050	4,450	5,500	
-	-	-	-	-	-	-	-	22,093	25,600	-	-	-	22,093	25,600	
-	-	-	-	-	-	-	-	2,500	30,107	1,500	-	30,107	4,000	-	
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
-	-	-	-	-	-	-	-	-	-	-	-	-	-218,698	-71,600	-

# PROGRAM BY FUNCTION

( FY 1958 Programs Adjusted for Comparability to FY 1959 Request )  
(\$ Millions)

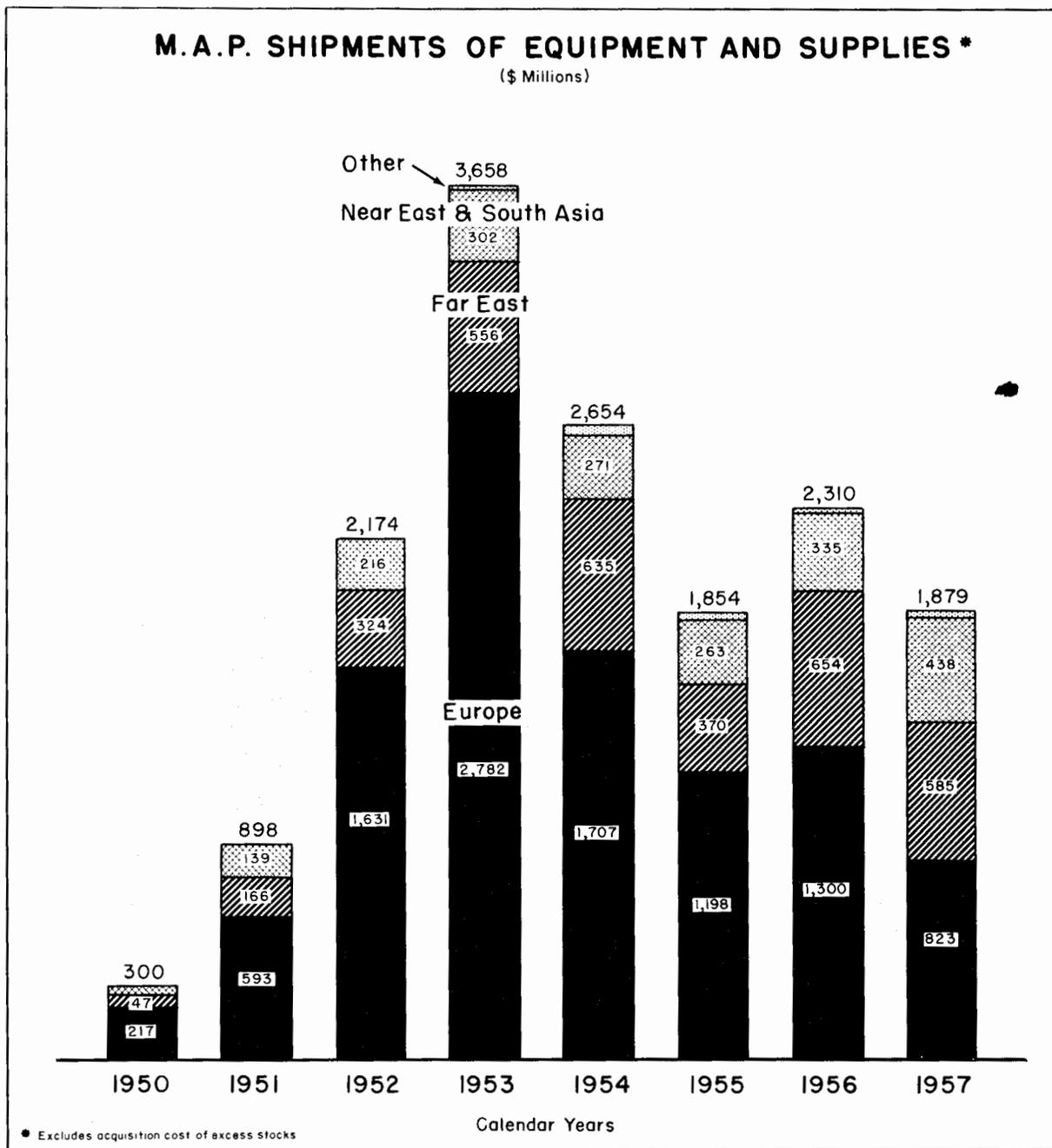
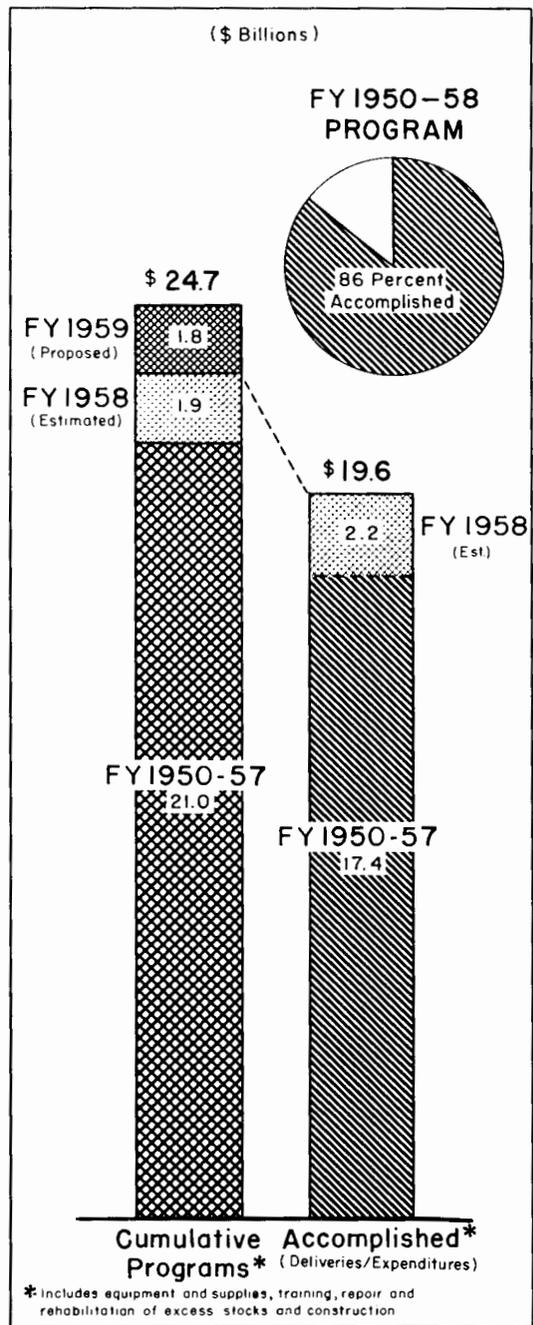


# MILITARY ASSISTANCE PROPOSED PROGRAMS, FY 1959



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# THE MILITARY ASSISTANCE PROGRAM



MUTUAL SECURITY PROGRAM

Military Assistance APPROPRIATIONS and Military Assistance PROGRAMS

Analysis of Funds Available, FY 1950 Through FY 1958

(In millions of dollars)

MILITARY ASSISTANCE APPROPRIATIONS

Fiscal Year	Appropriations FY 1950 - 1957		Net Availability FY 1950 - 1957	
	Amount	Description	Amount	
1950	\$ 1,314.0	Appropriations, FY 1950-1957	\$24,022.7	
1951	5,222.5	Add Reimbursements	26.0	
1952	5,744.0	Add Transfers In	130.4 <sup>c/</sup>	
1953	4,219.8	Less Transfers Out	-1,060.4	
1954	3,230.0	Less Lapsed Funds For Return to Treasury Surplus Thru FY 1956	-624.4	
1955	1,252.7 <sup>a/</sup>	Less Unobligated and Unreserved Balance Returned to Treasury	-14.2 <sup>d/</sup>	
1956	1,022.2 <sup>b/</sup>	Surplus at Close of FY 1957		
1957	2,017.5			
Total	\$24,022.7	Net Availability, FY 1950-FY 1957	\$22,480.1	

MILITARY ASSISTANCE PROGRAMS

Distribution by Agency and Major Function	MILITARY ASSISTANCE APPROPRIATIONS Available for Obligation FY 1958							Total Availability FY 1958 Through FY 1958
	Net Availability Through FY 1957	Less Unobligated Reappropriated for FY 1958	Cumulative Obligations and Reservations as of 6/30/57	Reappropriated Unobligated Balance	New Appropriation	Less Anticipated Transfers		
						Total		
<b>MILITARY ASSISTANCE APPROPRIATIONS</b>								
Department of Defense	\$21,378.9	\$-538.8	\$20,840.1	\$538.8	\$1,340.0	\$-30.0 <sup>e/</sup>	\$1,848.8 <sup>f/</sup>	\$22,688.9
Military Assistance Programs	21,378.9	-538.8	20,840.1	538.8	1,340.0	-30.0	1,848.8	22,688.9
Other Agencies	1,101.2	-	1,101.2	-	-	-	-	1,101.2
Military Assistance Programs	189.8	-	189.8	-	-	-	-	189.8
Economic Assistance Programs	911.4	-	911.4	-	-	-	-	911.4
Total Military Assistance Appropriations	22,480.1	-538.8	21,941.3	538.8	1,340.0	-30.0	1,848.8	23,790.1
DEDUCT Military Assistance Appropriations Programmed for ECONOMIC ASSISTANCE PROGRAMS	-911.4	-	-911.4	-	-	-	-	-911.4
<b>NET MILITARY ASSISTANCE PROGRAMS</b>	<b>21,568.7</b>	<b>-538.8</b>	<b>21,029.9</b>	<b>538.8</b>	<b>1,340.0</b>	<b>-30.0</b>	<b>1,848.8</b>	<b>22,878.7</b>
Recapitulation by Agency of Net Military Assistance Programs:								
Department of Defense	21,378.9	-538.8	20,840.1	538.8	1,340.0	-30.0	1,848.8	22,688.9
Other Agencies	189.8	-	189.8	-	-	-	-	189.8
<b>NET MILITARY ASSISTANCE PROGRAMS</b>	<b>21,568.7</b>	<b>-538.8</b>	<b>21,029.9</b>	<b>538.8</b>	<b>1,340.0</b>	<b>-30.0</b>	<b>1,848.8</b>	<b>22,878.7</b>

- a/ Includes \$60 million appropriated for "Common-Use" in FY 1955.
- b/ Includes \$317.2 million appropriated for Direct Forces Support in FY 1956.
- c/ Includes \$10 million transferred to "Common-Use" appropriation in FY 1955.
- d/ Includes \$13.5 million from Military Assistance appropriation and \$.7 million from "Common-Use" appropriation.
- e/ Planned for transfer to Defense Support appropriation under provisions of Section 501.
- f/ Excludes anticipated reimbursements during FY 1958.

## MILITARY ASSISTANCE

The authorization and appropriation of \$1,800,000,000 under Section 103(a) is requested for FY 1959.

The major purpose of Chapter I of Title I of the Mutual Security Act of 1954 is to authorize "measures in the common defense, including the furnishing of military assistance to friendly nations and international organizations in order to promote the foreign policy, security and general welfare of the United States and to facilitate the effective participation of such nations in arrangements for individual and collective self-defense". Military assistance consists of military equipment, training in its proper use, supplies and services furnished directly to selected military forces of another country which are desirable in fulfillment of U.S. national security objectives.

### Objectives:

The fundamental objective of military assistance is clearly stated in the authorizing act - to promote the foreign policy of the United States. First and foremost, military assistance is designed to strengthen the collective security of the free world, which is a prerequisite to our own national and individual safety in an age overshadowed by the threat of annihilation by total war. It is an integral part of the defense of the United States since the major hope of deterring further Communist aggression and preventing war lies in the combined military might of our own defense establishment and those which we are helping to build and maintain through our collective security system. In fact, the strategic plans of the Joint Chiefs of Staff presuppose partial reliance on that combined military might which has been brought into being largely as a result of the military assistance program.

The immediate objective of this program is to continue strengthening the collective security system of the free world at a rate which will assure that the allied military potential will be great enough and properly deployed to deter the use of the steadily increasing Soviet bloc capacity for both total and limited war. Toward that end, the United States must maintain the steady flow of equipment, training, supplies and services which make it possible for our allies to make the maximum contri-

bution to collective security; including the strengthening of a hard core of allied front line forces and an increase in their atomic delivery capability where appropriate.

Although the size of the Communist forces has not radically changed, the nature of these forces, and the nature of the threat they pose, are in a period of transition. During the past year, the Soviet Union's rapid technological development has borne fruit in dramatic demonstrations which have great military significance. It is obvious that the Soviets are constantly applying their technological advances to modernize their forces in order to meet the changing requirements of modern warfare.

With this evolution in the Soviet military forces, there has emerged a change in the nature of the threat. Just ten years ago, the United States possessed a monopoly of atomic weapons, and, had it been forced to take military action in defense of free world security, it could, with relative impunity, have inflicted inestimable damage to the Soviet Union. Today, by contrast, we are entering the period where, in the event of total conflict between the United States and the Soviet bloc, a vast portion of the societies and resources of both nations would be destroyed with untold loss of life. So long as the United States maintains the deterrent power to make the destruction of the Soviet Union the price of an attack by the Soviets, the likelihood of this kind of conflict taking place will remain relatively remote.

This fact will cause the Communists to channel their efforts into other forms of offensive. Economic penetration, subversion and local aggression will still offer a field of contest where the price of conflict will not be too high. It would therefore be courting disaster for the United States to become so preoccupied with Soviet technological gains, the principal military application of which is in the realm of total war, as to underestimate the serious threat of subversion and local aggression.

In the light of both the changed nature of the threat and its increased magnitude, two primary objectives have influenced the development of the proposed FY 1959 military assistance program. First is the increased programming of atomic delivery weapons for allocation to countries along the perimeter of the Communist bloc. This will greatly improve our allied atomic potential for retaliation against attack, and with it the effectiveness of the deterrent. Second is the further strengthening of allied front line forces capable of immediate reaction

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unauthorized individuals. All  
other material is unclassified.*

in case of Communist aggression. We must have front line forces which can fight immediately and effectively in either limited or general war, and this can be achieved only by having a hard core of well trained and equipped forces in being where they are most likely to be needed.

The composition and support requirements of such forces are set forth under the heading of "Major Forces" on the country narrative pages of this presentation. The two terms used in those pages are defined as follows:

"Strategic Objectives" are those major combat units of the armed forces of foreign allied nations which are considered by the Executive Branch as being desirable to support U.S. strategic concepts in the mid-range period (1962-1965), and which should be in existence by the beginning of that period. These forces are related to the aid programs in the sense that they are essential to U.S. security planning and therefore represent objectives of U.S. policy to be attained either by the unilateral efforts of the country in question, or by U.S. aid, or by a combination of the two.

"MAP supported" forces are those forces to which, under present program decisions, the military assistance program will provide some degree of direct support. With a few exceptions noted in the country statements, they identify those force units within the "Strategic Objectives" which it is now proposed the military assistance program will support, primarily through grant assistance but in some instances through sales. Forces listed under "Strategic Objectives" but not under "MAP supported" will also be eligible for sales assistance.

In connection with MAP supported forces, the following comparative figures point clearly to one of the great benefits derived by the United States from its participation in the collective security effort. The average annual cost for pay, subsistence, clothing and housing of an American soldier is \$3,515. The same cost for an allied soldier is almost unbelievably smaller, as reflected in the accompanying table. While, of course, U.S. assistance does not fully cover even these costs, it is obvious from this comparison that the fighting forces of our allies may be increased and strengthened through military assistance at a cost to the United States taxpayer which is only a fraction of what would have to be expended for a similar augmentation in our own military establishment.

Accomplishments:

The most striking achievement of the military assistance program is that it has helped to keep the peace and prevent further Communist encroachment on the free world. In less than a decade, it has contributed to the very impressive build-up of allied military strength and will to resist which has, thus far, successfully served its purpose as a deterrent to general war. The \$19.7 billion contributed by the United States since the inception of the program eight years ago has contributed to a collective effort which has been matched by Allied expenditures of the equivalent of \$105 billion during the same period. In other words, the nations to which we have given grant military aid have themselves expended five-and-a-half times the amount of such aid for the collective security of the free world.

The tangible overall result of this joint effort and expenditure are impressive and reassuring: in 1950, the Army ground forces of the countries associated with us in the collective security system numbered some 3.6 million men, poorly trained and equipped; today, these same forces include about 4.7 million effective fighting men, ready to defend the free world in case of either limited or general war. During the same eight year interval, the naval forces of these same countries have grown from about 1,200 to 2,500 combat vessels, an increase of more than 100 percent. In 1950, these countries had about 17,000 aircraft, fewer than 600 of which were jets; today they have about 32,000 aircraft, of which about 14,000 are jets.

In addition to this greatly increased military strength which the program has helped to bring into being, military assistance has several extremely important by-products which make their own unique contribution to our collective security. Chief among these are the essential bases made available to the United States by our allies as a part of their contribution to the common defense effort. Recent Soviet advances in long-range missile techniques increase the importance of maintaining and strengthening our positions around the periphery of the Soviet bloc, and maximum effective deployment throughout the world of our own advanced military forces and missiles depends on the continuing availability of such strategically located bases.

In addition to its important military accomplishments in strengthening the free world, military assistance has also

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## MILITARY ASSISTANCE

served its fundamental objective of supporting US foreign policy in other important ways. Morale has been lifted and a determination to resist increasing Soviet pressures has been stiffened. Military assistance, frequently in combination with defense support, economic aid and technical assistance, has contributed to political stability and internal security which are prerequisites, in most cases, to economic development and effective participation in the collective defense of the Free World.

Among countries only recently emerged into full, independent nationhood, establishment and maintenance of military forces is a matter of national pride and prestige which may far exceed the intrinsic military importance of such forces. In certain cases these countries have themselves been unable to establish, train and equip even the minimum forces essential for their own internal security. Through the military assistance program the United States has been able to assist in establishing such forces and bringing them up to modern standards. In these ways the US has not only established an important link in its relations with the country concerned, but it has also precluded the reliance of such countries on Soviet sources for military equipment and training.

The overall accomplishments of the military assistance program are perhaps most evident in the manner in which it has attained its objectives in particular regions.

For example, the military assistance program has furthered US objectives in the Far East to a marked degree. Japan has begun the production of modern defense aircraft and has taken major strides in providing a marked anti-submarine warfare capability. In Korea, the program has provided for the organization and modernization of the largest non-Communist army in Asia with a potential of repelling aggression by North Korea. The Chinese Nationalists, with United States military assistance, have developed a relatively modern military force vital to the island defense chain of the United States in the Far East. Overall, the military assistance program has provided the life blood of the non-Communist forces of the Pacific area and has prevented the seeking of military aid outside the western orbit.

The Middle East area, during the past year especially, has presented a number of unique challenges and problems for the military assistance program. In this area, perhaps more than any other, military assistance has had an opportunity to demonstrate how well it serves its fundamental purpose of promoting the foreign policy of the United States by encouraging the pro-

Western orientation of countries whose strategic position and resources are so indispensable to the common defense that they must, by all means available, be prevented from falling into the hands of a potential enemy. Many of the Middle East nations are politically and economically insecure and especially vulnerable to Communist pressures and blandishments.

In more than one instance, wavering resistance at a time of crisis has been bolstered by the expedited delivery of military assistance from the United States. Last year, for example, the Soviet Union upset the delicate balance of power in the Middle East by the introduction into Syria of large quantities of military equipment and training personnel, accompanied by vigorous efforts at subversion and a storm of fabricated charges directed at Syria's neighbors. The immediate response of the United States in the form of expedited deliveries reassured these threatened countries and restored their self-confidence and determination to retain their integrity and freedom. Without this tangible evidence that they were not standing alone against increased Soviet pressures, such countries might well have been stampeded into a retreat from pro-western orientation with all its dire implications for the peace of this troubled area and of the free world itself.

An area of the most vital importance to the common defense is, of course, Europe. Its strategic location, mobilization base, industrial capacity, and highly skilled manpower must, at all cost, be protected and preserved to the service of the non-Communist alliance. Moreover, the North Atlantic Treaty Organization is the strongest organization for collective security and the greatest single force for peace in the free world. United States military assistance has, in the past decade, encouraged and ensured the success of the earnest efforts of our allies to build up the combined military might which NATO now holds as an effective deterrent to Soviet aggression. This aid has provided military materiel and training essential to organizing, equipping and maintaining the minimum forces considered necessary for the defense of the NATO area.

When the NATO buildup began in 1950 the total armed strength available to SACEUR in Europe consisted of approximately 14 poorly equipped, understrength divisions, about 170 major naval vessels, and less than 1,000 aircraft, nearly all propeller driven. As of the end of 1957, in addition to our own forces, NATO now has more than 80 trained divisions, active and reserve, with some 5,000 modern aircraft and 600 naval vessels.

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unauthorized individuals. All  
other material is unclassified.*

Toward this impressive and reassuring build-up of NATO military strength, both defensive and offensive, the United States contribution in the form of military assistance has been small by comparison with the collective expenditure of our NATO partners, who have also provided most of the manpower. For example, in CY 1957, our military aid to these allies totalled \$1.3 billion, while they jointly expended \$13.1 billion of their own funds on the common defense during the same period.

FY 1959 Military Assistance Program

While the basic principles and concept of collective security remain constant, the means by which it is attained must change with changing world conditions. The changed nature of the threat and its increased magnitude already discussed have created new imperatives for the military assistance program as well as for our total national defense of which it is an integral part. It would, therefore, be a serious and possibly fatal mistake to assume either that the combined military might already created by the collective security effort has attained static power as a deterrent, or that the increased emphasis being placed upon modern weapons in our own military establishment makes possible any corresponding reduction in military assistance. On the contrary, the increasing cost of adequate defense makes mandatory a maximum effort among the nations of the free world to achieve strength commensurate with the threat. It would not, therefore, be in our national self-interest to place arbitrary budgetary limits unrelated to the realities of that threat upon the initiative exercised by the United States in support of the collective security arrangements which buttress our own defense.

We cannot expect our allies to make sacrifices unless we are willing to make them ourselves. Moreover, any significant curtailment in the military assistance program and the equally essential defense support would set our allies the example of the most powerful nation in the free world cutting down on security in a time of great danger, and would inevitably result in a dramatic lessening of our allies' capability and will to resist. This is an example we cannot, for our own safety, afford to set. We dare not encourage, nor can we tolerate, the weakening of any single link in the chain of collective security which we and our allies have forged to encircle the perimeter of the Iron Curtain.

These are the compelling overall considerations from which the specific objectives of the FY 1959 military assistance program are derived. In order to carry out these objectives, the amount requested for the coming year is \$1.8 billion, approximately

the same as the \$1.878 billion appropriated for FY 1958. However, actual expenditures for FY 1959 are estimated at \$2.2 billion; and it is anticipated that there will be a resultant reduction in the unexpended balance of funds available for military assistance of \$400 million during the coming fiscal year. This \$400 million reduction will bring the unexpended balance at the end of FY 1959 down to approximately \$3 billion, the lowest it has been since the end of the first year's operation of the program. It is considered that a \$3 billion end-of-the-year balance is required to maintain an uninterrupted flow of military equipment and services at the present level. The period between fund availability and delivery or expenditure represents the time required to procure or to prepare the items for delivery. This is the lead time, which averages about eighteen months.

Maintenance vs. Force Improvement

The major portion of the funds requested for FY 1959 - approximately \$950 million - will be used to provide end items essential to increasing the defensive strength of our allies. These include modern weapons and missiles, first introduced into the program two years ago as a result of forward planning toward effective and up-to-date support of the collective security system. However, the IRBMs and other possible requirements emerging from the December NATO Heads of Government meeting are not provided for in the \$1.8 billion request, although \$100 million of prior year funds have been earmarked to apply against IRBMs previously offered to the United Kingdom.

Maintenance of forces in being at present strength through FY 1959 will require the expenditure of approximately \$330 million in military assistance funds. The balance of some \$520 million is the minimum considered essential to implement and support the objectives of the military assistance program in FY 1959. For example, packing, crating, handling and transportation costs incidental to the delivery of equipment are estimated at approximately \$120 million; and the training program, without which this equipment cannot make the maximum contribution to collective security, will require the expenditure of more than \$85 million during the coming fiscal year. Another portion of the balance, in the amount of some \$130 million, is allocated as the United States contribution toward four cost sharing programs which make a unique contribution toward strengthening the allied military posture and mobilization base (Facilities Assistance, Mutual Weapons Development, Infrastructure and International Military Headquarters).

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The entire military assistance program proposed for FY 1959 is equally essential to our own and the collective security of the free world; and on its implementation depends the effectiveness of our own strategic plans for defense against the new and greater Communist threat. If the ultimate objective of military assistance is collective security, the ultimate criterion by which the proposed program must be judged is the inescapable need to strengthen that security, upon which the very survival of the free world may well depend.

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Note: In the Military Assistance Section of the World-Wide and each regional book there are tables which show, for each area, the value of country programs included therein and an approximate country distribution of "Special Materiel Programs" included in the Non-Regional portion of the presentation. "Special Materiel Programs" include Far East Area; Modernization - Missiles and Aircraft; Spare Parts; Packing, Crating, Handling and Transportation; Repair and Rehabilitation; and Programs Under Negotiation.

The tables in the upper right hand corner of the military assistance country narrative pages provides similar data.

<u>PROPOSED FY 1959 MILITARY ASSISTANCE PROGRAMS</u>		
<u>FUNCTIONAL DISTRIBUTION</u>		
(Millions of Dollars)		
Materiel		<u>\$1,286.3</u>
Force Maintenance		<u>\$331.6</u>
Training Ammunition	\$ 51.2	
Follow-on Spares	56.2	
Equipment Attrition & Other	224.2	
Force Improvement		<u>954.6</u>
Aircraft	238.5	
Missiles	232.8	
Ships	55.2	
Tanks	20.6	
Vehicles	101.4	
Ammunition Reserve	50.5	
Construction	90.8	
Other	164.8	
Packing, Crating, Handling & Transportation		119.5
Training		86.3
Cost Sharing		<u>127.5</u>
Facilities Assistance Program	20.0	
Infrastructure	60.0	
International Military Headquarters	7.5	
Mutual Weapons Development Program	40.0	
Other		<u>131.4</u>
Administration	25.0	
Loans	80.0	
Other	26.4	
Program Under Negotiation		<u>49.0</u>
TOTAL		<u>\$1,800.0</u>

MILITARY ASSISTANCE

ANNUAL PER CAPITA MILITARY PERSONNEL COSTS

The average annual cost of maintaining military personnel for the United States and countries receiving military assistance from the U.S. is shown below. Cost estimates are confined to pay, allowances, subsistence and individual clothing.

Operating and maintenance expenditures are eliminated from the calculations because none of the allied countries with which comparisons may be made have modern weapons systems and technology comparable to the U.S. Therefore, an equitable comparison cannot be made between the cost of maintaining U.S. military personnel and allied military personnel in the operating and maintenance expenditure area.

Expressing foreign costs in terms of US dollars may be misleading for those countries where there are multiple rates of exchange. In the following computations official rates have been used except in a few cases where there is a more favorable rate widely used locally in governmental or commercial transactions. Rates available only in other countries have not been used.

<u>United States:</u>	\$3,515
<u>Europe</u>	
Belgium	\$1,625
Denmark	1,320
France	1,440
Germany	1,020
Italy	837
Luxembourg	971
Netherlands	822
Norway	1,699
Portugal	420
Spain	520
United Kingdom	1,863
<u>Near East, Africa &amp; South Asia</u>	
Greece	424
Iran	376
Iraq	605
Turkey	240
Ethiopia	248
Pakistan	485

<u>Far East</u>	
Cambodia	\$ 719
Japan	660
Korea	302
Laos	867
Philippines	1,153
Taiwan	147
Thailand	245
Viet-Nam	920
<u>Latin America</u>	
Brazil	\$ 776
Chile	1,165
Colombia	1,320
Cuba	2,325
Dominican Republic	1,147
Ecuador	1,700
Guatemala	785
Haiti	620
Honduras	1,040
Nicaragua	800
Peru	954
Uruguay	1,030

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**MILITARY ASSISTANCE**

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(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			
<b>WORLD WIDE</b>	\$1,667,792	\$1,848,800		\$1,800,000	\$2,167,832	\$19,592,618	\$3,286,083
<b>Europe</b>	278,918	168,823		206,565	596,912	10,987,338	782,829
<i>Austria</i>	10,486	21,651		27,671	8,180	57,687	27,161
<i>Belgium</i>	467	7,265		11,370	51,403	1,059,496	20,583
<i>Denmark</i>	32,539	9,754		47,503	8,533	372,867	42,629
<i>France</i>	111,465	41,489		54,496	106,153	3,691,532	125,016
<i>Germany</i>	3,504	3,601		2,528	141,658	923,119	60,199
<i>Italy</i>	17,721	26,478		13,743	79,591	1,577,454	69,315
<i>Luxembourg</i>	156	212		5	366	6,772	592
<i>Netherlands</i>	27,967	8,571		12,895	37,679	938,629	43,314
<i>Norway</i>	17,692	22,484		11,015	55,864	538,203	55,159
<i>Portugal</i>	2,093	3,441		9,103	15,931	236,333	20,605
<i>Spain</i>	53,163	23,390		16,181	42,410	237,456	128,651
<i>United Kingdom</i>	38	93		55	29,208	700,574	131,616
<i>Yugoslavia</i>	1,627	394		-	19,936	647,816	57,989
<b>Africa</b>	8,892	6,758		7,324	7,793	20,860	7,182
<i>Ethiopia</i>	8,754	4,133		4,160	7,487	20,416	4,863
<i>Liberia</i>	138	-		-	-	138	-
<i>Libya</i>	-	2,625		3,164	306	306	2,319
<b>Near East</b>	362,733	339,202		279,584	451,473	2,322,126	532,622
<i>Greece</i>	28,055	74,562		36,858	97,055	650,803	108,515
<i>Iran</i>	36,352	49,400		50,868	54,522	197,267	66,418
<i>Iraq</i>	29,717	7,720		14,095	19,730	43,079	9,520
<i>Jordan</i>	9,371	-		-	9,371	9,371	-
<i>Lebanon</i>	3,233	-		6,176	1,281	3,232	1
<i>Pakistan</i>	94,907	68,760		50,855	78,020	234,110	109,921
<i>Saudi Arabia</i>	10,223	1,986		12,485	7,861	7,861	4,348
<i>Turkey</i>	150,875	136,774		108,247	183,633	1,176,403	233,899
<b>Far East</b>	616,336	398,830		399,120	532,400	3,731,580	684,722
<i>Burma</i>	-	10,000		10,000	-	1,846	10,000
<i>Cambodia</i>	4,583	4,033		5,942	4,733	47,268	6,281
<i>China (Taiwan)</i>	106,105	74,215		82,674	111,669	1,242,787	136,045
<i>Indochina</i>	-	-		-	(2,250)	685,821	(6,557)
<i>Indonesia</i>	-	-		-	-	3,901	-
<i>Japan</i>	106,455	42,120		76,917	102,025	339,872	169,227
<i>Korea</i>	333,301	201,548		165,844	240,404	700,254	279,280
<i>Laos</i>	4,112	6,123		6,613	4,183	34,354	8,285
<i>Philippines</i>	8,073	7,012		16,513	10,780	141,741	15,693
<i>Thailand</i>	9,052	9,827		10,178	15,659	225,566	19,713
<i>Viet-Nam</i>	44,655	43,952		24,439	45,197	308,170	46,755

NOT APPLICABLE

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**MILITARY ASSISTANCE**

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(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			
<b>Latin America</b>	\$ 32,857	\$ 33,871		\$ 33,308	\$ 30,810	\$ 148,126	\$ 46,499
Brazil	12,292	14,316		7,141	7,207	51,942	19,147
Chile	6,183	3,508		4,121	6,404	22,586	4,874
Colombia	2,868	3,692		4,912	3,229	16,717	4,419
Cuba	3,528	1,996		3,580	3,378	9,689	3,515
Dominican Republic	277	1,078		424	475	4,576	1,227
Ecuador	1,702	3,464		3,543	1,884	9,388	4,001
Guatemala	105	104		126	159	741	46
Haiti	33	82		68	27	1,252	70
Honduras	101	57		77	62	661	27
Nicaragua	198	195		90	244	1,084	71
Peru	4,039	4,172		5,250	3,899	18,157	5,310
Uruguay	1,532	1,207		3,976	3,843	11,334	3,492
<b>Non-Regional</b>	\$ 586,754	\$ 972,916		\$ 874,099	\$ 548,444	\$ 2,382,588	\$ 1,254,202
Special Materiel Programs	358,145	678,910		583,162	290,298	1,139,141	736,069
Far East Area	42,024	92,217		54,483	28,273	35,282	98,959
Modernization - Missiles and Aircraft	55,032	365,527		288,246	1,936	1,936	510,403
Spare Parts	135,200	85,470		56,171	145,389	145,389	75,281
Packing, Crating, Handling, & Transp.	125,836	119,500		119,500	114,700	956,481	35,230
Repair & Rehabilitation	53	16,196		15,762	-	53	16,196
Programs under Negotiation	-	-		49,000	-	-	-
Cost Sharing	103,465	131,550		127,500	127,900	594,361	287,563
Facilities Assistance Program	5,022	20,000		20,000	22,400	34,819	65,147
Infrastructure	57,756	65,000		60,000	70,000	462,052	130,509
International Military Headquarters	5,350	6,550		7,500	6,300	30,855	3,733
MWDP	35,337	40,000		40,000	29,200	66,635	88,174
Other Non-Country	125,144	162,456		163,437	130,246	649,086	230,570
Administration	20,665	23,500		25,000	23,200	181,832	6,463
Loans	55,874	97,000		80,000	11,200	25,698	143,075
Nutrition Survey	202	210		275	-	51	411
OISP	2,174	10,000		10,000	1,257	1,329	10,845
Training	9,426	14,296		29,337	3,058	35,300	14,382
UN Support - Korea	13,664	12,000		12,000	12,000	25,664	-
Miscellaneous	23,139	5,450		6,825	79,531	379,212	55,394
Adjustments for Funding	(218,698)	(71,600)		-	-	-	( 21,973)
Programs Financed from Prior Year	-	-		-	-	-	-
Obligations/Reservations	(186,044)	(106,800)		-	-	-	-
'58 Funding of '57 Approved Programs	(35,200)	35,200		-	-	-	-
Mil. Prog. Adm. by ICA-Undis. by Country	2,546	-		-	-	-	2,546
Unprogrammed Local Currency	-	-		-	-	-	28,733
Unfunded Programs	-	-		-	-	-	(53,252)

( ) Indicate negative figures.

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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			
<b>WORLD WIDE</b>	\$1,667,792	\$1,848,800	-	\$1,800,000	\$2,167,832	\$19,592,618	\$3,286,083
<b>Programmed by Country</b>	\$1,899,736	\$ 947,484	-	\$ 925,901	\$1,619,388	\$17,210,030	\$2,053,854
<b>Aircraft, Components, Spares &amp; Related Equip.</b>	\$ 239,169	\$ 86,258	-	\$ 198,269	\$ 592,129	\$ 3,902,917	\$ 489,385
C-119G	-	19	-	-	-	62	19
F-80C	91	22	-	-	91	91	22
F-84F	-	-	-	-	354	1,438	66
RF-84F	-	-	12	\$ 4,784	51	395	53
F-86B	38	-	60	\$ 15,833	98	98	-
F-86F	60	75	129	\$ 22,495	422	1,284	75
RF-86F	30	14	64	\$ 34,956	23	32	48
CF100	-	-	-	-	53	53	-
F-100	180	-	60	\$ 33,806	39	39	141
F2V7	8	10	22	\$ 16,219	16	24	18
Reconnaissance a/c - H1 Performance	-	-	-	\$ 22,000	-	-	-
<b>Ships and Harbor Craft, Components and Spares</b>	\$ 126,320	\$ 141,032	-	\$ 65,306	\$ 111,586	\$ 1,177,256	\$ 270,354
Auxiliary Floating Dock (AFDL)	-	1	-	-	1	1	1
Net Tender (AN)	1	-	1	\$ 1,984	-	9	1
Submarine Rescue Vessel (ASR) (Incl. Act.)	-	-	1	\$ 5,038	-	1	-
Destroyer (DD) (Incl. Act.)	2	12	5	\$ 13,500	-	11	14
Destroyer (DD) (Overhaul, Mod., Conv.)	6	5	3	\$ 1,500	6	10	9
Destroyer, Coastal (DC) (Overhaul, Mod., Conv.)	-	-	-	-	1	1	8
Light Cruiser (CL) (Overhaul, Mod., Conv.)	1	1	-	-	1	1	1
Landing Craft Medium (LCM)	23	17	31	\$ 1,364	23	246	17
Landing Ship Medium (LSM) (Incl. Act.)	-	4	4	\$ 2,576	1	21	4
Landing Ship Transport (LST) (Incl. Act.)	1	8	-	-	-	9	8
Landing Ship Transport (LST) (Overhaul, Mod., Conv.)	8	-	3	\$ 2,700	6	18	-
Coastal Minesweeper (MMS)	-	2	-	-	-	9	2
Coastal Minesweeper (MSC)	16	14	2	\$ 4,262	2	199	29
Coastal Minesweeper (MSC) (Overhaul, Mod., Conv.)	-	2	12	\$ 2,300	-	-	2
Inshore Minesweeper (MSI)	8	4	-	-	20	40	19
Ocean Minesweeper (MSO)	-	1	-	-	-	35	1
Ocean Minesweeper (MSO) (Overhaul, Mod., Conv.)	-	-	-	-	-	1	-
Submarine Chaser (PC & SC) (Incl. Act.)	5	15	3	\$ 1,635	5	45	15
Submarine Chaser (PC) (Overhaul, Mod., Conv.)	5	1	8	\$ 1,600	6	10	1
Motor Torpedo Boat (PT)	-	-	7	\$ 3,892	-	23	-
Submarine (SS) (Incl. Act.)	-	3	1	\$ 4,030	3	13	4
Submarine (SS) (Overhaul, Mod., Conv.)	1	1	5	\$ 1,340	1	4	1
Harbor Tug, Small (YTL)	2	-	5	\$ 1,400	4	21	-
Motor Launch, 64' (L Boat)	-	-	4	\$ 1,988	-	-	-

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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			
<b>WORLD WIDE</b>							
Tanks, Other Vehicles, Weapons, Comp. & Spares	\$220,356	\$ 179,289	-	\$ 156,164	\$ 223,796	\$ 5,464,875	\$ 391,396
Tank, Light, M24 & M41	315	36	52	\$ 3,093	215	3,620	50
Tank, Medium, M26, M46, M47, M48 Series	316	667	389	\$ 16,831	110	6,112	738
Carriage, Motor Twin 40mm Gun	183	50	56	\$ 5,306	182	4,265	64
Armored Personnel Carrier	128	-	355	\$ 5,520	149	6,843	20
How, SP Full Track, 105mm How	-	111	12	-	2	2	109
Vehicle, Tank Recovery (all models)	75	76	45	\$ 2,963	57	999	76
Truck, 1/4 Ton, 4x4 (all models)	3,049	2,808	9,935	\$ 12,280	3,467	65,186	4,984
Truck, 3/4 Ton, 4x4 Cargo (all models)	2,441	363	2,898	\$ 6,564	2,726	32,792	1,049
Truck, 1 Ton Power Wagon	-	2,057	243	\$ 742	805	805	1,252
Truck, 2 1/2 Ton, 6x6 Cargo (all models)	3,941	6,320	7,189	\$ 18,859	5,709	74,927	10,005
Truck, 2 1/2 Ton, 6x6 Dump (all models)	1	548	141	\$ 895	23	23	526
Truck, 4-5-6 Ton, 6x6, Wrecker	200	318	127	\$ 2,362	177	3,576	402
Truck, 4-5-6 Ton, 6x6, PM	227	7	78	\$ 1,214	180	4,261	54
Howitzer, 155mm, M1 w/carriage	22	169	-	-	597	2,559	269
Mount, 3"/50 Twin RF	4	3	6	\$ 1,170	4	4	3
Special Artillery - Japan	-	-	-	\$ 10,000	-	-	-
Rifle, 106mm w/mount	1,031	182	176	\$ 571	1,164	4,423	182
Rifle, U.S. Cal..30, M1 Series	22,464	230,835	9,562	\$ 1,372	23,743	981,783	226,884
Corporal Missile Ground Set	-	-	-	-	2	13	-
Corporal Missile	-	-	-	-	82	113	-
IRBM	-	-	-	-	-	-	4
<b>Ammunition</b>	\$172,570	\$ 120,002	-	\$ 102,527	\$ 219,373	\$ 3,477,265	\$ 173,955
Cartridge, Cal..30 (all types) (M Rds)	730,020	277,185	86,539	\$ 7,092	264,691	2,480,157	266,950
Cartridge, Cal..50 (all types) (M Rds)	13,583	38,679	10,959	\$ 3,781	28,377	395,935	132,341
Cartridge, 20mm (all types) (M Rds)	1,041	2,540	342	\$ 479	96	23,982	3,670
Cartridge, 40mm (all types) (M Rds)	986	822	654	\$ 4,217	711	21,435	874
Cartridge, 90mm Gun HEw/f (all types) (M Rds)	50	137	30	\$ 1,066	248	7,601	373
Cartridge, 105mm How HE (all types) (M Rds)	500	851	289	\$ 7,427	831	18,003	1,206
Cartridge, HEAT, 106mm Rifle (all types) (M Rds)	191	150	183	\$ 4,833	88	725	116
Cartridge, 155mm HOW HE (all types) (M Rds)	3,711	252	57	\$ 2,482	1	3,701	4,072
Cartridge, 8" How (all types) (M Rds)	1	94	25	\$ 1,982	25	50	82
Shell, 3/7" Gun, HE (all types) (M Rds)	-	38	117	\$ 5,382	-	-	38
Cartridge, 25 PDr (all types) (M Rds)	-	-	220	\$ 4,718	-	-	-
<b>Electronics &amp; Comm. Equip., Comp. &amp; Spares</b>	\$ 72,974	\$ 81,518	-	\$ 90,647	\$ 106,866	\$ 1,227,133	\$ 244,050
AN/FPS-6 Radar	2	9	15	\$ 2,520	8	51	42
AN/MPQ-10 Radar	15	34	8	\$ 653	27	187	49
SCR-508 (AN/GRC-3) Radio	609	236	236	\$ 694	653	16,687	278
AN/GRC-5 Radio	570	80	353	\$ 918	731	9,803	54
SCR-694 (AN/GRC-9) Radio	1,641	266	2,673	\$ 1,623	1,454	23,445	433
SCR-506 (AN/GRC-19) Radio	305	426	169	\$ 759	741	3,826	284

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	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			
<b>WORLD WIDE</b>							
Electronics & Comm. Equipment, Components and Spares (Continued)							
AN/GRC-26 Radio	-	126	25	\$ 450	37	83	141
AN/GRC-27 Radio	3	3	152	\$ 1,333	19	623	678
SCR-399 (AN/GRC-38) Radio	57	46	59	\$ 734	83	1,327	62
SCR-536 (AN/PRC-6) Radio	3,538	3,367	7,111	\$ 791	3,058	59,105	3,032
SCR-300 (AN/PRC-10) Radio	4,091	1,267	3,808	\$ 1,186	4,210	43,750	873
AN/TRC-3 Radio Terminal	152	203	73	\$ 364	171	1,319	252
AN/TRC-35 Radio Terminal	-	34	25	\$ 638	-	-	34
AN/TRC-36 Radio Relay	-	21	48	\$ 1,930	-	-	21
AN/SSQ-2 Sonobuoy	-	225	3,361	\$ 513	-	-	225
AN/TCC-3 Telephone Terminal	-	10	73	\$ 450	-	-	10
AN/TCC-21 Telegraph Repeater	-	10	34	\$ 517	1	1	9
WDL-TT Wire MX	-	13,733	108,672	\$ 7,607	-	-	13,733
Microwave Systems	-	-	-	\$ 3,650	-	-	-
Other Materiel	\$ 321,713	\$ 203,626	-	\$ 163,427	\$ 229,445	\$ 1,225,577	\$ 350,807
Construction	\$ 70,044	\$ 59,360	-	\$ 92,143	\$ 68,370	\$ 123,293	\$ 82,862
Training	\$ 53,184	\$ 54,179	-	\$ 56,968	\$ 43,943	\$ 425,718	\$ 26,792
All Other	\$ 23,406	\$ 22,220	-	\$ 450	\$ 23,880	\$ 185,996	\$ 24,253
Non-Regional	\$ 586,754	\$ 972,916	-	\$ 874,099	\$ 548,444	\$ 2,382,588	\$ 1,254,202
Special Materiel Programs	358,145	678,910	-	583,162	290,298	1,139,141	736,069
Far East Area	\$ 42,024	\$ 92,217	-	\$ 54,483	\$ 28,273	\$ 35,282	\$ 98,959
Modernization - Missiles and Aircraft	\$ 55,032	\$ 365,527	-	\$ 288,246	\$ 1,936	\$ 1,936	\$ 510,403
Spare Parts	\$ 135,200	\$ 85,470	-	\$ 56,171	\$ 145,389	\$ 145,389	\$ 75,281
Packing, Crating, Handling & Transp.	\$ 125,836	\$ 119,500	-	\$ 119,500	\$ 114,700	\$ 956,481	\$ 35,230
Repair and Rehabilitation	\$ 53	\$ 16,196	-	\$ 15,762	-	\$ 53	\$ 16,196
Programs under Negotiation	-	-	-	\$ 49,000	-	-	-
Cost Sharing	\$ 103,465	\$ 131,550	-	\$ 127,500	\$ 127,900	\$ 594,361	\$ 287,563
Facilities Assistance Program	\$ 5,022	\$ 20,000	-	\$ 20,000	\$ 22,400	\$ 34,819	\$ 65,147
Infrastructure	\$ 57,756	\$ 65,000	-	\$ 60,000	\$ 70,000	\$ 462,052	\$ 130,509
International Military Headquarters	\$ 5,350	\$ 6,550	-	\$ 7,500	\$ 6,300	\$ 30,855	\$ 3,733
MWDP	\$ 35,337	\$ 40,000	-	\$ 40,000	\$ 29,200	\$ 66,635	\$ 88,174
Other Non-Country	\$ 125,144	\$ 162,456	-	\$ 163,437	\$ 130,246	\$ 649,086	\$ 230,570
Administration	\$ 20,665	\$ 23,500	-	\$ 25,000	\$ 23,200	\$ 181,832	\$ 6,463
Loans	\$ 55,874	\$ 97,000	-	\$ 80,000	\$ 11,200	\$ 25,698	\$ 143,075
Nutrition Survey	\$ 202	\$ 210	-	\$ 275	-	\$ 51	\$ 411
OISP	\$ 2,174	\$ 10,000	-	\$ 10,000	\$ 1,257	\$ 1,329	\$ 10,845
Training	\$ 9,426	\$ 14,296	-	\$ 29,337	\$ 3,058	\$ 35,300	\$ 14,382
UN Support - Korea	\$ 13,664	\$ 12,000	-	\$ 12,000	\$ 12,000	\$ 25,664	-
Miscellaneous	\$ 23,139	\$ 5,450	-	\$ 6,825	\$ 79,531	\$ 379,212	\$ 55,394

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**MILITARY ASSISTANCE**

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			
<b>WORLD WIDE</b>							
Adjustments for Funding	(\$ 218,698)	(\$ 71,600)	-	-	-	-	(\$ 21,973)
Programs Financed from Prior Year							
Obligations/Reservations	(\$ 186,044)	(\$ 106,800)	-	-	-	-	-
1958 Funding of 1957 Approved Programs	(\$ 35,200)	\$ 35,200	-	-	-	-	-
Mil. Prog. Admin. by ICA-Undis. by Country	\$ 2,546	-	-	-	-	-	\$ 2,546
Unprogrammed Local Currency	-	-	-	-	-	-	\$ 28,733
Unfunded Programs	-	-	-	-	-	-	(\$ 53,252)

( ) Indicate negative figures.

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**MILITARY ASSISTANCE PROGRAMS**  
(All Values in Thousands of Dollars)

*Shaded areas are Security classified  
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other material is unclassified.*

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
World-Wide	\$1,299,736	(\$358,145)	(\$1,657,881)	\$947,484	(\$678,910)	(\$1,626,394)	\$925,901	(\$583,162)	(\$1,509,063)
Europe	278,918	(128,568)	(407,486)	168,823	(247,821)	(416,644)	206,565	(185,432)	(391,997)
Austria	18,484	-	18,484	21,651	877	22,528	27,671	914	28,585
Belgium	467	1,446	1,913	7,265	33,673	40,938	11,378	8,977	20,355
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	7,323	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	28	238	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	-	-	-
Africa	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	4,160	1,592	5,752
Liberia	138	5	143	-	-	-	-	-	-
Libya	-	-	-	2,625	50	2,675	3,164	150	3,314
Near East & South Asia	362,733	(68,778)	(431,511)	339,202	(158,165)	(497,367)	279,584	(168,377)	(447,961)
Greece	28,055	13,573	41,628	74,562	45,573	120,135	36,858	83,382	120,240
Iran	36,352	6,518	42,870	49,400	8,130	57,530	50,868	6,097	56,965
Iraq	29,717	1,173	30,890	7,720	2,270	9,990	14,095	8,874	22,969
Jordan	9,371	600	9,971	-	800	800	-	4,600	4,600
Lebanon	3,233	130	3,363	-	100	100	6,176	2,000	8,176
Pakistan	94,907	14,754	109,661	68,760	13,496	82,256	50,855	12,413	63,268
Saudi Arabia	10,223	-	10,223	1,986	700	2,686	12,485	422	12,907
Turkey	150,875	(32,030)	(182,905)	136,774	(87,096)	(223,870)	108,247	(50,589)	(158,836)

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**MILITARY ASSISTANCE PROGRAMS**  
(All Values in Thousands of Dollars)

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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
<b>Far East</b>	\$ 616,336	(\$157,254)	(\$ 773,590)	\$398,830	(\$266,127)	(\$ 664,957)	\$399,120	(\$206,696)	(\$ 605,817)
Burma	-	-	-	10,000	720	10,720	10,000	720	10,720
Cambodia	4,583	4,272	8,855	4,033	2,139	6,172	5,942	8,013	13,956
China (Taiwan)	106,105	31,182	137,287	74,215	69,651	143,866	82,674	42,163	124,837
Indochina	-	-	-	-	-	-	-	-	-
Indonesia	-	-	-	-	-	-	-	-	-
Japan	106,455	16,489	122,944	42,120	57,810	99,930	76,917	59,735	136,652
Korea	333,301	60,859	394,160	201,548	103,787	305,335	165,844	43,124	208,968
Laos	4,112	3,017	7,129	6,123	1,981	8,104	6,613	5,373	11,986
Philippines	8,073	4,482	12,555	7,012	4,154	11,166	16,513	14,531	31,044
Thailand	9,052	6,258	15,310	9,827	6,057	15,884	10,178	20,574	30,752
Vietnam	44,655	30,695	75,350	43,952	19,828	63,780	24,439	12,463	36,902
<b>Latin America</b>	32,857	( 3,191)	( 36,049)	33,871	( 5,247)	( 39,118)	33,308	( 20,915)	( 54,223)
Brazil	12,292	1,299	13,591	14,316	2,340	16,656	7,141	17,137	24,278
Chile	6,183	380	6,563	3,508	722	4,230	4,121	762	4,883
Colombia	2,868	270	3,138	3,692	473	4,165	4,912	403	5,315
Cuba	3,528	339	3,867	1,996	399	2,395	3,580	357	3,937
Dominican Republic	277	91	368	1,078	88	1,166	424	122	546
Ecuador	1,702	186	1,888	3,464	262	3,726	3,543	402	3,945
Guatemala	105	55	160	104	11	115	126	3	129
Haiti	33	39	72	82	14	96	68	17	85
Honduras	101	18	119	57	11	68	77	2	79
Nicaragua	198	13	211	195	19	214	90	5	95
Peru	4,039	215	4,254	4,172	533	4,705	5,250	710	5,960
Uruguay	1,532	286	1,818	1,207	375	1,582	3,976	995	4,971

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**MILITARY ASSISTANCE  
EXCESS STOCKS a/**

(All Values in Thousands of Dollars)

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Country and Area	Programs			Deliveries FY 1950-58 Programs	
	Proposed FY 1959	FY 1958	Cumulative FY 1950-58	Estimated Cumulative 30 June 1958	FY 1959 and Later
World-Wide	\$40,513	\$182,196	\$1,295,527	\$1,064,699	\$230,828
Europe	3,201	25,043	585,408	548,445	36,963
Austria	294	13,377	14,182	836	13,346
Belgium	122	-	16,513	16,450	63
Denmark	444	79	10,242	10,133	109
France	4	684	282,752	277,054	5,698
Germany	-	-	2,921	2,726	195
Italy	459	616	57,100	55,791	1,309
Luxembourg	-	-	168	166	2
Netherlands	-	1,736	42,494	40,278	2,216
Norway	-	1,237	20,874	18,191	2,683
Portugal	1,878	1,235	19,440	15,503	3,937
Spain	-	6,079	16,811	9,440	7,371
United Kingdom	-	-	74,089	74,089	-
Yugoslavia	-	-	27,822	27,788	34
Africa	1,506	1,504	2,409	1,610	799
Ethiopia	1,506	1,228	2,133	1,462	671
Liberia	-	-	-	-	-
Libya	-	276	276	148	128
Near East and South Asia	2,457	81,280	210,790	123,330	87,460
Greece	529	20,254	74,524	49,352	25,172
Iran	1,059	10,590	33,181	23,266	9,915
Iraq	41	2,306	5,087	1,913	3,174
Jordan	-	-	-	-	-
Lebanon	-	-	-	-	-
Pakistan	240	18,946	24,838	5,050	19,788
Saudi Arabia	-	176	1,070	882	188
Turkey	588	29,008	72,090	42,867	29,223
Far East	12,482	54,954	368,907	281,719	87,188
Burma	-	-	1,340	1,340	-
Cambodia	-	805	5,225	4,497	728
China (Taiwan)	2,793	6,212	154,160	135,929	18,231
Indochina	-	-	20,700	16,045	4,655
Indonesia	-	-	148	148	-
Japan	6,191	5,845	49,588	38,453	11,135
Korea	262	36,635	67,967	22,715	45,252
Laos	267	70	1,573	1,420	153
Philippines	53	139	25,661	23,054	2,607
Thailand	380	3,255	20,035	15,608	4,427
Viet-Nam	2,536	1,993	22,510	22,510	-

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Revised 24 March 1958

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**MILITARY ASSISTANCE**

**EXCESS STOCKS a/**

(All Values in Thousands of Dollars)

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	Programs			Deliveries FY 1950-58 Programs	
	Proposed FY 1959	FY 1958	Cumulative FY 1950-58	Estimated Cumulative 30 June 1958	FY 1959 and Later
Latin America	\$ 867	\$ 4,415	\$ 113,013	\$ 109,595	\$ 3,418
Brazil	-	627	64,284	63,606	678
Chile	-	238	14,062	13,829	233
Colombia	-	230	8,343	8,217	126
Cuba	-	2,210	7,956	6,864	1,092
Dominican Republic	-	212	1,901	1,609	292
Ecuador	40	236	3,239	3,066	173
Guatemala	-	6	6	-	6
Haiti	-	-	130	130	-
Honduras	-	25	34	3	31
Nicaragua	-	18	18	-	18
Peru	-	393	8,254	7,841	413
Uruguay	827	220	4,786	4,430	356
Non-Regional Spare Parts	20,000	15,000	15,000 b/	-	15,000

a/ Represents the value of equipment and supplies programmed for MAP recipients from stocks owned by the United States which is in excess of the mobilization reserve for which there is no charge to MAP appropriations except for the repair and rehabilitation and packing, crating, handling and transportation of such materiel. In addition, for FY 1958 and FY 1959 includes for the new recipient country program any MAP supplied equipment excess to the original recipient country's requirements or undeliverable to the country as a result of change in country requirements. This materiel is furnished at no additional charge to MAP appropriations except for, in certain instances, the repair and rehabilitation and packing, crating, handling and transportation of such materiel.

b/ For FY 1950-57 spare parts from excess stocks are distributed in the country figures above.

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WORLD WIDE

MILITARY ASSISTANCE

SUMMARY OF DEFENSE EXPENDITURES OF COUNTRIES RECEIVING MILITARY ASSISTANCE AND/OR DEFENSE SUPPORT

Part I - NATO and Other Europe

(In millions of dollars equivalent)

Region and Country	Defense Expenditure (Calendar Years)			Defense Expenditure as Percent of GNP- (Calendar Years)			Defense Expenditure as Percent of Total Central Government Expenditure (Country Fiscal Years)			Per Capita GNP <sup>a/</sup> (\$)
	1955	1956	1957	1955	1956	1957	FY 1955/56	FY 1956/57	FY 1957/58	
<b>EUROPE AND NEAR EAST NATO COUNTRIES</b>										
Belgium-Lux	354	349	375	3.6	3.4	3.4	17 <sup>b/</sup>	16 <sup>c/</sup>	16 <sup>d/</sup>	1,099
Denmark	133	136	140	3.2	3.1	3.0	18	19	17	943
France	2,624	3,498	3,750	6.6	8.1	7.8	22 <sup>b/</sup>	26 <sup>c/</sup>	25 <sup>d/</sup>	992
Germany	1,758	1,717	1,900	4.2	3.7	3.8	26	25	26	927
Italy	881	934	975	4.1	4.0	4.0	22	19	21	490
Netherlands	447	488	485	5.8	5.9	5.5	20 <sup>b/</sup>	21 <sup>c/</sup>	20 <sup>d/</sup>	733
Norway	133	135	140	4.1	3.8	3.6	22	23	21	997
Portugal	77	80	82	4.3	4.1	4.1	29 <sup>b/</sup>	28 <sup>c/</sup>	27 <sup>d/</sup>	220
United Kingdom	4,491	4,794	4,650	8.3	8.3	7.6	30	30	29	1,085
Greece	123	130	136	5.7	5.4	5.1	31 <sup>e/</sup>	30 <sup>f/</sup>	29 <sup>d/</sup>	283
Turkey	386	418	440	5.2	4.8	4.3	36	35	32	318
<b>TOTAL</b>	<b>11,407</b>	<b>12,679</b>	<b>13,073</b>	<b>5.9</b>	<b>6.0</b>	<b>5.8</b>				<b>783</b>
<b>OTHER COUNTRIES</b>										
Austria	21	48	82	0.5	1.1	1.8	2 <sup>b/</sup>	5 <sup>c/</sup>	7 <sup>d/</sup>	614
Spain	335	360	400	4.7	4.4	4.0	28 <sup>b/</sup>	25 <sup>c/</sup>	27 <sup>d/</sup>	269
Yugoslavia	234	233	235	8.1	7.7	6.7	41 <sup>b/</sup>	44 <sup>c/</sup>	38 <sup>d/</sup>	182
United States	40,518	41,754	44,278	10.3	10.1	10.2	61	63	60 <sup>P</sup>	2,379
Canada	1,815	1,892	1,870	6.8	6.4	5.9	41	39	37	1,808

a/ 1957 estimate in 1955 prices. b/ Calendar year 1955. c/ Calendar year 1956. d/ Calendar year 1957. e/ FY ending June 30, 1955.  
f/ For 18 month period - July 1, 1955 to December 31, 1956. P/ Preliminary.

WORLD WIDE

MILITARY ASSISTANCE

SUMMARY OF DEFENSE EXPENDITURES OF COUNTRIES RECEIVING MILITARY ASSISTANCE AND/OR DEFENSE SUPPORT

Part II - Rest of the World

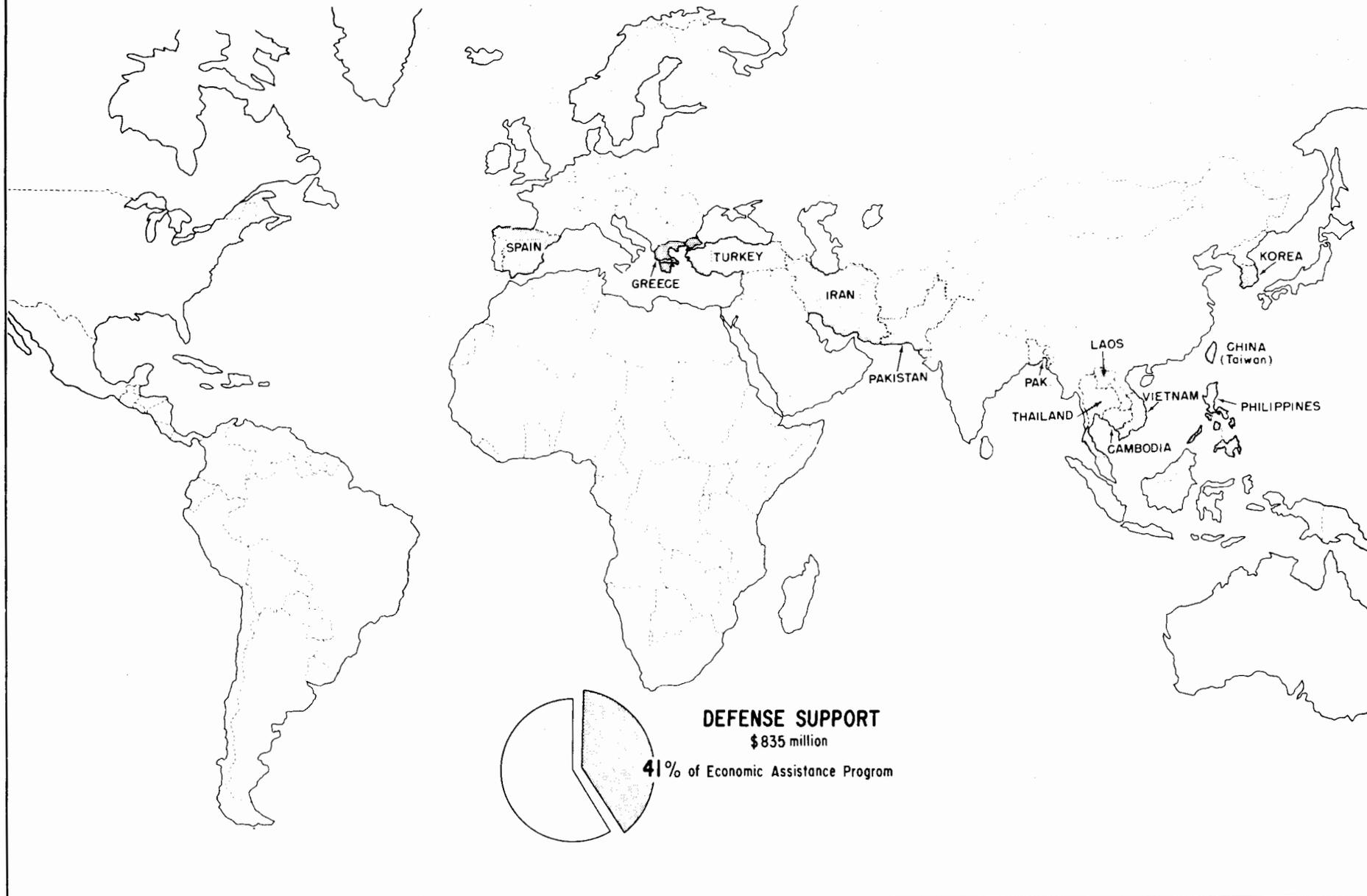
Shaded areas are Security classified and must not be divulged to unauthorized individuals. All other material is unclassified.

(In millions of dollars equivalent)

Region and Country	Defense Expenditure			Defense Expenditure as Percent of Gross National Product			Defense Expenditure as Percent of Total Central Government Expenditure			Per Capita GNP <sup>a/</sup> (\$)
	CY 1955 or FY 1955/56	CY 1956 or FY 1956/57	CY 1957 or FY 1957/58	CY 1955 or FY 1955/56	CY 1956 or FY 1956/57	CY 1957 or FY 1957/58	CY 1955 or FY 1955/56	CY 1956 or FY 1956/57	CY 1957 or FY 1957/58	
<b>NEAR EAST AND SOUTH ASIA</b>										
Afghanistan	25.1	28.5	n.a.	4	n.a.	n.a.	40	45	n.a.	\$ 50
Greece	123.0 <sup>b/</sup>	130.0 <sup>c/</sup>	136.0 <sup>d/</sup>	5.7 <sup>b/</sup>	5.4 <sup>c/</sup>	5.1 <sup>d/</sup>	31 <sup>e/</sup>	30 <sup>f/</sup>	29 <sup>d/</sup>	283
Iran	70.6	86.1	112.5	3	3	4	23	21	21	131
Iraq	47.9	59.6	60.2	n.a.	n.a.	6	19	19	18	190
Jordan	27.2	32.8	32.5	20	20	21	55	58	52	103
Lebanon	6.7	7.1	n.a.	1	1	n.a.	11	10	n.a.	372
Pakistan	185.0	211.0	210.0	4.4 <sup>b/</sup>	4.7 <sup>c/</sup>	4.3 <sup>d/</sup>	35	39	32	52
Turkey	386.0 <sup>b/</sup>	418.0 <sup>c/</sup>	440.0 <sup>d/</sup>	5.2 <sup>b/</sup>	4.8 <sup>c/</sup>	4.3 <sup>d/</sup>	36	35	32	318
<b>FAR EAST</b>										
Burma	87.0	97.0	104.0	9	9	10	36	45	40	52
Cambodia	40.0	32.0	33.0	12	10	n.a.	43	30	30	77
China (Taiwan)	152.0	173.0	177.0	13	13	n.a.	56	51	53	117
Japan	386.0	408.0	450.0	2	2	2	11	11	11	274
Korea	120.0 <sup>b/</sup>	213.0 <sup>c/</sup>	217.0 <sup>d/</sup>	n.a.	n.a.	6	42 <sup>f/</sup>	35 <sup>e/</sup>	33	113
Laos	35.8	37.9	25.1	n.a.	n.a.	n.a.	76	69	40	n.a.
Philippines	75.0	81.0	92.0	2	2	n.a.	15	14	16	205
Thailand	72.0	83.0	83.0	4	4	4	27	29	28	93
Viet Nam	195.0	199.0	189.0	9	8	8	52	43	39	174
<b>LATIN AMERICA</b>										
Brazil	249.0	388.0	512.0	2	3	4	25	30	30	168
Chile	48.3	92.3	139.5	3	4	4	19	22	25	214
Colombia	61.5	65.0	59.0	3	3	2	24	24	24	181
Guatemala	8.5	8.8	9.3	1	1	n.a.	9	8	7	197

<sup>a/</sup> 1957 estimate in 1955 prices.  
<sup>b/</sup> Calendar year 1955.  
<sup>c/</sup> Calendar year 1956.  
<sup>d/</sup> Calendar year 1957.  
<sup>e/</sup> Fiscal year ending Sept. 30, 1955, 1956, and 1957. n.a. Not Available.  
<sup>f/</sup> For 15 month period--April 1, 1954 to June 20, 1955.  
<sup>g/</sup> For 18 month period--July 1, 1955 to December 31, 1956.

# DEFENSE SUPPORT PROPOSED PROGRAMS, FY 1959



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WORLD WIDE

DEFENSE SUPPORT

Summary of Program by Area and Country

(In thousands of dollars)

*Shaded areas are Security classified  
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Area and Country	Program		
	Actual FY 1957	Estimate FY 1958	Proposed FY 1959
<b>TOTAL - ALL DEFENSE SUPPORT PROGRAMS</b>	<b>1,141,085</b>	<b>728,950</b>	<b>835,000</b>
<b>EUROPE - TOTAL</b>	<b>94,357</b>	<b>40,050</b>	<b>45,000</b>
Iceland	8,462	- a/	- a/
Spain	68,999	40,050	45,000
Yugoslavia	13,500	- a/	- a/
European Technical Exchange	2,293	- a/	- a/
Interregional Expenses	1,103	- a/	- a/
<b>AFRICA - TOTAL</b>	<b>6,600</b>	<b>-</b>	<b>-</b>
Ethiopia	6,600	- a/	- a/
<b>NEAR EAST AND SOUTH ASIA - TOTAL</b>	<b>219,432</b>	<b>156,590</b>	<b>195,000</b>
Greece	24,999	15,000	15,000
Iran	44,999	21,590	23,000
Pakistan	92,684	50,000	82,000
Turkey	55,500	70,000	75,000
Regional and Undistributed	1,250	-	-
<b>FAR EAST - TOTAL</b>	<b>769,563</b>	<b>532,310</b>	<b>595,000</b>
Cambodia	32,499	24,000	25,000
China (Taiwan)	80,000	57,000	75,000
Korea	300,183	215,000	240,000
Laos	42,974	30,000	30,000
Philippines	28,913	15,000	15,000
Thailand	30,000	20,000	20,000
Viet Nam	254,994	175,000	190,000
Less: Prior year recoveries applied to current year program		-3,690	
<b>LATIN AMERICA - TOTAL</b>	<b>51,133</b>	<b>-</b>	<b>-</b>
Bolivia	19,993	- a/	- a/
Guatemala	15,280	- a/	- a/
Haiti	1,010	- a/	- a/
Regional and Undistributed	14,850	- a/	- a/

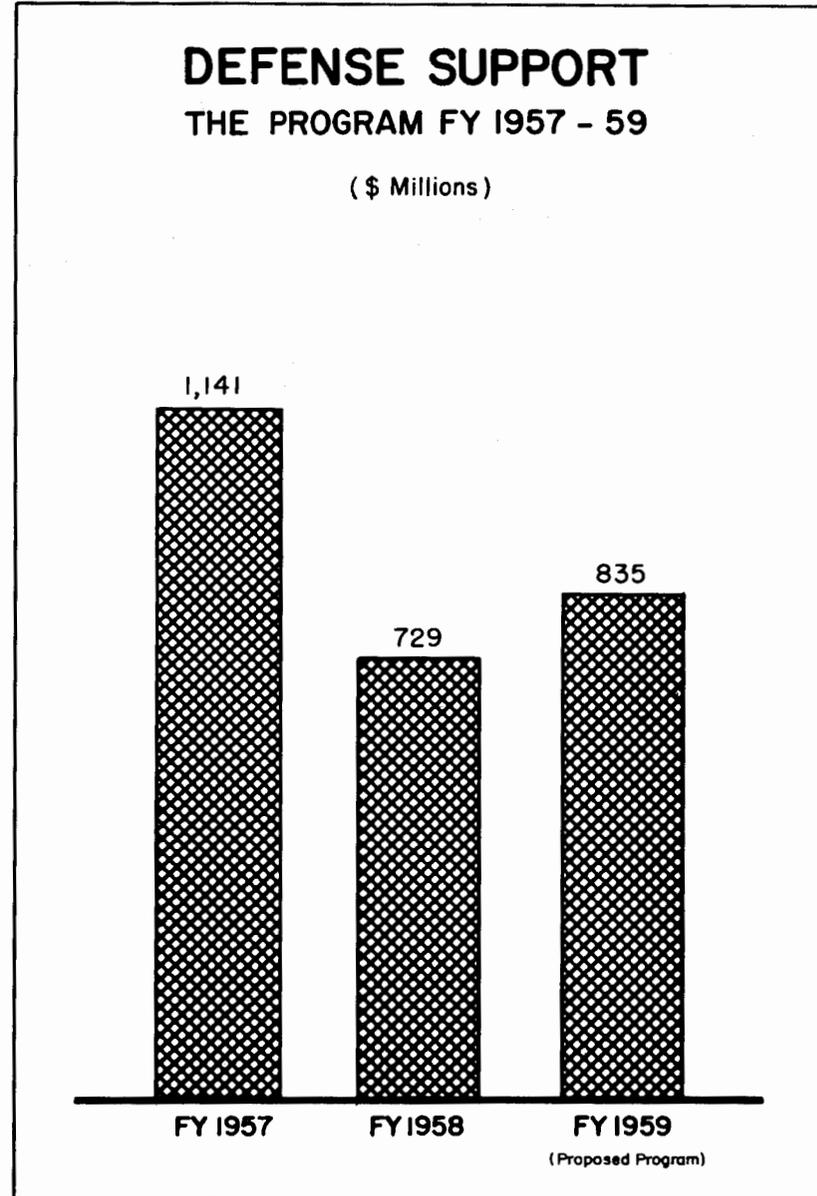
a/ Programs for these countries in FY 1958 and FY 1959 are included under Special Assistance.

The authorization and appropriation of \$835,000,000 is requested under Section 131(b) for FY 1959.

Defense support is that economic assistance which is required, in addition to military assistance, in order to secure a specific contribution to the common defense by another country in which U.S. military aid is helping to support significant military forces. The need for defense support is based on the proposition that the security of the United States will be materially enhanced by securing certain contributions to the common defense by other nations which do not, because of either economic or political circumstances, have the capacity to make such contributions without outside assistance. Where, in order to secure the desired military contributions, this outside assistance must include U.S. aid in an economic as well as a military form, that part of the aid which is economic in character is called "defense support."

Comparison with FY 1958 Definition of Defense Support - The definition used to construct the proposed FY 1959 defense support program is the same as that used in presenting the FY 1958 program with one exception. That exception is this: economic aid designed to obtain a contribution by a recipient country to the common defense is classified as "defense support" this year only when the country involved is also being helped to support significant military forces through military assistance. This limitation has the effect of removing from the category of defense support that economic aid which is furnished certain countries where a major objective of U.S. assistance is to secure military facilities for U.S. or allied use, and this objective is not coupled with the support of significant military forces. This applies even though some assistance may be provided to cover token or other relatively limited military or quasi-military forces of the recipient country.

This limitation in the concept of defense support is in general accord with the recommendations which were made last year in the report of the Senate Foreign Relations Committee. The refined concept has several practical advantages from the standpoint of U.S. foreign policy objectives. To classify aid to a country as defense support when the object of U.S. assistance to that country is primarily to maintain base facilities may prove embarrassing to the other country or invite it to request military assistance. Furthermore, it may be difficult or impossible in the case



WORLD-WIDE

DEFENSE SUPPORT

of some base-providing countries to secure, or attempt to secure, the kind of agreements required as a prerequisite for defense support aid by Sections 141 and 142 of the Mutual Security Act of 1954, as amended.

As a result of these considerations aid designed to maintain the economic and political stability necessary to achieve U.S. foreign policy objectives, in countries where we are not helping to support significant military forces, has this year been programmed under the category of special assistance. This new qualification has resulted in shifting Libya, Ethiopia, and Morocco out of the defense support category and into special assistance.

Defense support programs totalling \$1,141,085 thousand for FY 1957 and \$728,950 thousand in FY 1958 are reflected in these presentation documents on a comparative basis to the manner in which defense support programs are proposed for FY 1959. The table appearing on the right-hand side of this page shows how defense support appropriations for FY 1957 and FY 1958 have been supplemented and then adjusted for comparability to the FY 1959 appropriation request for defense support.

Nature of Defense Support - The specific contribution to the common defense which defense support, together with necessary military assistance, is intended to elicit from the recipient country will differ in character and importance from country to country. Such contribution will always include the raising and maintenance of military forces of a particular size and composition, capable of carrying out identified military or internal security missions of importance to the mutual security of that country and of the United States. But this contribution will frequently not be so limited. Thus, an integral part of this contribution may also include such things as the development and provision of military and militarily related facilities for joint, U.S. or general allied use; the country's active participation in, or cooperation with, a collective security organization directed toward the common defense, such as NATO, SEATO or the Baghdad Pact; the acceptance of increased military risks, such as the acceptance of missile bases or the stockpiling of atomic weapons within its territory.

In any situation where such a need for defense support can be demonstrated, the circumstances which give rise to the need may be either economic or political, or both economic and political. The nature of these circumstances will condition the character and govern the amount of the assistance which must be provided in order to satisfy the need. Common in all these circumstances,

<u>Defense Support Funds and Programs</u>			
(\$ in thousands)			
	<u>FY 1957</u>	<u>FY 1958</u>	<u>FY 1959 Request</u>
Appropriations for Defense Support	1,161,700	689,000	835,000
Add:			
Reappropriation of prior year unobligated balance		36,000	
Proposed transfer from Military Assistance Appropriation		30,000	
Unobligated balance of borrowing authority continued available		117	
Reimbursements	88		
Less:			
Unobligated balance reappropriated	-36,000		
Unobligated balance no longer available	-1,234		
Total Defense Support funds available for programming	1,124,554	755,117	835,000
Add Contingency Funds used for Defense Support Programs:			
Iceland	8,364		
Spain	20,000	50	
Iran		6,590	
Morocco		9,193	
Total Defense Support Programs before comparative adjustments	1,152,918	770,950	835,000
Less comparative adjustments to other programs as reflected in these presentation documents:			
Development Assistance Program:			
Jordan	-9,000		
Technical Cooperation Programs:			
Spain	-1,000		
Yugoslavia	-1,492		
Interregional Expenses	-341		
Special Assistance Programs:			
Ethiopia		-2,000	
Libya		-10,000	
Morocco		-30,000	
<b>TOTAL DEFENSE SUPPORT PROGRAMS</b>	<b>1,141,085</b>	<b>728,950<sup>a/</sup></b>	<b>835,000</b>

<sup>a/</sup> Excludes \$3,690 thousand recovery of prior year obligations applied to FY 1958 program.

and fundamental to the whole concept of defense support, is the basic assumption that significant continuing contributions to the common defense cannot be secured in the absence of a certain minimum degree of political and economic stability in the country concerned. It is therefore one of the essential purposes of defense support to assume that such minimum stability is created and maintained. A politically or economically unstable ally is not a good ally. Where instability prevails, the country's government or its armed forces are likely to lack the unity and cohesion, the popular support, the desire, the will and the spirit to fight effectively or loyally in the face of external aggression, or even when confronted with civil disorder. Moreover, the value of such a country's military forces, even though they are effective military forces, may be completely nullified by Communist capture of the country through subversion, political drift, or non-violent political change. Similarly, in the absence of reasonably stable political and economic conditions, the security and practical usefulness of overseas base facilities may be reduced to such an extent as in effect to make such facilities valueless.

Factors affecting the Level of Defense Support - The level of defense support for any country must be the amount of economic aid necessary to secure a specific contribution by that country to the common defense. Hence, the precise identification and accurate description of this contribution must be the starting point in the process of actually determining the aid level required. Whether the specific contribution of any particular country to the common defense involves the maintenance of military forces of its own, or additionally the furnishing of military facilities for U.S. or other allied use, or the country's continued acceptance of certain military risks, obligations or responsibilities, there are certain common factors which are likely to affect the amount of the defense support for any one of these contributions -- such as the necessity for maintaining a certain minimum level of political and economic stability in that country. There are also, however, other factors which are peculiar to each separate form of contribution.

(1) Maintaining Military Forces - In the usual situation where the level of aid is partly or wholly determined by what is required to enable the country to maintain certain military forces, the question of aid depends on the extent to which the country can, from an economic standpoint, and will, as a matter of hard political reality, devote the necessary resources toward meeting the burden of raising and maintaining certain military forces.

In Western Europe, at the time when defense support was being directed toward supporting a drastic increase in the level of European military effort defense forces, the situation was significantly different from that, say, in Laos or Korea today. The central issue there was: What level of U.S. financed imports was required in order to increase a country's gross national product to the size which was necessary if the country was to make military expenditures of the amount and for the purposes required to produce the military effort desired? In part, the answer reflected a complicated economic computation and an analysis of the local currency and foreign exchange costs of financing such an effort. But the answer also reflected many other judgments -- military, economic and political -- and there were the following additional considerations:

(a) The maintenance of effective military forces over any extended period depends on a certain minimum level of political and economic stability. There is no point in protecting a country from external aggression if political and economic conditions cause its loss through subversion, civil disorder and political drift; nor is it possible, except in a police state, to wage war in the face of serious political or economic instability.

(b) There is a practical political limit, particularly in peacetime, on the ability and willingness of a country to use its increasing national income for military purposes rather than for increased consumption or investment.

The foregoing two considerations apply even more strongly in the economically and politically weaker, and less developed, countries where most of the present and proposed defense support programs are concentrated. A determination as to the minimum rate of economic growth necessary to maintain political and economic stability in a particular country, or as to the practical political limitations on its ability to divert resources to defense, requires a careful assessment of the political and economic forces at work in the country, of the hopes and expectations of its people, of the minimum annual increase in per capita consumption that is likely to be politically acceptable, of the rate of economic development that must occur or be physically visible, and of the many other factors in any society that determine such things as whether governments stand or fall, whether men embrace democracy or Communism, whether people have the will to fight, and whether they are prepared to support various measures of defense that may require sacrifice or otherwise be difficult to accept.

In considering how the minimum necessary level of political and economic stability may best be determined, the judgment has been reached that defense support must, at the very least, be sufficient to permit the attainment of the desired military effort without any significant retrogression in a country's economic condition, regardless of whether any such retrogression would or would not be attributable to the attainment of that effort. However, in some cases the maintenance of a static situation may not be enough to permit the attainment of the military contribution desired, and defense support may need to provide for some measure of positive per capita growth in income and consumption. Moreover, it should be noted that, in order merely to prevent retrogression, it may be necessary to provide assistance to deal with the increased demand for resources caused by population growth, inflationary pressures, fiscal and budgetary difficulties, special foreign exchange problems, the consequence of natural disasters, adverse trade trends, serious imbalances in a country's economy, the deterioration or obsolescence of a country's physical plant, the exhaustion of an important resource, or a sharp decline in world prices for a country's primary export commodity.

(2) Securing Facilities for U.S. or General Allied Use - In a situation where the contribution of a country also includes the provision of military facilities of importance to the common defense, it may be necessary, in determining the amount of defense support required to secure that contribution, to consider, in addition to the more general considerations about minimum political and economic stability discussed above, such factors as:

(a) The extent to which economic aid is necessary to induce the other government to provide the facilities or rights desired or to accept the domestic political risks or the added military risks that may be involved in taking such a step, or to undertake related local measures that may be necessary to make the facilities effective which may involve the condemnation of land, the relocation of people affected, and the building of supporting facilities;

(b) Whether economic aid is required to offset any adverse economic effects in the country from the construction or maintenance of the facilities, such as the creation of inflationary pressures; and

(c) Whether defense support is needed to enable the recipient country itself to make a desired contribution to the actual construction or maintenance of the facilities, as, for example, in Spain, where 70 percent of the counterpart from U.S. defense support has gone to pay the local currency costs of constructing the

U.S. air and naval bases.

(3) Assumption of Military Risks, Obligations or Responsibilities - In a situation where the form of a country's contribution includes its participation in a collective security arrangement, its assumption of added military responsibilities may involve a requirement for economic aid in order to secure the desired action. For example, the government concerned may be genuinely uncertain as to the wisdom of undertaking, or may be confronted with a domestic political situation which makes it impossible to undertake, additional military responsibilities in the absence of substantial U.S. economic assistance. Such assistance may indicate that the United States considers the assumption of these responsibilities to be important and that we are prepared to stand behind the country in sharing any resultant risks or may provide the government with some tangible and beneficial return for taking a measure that would otherwise be unacceptable.

In the case of most countries the desired contribution to collective defense will consist of a combination of two or three of the foregoing forms, rather than of only a single form. In these instances it will often be impossible to separate out, and separately to price, these factors which are related to each individual part of the contribution. On the contrary, many of the considerations brought out above will probably be involved and will tend to become inseparably blended together in a total defense support requirement to secure a package contribution from the country involved.

#### Content of Defense Support Program

It is important to recognize, in the light of the above considerations, that the specific content of a defense support program, in terms of types of goods and services provided or in terms of the kind of projects into which those goods and services may be incorporated, will usually, though not always, be civilian rather than military in character. The considerations which govern the amount of external resources that a country requires if it is to make a particular contribution to the common defense may be very different from those which control the form in which, and the methods through which, resources in that magnitude are best made available to the country.

When, after application of the standards set forth above, a level of defense support has been established for any country, the exact composition of the aid program itself and the techniques of its administration, should be governed by the U.S.

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objectives and the needs of the country in question. The test is to determine the specific kinds and amounts of resources which are most likely to accomplish the military, economic and political results which the aid is intended to secure and upon which attainment of the common defense objective depends. Consideration should be given those facilities and services which can serve the civilian economy and the military establishment jointly. In one case the entire program may properly be in the form of non-project aid while, in another, it will be better if the program represents either some combination of both non-project and project assistance or consists solely of project aid.

In the great majority of cases the provision of defense support to a country involves a basically simple process. The United States upon the request of, and in agreement with, the recipient country finances through any of several banking or credit techniques, the import by the country (where possible through normal commercial channels) of goods and services required by the country as measured by the standards described above. The goods may be consumables and distributed through ordinary marketing channels in the country, or they may be items of capital equipment which are related to an identifiable project either in the government or private sector of the economy. If the import or sale of the goods involved results in the accrual of local currency receipts to the recipient nation, this local currency, known as "counterpart", can in turn be used by the recipient nation (excepting the amount reserved for U.S. uses) to meet certain of its governmental expenses. However, such local currency can only be used for activities which are agreed to by the United States and which further the purposes of the Mutual Security Act.

The generation in the foregoing fashion of local currency does not add any resources to the economy of the country in question but this local currency often provides a convenient vehicle for U.S. cooperation with the host government in promoting uses of the resources available to the economy that will contribute to fulfillment of mutual security objectives. The agreed uses of counterpart may include the coverage of all or selected portions of a country's military budget or the financing of the local costs of specific military projects. Such agreed uses also may include the financing of other segments of a recipient country's budget or the local currency costs of financing non-military defense support, technical cooperation, or other local projects. The requirement for U.S. agreement as to counterpart use gives the United States the opportunity to work out jointly with the country the way in which the country distributes certain of its own local resources and thereby how it channels the ultimate

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impact of our aid within the various segments of the economy of the country.

Only rarely, and then only because of unique circumstances, does the United States provide cash grants under defense support. On the contrary, the aid is almost always furnished in the form of goods and services which enter into and become part of the local economy of the recipient. The few exceptions usually arise in situations where a country requires local currency budgetary support but does not have an immediate need for, and cannot both promptly and effectively use, additional foreign exchange. In such instances the aid dollars are used to procure directly the required local currency. In most cases the need for such aid results from the ineffectiveness of indigenous budgetary and fiscal machinery or the immaturity of a country's political institutions.

There are of course other variations, and many refinements, in the methods of providing defense support to other countries. Only one of these is of sufficient importance to mention here. That is the method by which, under Section 402 of the Mutual Security Act of 1954, agricultural surpluses are furnished to other governments within the framework of the mutual security program. In the case of such surpluses, the commodities themselves are sold, rather than given, but the recipient country pays for the commodities in its own local currency. This local currency, which unlike counterpart is owned by the United States, is then used through a prearrangement with the vendee country, which is itself a condition of the sale, either for the benefit of the vendee country just as counterpart would be or for the purchase within the vendee country of goods or services required as defense support by a third country for which the ultimate benefit of our aid is intended.

### Distinction between Defense Support and Other Categories of Aid

The difference between defense support and military assistance can be broadly described as follows: Both forms of assistance are designed to make possible the creation or maintenance of a certain level of military forces or the achievement of other military objectives. Military assistance helps to do so by supplying goods and services that are directly delivered to, and which physically reach or benefit, the military forces involved. Defense support, on the other hand, contributes to this objective more indirectly by providing resources which enable the recipient country, to a degree that would otherwise not be possible, to maintain a certain level of defense expenditures, to undertake other defense activities, or to make some other form

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of contribution to the common defense. Military assistance generally consists of articles or services which can be physically traced from a point of import into the country directly to a soldier who actually uses it or is served by it; defense support has its specific military impact as the country's economy is rendered capable of sustaining the desired defense burden or of providing a political climate permitting other common defense measures.

Defense support differs from special assistance in that the former has as its central aim the solution of those problems which must be solved in order to attain a specific military objective in a country where the U.S. is supporting substantial military forces with military assistance whereas special assistance is designed to solve problems which are not directly connected with the achievement of any such military objective. The two forms of aid will not be found in the same country. In one receiving defense support it will usually be necessary, simply in order to attain the military objective itself, to solve, through the provision of defense support, the kinds of economic or political problems which, in the absence of this military objective, might justify the furnishing of special assistance.

Defense support differs from assistance which may be provided from the Development Loan Fund in that defense support represents that aid which, in addition to military assistance, is the indispensable minimum for the achievement of a specific contribution by the recipient country to the common defense. Assistance obtained from the Fund will be for the purpose of permitting economic growth which would not otherwise be possible and, where the country concerned is also receiving defense support, is over and above the economic growth that may be necessary in order to achieve agreed military objectives.

History of Defense Support Concept: The concept of, though not the term "defense support" first became a part of the mutual security program in the Mutual Security Act of 1951. In that legislation, the Congress, recognizing the inability of many European nations to raise and maintain the military forces necessary to implement plans for the defense of the North Atlantic area, authorized the appropriation for FY 1952 of \$1.022 billion in economic aid, together with \$5.028 billion in military aid, for selected countries "in order to support the freedom of Europe through assistance which will further the carrying out of the plans for defense of the North Atlantic area, while at the same time maintaining the economic stability of the countries of the

area so that they may meet their responsibilities for defense. . ."

The term "defense support" first appeared in connection with consideration of the Mutual Security Act of 1952. President Truman in his message transmitting the FY 1953 Mutual Security Program to the Congress noted that the Marshall Plan had been "designed to help restore economic health, not to produce a surplus capable of creating military power adequate for European defense." He then pointed out that "today, not only has rearmament imposed a heavy burden but has drastically upset the European balance of payments. Substantial and sustained efforts will be necessary to meet these problems, even with our help." He described the relationship between defense support and military assistance as follows:

". . . the Mutual Security Program for Europe is planned so that the United States will provide both weapons and defense support. The form of assistance - whether military equipment or assistance in financing imports of raw materials and other items where required to make possible the necessary level of European defense efforts - has been decided in each case on the basis of which form produces the most results in defensive strength at the least cost."

The "Definitions of Defense Support and Economic Aid" submitted by the Executive Branch and discussed by the House Foreign Affairs Committee in the hearings in 1952 explained the relationship between these two concepts:

"Defense support takes the form of raw materials, equipment, and commodities which Europe must import in order to expand its production to the extent necessary to sustain the desired level of European military effort. By and large, the same kinds of goods were financed by economic aid under the Marshall Plan. Defense support and economic aid are thus the same means of achieving entirely different ends."

The resulting legislation, as reported by the House Foreign Affairs Committee and as finally approved by the Congress, used the term "defense support" as a partial description of the economic aid for Europe authorized by the Mutual Security Act of 1951.

From this beginning, defense support became, and has continued to be, essentially assistance to the economies of the recipient countries in order to help them sustain a military burden while also maintaining the stability of such economies. On the other

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hand, aid which has been supplied to governments for the direct support of their military establishments has been supplied under such headings as "common-use items," "direct forces support" or "military assistance."

In the two following years the term "defense support" was extended to economic aid in certain areas outside of Europe where such aid had previously been simply categorized as "technical assistance" or "economic assistance," irrespective of its purpose. In FY 1954 it was applied to economic aid to China and Indochina, and in FY 1955 to most other countries where the United States had significant military assistance programs. It was in the latter year also that the Congress, by classifying Pakistan and the Philippines as defense support rather than, as proposed by the Executive Branch, development assistance, significantly broadened the definition of defense support to cover all economic assistance, including aid for purposes of economic development, to any country with which the United States had a military agreement. The Executive Branch, conforming to this Congressional preference, presented its entire program for FY 1956 to Congress on this broader basis.

The foregoing two general stages in the concept of defense support are succinctly described in the report of the House Foreign Affairs Committee on the Mutual Security act of 1957. The Committee said:

"Defense support originally was conceived as a means to give non-military support to the military efforts of certain countries eligible to receive military assistance. It was designed to provide such supplemental economic assistance as a recipient country might require to carry on a defense effort of the size and type which United States policy regarded as necessary and which the country itself could not finance from its own resources. The concept was subsequently broadened to include all non-military aid, except technical cooperation, to those countries to which the United States was also furnishing military assistance. Under this concept the content of defense support programs must necessarily vary from country to country."

For FY 1957, the Congress broadened the definition even further by classifying virtually all economic aid to Latin America as defense support, even in cases where no military assistance agreement was involved and no military assistance was being furnished. The only requirement was the fact that the country must have become a party to the Inter-American Treaty of Reciprocal Assistance

and adhered to the 1954 resolution entitled "Declaration of Solidarity for the Preservation of the Political Integrity of the American States against the Intervention of International Communism." The reason, given by the Committee in its report, was that "Latin American countries in the past have been included under development assistance although their commitments to the defense of the hemisphere against Communism puts them in a different class." Because of their commitment to the defense of the hemisphere, the Latin American countries were also exempted from Sections 141 and 142 of the Mutual Security Act which prescribe the normal requirements for eligibility for military assistance or defense support programs. Moreover, since some of the Latin American countries to which defense support was to be provided were not receiving military assistance, Section 131 was amended to provide that defense support funds for Latin America could be used either to sustain and increase military effort "or political or economic stability."

This broad definition of defense support resulted in some misunderstanding. The most disturbing element in it was that because all economic aid (except technical assistance) to most Far Eastern countries was called "defense support," the United States failed to receive credit for the substantial amount of assistance it provided for positive development. At the same time the United States was subjected to Communist propaganda that we were interested only in helping maintain military machines and not in helping the economic progress of the Far Eastern people.

For these reasons the President recommended to the Congress in FY 1958 that economic assistance for the purpose of maintaining the political and economic stability necessary to support an agreed military effort should be separated from economic assistance for the purpose of development beyond that necessary to sustain such a military effort. To make this separation completely evident he also asked that defense support, together with the military assistance to which it is related, be included in the regular U.S. Defense budget. He recommended that aid designed primarily to achieve economic development, previously included in defense support, should be separated out and included with other development assistance in a new Development Loan Fund. Accordingly, in submitting its proposed FY 1958 program to Congress, the Executive Branch proposed the following new definition of defense support:

"Defense support to any country is that economic assistance which is required, in addition to any necessary military assistance (including what was once called 'direct forces

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support'), to make possible, or otherwise to secure, some specific contribution by the country to the common defense."

To symbolize this change the word "specifically" was in the law added to the previous statutory authorization of defense support so that this authorization now reads as follows:

"The President is hereby authorized to furnish, to nations and organizations eligible to receive military assistance under Chapter 1 of this title, or to nations which have joined with the United States in a regional collective defense arrangement, commodities, services, and financial and other assistance specifically designed to sustain and increase military effort."

The report of the House Foreign Affairs Committee explained this change as follows:

"The single word 'specifically' has been added to the definition of defense support. The objective is to narrow the purpose of the programs carried out under this section. Henceforth, defense support will be limited to that aid necessary to assure the maintenance of United States military bases abroad or to enable a country to raise and support military forces for the common defense. Any assistance beyond these limitations must come from other sources such as the loan fund or from special assistance."

As pointed out earlier, a further modification is proposed for FY 1959 by removing from the category of defense support assistance rendered to countries in which there may be an important U.S. military objective but where U.S. military assistance is not being supplied to support significant military forces.

FY 1959 Defense Support Program: The total proposed FY 1959 defense support program is \$835,000,000 and it is divided illustratively among twelve countries listed in the table below and in the amounts indicated. The table also shows comparable defense support levels for these same countries in FY 1957 and, as of January 11, 1958, in FY 1958.

(\$ in thousands)

	Actual FY 1957	Estimated FY 1958 <sup>a/</sup>	Illustrative FY 1959
Spain	68,999	40,050	45,000
Greece	24,999	15,000	15,000
Turkey	55,500	70,000	75,000
Iran	44,999	21,590	23,000
Pakistan	92,684	50,000	82,000
Thailand	30,000	20,000	20,000
Laos	42,974	30,000	30,000
Cambodia	32,499	24,000	25,000
Vietnam	254,994	175,000	190,000
China (Taiwan)	80,000	57,000	75,000
Philippines	28,913	15,000	15,000
Korea	300,183	215,000	240,000
TOTAL	1,056,744	732,640 <sup>a/</sup>	835,000

<sup>a/</sup> Firm requirements as of January 11, 1958. Additional requirements for which further programs are now under consideration, not included. Includes \$3,690 prior year funds.

Except for Spain, whose militarily strategic position requires no special mention, each of these countries is part of the land and offshore island belt that marks the immediate southern and eastern perimeter of the Soviet bloc. Of these eleven, only Cambodia is separated by other land from Communist territory -- and by only a few miles of loosely held, Viet Minh threatened, mountainous and jungle areas in troubled Laos. The geographic proximity of these nations to the Soviet bloc gives them a special strategic significance and makes their continued Western orientation of particular military importance, but at the same time, for these very same reasons, and because of the possibilities for ready physical access which this circumstance frequently provides, such proximity also makes these nations priority targets of Communism. For the most part, also, the ten Asiatic members of this group are characterized by political and economic weakness and instability which make them highly vulnerable targets for Communism and which, likewise, in the absence of substantial U.S. assistance and of the indication of strong U.S. support which such assistance publicly manifests, would probably, with one exception, Turkey, make it impossible for them long to remain free and independent nations.

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The combined active military strength of these twelve nations is more than 3,000,000 men, and in each case the United States is providing military aid to help equip, train and maintain all or some selected portion of the nation's military forces. The effectiveness, the capabilities, and the purposes of U.S. support of these forces vary greatly from country to country -- from the powerful, well-equipped 700,000-man South Korean army which is designed to deter external aggression from North Korea to the 25,000-man Laotian military establishment whose purpose is limited to the maintenance of internal security. But in every case these forces do have a role -- be it large or small -- in the protection of the territorial integrity of their country from outside attack or in the preservation of the country's internal security. Maintenance by the United States of an equivalent additional military force would be prohibitively costly even if it were -- and it would not be -- otherwise possible and practical.

Six of these nations -- Greece, Turkey, Iran, Pakistan, Thailand, and the Philippines -- are members of one or more of the major collective security organizations (NATO, SEATO, and the Baghdad Pact). The preservation of the territorial integrity of three others -- Laos, Cambodia and South Vietnam -- is covered by one of these collective security arrangements -- SEATO -- even though these three nations are not themselves parties thereto. Moreover, the United States is committed to the defense of still two more -- Korea and Taiwan -- by two bilateral Mutual Defense Treaties, both signed in 1954, and by reason of separate pledges and statements of intention (in the case of Korea, the so-called Joint Policy Declaration of the Sixteen, and in the case of Taiwan, a Congressional Joint Resolution). The Philippines are also covered by a bilateral Mutual Defense Treaty.

Six of these countries -- Spain, Greece, Turkey, Taiwan, the Philippines and Korea -- are also the sites of major U.S. military installations which have a large and critical role in U.S. war plans. The non-availability to U.S. forces of these installations, and of those other similar installations which "special assistance" has enabled us to secure and maintain (in Libya, Saudi Arabia, Morocco, Iceland, Ethiopia), would necessitate a radical revision in our entire strategy and would gravely decrease, and in fact seriously and immediately jeopardize, the security of the United States; and this general situation is likely to obtain for most of the next decade at least. No less important than the availability of these installations to the U.S. forces is the existence of conditions in the countries where they are located which will provide reasonable assurance of their physical security from seizure or sabotage and which make possible

their continuous effective use by U.S. personnel. This means that the real value of any one of these installations to us will to a large extent be measured by the degree of political and economic stability within the country concerned, by the effectiveness of that country's military and other internal security forces, and by the character of public attitudes toward the existence of U.S. facilities within its sovereign territory and toward the presence of large numbers of U.S. personnel on its soil. In all of these regards U.S. assistance plays an important part.

The table set forth below shows graphically the nature of U.S. military interests in each of the twelve countries.

	Member NATO	Member SEATO	Member Baghdad Pact	Bilateral Mutual Defense Treaty With U.S.	Major US Military Installations	Size of Indigenous Military Forces <sup>a/</sup>
Spain	-	-	-	-	*	403,270
Greece	*	-	-	-	*	166,890
Turkey	*	-	*	-	*	532,280
Iran	*	-	*	-	-	167,975
Pakistan	-	*	*	-	-	244,360
Thailand	-	*	-	-	-	178,140
Laos	-	b/	-	-	-	22,530
Cambodia	-	b/	-	-	-	30,620
Vietnam	-	b/	-	-	-	137,100
China (Taiwan)	-	-	-	*	*	621,930
Philippines	-	*	-	*	*	48,010
Korea	-	-	-	*	*	673,470
	3	3	3	3	6	3,226,575

a/ Total strength includes national gendarmerie and other security forces, totalling about 250,000 men.

b/ Not a member of SEATO but its territory lies within the area covered by SEATO.

One striking fact that emerges from the foregoing table and from the preceding one giving country defense support aid levels is the percentage of total defense support that is concentrated on four countries -- Korea, Taiwan, Vietnam, and Turkey -- which are

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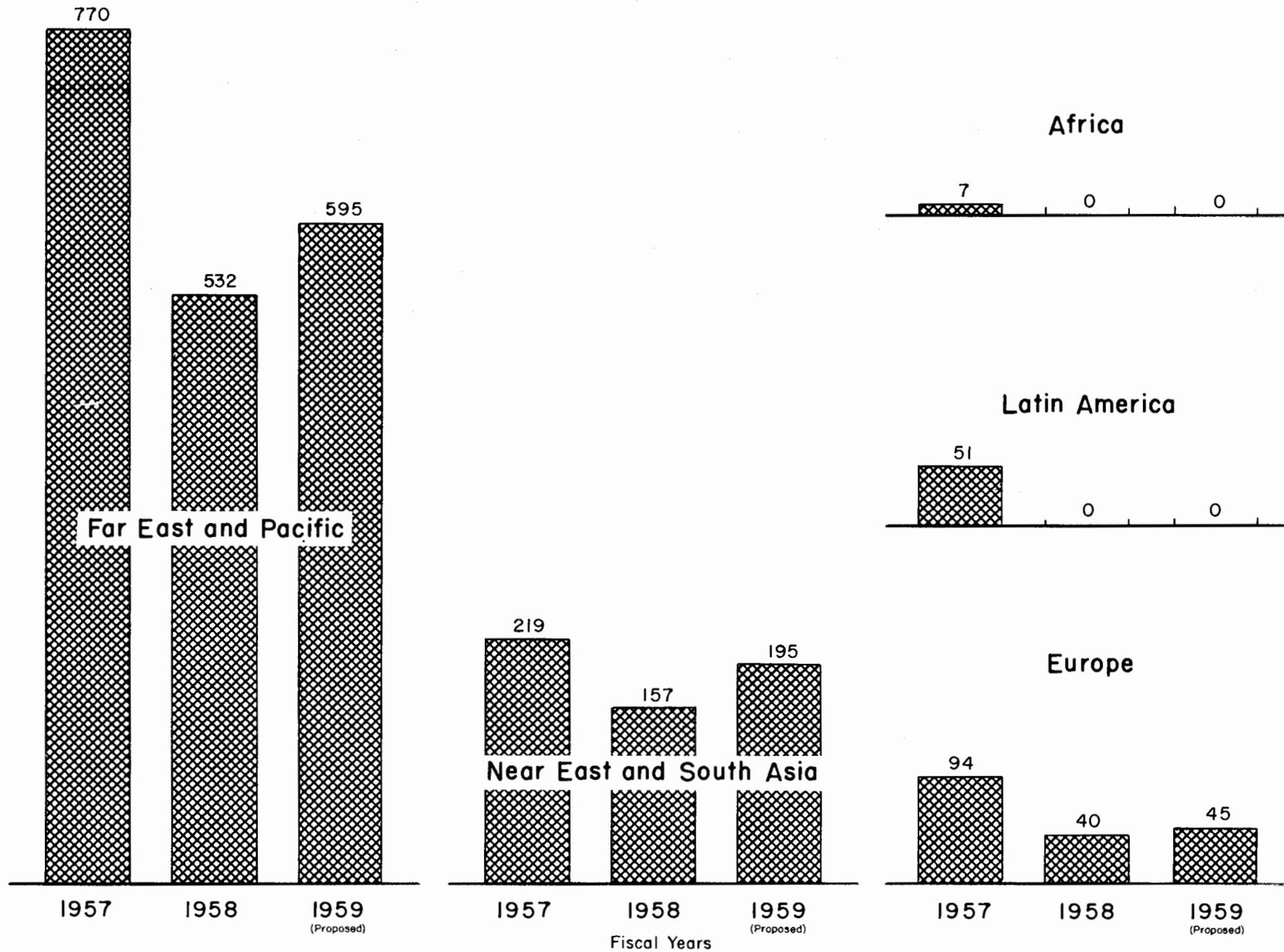
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together maintaining nearly 2,000,000 men under arms. This percentage is nearly 70 percent, and the comparable percentages in preceding years have been similar -- in FY 1957 -- 65 percent, and in 1958 -- 70 percent. This fact in turn illustrates that the major thrust of the defense support program is that of helping a few key countries to maintain large military forces that are now, and that for many years to come, will continue to be, far beyond the capacity of the individual country economies to support. The economies of all of these nations are underdeveloped, although that of Turkey is expanding rapidly, and the size of the military establishment which they are maintaining bears absolutely no relationship to, and is completely disproportionate with, the

resources which they have available. Thus it can be said with great accuracy that the bulk of defense support goes to underwrite the maintenance of four large and important military establishments situated at strategic points directly contiguous to the Soviet bloc. One further related fact also emerges from the foregoing tables, **namely, that two other countries of great strategic significance -- Spain and Pakistan -- account for about 15 percent of the total, with the result that about some 85 percent of all defense support aid goes to only six countries, each of them a country where U.S. defense support plays a role of highly important military significance.**

# DEFENSE SUPPORT PROGRAM - BY REGION

( \$ Millions )



WORLD WIDE

DEFENSE SUPPORT

Summary of Project Assistance by Major Cost Components

(In thousands of dollars)

Program by Fiscal Year	Program by Major Cost Components						Number of People			
	Total Cost	U.S. Employed Tech- nicians	Partici- pants	Contract Services	Supplies and Equipment	Contribu- tions to Coop. Services	Other Costs	Technicians		Participants (Programmed during Year)
								U.S. Employed On Duty Close of Year	Contract On Duty Close of Year	
<u>U.S. Dollar Program</u>										
<u>Fiscal Year 1957</u>	<u>327,365</u>	<u>5,042</u>	<u>1,746</u>	<u>37,940</u>	<u>250,732</u>	<u>31,905</u>	<u>369</u>	<u>821</u>	<u>1,280</u>	
Europe	13,040	262	363	904	10,111	1,400	20	27	790	
Africa	6,600			2,932	3,418	250				
Near East and South Asia	38,323	397	103	15,186	22,629	8		104	40	
Far East	240,272	4,383	1,280	18,918	212,974	2,717	349	690	407	
Latin America	29,130				1,600	27,530 <sup>a/</sup>			43	
<u>Fiscal Year 1958</u>	<u>110,780</u>	<u>3,973</u>	<u>1,210</u>	<u>25,126</u>	<u>77,608</u>	<u>2,863</u>	<u>291</u>	<u>1,209</u>	<u>276</u>	
Europe	2,100				2,100					
Africa										
Near East and South Asia	6,500			6,500				151		
Far East	102,180	3,973	1,210	18,626	75,508	2,863	291	1,058	276	
Latin America										
<u>Fiscal Year 1959</u>	<u>135,310</u>	<u>4,560</u>	<u>1,900</u>	<u>25,100</u>	<u>101,965</u>	<u>1,785</u>	<u>302</u>	<u>910</u>	<u>20</u>	<u>295</u>
Europe	2,500				2,500					
Africa										
Near East and South Asia								97		
Far East	132,810	4,560	1,900	25,100	99,465	1,785	302	813	20	295
Latin America										

<sup>a/</sup> Includes \$12,850 in loans under Sec. 131(c) (4) of the MSA of 1954 as Amended by P.L. 726, 84th Congress and \$2,000 in allocations to Department of State for Contributions to OAS for Malaria Program (81,500) and construction at Turriabla (\$500) under Sec. 131(c) (4).

WORLD WIDE

DEFENSE SUPPORT

Summary of Mutual Security Project Assistance by Field of Activity

(In thousands of dollars)

Program by Fiscal Year	Total Cost	ACTIVITIES								
		Agriculture and Natural Resources	Industry and Mining	Transportation	Labor	Health and Sanitation	Education	Public Adminis- tration	Community Development, Soc. Welfare and Housing	General and Miscel- laneous
<u>U.S. Dollar Program</u>										
<u>Fiscal Year 1957</u>	327,365	24,481	101,756	129,702	302	22,381	7,830	8,513	16,727	15,673
Europe	13,040	516	5,093	5,526	302		1	79		1,523
Africa	6,600	1,646	164	466		1,345	579	200	1,060	1,140
Near East and South Asia	38,323	1,447	22,609	11,751		252	1,704		500	60
Far East	240,272	15,602	73,890	103,519		13,244	4,671	7,954	8,442	12,950
Latin America	29,130	5,270		8,440		7,540	875	280	6,725	
<u>Fiscal Year 1958</u>	110,780	5,229	27,299	50,069		7,105	3,364	4,410	6,430	6,874
Europe	2,100			2,100						
Africa										
Near East and South Asia	6,500			6,500						
Far East	102,180	5,229	27,299	41,469		7,105	3,364	4,410	6,430	6,874
Latin America										
<u>Fiscal Year 1959</u>	135,310	7,030	50,600	47,240		5,745	2,950	9,145	6,065	6,535
Europe	2,500		1,000	1,500						
Africa										
Near East and South Asia										
Far East	132,810	7,030	49,600	45,740		5,745	2,950	9,145	6,065	6,535
Latin America										

Revised February 27, 1958

WORLD WIDE

ECONOMIC ASSISTANCE  
COMPOSITION OF NON-PROJECT ASSISTANCE - DEFENSE SUPPORT

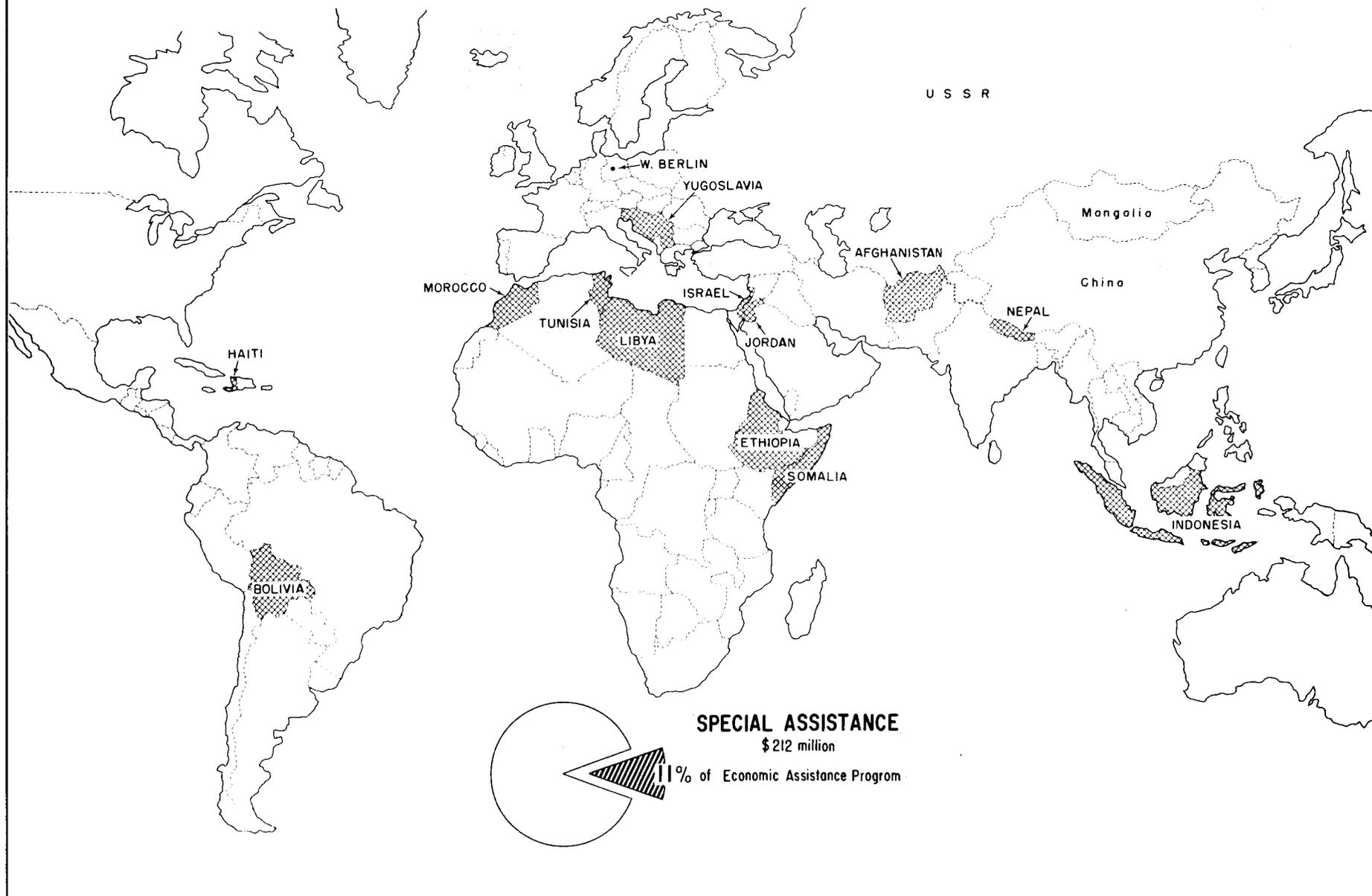
(In thousands of dollars)

Commodities and Other	P R O G R A M		
	Actual FY 1957	Estimate FY 1958	Proposed FY 1959
<u>Agricultural Commodities Total</u>	312,251	225,650	201,570
Surplus	216,663	153,800	126,000
Other	95,588	71,850	75,570
<u>Industrial Commodities Total</u>	455,999	366,570	469,420
Raw Materials and Fuels	291,756	239,845	281,910
Machinery and Equipment	110,830	88,045	124,545
Other Industrial Commodities	53,413	38,680	62,965
<u>Cash Transactions</u>	37,405	20,000	18,000
<u>Other</u>	8,065	5,950	10,700 <sup>a/</sup>
<u>Total Non-Project Assistance</u>	<u>813,720</u>	<u>618,170</u>	<u>699,690</u>

<sup>a/</sup> Ocean Freight

Revised February 27, 1958

# SPECIAL ASSISTANCE PROPOSED PROGRAMS, FY 1959



## WORLD WIDE

## SPECIAL ASSISTANCE

## Summary of Program by Area and Country

(In thousands of dollars)

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

Area and Country	Program		
	Actual FY 1957	Estimate FY 1958	Proposed FY 1959
<b>TOTAL - ALL SPECIAL ASSISTANCE PROGRAMS</b>	-	207,363	212,000
<b>EUROPE - TOTAL</b>	-	32,300	26,400
Berlin	-	11,170	8,160
Iceland	-	5,100	5,100
Yugoslavia	-	13,000	10,000
European Technical Exchange	-	2,600	3,000
Interregional Expenses	-	430	140
<b>AFRICA - TOTAL</b>	-	52,400	83,000
Ethiopia	-	2,000	3,000
Libya	-	10,000	20,000
Morocco	-	30,000	45,000
Somalia	-	400	500
Tunisia	-	10,000	14,500
<b>NEAR EAST AND SOUTH ASIA - TOTAL</b>	-	59,545	48,000
Afghanistan	-	2,950	5,000
Iraq	-	-	500
Israel	-	7,500	10,000
Jordan	-	30,000	25,000
Lebanon	-	1,000	-
Nepal	-	2,875	1,500
Sudan	-	4,520	6,000
Yemen	-	950	-
Regional and Undistributed (U.N. Emergency Forces)	-	(9,750)	-
<b>FAR EAST - TOTAL</b>	-	1,000	6,000
Burma	-	-	5,000
Indonesia	-	1,000	1,000
<b>LATIN AMERICA - TOTAL</b>	-	30,000	23,000
Bolivia	-	17,000	17,000
Guatemala	-	10,000	-
Haiti	-	2,000	2,000
Regional and Undistributed	-	1,000	4,000
<b>NON-REGIONAL PROGRAMS - TOTAL</b>	-	32,118	25,600
Other Programs:			
Algerian Refugees	-	25	-
Hungarian Refugees	-	7,500	-
Malaria Eradication Program	-	22,093	25,600
Special Programs, Other than Military	-	2,500	-

Revised February 27, 1958

WORLD WIDE

SPECIAL ASSISTANCE

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other material is unclassified.*

The authorization and appropriation of \$212,000,000  
is requested under Section 400(a) for FY 1959.

Special Assistance is the economic aid that is necessary to achieve any of the variety of political, economic or other objectives which the United States may have in any country where the U.S. is not providing assistance in support of significant military forces and where the assistance rendered cannot appropriately be provided either as technical assistance or from the Development Loan Fund.

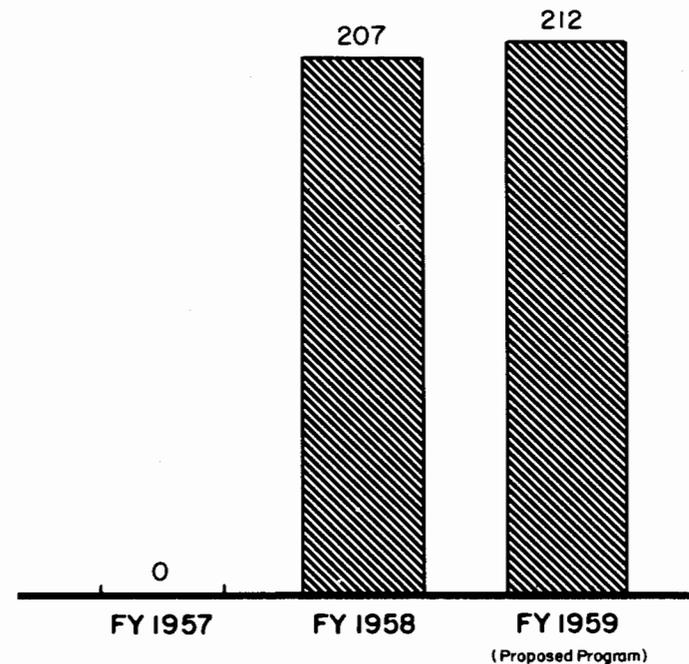
The objectives served by Special Assistance can generally be encompassed by the term "the maintenance or promotion of political or economic stability" as stipulated in Section 400(a) of the Mutual Security Act of 1954, as amended. They include, but are not limited to, requirements for aid under the following types of circumstances:

- (1) Aid which may be required to deal with economic problems of a non-developmental character which are not directly related to a country's defense burden, such as the restoration or maintenance of a stable economic condition;
- (2) Assistance which must be provided to secure or maintain U.S. military facilities or other rights in a country or to deal with economic and other problems arising out of the existence of such facilities;
- (3) Aid which is needed to equip police or other internal security forces which are not under military control;
- (4) Assistance designed to promote economic development in a situation where the criteria for securing aid from the Development Loan Fund cannot be met, because, for example, such aid cannot reasonably be furnished on a basis of repayment;
- (5) Assistance which is necessary to achieve some political, humanitarian or other objective which is not military in origin, such as the provision of relief to, or the resettlement of refugees.

Relationship of Other Categories of Aid: Special Assistance differs from Defense Support in that the latter has as its central aim, and its controlling justification, the solution of problems which are related to the achievement of a military objective in a

## SPECIAL ASSISTANCE THE PROGRAM FY 1958 - 59

(\$ Millions)



country where the U.S. is helping to support significant military forces, whereas the former is limited to the achievement of U.S. objectives in countries where the support of significant military forces does not represent an important purpose of the aid. Special Assistance will not normally be programmed for a country which is already receiving Defense Support because, in the latter case, it will usually be necessary, simply in order to achieve the military objective sought, to solve, through the provision of Defense Support, the kinds of economic or political problems which, in the absence of such a military objective, would require the furnishing of Special Assistance.

The purpose of the Development Loan Fund is to provide assistance for purposes of economic development on a loan or other non-grant basis. Aid from the Fund is not programmed in advance. Since the purposes, and circumstances of use, of the Development Loan Fund and Special Assistance are so different, both forms of aid may be found in the same country, just as Defense Support and aid furnished from the Development Loan Fund may also be found in the same country.

Change in Concept of Special Assistance: The historical antecedents of the FY 1959 program of Special Assistance are as follows:

- (a) In FY 1957 Section 201 of the Mutual Security Act of 1954, as amended by the Mutual Security Act of 1956, authorized, under the title "Development Assistance", the appropriation of funds for economic development of countries in Asia, the Middle East and Africa and for the maintenance of economic and political stability in these areas. Section 401(b) of this same legislation, as it applied during FY 1957, also authorized the appropriation of a Special Fund of \$100,000,000 which was designed to serve as a source from which one could meet on a global basis, and whether military or non-military in character, those requirements which were unforeseen or otherwise contingent at the time the appropriation was requested of the Congress.
- (b) In FY 1958, the Executive Branch proposed, and the Mutual Security Act of 1957 provided for, a new arrangement of aid categories, including the establishment of the Development Loan Fund and the creation of a new category of aid known as "Special Assistance". Under this new arrangement of aid categories, assistance of the character previously authorized under Section 201 was divided into two components consisting of (1) that part of the assistance previously furnished under Section 201 which was designed to further economic development and could be provided on a repayment

basis, and (2) that part of such assistance which was intended to promote economic or political stability. The legislation provided that the first of these components would be furnished from the new Development Loan Fund and that appropriations for the second component, broadened to cover aid of this kind on a global rather than an Afro-Asian basis, should be provided as Special Assistance under the authority of a new section, Section 400(a). Sums which had previously been provided through the Special Presidential Fund (Section 401(b)) for contingency purposes were also included in this new category.

- (c) The legislation proposed for FY 1959 would make one further change. It would redivide Special Assistance, as it was constituted for FY 1958, into the two distinctly separate parts from which it had originally been constructed -- namely, (1) funds to meet programmed requirements for the promotion of political and economic stability in situations where the Development Loan Fund and Defense Support are not by definition applicable, and (2) funds needed to deal with situations which are either unforeseen or contingent. The first type of aid will continue to be called and will constitute the entire category of Special Assistance, and an appropriation of \$212 million for this purpose is requested under Section 400(a). The second type of aid, designed to meet situations for which programs cannot now be developed, is to be met from a newly constituted Contingency Fund for which an appropriation of \$200 million is requested under Section 401(b).
- (d) In addition to the change proposed by the legislation itself, one further change in the concept of Special Assistance is contemplated for FY 1959. This involves the classification of Mutual Security aid which is needed in order to assure that U.S. military forces will have, and can effectively use, certain overseas military facilities and rights. In FY 1958 funds needed for that purpose were classified uniformly as defense support. In FY 1959, funds needed for that purpose are classified as Special Assistance in the case of any country where the U.S. is not helping to support significant military forces approved by us as necessary to our collective security effort. For comparability, FY 1958 programs in such cases are shown in the tables in this presentation under this category rather than Defense Support.

FY 1958 Special Assistance Program: Special Assistance was programmed in the Congressional Presentation for FY 1958, under the

WORLD WIDE

SPECIAL ASSISTANCE

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definition prevailing for that year, for the following countries: Yugoslavia, Israel, Afghanistan, Nepal, Tunisia, Bolivia, Guatemala, Haiti, Indonesia and Somalia. In addition, programs were proposed for technical exchange and scientific and engineering training in Europe, for certain regional activities in Latin America, for the major share of costs in a world-wide malaria eradication program and for relief for Hungarian refugees. Statements under individual country and section headings elsewhere in these presentation documents give a detailed account of these programs and additional uses in FY 1958 of Special Assistance funds for contingency purposes.

Special Assistance programs totalling \$207,363 thousand for FY 1958 are reflected in these presentation documents on a comparative basis to the manner in which Special Assistance programs are proposed for FY 1959. The following table shows how the \$225 million FY 1958 funds appropriated pursuant to Section 400(a), as well as other appropriations available in FY 1958 for Defense Support, Joint Control Areas in Europe, and the Asian Economic Development Fund, have been programmed to cover these FY 1958 Special Assistance programs:

(Figures in thousands of dollars)

Appropriated pursuant to Section 400(a)		225,000	
Reimbursement		<u>950</u>	
Total funds available under Section 400(a)		<u>225,950</u>	
Less: Amounts used for:			
Defense Support			
Spain	50		
Iran	6,590		
Morocco	9,193	15,833	
Escapee Program		<u>350</u>	
Total used for other functions		<u>-16,183</u>	
Balance available for Special Assistance Programs		<u>209,767</u>	

Comparative adjustments between programs as reflected in these presentation documents:

To: "Other Programs"			
Undistributed Contingency Fund (Unprogrammed Reserve)			<u>-60,797</u>
Balance of Section 400(a) funds programmed for Special Assistance			148,970
From:			
Defense Support:			
Ethiopia	2,000		
Libya	10,000		
Morocco	<u>30,000</u>	42,000	
Joint Control Areas in Europe:			
Joint Control Area - Berlin	11,170		
Europe - Interregional Expenses	130		
European Technical Exchange	<u>200</u>	11,500	
Asian Economic Development Fund:			
Malaria Eradication		<u>4,893</u>	
Total comparative adjustments to Special Assistance			<u>58,393</u>
Total Special Assistance Programs			<u>207,363</u>

The portion of Special Assistance devoted to helping to achieve economic stability in support of important U.S. objectives includes funds programmed to meet continuing financial crises in Jordan, Bolivia, Somalia, Israel and Tunisia, all of which would have been substantially weakened without U.S. assistance provided in this form. In Jordan, where \$30 millions of Special Assistance is being programmed in FY 1958, it is likely that the government would collapse were it not for the budget support provided. Tunisia is another country which is economically unstable, in this case because of growing population and a reduction in assistance from France, from which it has recently won its independence. Bolivia \$17 million, where there is an acute currency stabilization problem, and Israel \$7.5 million continue to need external resources, of which the Mutual Security program provides some part.

WORLD WIDE

SPECIAL ASSISTANCE

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The operation and maintenance of important U.S. bases has been secured in countries such as Iceland, Ethiopia, Libya and Morocco and the extension of Special Assistance is necessary to secure their continued effective use. The Icelandic base, of great strategic importance to NATO, is being maintained largely because of the economic assistance afforded by the U.S. \$5.1 million and Germany. In the case of Morocco and Libya, whose economies are poor and in need of support from other countries, the U.S. would probably find it in its interest to supply some assistance to them in any event. However, it is the importance of the base rights which they provide which fixes the planned FY 1958 assistance at the particular levels shown.

\$17.2 million for the new world-wide Malaria Eradication Program and an Expanded Program for the Training of Scientists (\$2.5 million) were programmed in FY 1958 from Special Assistance. These are examples of activities which are appropriately financed from this category of assistance. Economic aid on a grant basis to contribute to economic development is being provided in FY 1958 to Haiti (\$2 million), Afghanistan (\$2.95 million) and Nepal (\$2.9 million). The Development Loan Fund criteria for aid on a basis of repayment cannot be met in these cases. \$10 million is being programmed at the specific request of Congress to help maintain the continuation of a non-Communist government in Guatemala through the support of economic development projects.

Proposed FY 1959 Program

Assistance in the amount of \$212 million is proposed for this category of aid in FY 1959 under the definition described above. This aid will serve the following principal U.S. objectives:

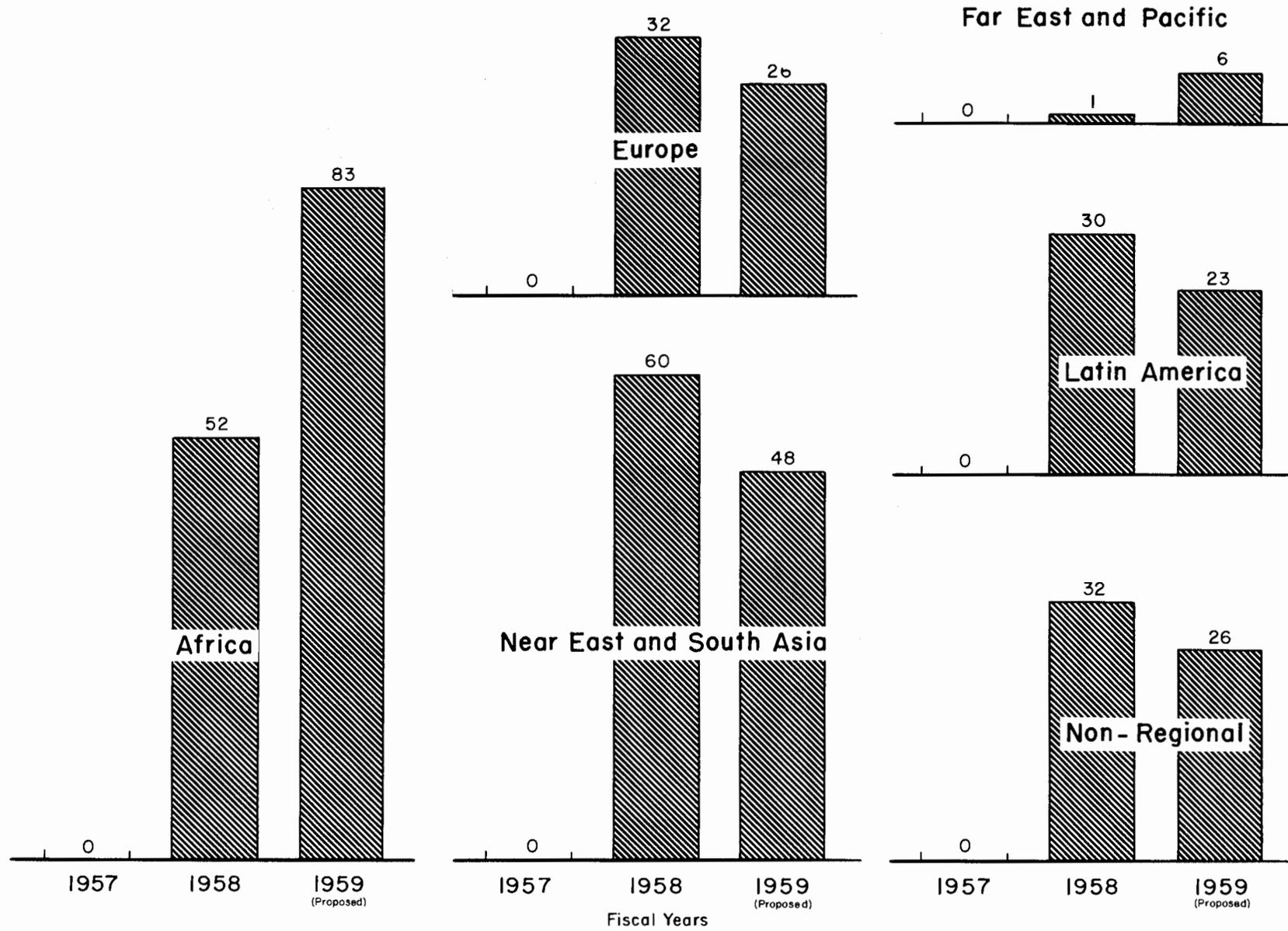
- (1) to develop or maintain conditions of economic stability in support of U.S. foreign policy objectives in countries where U.S. support is essential to continuing a country's independence, territorial integrity, identification with the Free World or willingness and ability to resist subversion and pressure from the Soviet bloc. This purpose, among others, will be served by the proposed FY 1959 programs in Israel, Bolivia, Tunisia, Morocco and Jordan, all of which are threatened with major problems of economic instability which require external resources and budgetary aid.

- (2) to permit access to an operation of U.S. overseas bases in countries where we are not supplying military assistance in support of significant military forces. Examples of this in the proposed FY 1959 program are Iceland, Morocco, Libya and to a lesser extent Ethiopia.
- (3) to equip police or other internal security forces which are not under military control. Examples of this are the civil police programs in Latin America, Burma and Indonesia.
- (4) to provide developmental assistance where support of economic growth is determined to be in the U.S. interest but where for political or economic reasons such assistance would not qualify under the terms and conditions of the Development Loan Fund. Afghanistan, Nepal, Haiti, Somalia and the Sudan are instances of this for FY 1959.
- (5) to meet U.S. political, humanitarian, or other objectives which do not fall within the other categories of assistance and which are consistent with the classification of Special Assistance. The primary examples of this in FY 1959 are (a) a continuation of the world wide Malaria Eradication Program (in accordance with the provision of Section 420), (b) the European Technical Exchange Program, (c) a program in Latin America to provide training and civilian type equipment to military engineer units for the construction of useful public projects, (d) assistance to Berlin where the U.S. is still an occupying power, and (e) a program of economic assistance to Yugoslavia.

Each of these programs is comparatively small in the magnitude of funds requested. Yet each is an extremely vital element of our foreign policy toward the country or countries involved. Hence a reduction in the appropriation requested would result in serious damage to the accomplishment of U.S. foreign policy objectives.

# SPECIAL ASSISTANCE PROGRAM - BY REGION

( \$ Millions )



WORLD WIDE

SPECIAL ASSISTANCE

Summary of Project Assistance by Major Cost Components

(In thousands of dollars)

Program by Fiscal Year	Program by Major Cost Components							Number of People			
	Total Cost	U.S.		Contract Services	Supplies and Equipment	Contribu- tions to Coop. Services	Other Costs	Technicians		Participants (Programmed during Year)	
		Employed Tech- nicians	Partici- pants					U.S. Employed On Duty Close of Year	Contract On Duty Close of Year	Contract	Non- Contract
<u>U. S. Dollar Program</u>											
<u>Fiscal Year 1957</u>											
Europe											
Africa											
Near East and South Asia											
Far East											
Latin America											
<u>Fiscal Year 1958</u>	52,295	1,526	1,074	6,740	18,232	7,705	17,018	91	240		472
Europe	3,700	336	537	119	1,965		743	28	41		364
Africa	11,200	343		420	3,092	7,035	310	22	5		
Near East and South Asia	22,295	667	212	6,201	8,905	270	6,040	32	184		43
Far East	1,000				1,000						
Latin America	14,100	180	325		3,270	400	9,925	9	10		65
<u>Fiscal Year 1959</u>	52,400	1,358	1,108	6,326	26,582	12,579	4,447	72	276		445
Europe	3,700	350	494	146	2,305		405	26	30		321
Africa	21,200	386		1,380	6,980	12,154	300	19	25		
Near East and South Asia	13,000	372	34	3,400	7,877	25	1,292	17	221		8
Far East	6,000	50	80		5,870						16
Latin America	8,500	200	500	1,400	3,550	400	2,450	10			100

WORLD WIDE

SPECIAL ASSISTANCE

Summary of Mutual Security Project Assistance by Field of Activity

(In thousands of dollars)

Program by Fiscal Year	Total Cost	ACTIVITIES								
		Agriculture and Natural Resources	Industry and Mining	Transportation	Labor	Health and Sanitation	Education	Public Adminis- tration	Community Development, Soc. Welfare and Housing	General and Miscel- laneous
<u>U.S. Dollar Program</u>										
<u>Fiscal Year 1957</u>										
Europe										
Africa										
Near East and South Asia										
Far East										
Latin America										
<u>Fiscal Year 1958</u>	52,295	13,050	5,051	15,253	375	2,843	3,755	3,864	730	7,374
Europe	3,700	953	607	505	375		73	64	25	1,098
Africa	11,200	3,555	1,880	2,010		1,430	1,050	800	200	275
Near East and South Asia	22,295	3,242	2,564	6,638		113	2,232	1,000	505	6,001
Far East	1,000							1,000		
Latin America	14,100	5,300		6,100		1,300	400	1,000		
<u>Fiscal Year 1959</u>	52,400	10,696	4,393	13,173	372	1,855	6,225	8,848	200	6,638
Europe	3,700	1,176	612	299	372	105	100	148	50	838
Africa	21,200	6,180	2,820	5,000		1,150	3,525	600	150	1,775
Near East and South Asia	13,000	1,550	801	4,374			2,500	500		3,275
Far East	6,000							6,000		
Latin America	8,500	1,790	160	3,500		600	100	1,600		750

WORLD WIDE

## ECONOMIC ASSISTANCE

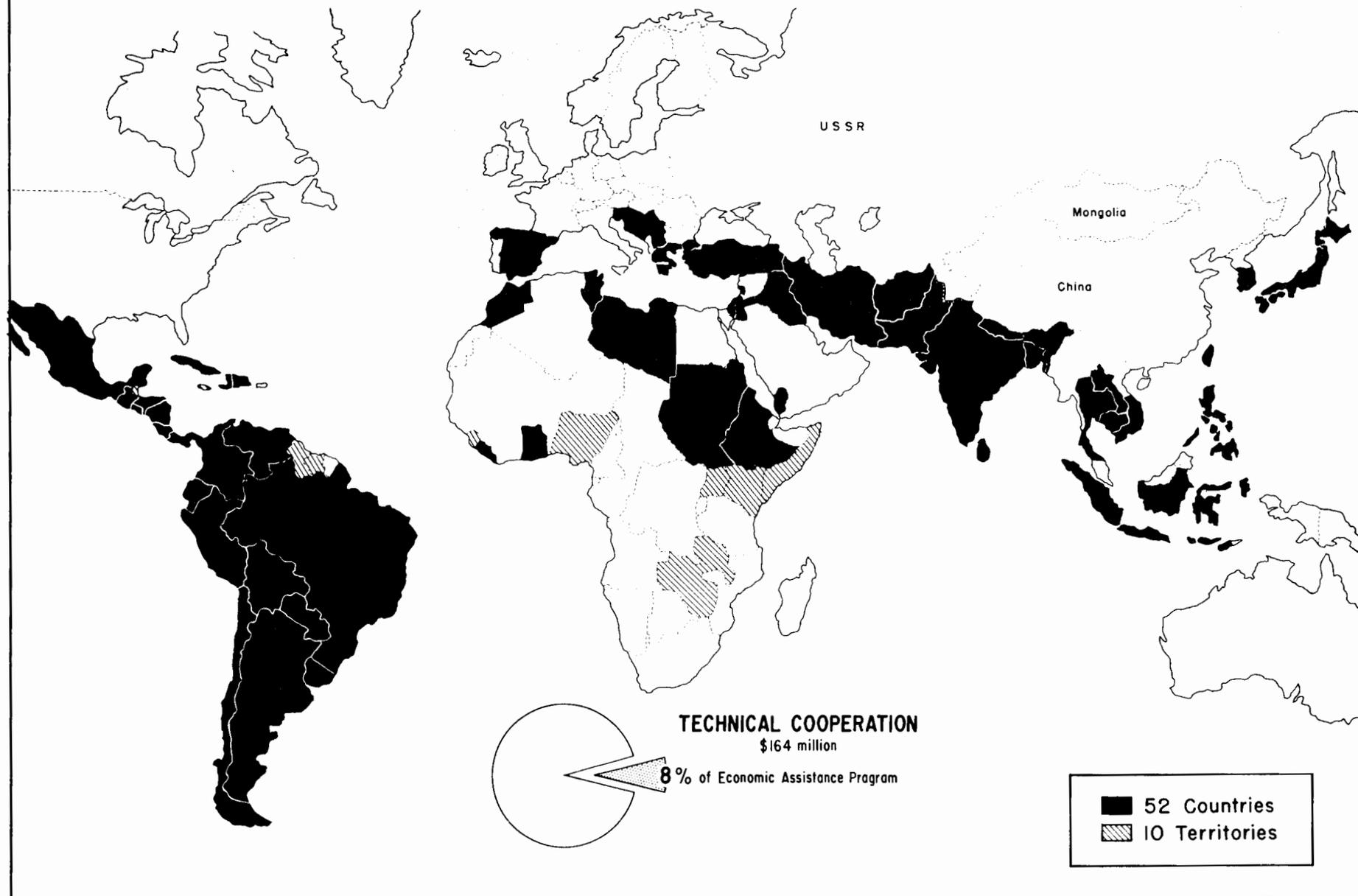
## COMPOSITION OF NON-PROJECT ASSISTANCE - SPECIAL ASSISTANCE

(In thousands of dollars)

Commodities and Other	Actual	P R O G R A M	
	FY 1957	Estimate FY 1958	Proposed FY 1959
<u>Agricultural Commodities Total</u>		45,570	45,585
Surplus		37,170	27,300
Other		8,400	18,285
<u>Industrial Commodities Total</u>		40,750	53,415
Raw Materials and Fuels		15,100	29,425
Machinery and Equipment		19,750	16,540
Other Industrial Commodities		5,900	7,450
<u>Cash Transactions</u>		36,500	34,000
<u>Other</u>		32,248 <sup>a/</sup>	26,600 <sup>a/</sup>
 Total Non-Project Assistance		 155,068	 159,600

a/ Includes Malaria Eradication Expenses undistributed by country.

# TECHNICAL COOPERATION PROPOSED PROGRAMS, FY 1959



WORLD WIDE

TECHNICAL COOPERATION

Summary of Program by Area and Country

(In thousands of dollars)

Area and Country	Program		
	Actual FY 1957	Estimate FY 1958	Proposed FY 1959
<u>TOTAL - ALL TECHNICAL COOPERATION PROGRAMS</u>	<u>146,185</u>	<u>145,800</u>	<u>163,500</u>
<u>EUROPE - TOTAL</u>	<u>2,492</u>	<u>2,850</u>	<u>2,900</u>
Spain	1,000	1,100	1,100
Yugoslavia	1,492	1,750	1,800
<u>AFRICA - TOTAL</u>	<u>9,305</u>	<u>10,350</u>	<u>14,450</u>
Ethiopia	3,000	3,000	4,000
Ghana	360	500	1,200
Liberia	1,716	2,000	2,000
Libya	2,700	2,400	2,400
Morocco	67	600	1,000
Somalia	387	250	350
Tunisia	489	1,000	1,500
Overseas Territories	586	600	1,200
Regional and Undistributed	-	-	800
<u>NEAR EAST AND SOUTH ASIA - TOTAL</u>	<u>40,075</u>	<u>37,550</u>	<u>41,650</u>
Afghanistan	2,984	2,850	3,000
Ceylon	1,083	1,400	1,550
Egypt	686	-	-
Greece	745	700	750
India	6,222	6,300	7,300
Iran	6,557	5,000	6,000
Iraq	2,267	2,200	2,500
Israel	1,847	1,500	1,600
Jordan	1,200	1,750	1,750
Lebanon	2,100	1,650	1,750
Nepal	1,258	1,190	1,250
Pakistan	5,989	5,800	5,900
Sudan	-	-	1,100
Turkey	3,346	4,500	4,500
Yemen	-	-	450
Regional and Undistributed	3,791	2,710	2,250

(Continued on next page)

WORLD WIDE

TECHNICAL COOPERATION

Summary of Program by Area and Country

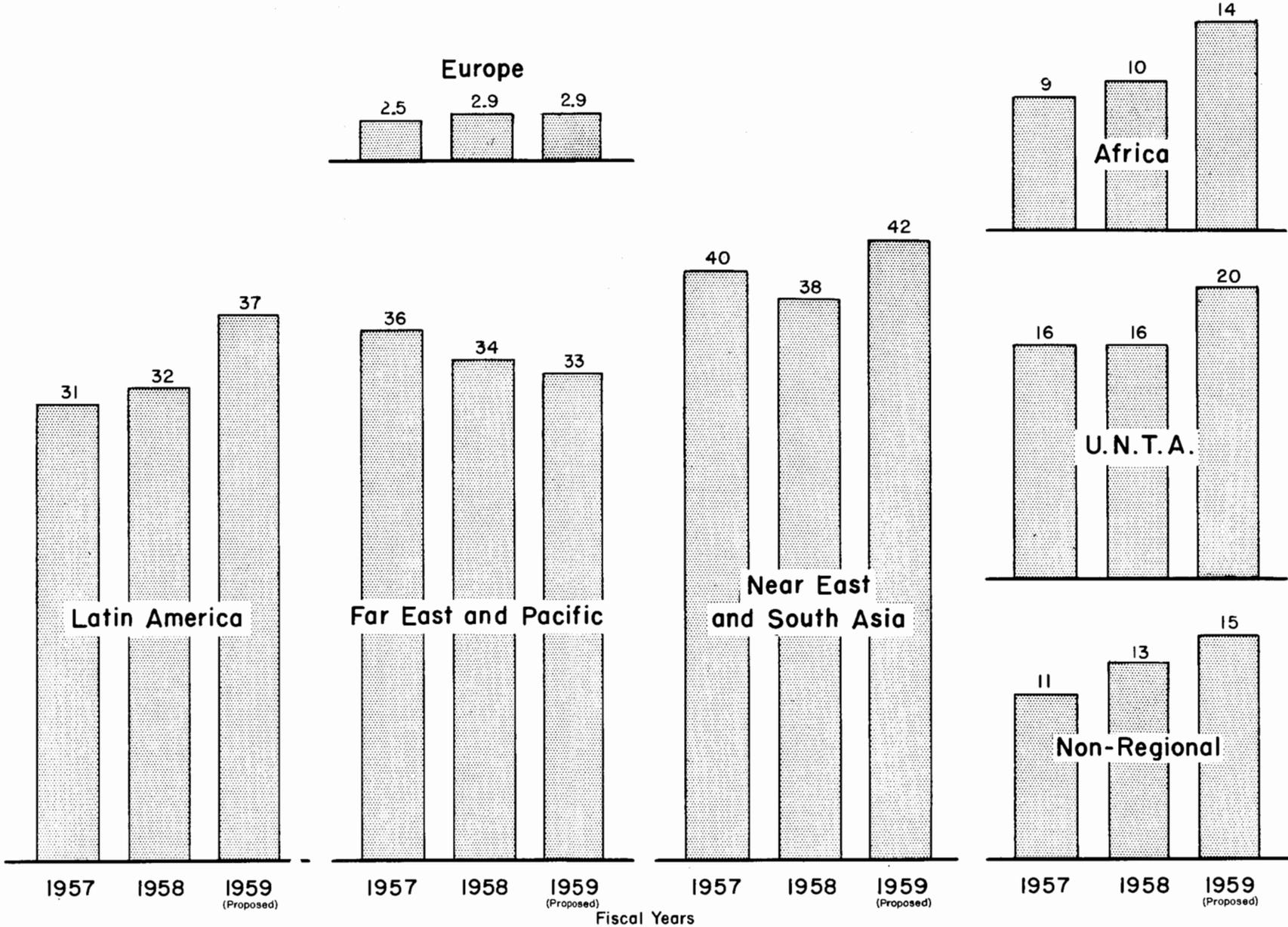
(In thousands of dollars)

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

Area and Country	Actual FY 1957	Program	
		Estimate FY 1958	Proposed FY 1959
<b><u>FAR EAST - TOTAL</u></b>	36,198	33,750	33,000
Cambodia	1,981	2,000	2,200
China (Taiwan)	3,749	3,000	2,500
Indonesia	7,000	6,000	6,000
Japan	2,297	2,500	2,500
Korea	5,482	5,600	5,800
Laos	1,484	1,700	1,800
Philippines	4,995	4,000	3,000
Thailand	4,500	4,000	4,200
Viet Nam	4,444	4,200	4,500
Regional and Undistributed	266	750	500
<b><u>LATIN AMERICA - TOTAL</u></b>	31,229	32,300	36,500
Argentina	-	350	800
Bolivia	3,289	3,100	3,000
Brazil	4,512	4,700	5,000
Chile	2,456	2,500	2,750
Colombia	1,156	1,290	1,700
Costa Rica	994	1,050	1,150
Cuba	569	570	585
Dominican Republic	156	190	210
Ecuador	1,809	1,880	1,900
El Salvador	1,069	1,000	1,100
Guatemala	2,238	2,400	2,675
Haiti	1,116	1,300	1,650
Honduras	1,324	1,350	1,550
Mexico	888	680	700
Nicaragua	681	900	1,000
Panama	1,023	1,170	1,300
Paraguay	1,530	1,480	1,500
Peru	2,594	2,850	2,900
Uruguay	254	200	200
Venezuela	135	170	190
Overseas Territories	629	770	1,050
Regional and Undistributed	1,307	1,400	2,090
Organization of American States	1,500	1,500	1,500
Deduct: Amount financed from prior year funds	-	-500	-
<b><u>NON-REGIONAL PROGRAMS - TOTAL</u></b>	26,886	29,000	35,000
UNTA	15,500	15,500	20,000
Interregional Expenses	11,386	13,500	15,000

# TECHNICAL COOPERATION PROGRAM - BY REGION

( \$ Millions )



The authorization and appropriation is requested of \$142,000,000 under Section 304 for the bilateral Technical Cooperation Program and of \$21.5 under Section 306 for the multilateral programs in FY 1959.

Technical Cooperation is a program for the sharing of knowledge, experience, techniques, and skills with peoples of less developed areas for the purpose of helping them to further their economic development and to increase their standards of living. Its objective is to help the peoples of these countries to help themselves by applying up-to-date methods to their economic and related social and governmental problems.

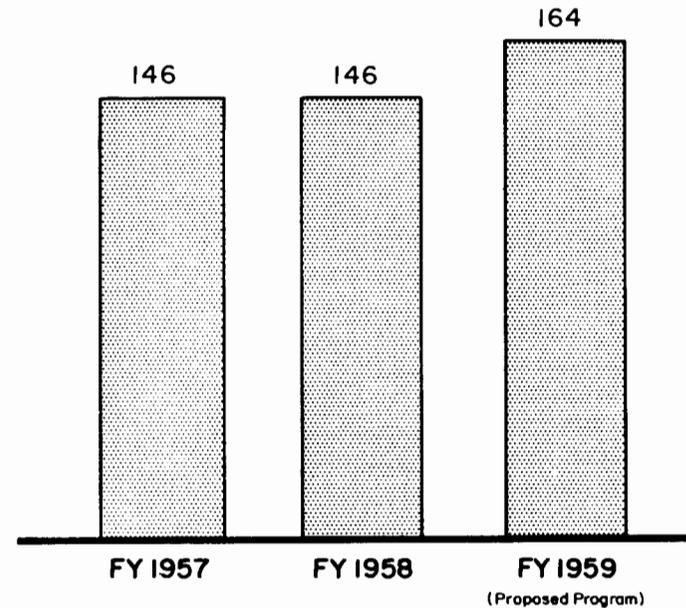
The purpose of any technical cooperation project is to transmit know-how and to help to achieve the application of this know-how to the problems of the country concerned. Know-how can be transmitted only through and to people. Therefore, people are the main focus of the Technical Cooperation Program. It involves commodities and equipment and other physical objects only as they may be required to demonstrate some new techniques, or to assist in the creation or improvement of some local educational or other institution to provide a framework for a continuing transmission of knowledge.

**Benefits to the United States:** Technical Cooperation Programs lead to increasing economic strength, increasing social stability, increasing human welfare, increasing awareness of democratic ways of life, and increasing friendship for the United States in the Free World countries in which they are carried on. Thus they serve both the basic interests of the cooperating countries and, in varying degrees, all of the primary foreign policy interests of the United States; our political interest in having stable, friendly and democratically inclined neighbors in the world community; our strategic interest in having the nations of the Free World strong, free and proud in their freedom so as to discourage and, if necessary, to resist internal or external aggression; and our moral interest in helping less fortunate peoples to improve their lot.

These mutual interest of the United States and the cooperating countries in the Technical Cooperation program long preceded the recent Soviet efforts at economic penetration by similar means. They would continue if these efforts should cease tomorrow. Yet the large scale Soviet drive in this field makes it particularly important that the U.S. not falter in this type of program which we introduced.

## TECHNICAL COOPERATION THE PROGRAM FY 1957 - 59

(\$ Millions)



Dimensions of the FY 1959 Program: The proposed FY 1959 ICA Technical Cooperation Program is designed to provide the continuity and the resources to carry on this program effectively.

The program as presented calls for total funds of \$163,500,000 of which \$142,000,000 will be used to finance the U.S. bilateral Technical Cooperation programs. The remainder will be used to finance U.S. contributions to the costs of multilateral Technical Cooperation programs operating under the auspices of the UN in the amount of \$20,000,000 and of the Organization of American States in the amount of \$1,500,000. These overall funds compare with a total of \$128,800,000 for the bilateral program and \$17,000,000 for the multilateral program available in FY 1958, and \$129,185,000 and \$17,000,000 respectively which were obligated for such programs in FY 1957.

Thus the program provided for in FY 1959 is somewhat larger than the current program. It will provide ICA assistance to technical cooperation activities in some 60 countries and dependent territories in FY 1959, as compared with 58 in FY 1958.

The question of the "right" size of the Technical Cooperation program is a complex one. Measured in terms of the needs of the less developed countries for this kind of assistance the program is far too small. Anyone who has traveled through any of these countries will have had the experience of encountering literally thousands of situations in which it is obvious that a small transfusion of modern "know-how" would work miracles in relieving drudgery, increasing production and enhancing human welfare.

The Concept of Technical Cooperation: Some years ago a distinguished leader of a new and promising, but very underdeveloped country gave a classic explanation of the basic idea of international technical cooperation. He wrote:

In an infant country like ours, we must much depend for improvement on the science of other countries, longer established, possessing better means, and more advanced than we are. To prohibit us from the benefit of foreign light is to consign us to long darkness.

and added:

Science is more important in a republic than in any other government.

The name of this leader was Thomas Jefferson. The date was 1820.

#### Technical Cooperation and Mutual Security

"The Technical Cooperation Program is one of the most valuable elements of our entire mutual security effort..."  
President Eisenhower.

On the other hand, there are hard limitations on the rate at which technical cooperation can be effectively supplied. It is not a commodity which can be ordered up by the boatload to fill a measured need. The rate at which it can be effectively applied is limited both by the ability and willingness of the U.S. to provide the skilled personnel to carry it out and of the various cooperating countries to absorb and make good use of it.

Recruitment of technically trained personnel ready to serve overseas is a limiting factor. Recent major improvements in the ICA personnel system have reduced turnover rates and facilitated recruitment. At the same time, in each cooperating country, there is a long term cycle in which early limited technical cooperation activities act to increase the desire and ability of the country to utilize larger amounts of technical assistance. Then, at a later stage in each field in each country, the need contracts again as local personnel become able to carry out the new methods with progressively less outside assistance.

Overall the program is still in the stage of improvement and some expansion. The limitation of FY 1958 funds to the obligation rate of FY 1957 jeopardized this orderly progress. To live within this figure it was necessary to terminate some projects earlier than was felt to be desirable in terms of being sure the new methods involved had taken root. And the necessity of instituting some new programs with additional countries during the year meant further reductions in other continuing programs. Again, it was impossible to initiate other activities which had been requested by cooperating countries and for which appropriate staff could have been made available, and desirable forward funding of U.S. university contract projects had to be curtailed.

The New Challenge: Late in 1957, the leader of a powerful nation said:

We declare a war...We will win over the United States. The threat to the U.S. is not the ICBM, but in the field of peaceful production. We are relentless in this, and it will prove the superiority of our system. ...

This leader's name was Khrushchev.

When it was issued, this challenge was already reflected in a rapidly growing Soviet effort in the field of technical cooperation as well as other forms of economic assistance. When a U.S. survey team visited a recently independent country a few months ago to discuss the possibility of a Technical Cooperation program, it found that local Communist propagandists had stimulated widespread demonstrations and wall signs saying, among other things, "Point Four Means War". Simultaneously, the government of the country had received an open-ended, no-strings-attached, offer from the local Soviet embassy to supply any technicians they needed and as many as they needed, for any purpose, on ten days' notice! Altogether it is estimated that more than 2,000 Soviet technicians are at work outside the bloc itself. Well over 2,000 people from the less developed countries of the Free World were brought to the Soviet Union or other bloc nations on observation or training programs in 1957.

The FY 1959 program here presented has been designed to make up for some of these shortfalls in the FY 1958 program and to permit a resumption of the gradual growth of the program in the world as a whole.

#### The Methods of Technical Cooperation

All technical cooperation activities are organized in the form of jointly agreed projects. Such projects vary widely in size, complexity and duration. They may involve simply sending one or a few people from a country to the U.S. for a few months, to observe advanced methods in their particular field of interest, or they may involve a long-term, complex group of activities designed to achieve a major objective such as the development and staffing of an agricultural extension service.

#### The FY 1959 Proposals Compared With FY 1958

**Europe and Africa:** The FY 1959 request for technical cooperation for the Africa/Europe region is \$4.15 million higher than programmed for FY 1958, rising from \$13.2 million to \$17.35 million. All of the increase, except \$50,000, relates to the African portion of the program. The increased African requirement results from (1) the newness of the programs in Morocco, Tunisia, and Ghana, which have recently been initiated and will not be in full operation until the end of the current year or, in some cases, until FY 1959 and therefore will need more funds than in FY 1958; (2) initiating a program of regional projects in FY 1959; and (3) the expansion, in an evolutionary way, of programs in Ethiopia, the Overseas Territories and, to a minor extent, Somalia.

**Near East and South Asia:** \$41,650,000 of technical cooperation funds are proposed for this vital area for FY 1959 as compared with \$37,550,000 expected to be obligated in FY 1958. This will provide for programs in 14 countries in this part of the world. **About 40% of the additional funds requested will be required for planned new Technical Cooperation programs in two countries - Yemen and the Sudan.** The balance represents increased requirements in countries where programs are continuing. In part these funds will be used to restore forward funding to U.S. university contracts which had to be drawn down to make it possible to continue effective operations in FY 1958. The remainder will be used to finance a slight excess of new or expanded projects over projects being completed.

**Far East:** The FY 1959 illustrative program for technical cooperation funds in the Far East is \$33,000,000 as compared to anticipated obligations of \$33,750,000 for this area in FY 1958. This reduction of \$750,000 is more than accounted for by the anticipated \$1,000,000 reduction in the program in the Philippines where past progress in fields under primary attention permits at least a temporary phase-down in the level of technical assistance. In the case of other countries there are relatively minor, and largely offsetting, increases and decreases, reflecting generally a projection of going programs at about current levels.

**Latin America:** Funds requested for the FY 1959 Technical Cooperation program in Latin America remain at the same level as those requested in the Presentation for FY 1958. However, based on funds currently available in FY 1958, they represent an increase of \$4.2 million (about 13.6%). These increases will be devoted principally to: (1) Extension of an agricultural training contract with the Inter-American Institute of Agricultural Sciences and extension of a number of college contracts in several of the countries; (2) Inauguration of two new college contracts in Brazil to assist in developing and strengthening educational institutions there; (3) Assignment of 15 additional U.S. technicians to the program as previously planned; (4) A 10% increase in the number of participants trained and some lengthening of the training period; and (5) A slight increase in contributions to the joint servicios.

Thus, in terms of the ways in which the requested bilateral funds will be used:

\$49.1 million or 34.5% of the proposed FY 1959 program are expected to be used to supply some 3,445 ICA-employed U.S. and, in some cases, third country technicians in various fields to work in the less developed countries.

Next, some \$23.4 million or 16.3% of the total will be used to finance the training of 7,312 foreign technicians in the U.S. or third country training locations. Under ICA policies, the training of foreign technicians is only financed when the individuals concerned are directly participating in some ICA-assisted program. They are therefore known as "participants".

The third element in the Technical Cooperation program is contract services which account for \$28.1 million or 19.5% of the proposed FY 1959 program. This is the means by which ICA taps the broad range of talents of U.S. universities, business firms, and voluntary agencies, to bring them into the work of technical cooperation.

Next, some \$10.8 million or 8.0% of the total will be utilized for demonstration supplies and equipment.

A further element in the Technical Cooperation program involves U.S. contributions to joint funds which support cooperative services in various countries. A total of \$8.3 million or 5.8% is expected to be used in this manner. This type of arrangement is utilized particularly in Latin America, where the "servicio" is the normal mechanism through which Technical Cooperation programs are carried out. The cooperating governments contribute substantially to these servicio funds and the servicio employs local personnel, and establishes, equips and operates demonstration projects and services.

The remaining \$22.3 million or 15.7% of the bilateral funds requested will be utilized for other costs. These cover costs of employment of local personnel to assist U.S. technicians and costs of local facilities and supplies used in Technical Cooperation programs in cases where these are not provided by the cooperating government. This category also includes funds which are undistributed by region or country, which are utilized to provide supporting services for training and technician activities in ICA, Washington, and other U.S. government and private agencies.

#### The Fields of Technical Cooperation

In its earliest operations in Latin America and elsewhere, the Technical Cooperation Program concentrated all of its resources on three basic fields - agriculture, health and education. These activities are still the largest and most fundamental elements in the program. However, as the interests of the cooperating countries broaden, the fields of action of the Technical Cooperation program have broadened correspondingly. Thus in many countries industrialization is thought of as being almost synonymous with economic development. These countries are, therefore, anxious to

have assistance in industrial and mining projects. Public administration is another and growing element in the program as countries find their development efforts frustrated by lack of trained personnel in their various public services. Transportation activities are also fundamental and labor, community development, social welfare and housing are playing an increasingly significant role in the program. The percentage distribution of proposed technical cooperation funds among these activities in FY 1959, as compared with expected levels in FY 1958 and actual obligations in FY 1957, are as follows:

	Actual	Estimated	
	FY 1957	FY 1958	FY 1959
Agriculture	21.8	23.0	22.8
Health	9.8	9.3	9.1
Education	16.6	14.4	16.0
Industrial Resources	10.7	10.9	11.0
Public Administration	7.9	7.3	7.4
Transportation	5.5	5.7	5.2
Labor	1.6	1.9	2.0
Community Development, Social Welfare and Housing	2.2	2.2	2.1
General	23.9	25.3	24.4
<b>TOTAL</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

Relationships with Other Programs: The ICA Technical Cooperation Program here described is a large-scale and many-faceted activity. However, in itself, it is and can be only a part of the much larger whole which is the totality of Free World technical and economic assistance to the newly developing countries. It supplements and is supplemented by other ICA programs; non-ICA U.S. government programs; non-governmental activities of U.S. private institutions, organizations and business firms. Beyond these are the bilateral public programs of other Free World countries and multilateral programs under the auspices of the Colombo Plan, the Organization of American States and the United Nations. It is essential to maintain this perspective on the limited role of the ICA Technical Cooperation Program in measuring the relative strength of the Free World effort in this sphere compared to the recent Soviet activities. This is because the "official" Soviet program represents the sum of the activities of the entire Soviet bloc and of all of the elements of the economies of these countries. In this situation, it becomes increasingly important to take all possible steps to stimulate the expansion of the activities of non-governmental agencies in the U.S. and of other Free World countries in this area.

It should be noted that the proposed Mutual Security Program for FY 1959 calls for a somewhat increased U.S. contribution to United Nations technical assistance activities. (See separate chapter in Non-Regional Presentation volume.) At the proposed level of activity this does not, however, reduce the minimum requirement for bilateral U.S. technical assistance. Experience has shown that bilateral and UN technical assistance work well together, without overlap or duplication, in complementary fields of activity. The limitations on multilateral programs and the frequent advantages of U.S. bilateral programs continuity, mutual support with other forms of economic assistance in many countries, forward planning, closer identity with U.S. objectives, etc. indicate the need for continued and increased bilateral U.S. programs.

#### Technical Cooperation in Action

It is impossible to summarize in a brief space the vast complex of constructive activity which the Technical Cooperation program has instituted around the world. Perhaps the best way to get a summary three-dimensional picture is to take a few current projects and describe them briefly in terms of their contribution to the economic development and democratic orientation of the countries concerned.

1. Livestock Improvement in Iran: Into Iran, a little over six years ago, the Mutual Security Program imported the first Brown Swiss cattle. Today, through an ICA-assisted dairy cattle insemination project, more than 80,000 native cattle have been bred and 20,000 crossbreed cows are producing milk at three times the rate of the native cows. Similar success has been achieved in the breeding of chickens from imported U.S. poultry. Such progress has improved the diets for thousands of Iranians with more milk, eggs, and meat. Output of livestock likewise has been increased by vaccination of some 24 million animals by 2,000 Iranian agents newly-trained in animal vaccination. The most spectacular increase in livestock numbers has been in mules which now total 135,000 compared to very few when the ICA program began. These mules are used by the strengthened Iranian army and many farmers. In addition, crossbreeding of Iranian sheep with imported Rambouillet breeds now produces finer wool for Iran's important rug industry and for wool cloth.

2. Rural Reconstruction in Taiwan: Included in the FY 1959 program is some \$890,000 to cover the U.S. contribution to the cost of the highly successful joint Commission on Rural Reconstruction in Taiwan. This U.S. contribution will go to supplement local currency funds of \$14,500,000 equivalent which will come from counterpart funds. This, in turn, will be matched or exceeded by

direct contributions from the local sponsors of various individual projects carried out under JCRR auspices. During the eight years of its existence the JCRR has helped to finance over 2,200 rural reconstruction projects ranging from farmer organization activities to rural health to livestock and crop improvement and water use and control. A significant indicator of the results of its work is the fact that agricultural production on the island of Taiwan as a whole has increased by over 40% since 1950. All projects are undertaken in response to the initiative of local groups. It is estimated that about 90% of the rural population of Taiwan have received benefits which they identify with the JCRR program. In FY 1959 particular emphasis will be given to rural credit activities which are of particular importance to the economic welfare of farmers.

3. Agricultural Extension in Peru: The Agricultural Extension Service in Peru, one of the oldest and most successful in Latin America, is one of the major projects carried out by the Agricultural Servicio in that country. It involves the development and operation of a demonstration country-wide Agricultural Extension Service, including home economics and youth club work. During recent years the service has been changing the character of its operations. The Peruvian Ministry of Agriculture has been taking over offices in the relatively highly developed coastal areas of Peru, thus permitting the Servicio to expand in the more backward and relatively underdeveloped areas of the high sierra and jungle. At the same time, youth clubs and home economics activities have been increased particularly in the new areas of operation. The gradual transfer of extension offices to the Ministry of Agriculture is the first phase of a plan to transfer, within the next two years, all extension activities to the Ministry of Agriculture or other Peruvian Governmental entity to be established by legislation.

During 1959, training activities, both "in-service" and outside Peru, will be expanded. A National Youth Club Foundation, to be supported by business and commercial entities in Peru in support of youth club activities, has been formed.

4. Land Grant Colleges in India: In FY 1959 technical cooperation funds will be utilized to further finance ICA contracts in India to be carried out by the University of Illinois, Ohio State College, the University of Missouri, Kansas State College and the University of Tennessee. Each of these American land grant colleges is working with sister institutions in a particular region in India to help them develop a modern program in agricultural research, education and extension. From these centers will come, over the years, the continuous flow of knowledge of improved

agricultural techniques which is essential if India is to meet its rapidly growing needs for food, without continual large-scale outside financial assistance.

5. Industrial Management and Technical Education in Chile: The industrial technical assistance program in Chile is carried on through the jointly sponsored Servicio de Cooperación Técnica Industrial. In 1953, to demonstrate the techniques of modern industrial management, the Servicio undertook to completely reorganize the bicycle department of the sprawling CIC plant in Santiago. This demonstration was to show Chilean industrialists the application of modern industrial planning, production and operation techniques. The installation was completed and in effect after 18 months of work involving American technicians and their young Chilean trainee counterparts.

A young worker in the final assembly room summed up the situation by saying:

Before, I never knew from one payday to the next how much I would take home. Now it's different. I make almost twice as much, and I know pretty well how much I'll make from month to month. Ever since I started here I have been paid on a piece work basis. Some months we would hardly finish 250 bicycles, others we would finish three times as many. Now bikes are rolling off steadily, more than 1,000 every month.

A related project in Chile is linked to an \$850,000 Smathers fund loan which has been made to the Council of Rectors of the seven universities of Chile. The technical cooperation project will provide the Council with effective technical advice so that the loan is wisely and productively used - and, even more important, so that the entire concept of teaching technical subjects in Chilean universities reflects the most up-to-date and effectively proven concepts in this new and demanding field. Technical assistance for this project is being provided through the use of contract services of 14 short-term technical consultants over a three-year period. In addition, it is proposed that \$52,000 be provided during FY 1959 for the advanced training of professors and students in the United States.

6. Management Education in Israel: FY 1959 technical cooperation funds will be used to finance a contract under which New York University will assist Israel to develop its own educational institutions in the fields of business administration and industrial management. Assistance will also be provided to other organizations in designing executive development programs. Israel's

ultimate viability is, to a large extent, dependent on its ability to develop a strong industry capable of supplying domestic requirements and meeting competition in world export markets. Improvement in the quality of business management is a key factor in meeting this need.

7. Industrial Productivity in the Philippines: In another field, some \$454,000 of technical cooperation funds will be used to finance the U.S. contribution to an industrial productivity program in the Philippines. This program has already shown significant results. Actual productivity has been increased in over 200 small and medium sized industrial plants and these increases alone account for increased production which results in foreign exchange savings or earnings of over \$50,000,000 a year, thus helping the Philippines to demonstrate the progress which is possible within a free democratic economic system. The FY 1959 technical cooperation funds will cover the cost of seven directly-employed ICA technicians and two contract technicians in this field, and the bringing of some 61 Filipino participants to the United States for training and observation. Particular emphasis in FY 1959 will be put on the bringing of mixed teams representing management, technicians and labor to observe modern industrial and management methods in corresponding industries in the United States.

8. Philippines Labor Program: When the labor program was instituted in 1951, labor conditions in the Philippines were such as to constitute a major threat to the economic and political security of the country. The infant trade union movement, operating under severe legislative restrictions, was described as being "confused, haphazard and chaotic". The Communist-dominated Hukbalshap movement had the support of many left-wing trade union leaders who joined with the dissidents in the campaign against the Government. Real wages were generally lower than the inadequate prewar level. Protective labor legislation, where it existed, was obsolete and largely unenforced by an undermanned, badly organized and generally inefficient Department of Labor.

Although much remains to be done, the economic and social gains achieved during the past six years have been many. The Minimum Wage Law, together with other labor legislation, has resulted in an improvement in living and working standards. The notable increases in the use of collective bargaining techniques and the peaceful settlement of disputes, have contributed greatly to improved labor management relations so essential to economic growth. The exposure of Philippine trade unionists and Government personnel to American democratic institutions has been instrumental in advancing democratic practices and procedures in the Philippines.

## WORLD WIDE

## TECHNICAL COOPERATION

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

The trade union movement which has grown under the favorable climate created by the Industrial Peace Act to an estimated membership of 750,000 is free from Communist subversion and propaganda and is oriented to the free and democratic world trade union movement.

9. Road Program in Turkey: Beginning in 1957, the U.S. has conducted a cooperative road program with Turkey, using technical and economic assistance in combination. As a result of this program, the total road mileage in Turkey has increased from 9,000 miles to approximately 17,000 miles. This includes a national highway system which improves Turkey's capacity for national defense; and a farm-to-market system that connects with the national roads, thereby opening vast numbers of villages, especially in Eastern Turkey, for integration into the trade and national life of Turkey. Thus, this road development program will strengthen the economic, political and military position of Turkey.

The ICA road program was carried out by experts from the U.S. Bureau of Public Roads, who worked closely with the Turkish Directorate of Highways. To date, a total of 2,800 Turkish personnel employed by the Turkish Directorate of Highways have received on-the-job training, and almost 100 Turkish engineers and management personnel have received training in the United States. The Directorate of Highways has reached a high level of efficiency, both in the maintenance and planning of highways. Personnel are beginning to come from other countries -- to date, from Ethiopia and Iran -- to receive training at the Turkish Directorate of Highways.

The Turkish road program is now in its final stages and U.S. financing can soon be terminated. All U.S. highway personnel are expected to leave Turkey by the end of 1958.

10. Public Procurement and Supply Management - World-wide: Six workshops (three in Spanish) for training foreign participants in procurement and supply management have been conducted since 1956. One hundred and sixteen participants have come from 29 countries. The workshops focus on improving techniques, ranging from simplifying paper work and procedures to improving storage methods and inventory control. Over 40 key U.S. executives in business, industry and government have cooperated in this program.

11. Rural Schools in Iran: "If that is democracy, I want my people to know more about it." These are the words of Sheik Saied, a tribal chieftain in Southern Iran.

Sheik Saied was referring to the work of an ICA Education Advisor from Grundy County, Missouri, who had shown the chieftain and his tribes how to build a school and a community center by working cooperatively. He had also shown the tribal leader that the U.S. is sincerely interested in his tribal people by assisting the Ministry of Education in the training of 2,300 teachers for tribal village schools in Khazistan.

12. Vocational Education in Ghana: A new project expected to make a substantial contribution to one of Ghana's major problems is the \$350,000 vocational education project proposed for FY 1959. There is a great need for skilled workers in this new nation. However, the present school system operates primarily to prepare people for white collar jobs. This project will help to provide the missing kind of training.

Revised February 27, 1958

WORLD WIDE

BILATERAL TECHNICAL COOPERATION

(Excludes Proposed Contributions to UNTA and OAS)

Summary of Project Assistance by Major Cost Components

(In thousands of dollars)

Program by Fiscal Year	Program by Major Cost Components							Number of People			
	Total Cost	U.S.		Contract Services	Supplies and Equipment	Contributions to Coop. Services	Other Costs	Technicians		Participants (Programmed during Year)	
		Employed Tech-nicians	Partici-pants					U.S. Employed On Duty Close of Year	Contract On Duty Close of Year	Contract	Non-Contract
<u>U. S. Dollar Program</u>											
<u>Fiscal Year 1957</u>	129,185	37,041	21,643	26,947	18,117	8,110	17,327	2,798	903	936	6,564
Europe	2,492	258	1,730	263	183		58	20	16		413
Africa	9,305	3,457	555	2,129	1,217	947	1,000	262	73		153
Near East and South Asia	40,075	13,565	4,332	12,261	6,003	230	3,684	878	467	621	1,263
Far East	36,198	6,771	9,338	9,739	9,758		592	522	238	161	2,724
Latin America	29,729	10,828	5,688	2,555	956	6,933	2,769	785	109	154	2,011
Non-Regional Programs	11,386	2,162					9,224	331			
<u>Fiscal Year 1958</u>	128,800	45,168	22,186	22,120	11,884	7,925	19,517	3,356	1,360	1,009	6,798
Europe	2,850	522	1,605	631	14		78	32	29		857
Africa	10,350	4,618	789	2,075	791	1,118	959	370	174	2	185
Near East and South Asia	37,550	15,195	4,987	9,917	3,512	204	3,735	992	586	721	1,359
Far East	33,750	9,158	9,038	7,568	6,821		1,165	641	433	121	2,575
Latin America	30,800	12,840	5,767	1,929	746	6,603	2,915	868	138	165	1,822
Non-Regional Programs	13,500	2,835					10,665	453			
<u>Fiscal Year 1959</u>	142,000	49,114	23,444	28,083	10,751	8,304	22,304	3,445	1,304	1,007	7,312
Europe	2,900	759	1,339	667	14		121	36	25		823
Africa	14,450	6,310	1,522	3,169	1,024	1,068	1,357	418	229		425
Near East and South Asia	41,650	17,235	5,326	10,952	3,662	271	4,204	1,103	575	712	1,384
Far East	33,000	8,188	8,542	9,895	5,325		1,050	543	353	140	2,610
Latin America	35,000	13,447	6,715	3,400	726	6,965	3,747	883	122	155	2,070
Non-Regional Programs	15,000	3,175					11,825	462			

Revised February 27, 1958

WORLD WIDE

BILATERAL TECHNICAL COOPERATION

(Excludes Proposed Contributions to UNTA and OAS)

Summary of Mutual Security Project Assistance by Field of Activity

(In thousands of dollars)

Program by Fiscal Year	Total Cost	ACTIVITIES								General and Miscel- laneous
		Agriculture and Natural Resources	Industry and Mining	Transportation	Labor	Health and Sanitation	Education	Public Adminis- tration	Community Development, Soc. Welfare and Housing	
<u>U.S. Dollar Program</u>										
<u>Fiscal Year 1957</u>	129,185	28,442	13,950	7,233	2,102	12,875	21,656	10,303	2,879	29,745
Europe	2,492	782	916	336		23	55	94	46	240
Africa	9,305	3,216	315	385	28	1,226	2,160	662	56	1,257
Near East and South Asia	40,075	7,794	5,731	2,555	313	3,082	6,228	3,099	1,506	9,767
Far East	36,198	7,004	4,593	1,940	790	3,242	8,491	4,741	775	4,622
Latin America	29,729	9,646	2,395	2,017	971	5,302	4,722	1,707	496	2,473
Non-Regional Programs	11,386									11,386
<u>Fiscal Year 1958</u>	128,800	29,994	14,217	7,435	2,447	12,144	18,759	9,556	2,806	31,442
Europe	2,850	882	862	306		37	79	204	78	402
Africa	10,350	3,171	1,016	612	44	1,253	2,183	453	72	1,546
Near East and South Asia	37,550	8,469	5,723	2,796	606	2,638	5,548	2,215	1,199	8,356
Far East	33,750	7,193	4,435	1,541	733	3,071	5,752	4,932	817	5,276
Latin America	30,800	10,279	2,181	2,180	1,064	5,145	5,197	1,752	640	2,362
Non-Regional Programs	13,500									13,500
<u>Fiscal Year 1959</u>	142,000	32,818	15,762	7,410	2,845	13,025	22,937	10,678	3,006	33,519
Europe	2,900	757	1,081	262		75	115	215	40	355
Africa	14,450	4,787	1,474	892	153	1,363	3,110	624	142	1,905
Near East and South Asia	41,650	9,274	5,625	2,835	852	2,863	7,072	3,017	1,458	8,654
Far East	33,000	6,545	4,725	1,245	645	2,985	7,080	4,635	925	4,215
Latin America	35,000	11,455	2,857	2,176	1,195	5,739	5,560	2,187	441	3,390
Non-Regional Programs	15,000									15,000

WORLD WIDE

CONTINGENCY FUND

The authorization and appropriation of \$200 million under Section 401(b) is requested for FY 1959.

The Contingency Fund is a special fund, rather than a separate category of aid, from which to meet to the extent possible the particular requirements for assistance which must be met in FY 1959 but for which no specific provision can properly be made in the program proposed under the various regular categories of aid because the requirements are now unknown or contingent.

Explanation: A Special Presidential Fund was established by the Congress in FY 1956 and renewed in FY 1957 in order to meet emergency and other requirements unprogrammed at the time of presentation. In addition, a Section 201 Development Assistance Fund was available for meeting additional requirements of this nature in furtherance of maintaining political and economic stability in certain areas of the world. For FY 1958 the Executive Branch requested a new category of aid termed Special Assistance for meeting (a) programmed requirements in connection with maintaining political and economic stability and (b) contingency needs which might develop in the course of the year. \$300 million was requested and \$225 million appropriated for these two purposes. To clarify the two kinds of funding needs, it is proposed that a Contingency Fund to meet requirements for all types of assistance be established (comparable in some respects to the Special Presidential Fund for FY 1957) separately from special assistance which is justified under country or program sections and a general functional section elsewhere in the Presentation.

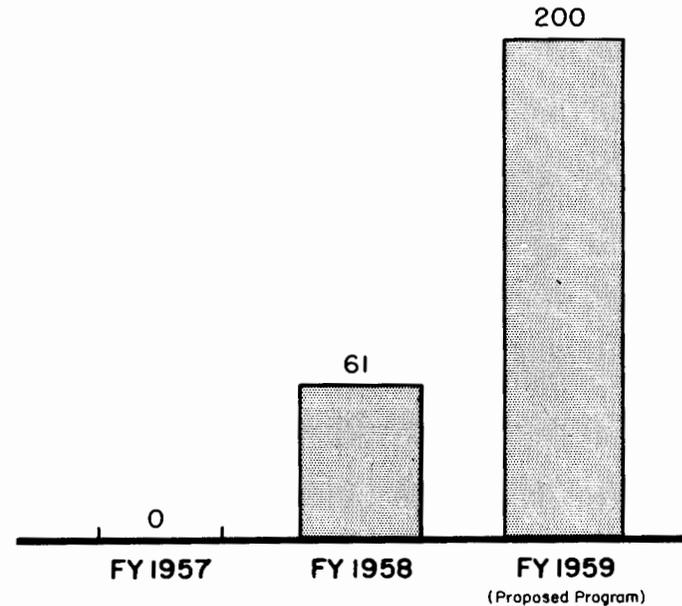
Justification: The \$200 million requested is intended to serve as a reserve from which to meet, at least in part, certain (1) presently identifiable contingent requirements which may hereafter become firm and (2) currently unforeseeable needs which develop during FY 1959, and for which, because they are now contingent or unforeseeable, no specific provision can be made in the regular programs.

The justification for these contingency funds rests on the proposition, amply supported by the experience which has been accumulated in operating the Mutual Security Program in the past years; that this program, if it is properly to fulfill its purpose, must be capable of meeting the most urgent of the large number of important requirements for Mutual Security assistance which must be met during a fiscal year, but which only become firm, or first develop, subsequent to the time of the Congressional Presentation.

## CONTINGENCY FUND

FY 1958 and 1959

( \$ Millions)



WORLD WIDECONTINGENCY FUND

Program (\$ in Thousands)	Program		
	<u>FY 1957</u>	<u>FY 1958</u>	<u>FY 1959</u>
Appropriation	100,000 <sup>a/</sup>	225,950 <sup>b/</sup>	200,000
Less:			
Funds distributed to Programs reflected under other items in this Presentation	-95,357	-165,153	
Unobligated balance no longer available	<u>-4,643</u>		
Undistributed Contingency Fund		60,797 <sup>c/</sup>	200,000

- a/ Represents Special Presidential Fund appropriated pursuant to Sec. 401(b). In addition, the unprogrammed part of the \$250 million of development assistance appropriated pursuant to Sec. 201 may be considered in part comparable to contingency funds.
- b/ Represents \$225 million for Special Assistance appropriated pursuant to Sec. 400(a), of which \$100.1 million was illustratively programmed in last year's Presentation, plus \$950 thousand reimbursement.
- c/ For potential uses, see narrative on page 78 81.

American foreign policy, and the Mutual Security Program as one of its primary instruments, must be responsive to continuously changing world conditions. Events of the past few years have demonstrated conclusively that one cannot foretell, and specifically prepare for, the many new situations which will develop in any succeeding 12 to 18 months' period and which, in terms of vital U.S. interests, will call for some form of Mutual Security assistance. Experience has also proved that the ability of the United States to react quickly to many of these situations, by extending prompt and adequate assistance, has been of considerable significance in terms of American security. A description of actual experience during FYs 1956, 1957 and 1958 brings this out most clearly.

Moreover, there is at least one special factor which makes it likely that the number of presently contingent and unforeseeable requirements which will have to be met in FY 1959 will be far

greater than our experience in preceding years might otherwise indicate as probable. The President in his State of the Union Message responded to the Soviet declaration of total cold war with a declaration of total peace, employing every asset at our disposal. There is need for a Mutual Security Program which can move rapidly and decisively to meet the Soviet challenge in various parts of the world. It is not possible to predict where the Soviet bloc efforts to penetrate a country's economy will next occur. It is therefore not possible fully to program in advance in all cases and particularly in areas where threats of Soviet penetration are directed. The Contingency Fund, together with the authority for the President to waive certain restrictions in a limited number of situations where this action will serve U.S. interests, will permit the U.S. to act promptly in cases which may be created by Soviet subversive efforts as well as by political or economic developments or natural disasters. This is true for instance in the general area of the Middle East where unsettled conditions continue to prevail and where requirements for Mutual Security assistance are even more unpredictable than elsewhere. Because of the uncertainties that have existed, only very limited programs have been specifically included for a number of important countries in the Middle East where, if the circumstances are propitious, some program or a larger program than is now planned would certainly be in furtherance of vital U.S. objectives in the area.

Past Experience: It has been necessary in past years to meet two basic types of requirements for which specific advance provision could not be made: (1) requirements which were contingent and (2) requirements which were unforeseen at the time of the Congressional Presentation.

1. Requirements Which Were Contingent at the Time of the Congressional Presentation

First, there are those requirements which are recognized as potential at the time the program for a succeeding fiscal year is developed but which, as of that time, are not sufficiently definite in terms of their necessity, size and nature to justify the inclusion of an identifiable allowance in the illustrative program presented to the Congress. At any given time, potential requirements of this kind will be substantial, and one can be sure, based on past experience, that some of them will subsequently become actual requirements demanding prompt action. It can be equally sure that others will never materialize. However, it is not possible to foretell into which of these two classes any one of the potential requirements will finally fall, nor, in most instances, the precise size or character any such requirement

WORLD WIDE

CONTINGENCY FUND

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might take. The best that can be done is to estimate the proportion of all contingent claims that may eventually require explicit recognition in the aid program as it is finally executed.

Experience in past fiscal years provides illustrations of this kind of situation.

Pakistan (1956): During the FY 1956 Congressional Presentation it was specifically indicated that, as a result of the continuing decline in the country's economic position and a growing expectation of a serious shortfall in resources required to support contemplated increases in the military forces, the \$63 million illustratively programmed for defense support for Pakistan might prove inadequate and that there was a contingent requirement of considerable magnitude. Subsequent events justified the concern then expressed and it became necessary to extend increased defense support and emergency relief assistance of a value of approximately \$35 million.

Haiti (1956): The FY 1956 Congressional Presentation assumed a Development Assistance Program in Haiti of approximately \$3 million, designed primarily to cope with the coffee crop failure resulting indirectly from Hurricane Hazel. Even before the Presentation was completed, it became apparent, and Executive Branch witnesses stated, that this amount would be insufficient to meet reconstruction needs. The program finally necessary was almost twice this amount.

Turkey (1956): Although, at the time the FY 1956 Congressional Presentation was prepared, it seemed likely that the growing financial crisis would necessitate a substantially larger amount of defense support assistance to Turkey in FY 1956, only \$50 million was specifically programmed because of the great uncertainty as to what sum, if any, above this level would be necessary. The aid level finally determined to be necessary was \$105 million or more than twice the level illustratively given.

Morocco (1957): At the time of the FY 1957 Presentation, it was stated that when Morocco became independent and negotiations of subsequent relationship between the Moroccan Government and France proceeded to a certain point, it was believed that U.S. interests would make it highly desirable to institute Technical Cooperation and Economic Assistance Programs. Since the timing of some of these developments could not be accurately forecast and since, pending some of these developments, discussions with Moroccan officials with respect to aid requirements would have been premature and inappropriate, it was felt to be impractical and unwise to project illustrative programs in the Presentation. As anticipated,

nonetheless, the desirability of instituting such programs did materialize, and a Development Assistance Program of \$20 million and a small Technical Cooperation Program were approved.

Morocco (1958): Although \$20 million was shown as the estimate of aid needed in FY 1958 to accomplish U.S. objectives of maintaining political and economic stability and base facilities in FY 1958, reference was made in the Presentation to the effect that this amount might have to be supplemented. Subsequent negotiations regarding U.S. base rights did in fact lead to a requirement for an increase from the \$20 million programmed to \$30 million which now constitutes the level of assistance being made available.

Tunisia (1957): In the case of Tunisia, the circumstances were almost identical with those described above with respect to Morocco. No illustrative program levels were given in the Presentation but the existence of contingent requirements, their timing, size and character dependent on the outcome of negotiations with France, was specifically noted. A Development Assistance Program of \$8 million and a Technical Cooperation Program of \$500,000 were initiated in the course of the year.

Tunisia (1958): Tunisia like Morocco was indicated in the Presentation last year as a country where uncertainty as to the level of future French assistance threw in doubt the adequacy of the \$5 million program of special assistance proposed for FY 1958. Relations between Tunisia and France have been dramatized by a series of crises. As more information has become available about the economic situation, it has become clear that Tunisia's needs are greater than expected and prospects for Development Loan financing less than expected. As a result the level of aid has been increased to \$10 million.

Poland (1958): The objective of U.S. policy continues to be to encourage the evolutionary forces of social change in Eastern Europe manifested by increasing resistance to Soviet domination and a desire for closer ties with the West. This objective has been realized to a greater extent in Poland than in the other European Soviet bloc nations, due primarily to the October 1956 changes in Polish leadership and the continuing pressures which have been, and are being, exerted on that leadership by the Polish people. Economic agreements under which the U.S. undertook to provide credits were concluded with Poland in June and August 1957, and at the time of presenting the FY 1958 program, it was noted that a further program for Poland might develop in the course of the year. Another credit is expected to be

extended in FY 1958 as a result of U.S.-Polish economic talks still in progress as this is written.

**Iceland (1958):** No aid was programmed for Iceland in FY 1958, but the Presentation document referred to the tremendous strategic importance of the Keflavik base and Iceland's expectations for assistance in helping to solve some of its economic problems. Events led to a determination to provide about \$5 million, together with a contribution of \$2 million from Germany for FY 1958.

**Jordan (1958):** At the time of the Congressional Presentation no special assistance was illustratively programmed for 1958, but it was noted that in view of the unstable situation precise predictions could not be made and it might prove necessary to extend aid on a relatively large scale. In the absence of other sources sufficient to maintain the Government of Jordan, it has been necessary to plan a \$30 million program for FY 1958.

**Lebanon (1957):** Development assistance of \$5 million for Lebanon was proposed in the Congressional Presentation for FY 1957, and a general need for funds in the area of the Middle East was discussed in the proposals made to Congress. In the face of a rapidly deteriorating situation in the winter of 1956-7, the U.S. decided to strengthen its position in the area through support of the friendly Lebanese Government by responding to requests for both military and economic assistance. During Ambassador Richards' visit to the area he approved an economic program of \$10 million and a small military program was approved at about the same time.

**Sudan (1958):** The Sudan, only recently independent, is directing its first efforts to a national development program. The Soviet Union has recently concentrated its attention and efforts on this target area. At the request of the Sudanese Government the U.S., in the fall of 1957, sent a survey mission to see what assistance Sudan needed in the initial stages of its economic development. The mission was warmly received, and, as a follow-up to its visit and report, \$4.5 million of contingency funds are now being programmed for initiation of an economic program in selected areas of the economy this year.

**Yemen (1958):** Another country in the Middle East threatened by Soviet political and economic penetration has been this strategically located country on the Arabian Peninsula at the mouth of the Red Sea. In furtherance of the general purposes for which Ambassador Richards made his journey to the Middle East, the U.S. expressed its willingness to provide some assistance in FY 1957 and engaged in some general discussion with officials of the Yemeni Government. No program was undertaken in that year, but, on

Yemen's request, negotiations were renewed in FY 1958 and \$950 thousand is proposed as an initial program for Yemen. Soviet bloc economic advances have recently been accepted by Yemen, which had already accepted Soviet arms.

## 2. Requirements Which Were Wholly Unforeseen at the Time of the Congressional Presentation

There are also those requirements which are not foreseen at the time the annual program is presented to Congress but which appear after the fiscal year has commenced. These requirements include those that result from natural disasters, those that reflect unforeseeable Soviet actions, and those which flow from unexpected political or economic developments in a country of critical importance to the United States. They include requirements that one would ordinarily class as "emergency" in nature. They also include the requirements presented by those occasional, suddenly emergent opportunities to seize the initiative and to undertake measures abroad which are likely to strengthen the fabric of the Free World provided they are undertaken immediately or shortly after the opportunity appears.

In FY 1956, the following were illustrations of this type of new requirement: (1) the relief needs resulting from floods and epidemics in India and Pakistan (\$900,000); (2) requirements for emergency aid that arose in Europe as a consequence of one of the most severe winters in European history (\$300,000); (3) added requirements in Korea which were caused by an underestimate of the need, and which necessitated a nearly \$50 million increase over the \$272 million defense support level which was contained in the FY 1956 Congressional Presentation; (4) added aid demands in Taiwan produced by the decision to finance construction of a new military airfield; (5) the necessity for an increase of \$20 million in planned defense support for Iran, caused in part by the inability of the Iranian Government to take the internal measures necessary for economic stability, and in part by the demands consequent upon Iranian adherence to the Baghdad Pact; (6) a new aid program in Ceylon (\$5 million) initiated when a change in certain political conditions presented an opportunity for the U.S. to respond to Ceylonese requests for assistance; (7) the urgent requirement to increase a planned program in Afghanistan from \$2 million to \$18 million.

In FY 1957, similar new requirements were encountered, including: (1) Hungarian relief - The revolution in Hungary and the ensuing flight to the West of almost 200,000 refugees led to a U.S. sharing of the costs of care and maintenance, transportation and re-settlement in the Free World of these refugees in FY 1957 (\$31.7

WORLD WIDE

CONTINGENCY FUND

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million). (2) Poland - Following the November uprisings in Poland, the U.S. offered assistance, which later that year culminated in a \$30 million program from Mutual Security funds in addition to P.L. 480 commodities. (3) U.S. share of costs of clearing the Suez Canal. (4) Costs of participation in the Suez Canal Users Association (\$65,000). (5) Military aid to Lebanon (\$1.6 million). (6) Grant military training aid (\$10.2 million) and military procurement credits (\$47.7 million) for Saudi Arabia provided in connection with negotiations for Dhahran air base rights. (7) Iceland - Negotiations for base rights (\$8.4 million).

In FY 1958, the following new firm requirements unforeseen at the time the FY 1958 program was presented to Congress had already emerged as of January 15, 1958: U.N. Expeditionary Force - Upon the U.N. determination to send forces to the Suez Canal area to maintain peace following hostilities in late 1956, the U.S. was assessed certain charges and voluntarily contributed additional funds to meet the expenses of this international police force. Through 1958 the U.S. will have contributed from Mutual Security funds \$13 million, as a voluntary contribution, for this purpose. World-wide Scientists Research and Training Project - In response to the realization of substantial scientific advancements on the part of the Soviet Union, the U.S. has attempted to stimulate greater training efforts and exchange of information among its allies. The World-wide Scientists Research and Training Project expanding on a program initiated in Europe in 1954 will fulfill a need to develop a sound technological basis in the countries of the Free World, resulting in increased scientific and technical manpower, and furthering scientific research and development. The U.S. is negotiating a contract with the National Academy of Sciences for implementation of the project, which will bring 150 scientists to the United States from all parts of the world for a two-year period of research in U.S. universities and industrial laboratories at a cost not to exceed \$2,500,000. Algerian Refugees - Emergency assistance of a relief nature for a small number of refugees who fled from Algeria to Tunisia has been financed from contingency funds in FY 1958 (\$25,000). National disasters in Ceylon, Iraq and Iran involving earthquakes or floods have led to small emergency programs provided for humanitarian as well as psychological impact reasons.

Proposed FY 1959 Program

Potential Requirements for FY 1959, similar to the potential FY 1956, 1957 and 1958 requirements which existed in the spring of 1955, 1956 and 1957, respectively, are already in evidence. These potential FY 1959 requirements will be discussed at greater length in Executive Sessions of the Committee, but the following examples,

among many that might be mentioned, are cited by way of illustration:

Ethiopia: As a result of political and economic developments uncertain at this time, a small additional requirement could arise for Ethiopia. The funds might support several industrial projects included in the Ethiopian Government's five-year plan and also the possible intensified activity of the Blue Nile exploration project.

Somalia: Additional requirements for Somalia could arise in FY 1959 because of the withdrawal of Italian financial support and technicians more rapidly than now anticipated and the granting of independence prior to the promised date of 1960.

International Atomic Energy Agency: The IAEA, which is now established as a result of a proposal of the President at the United Nations and subsequent initiative by the United States, is in its important initial year. To provide clear evidence of a U.S. intention to undertake action as forthcoming as other governments in sustaining this Agency which was created as a result of American initiative, the United States announced in January 1958 an offer to provide 120 fellowships over a two-year period through the Agency and to contribute up to \$125,000 (or 50%) of the proposed \$250,000 fund for scholarships to be financed by voluntary contributions. These U.S. offers will be financed out of FY 1958 funds. If the Agency response results in active and promising progress consistent with United States objectives, it would be in the U.S. interest in FY 1959 to make additional offers, financed from funds available for contingencies.

Poland: In furtherance of the policy of providing sufficient economic assistance to give the Poles an alternative to complete dependence on the Soviet Union, the Executive Branch considers that a requirement may develop in FY 1959 for up to \$30 million for assistance. Should the same conditions prevail in FY 1959 which gave rise to U.S. assistance to Poland in FY 1957 and to economic talks in FY 1958, the provision of further credits to Poland, under broadly the same terms and conditions as in past years, will promote U.S. policy objectives.

North Africa: It is likely that Morocco, Tunisia and Libya will require more aid in FY 1959 than is illustratively shown in the Congressional Presentation. The extent of the French contribution to Moroccan and Tunisian economies is, of course, a major and uncertain factor and present programs are based on a continuation of the present level of French assistance. The United States Operations Mission in Tunisia has estimated the additional foreign exchange cost of withdrawal of all types of French

assistance in the event of a complete break with France would be close to \$100 million annually. Under similar circumstances, the cost would be larger for Morocco. Libya is also in financial difficulties and, as in the case of Morocco, is of special interest to the U.S.

Turkey: The \$75 million illustratively programmed for Turkey in FY 1959 provides little leeway for Turkey to meet emergencies from its own remaining resources and assumes maximum credits and other aid availabilities from other sources. There may well be requirements for a substantially higher aid program to maintain necessary imports. In addition, the U.S. has encouraged Turkey in the task of undertaking certain financial reforms. Should stabilization involve a devaluation of the Turkish lire, it might be necessary to take some of the short-run costs of such a policy into account in determining aid.

Israel: The proposed FY 1959 special assistance figure for Israel is based on a rather large number of optimistic assumptions with respect to Israel's earnings of foreign exchange and other sources of financing, including among them the level of Israeli export earnings threatened by the reappearance of southern European citrus exports, substantial EXIM Bank borrowings, restraint of imports, and assignment of German reparations to capital goods. Failure to realize any one of the key elements which contribute to the assessment of the adequacy of projections could readily involve an additional requirement for funding in FY 1959.

Jordan: The proposed aid level for FY 1959 is intended to meet budget support requirements. It may be that the pace of the economic development program, if it is to be maintained at appropriate levels, will require additional financing from FY 1959 appropriations.

Yemen: Although a small Special Assistance Program is shown for Yemen in FY 1958, only a small Technical Cooperation Program has been included in the Presentation for FY 1959. It is likely that there will be extreme uncertainties about a future program for Yemen, although program elements amounting to as much as \$5 million have been examined. Project surveys can be undertaken in FY 1958. Further requirements for implementation of projects might constitute a contingency requirement for financing in FY 1959.

Afghanistan: Additions to a number of specific projects, to which U.S. aid has already been extended and which achieve considerable impact in the country, have been under consideration, some of them on a loan basis. The Afghans have said they are fearful of

borrowing additional funds, since their trade and financial situation, in their view, would make servicing additional debts difficult. Should some of these projects turn out to be feasible for further funding in FY 1959, additional grant assistance from contingency funds might be needed in FY 1959.

Viet Nam: The Vietnamese Government may be unable to make the \$40 million contribution to the military budget assumed in the illustrative program of \$190 million defense support in FY 1959. If anticipated tax receipts do not meet expectations, additional U.S. financing in the amount of at least \$10 million may be necessary.

Laos: On the basis of the present political and economic situation in Laos, a \$26 million level of local currency support for the military budget would appear likely for calendar year 1959, which normally would be met from FY 1959 defense support funds. However, the level proposed for FY 1959 allows only \$18 million for this purpose, based on the assumption of monetary reform in Laos, involving suspension of foreign exchange restrictions and effective devaluation of the kip, which would permit the kip required for military budget support to be obtained at a rate more favorable than 35 to one. If, however, it is not possible for the Laos Government to take the steps necessary for a successful monetary reform, it may become necessary to provide up to the full \$26 million for this purpose.

West Indies Federation: This newly independent union of several former British dependencies in the Caribbean is to create its capital in Trinidad. Government leaders are negotiating with the U.S. over the proposed site which involves a U.S. Navy installation of major importance. Subsequent developments may suggest that in the foreign policy interest of the U.S. funds should be provided to assist the Federation to acquire an alternative site for its capital.

United Nations Emergency Force (UNEF) is by its very nature a temporary organ. Its existence, however, has contributed immeasurably to the maintenance of stability in the Near East area. Accordingly, it might well be that the United Nations will decide to continue the force for a third year. Any U.S. assessment in support of the Force would be handled in the same manner as a contribution to the United Nations regular budget. However, if the costs of the Force continue at the present level, it seems evident that further special assistance from the U.S. will be required as a voluntary contribution.

WORLD WIDE

CONTINGENCY FUND

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Unforeseen Requirements: There is no reason to believe that the same kinds of factors including the recurrence of internal disasters which have operated in previous fiscal years to create new requirements will not continue to be operative in FY 1959 and create new requirements of a comparable total magnitude. In fact, the continuing efforts of the Soviet bloc to penetrate and to subvert, through political and expanding economic measures, nations in Africa, the Middle East, South Asia and the Far East, make the possibility of such new requirements greater than ever before.

Contingency Funds Used in FY 1957

\$95.4 million of the Special Presidential Fund of \$100 million were obligated for new or additional programs for the following countries and non-regional activities:

Iceland	\$ 8,364,000
Spain	20,000,000
Jordan	1,000,000
Latin America	150,000
UNEF	3,250,000
Hungarian Refugees	31,723,000
Egyptian Refugees	763,000
Fairless Committee	42,000
Suez Canal Users Association	65,000
Poland	30,000,000
	<u>\$95,357,000</u>

Contingency Funds Programmed in FY 1958

Of the \$225 million appropriated for special assistance (supplemented by a reimbursement of \$950,000), \$165,153,000 has been programmed as of January 15 and is reflected under other items in this Presentation, as follows:

(Figures in thousands of dollars)

Spain	50	Iran	6,590
Iceland	5,100	Afghanistan	2,950
Yugoslavia	13,000	Nepal	2,875
European TE	2,700	Indonesia	1,000
Morocco	9,193	Bolivia	17,000
Somalia	400	Guatemala	10,000
Tunisia	10,000	Haiti	2,000
Israel	7,500	LA Regional	1,000
Jordan	30,000	Algerian Refugees	25
Lebanon	1,000	Hungarian Refugees	7,500
Sudan	4,520	Malaria Eradication	17,200
Yemen	950	Foreign Scientists Training	2,500
UNEF	9,750	Escapee Program	350
			<u>\$165,153</u>

The details of the manner in which these specific items are reflected elsewhere in the Presentation are shown in the table on page 8.

Unprogrammed FY 1958 Contingency Funds

Of the \$60,797,000 of contingency funds appropriated for FY 1958 which were not programmed as of January 15, 1958, the following have already been identified as probably being necessary in this fiscal year in furtherance of U.S. foreign policy objectives:

Afghanistan	\$ 2,000,000
Burma	4,000,000
Ceylon	2,500,000
Libya	5,000,000
Poland	25,000,000
Spain	15,000,000
Viet Nam	5,000,000
Yemen	4,260,000

**WORLD WIDE**

**Contingency Funds Distributed to Programs Reflected Under Other Items in This Presentation**

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	(\$ in thousands)						
	FY 1957	FY 1958	FY 1959		FY 1957	FY 1958	FY 1959
<b>Defense Support</b>				<b>Special Assistance (Continued)</b>			
Iceland	8,364			<b>Latin America</b>			
Spain	20,000	50		Bolivia		17,000	
Iran		6,590		Guatemala		10,000	
Total - Defense Support	28,364	6,640		Haiti		2,000	
				Regional and Undistributed		1,000	
				Subtotal - Latin America		30,000	
<b>Development Assistance</b>				<b>Non-Regional</b>			
<b>Near East</b>				Migrants, Refugees and Escapees:			
Jordan	1,000			Algerian Refugees		25	
				Hungarian Refugee Program		7,500	
<b>Technical Cooperation</b>				Subtotal - Migrants, Refugees & Escapees		7,525	
<b>Latin America</b>				Malaria Eradication		17,200	
Regional and Undistributed	150			Special Programs:			
				Foreign Scientists Training Program		2,500	
<b>Special Assistance</b>				Subtotal - Non-Regional		27,225	
<b>Europe</b>				Total - Special Assistance		158,163	
Iceland		5,100					
Yugoslavia		13,000		<b>Other Programs</b>			
European Technical Exchange		2,400		<b>Near East</b>			
Interregional Expenses		300		Regional and Undistributed			
Subtotal - Europe		20,800		U.N. Emergency Forces	3,250		
<b>Africa</b>							
Morocco		9,193		<b>Non-Regional</b>			
Somalia		400		Migrants, Refugees and Escapees:			
Tunisia		10,000		Egyptian Refugees	763		
Subtotal - Africa		19,593		Escapee Program		350	
<b>Near East</b>				Hungarian Refugee Program	31,723		
Israel		7,500		Subtotal - Migrants, Refugees & Escap.	32,486	350	
Jordan		30,000		Special Programs:			
Lebanon		1,000		Fairless Committee	42		
Sudan		4,520		Canal Users Association	65		
Yemen		950		Poland (Loan thru EX-IM Bank)	30,000		
Regional and Undistributed				Subtotal - Special Programs	30,107		
U.N. Emergency Forces		9,750		Subtotal - Non-Regional	62,593		
Subtotal - Near East		53,720		Total - Other Programs	65,843	350	
<b>South Asia</b>							
Afghanistan		2,950		<b>Total Funds Distributed to Programs Re-</b>			
Nepal		2,875		<b>flected Under Other Items in This</b>			
Subtotal - South Asia		5,825		<b>Presentation</b>	95,357	165,153	
<b>Far East</b>							
Indonesia		1,000		<b>Undistributed Reserve in Contingency Fund</b>		60,797	200,000
				<b>Total - Contingency Fund</b>	95,357	225,950	200,000

WORLD WIDE

DEVELOPMENT LOAN FUND

The appropriation of \$625 million authorized by the Mutual Security Act of 1957 is requested for the Development Loan Fund.

The Development Loan Fund has been established to encourage the economic development of the less developed countries of the free world. It participates in the financing of projects essential to the economic growth of these countries and in financing investments that can spark the mobilization of unused resources.

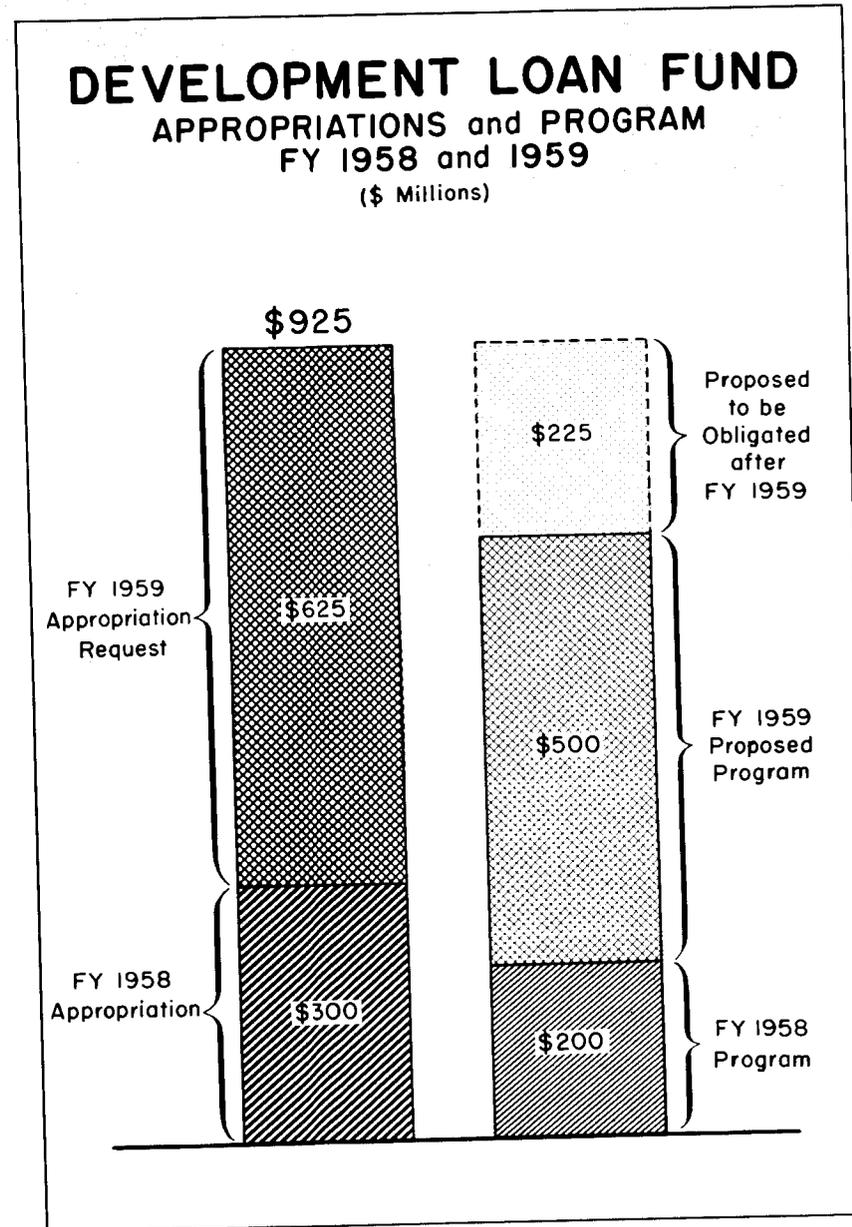
United States Interest: In establishing the Fund last year, the Congress recognized that the progress of free peoples in their efforts to further their economic development, and thus to strengthen their freedom, is important to the security and general welfare of the United States and that it is necessary to assist such peoples in these efforts.

The interest of the United States will be served if the less developed countries are able to realize their aspirations for economic growth while maintaining freedom and independence within the community of free nations. It might be jeopardized if these aspirations are not achieved. Many of the underdeveloped nations of Asia and Africa have only recently gained political independence and their people have compelling expectations of economic improvements to follow.

Although these newly independent nations have adopted constitutions and political institutions patterned after those of the countries of the free world, these still have to be translated into living reality and accepted national traditions. In the meantime many of these countries and their leaders remain the targets of communist blandishments. Some leaders in the less developed countries question whether western institutions and methods are truly applicable to the problems of underdeveloped countries today and their intense nationalism leads them to equate western institutions with the wrongs attributable to colonial policies and administrations.

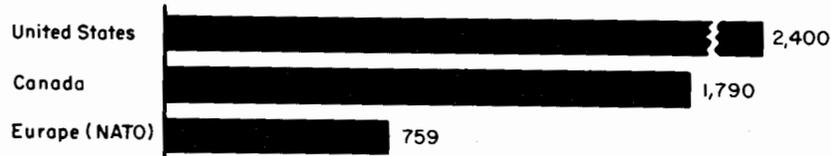
The strength of the underdeveloped countries and the strength and cohesion of the free world will be greatly increased if the economic progress so deeply desired and anticipated can be achieved within the framework of free institutions.

The Less Developed Countries: The rate at which these less developed countries are expanding, though notable in a few instances, is generally below the reasonable expectations of their people and the requirements of long range stability.

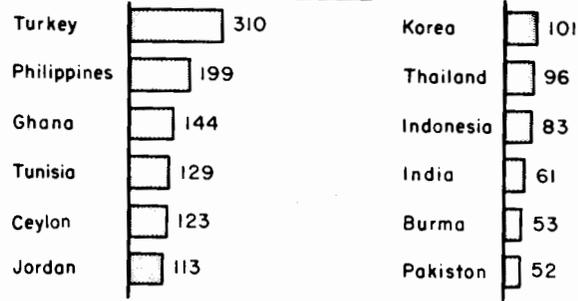


# DEVELOPMENT LOAN FUND

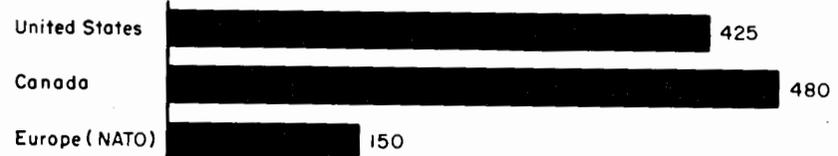
**PER CAPITA GROSS NATIONAL PRODUCT - 1956**  
(Dollars and Dollar Equivalents)



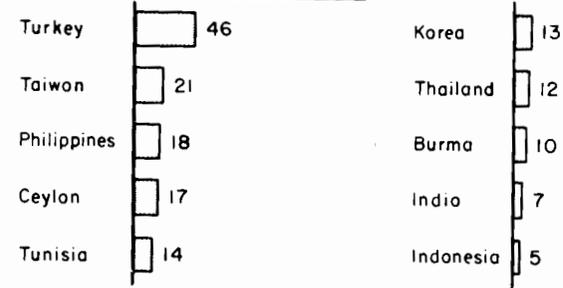
**UNDER-DEVELOPED COUNTRIES**



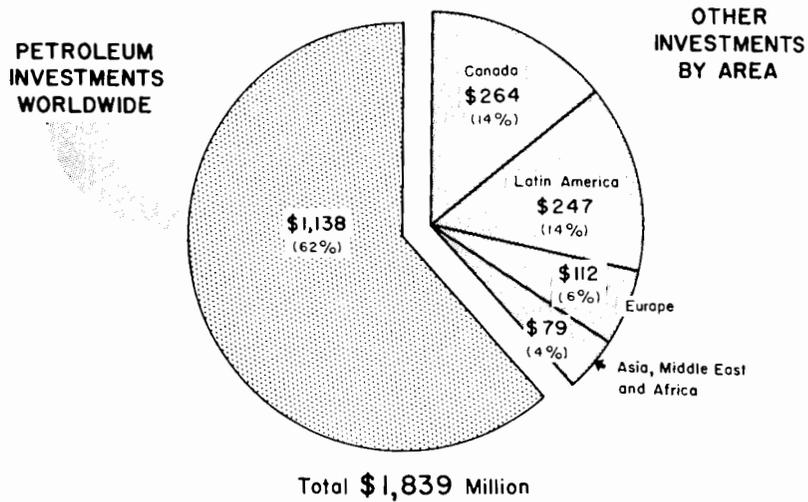
**GROSS INVESTMENT PER CAPITA - 1956**  
(Dollars and Dollar Equivalents)



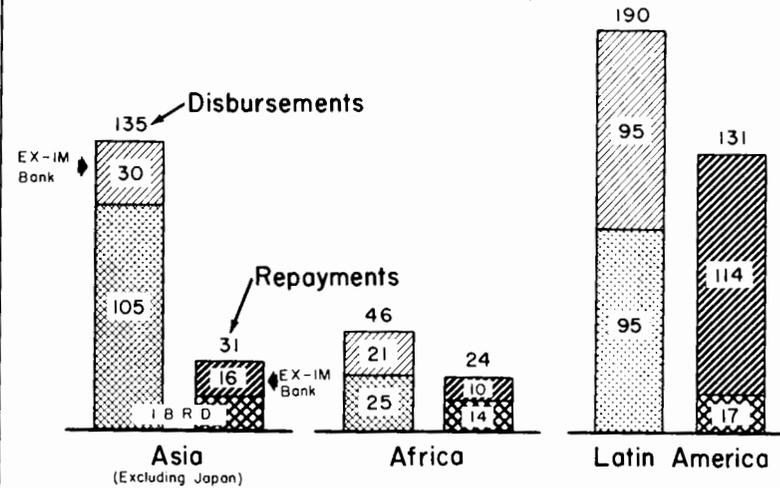
**UNDER-DEVELOPED COUNTRIES**



**NEW U. S. DIRECT PRIVATE INVESTMENT - 1956**  
(Millions of Dollars)



**IBRD AND EX-IM BANK LOANS TO LESS DEVELOPED AREAS - FY 1957**  
(Millions of Dollars)



## DEVELOPMENT LOAN FUND

### WORLD WIDE

In some instances, total production per capita is as low as \$50, compared to almost \$2400 in the United States. The economic status of the less developed countries varies, of course, over a fairly wide range. In general, the countries of Latin America are economically more developed than those of Africa and Asia, have higher per capita incomes and obtain a relatively greater amount of private capital from abroad. This generalization, however, does not apply to all Latin American countries.

The deficiencies responsible for the slow and unbalanced growth of the less developed countries of the world are many. They are generally faced with unsatisfactory and inadequate basic facilities in such areas as transportation, power and communications; inadequate financing and commercial institutions; and technically backward or nonexistent industrial plants. Furthermore, large segments of these countries are outside the market economy and operate on a subsistence basis.

Characteristic of the economy of these less developed countries is excessive reliance on the export of a few primary products both for foreign exchange earnings and for tax revenues and domestic capital resources. This is combined with steady pressure for increased levels of consumption. Social and other government services and the growing demand for capital investments result in chronic strains on the balance of payments and on budgetary and other financial resources.

The extent of planning and preliminary preparation of economic projects and development programs also vary widely among countries. On the one hand, the governments of some countries have already undertaken a large part of this preliminary planning and are in a position to utilize immediately a substantial additional amount of capital. In a number of the less developed countries, however, where the need for capital is serious, the planning and preparation of projects has proceeded at a slow pace. In many cases, the organization and talent for this essential task is scarce.

The population of these countries exceeds one billion persons and continues to grow. Rates of investment and development often do not meet, and generally do not appreciably exceed the levels needed to keep pace with population growth. If economic betterment is to be achieved, investment and development must be accelerated.

Despite their low state of economic productivity, these nations hold within their borders enormous underdeveloped resources. In addition to their great reservoir of manpower, they contain vast natural resources--petroleum, ores, minerals, fertile soil, water

power, etc. These resources constitute a vast and relatively untapped potential for the entire free world.

The Soviet Economic Offensive: Aid to underdeveloped countries has been an established policy of the United States Government for years. The success of this policy has been underlined by the decision of the Soviet bloc in recent years to extend an increasing volume of credits to selected countries for development purposes. The Soviets no doubt recognize the profound urge among underdeveloped countries to achieve economic progress. They see the opportunity to gain considerable political credit and respectability by associating themselves with a tremendous popular cause. They see the opportunity to woo uncommitted governments with substantial offers of aid and to extoll with greater effectiveness the advance of a totalitarian form of economy. They support development for their own particular purposes. We, for our part, must not slacken the efforts which we have so well begun; indeed we must accelerate our pace. The less developed countries must not lack alternatives to the Soviet offers. (The chart on the following page further illustrates this point.)

Role of Private Investment: We in the United States believe that the use of private capital is the best and most effective means of accelerating development wherever possible. We are trying to encourage it in every feasible way. This is an important function of the Development Loan Fund.

At the same time, private capital cannot now do the job alone. There are more attractive opportunities for private investment domestically, in Canada, and in many parts of Latin America. For example, excluding petroleum, U.S. direct private investment in the countries of Africa, Asia and the Middle East was only \$79 million in 1956. The countries of the Far East and Near East are on the periphery of the Soviet bloc and in many cases investors believe the risks outbalance possible gains. In addition, investors find themselves handicapped by such economic factors as low purchasing power, limited resources development, and poor marketing facilities.

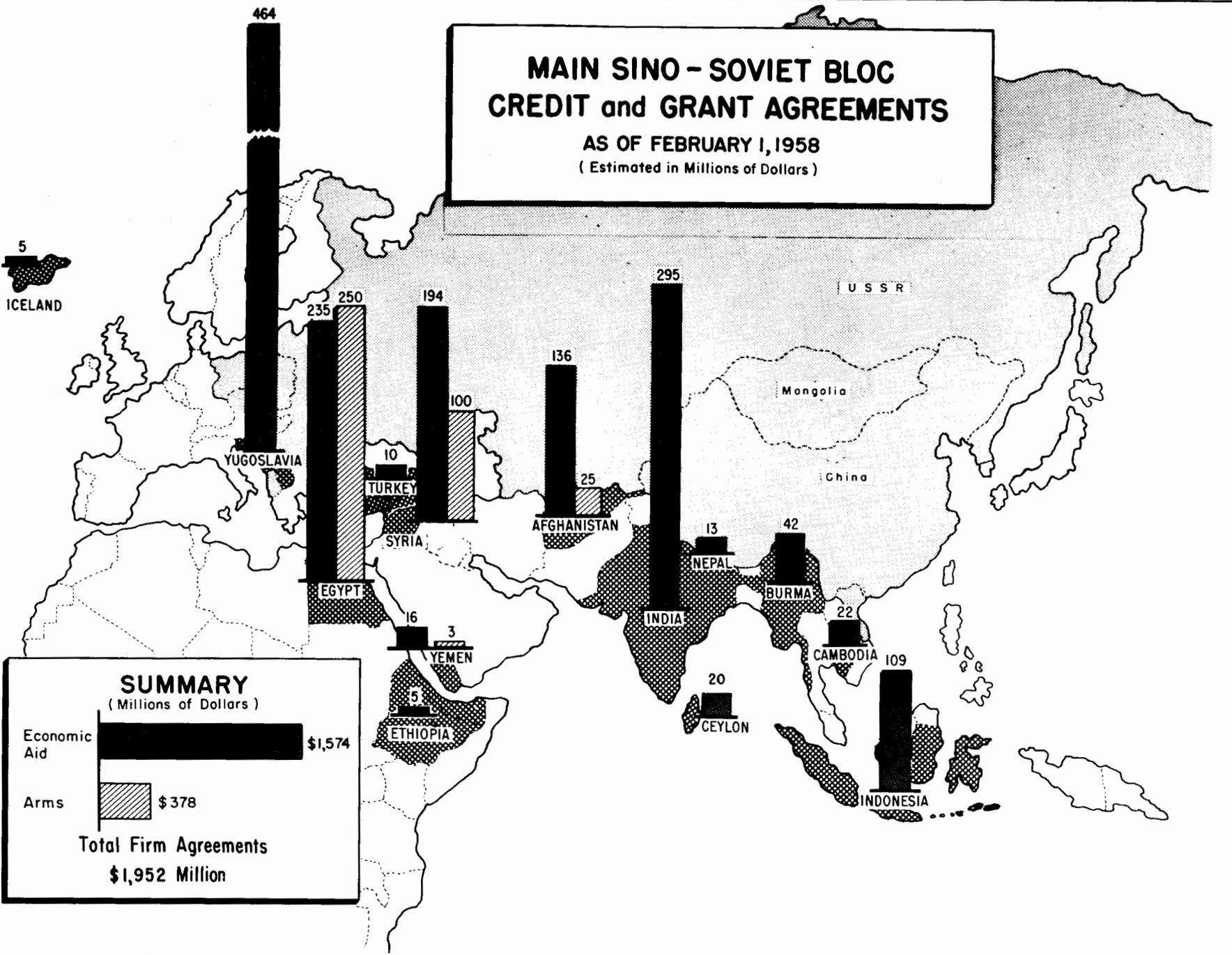
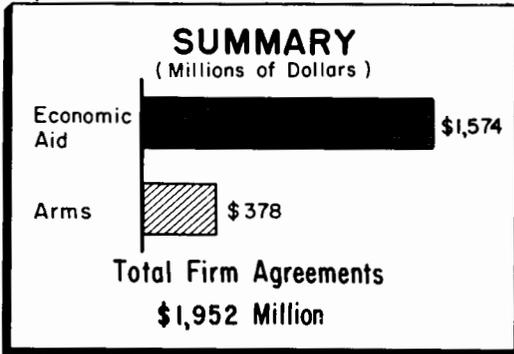
Development of basic facilities can establish the framework essential for private enterprise; on some projects both government and private enterprise can contribute capital.

Role of the Development Loan Fund: The Development Loan Fund represents a new departure in the manner in which support for development purposes is extended by the United States Government. In the past development aid was often intermingled with assistance given for other purposes.

# MAIN SINO - SOVIET BLOC CREDIT and GRANT AGREEMENTS

AS OF FEBRUARY 1, 1958  
( Estimated in Millions of Dollars )

5  
ICELAND



## WORLD WIDE

## DEVELOPMENT LOAN FUND

Aid was provided partly on a grant, partly on a loan basis and funds were allocated annually in advance by country. The Development Loan Fund is concerning itself with the support and promotion of economic development in the less developed areas. Its basic approach is to the project rather than to the country. It does not undertake annual country-by-country programming. It is concerned with providing assistance to economically sound and technically feasible projects and programs. The Development Loan Fund is free from requirements to obligate its funds within fixed periods, thus permitting concentration upon long range economic growth. Repayments of principal and payments of interest will be received by the Development Loan Fund and these funds will become available for the purposes of the Fund.

Relationship of the Fund to Existing Institutions: The Development Loan Fund complements the activities of existing lending institutions. It supplements but does not displace assistance from other public and private sources. Substantial sums of foreign capital are now available to the less developed countries through loans from such institutions such as the Export-Import Bank and the International Bank for Reconstruction and Development (IBRD). Many of the underdeveloped countries, however, are in the very early stages of economic expansion and their borrowing capacity is severely limited by current low earning capacity. Their requirements for foreign supplies exceed their capacity to service loans on normal banking terms. Furthermore, some of the basic projects that could materially enhance future development cannot be handled by existing financial institutions because they involve risks that conventional banking institutions are not prepared to take.

By placing the Chairman of the Board of Directors of the Export-Import Bank on the Loan Committee, the Mutual Security Act provides a mechanism for assuring close coordination of the bank's activities with those of the Fund. Procedures have already been established at the staff level to determine the extent of the Bank's interests in proposals before the Fund. Consultations are also under way with the International Bank for Reconstruction and Development looking toward possible joint financing of several projects. The Executive Branch proposal to incorporate the Fund would reinforce the relationship with the Export-Import Bank and the informal coordination which now exists with the IBRD by placing the Chairman of the Board of Directors of the Export-Import Bank and the U.S. Executive Director of the IBRD on the Fund's Board of Directors.

Loan Terms and Procedures: With the concurrence of the National Advisory Council on International Monetary and Financial Problems, loan terms and conditions initially will be as follows:

1. On loans for economic overhead type projects, such as roads and dams, the current interest rate will be 3 1/2%. The maximum maturity of loans will be 40 years, but generally the length will be for lesser periods taking into account the useful life of the project. The currency of repayment will be specified in the agreement and a maintenance of value provision will be required where provision is made for local currency repayment.
2. On loans for profit-earning type of projects, primarily in the manufacturing and extractive industries, interest rates and maturities will generally follow Export-Import Bank terms on similar projects. The rates for these currently range from 5 1/2 to 6% while the period of maturity varies widely depending on the type of project financed.

The Fund is authorized to make guaranties and engage in other financing operations or transactions, not including grants and direct purchases of equity securities. Possible loan instruments include convertible debentures, debentures coupled with stock purchase warrants and income bonds.

The Loan Committee, consisting of the Deputy Under Secretary of State for Economic Affairs, the Chairman of the Board of Directors of the Export-Import Bank and the Director of the ICA, are establishing policies for the Development Loan Fund and are passing on each loan application. The following procedure has been adopted for handling each loan proposal: If, after preliminary study, the Loan Committee finds that a loan proposal promises to be sound from an economic and financial point of view, and to be consistent with policy, the submission of full technical justification material will be invited. At this point funds are "earmarked." Earmarking is an internal administrative device for assuring the applicant that funds will be available when and if his application is approved. If the application is approved after a more thorough examination of the financial and technical aspects of the project, funds will be committed and a loan agreement negotiation undertaken.

Encouragement of Private Enterprise: The Development Loan Fund is giving particular emphasis in its operations toward encouraging the growth of private enterprise systems in the less developed countries of the world. The stimulation of domestic private capital formation, the creation of environments favorable to the development and utilization of domestic private enterprise, and the encouragement of the flow of foreign private investment capital and modern technology into these countries are basic policies guiding Development Loan Fund operations.

The Development Loan Fund will make loans to private enterprise directly, and indirectly through other loan institutions. To assure the availability of financing for small foreign projects, the Development Loan Fund will help in the establishment and growth of development banks and similar institutions in under-developed countries. This will broaden the area in which the Development Loan Fund can efficiently operate and serve to intensify the stimulation of private enterprise participation.

Requested Appropriation: Last year the Executive Branch proposed the establishment of a Development Loan Fund with capital authorized for three years: \$500 million for the first year and \$750 million for each of the following two years. This request was based on the premise that development is a long-term process requiring forward planning and an assurance of continuity. It was made in recognition of the fact that it would require time to establish this new, changed type of operation. The Congress authorized funds for two years: \$500 million for the first year and \$625 million for the second year. It appropriated \$300 million for the first year. The Executive Branch is now requesting appropriation of the \$625 million authorized last year by this Congress to increase the capitalization of the Fund.

As of January 31, 1958, the Development Loan Committee had earmarked over \$100 million out of the funds available to it. It is estimated that by June 30 of this year, all of the \$300 million available from FY 1958 appropriations will be earmarked, of which approximately \$200 million will have been committed.

Although the flow of proposals to the Fund was slow in its early months, loan proposals on hand as of January 31 totalled over \$1.3 billion. While the current rate at which proposals are received can be expected to level off by the end of this fiscal year, a total very substantially in excess of \$1 billion of proposals will have been reached. Another \$1 billion of proposals probably can be expected in FY 1959. Under these circumstances it is evident that a \$625 million increase in the capitalization of the Fund is small in comparison with the demand already made and likely to be made on the Fund.

Proposed Incorporation: When the Development Loan Fund was being established last year, there was strong feeling among certain members of the Congress that the Development Loan Fund should be incorporated. This view was expressed in the Conference Report on the Mutual Security Act of 1957.

The Executive Branch has re-examined the advantages and disadvantages of incorporation and has come to the conclusion that the

Development Loan Fund should be incorporated. It is believed that incorporation will have the following advantages:

1. It will symbolize and clarify the new approach to development assistance.
2. It will make clear to the less developed countries and to others the long-range nature of the development process.
3. It will make manifest the separation of development loan activities from grant activities.
4. It will create a clearly defined organization with specific powers and authorities.

The proposed Board of Directors of the Development Loan Fund will be responsible to, and operate under the foreign policy guidance of, the Secretary of State. The Board of Directors would have five members:

The Deputy Under Secretary of State for Economic Affairs;

The Chairman of the Board of Directors of the Export-Import Bank;

The U.S. Executive Director of the IBRD;

The Director of ICA;

The Managing Director of the Development Loan Fund.

This Board will be responsible for establishing loan policy and providing other policy guidance for the Development Loan Fund. It will review and approve, where desirable, individual loan applications and establish the general criteria for approval of loans. The composition of the Board of Directors will assure coordination of the operations of the Fund with other government lending programs and economic assistance activities, including the International Cooperation Administration, the Export-Import Bank and U.S. policies with respect to the International Bank for Reconstruction and Development.

The Development Loan Fund will be headed by a Managing Director responsible to the Board of Directors. He will be assisted by two Deputy Managing Directors for Finance and Development, and for Operations. Staff will include a small number of financial analysts, loan officers, technical advisers, and private enterprise specialists. In addition, it will be necessary to provide minimum service staff.

Duplication of the activities and personnel of the Development Loan Fund with that of other agencies of the government will be avoided. The staff, therefore, will be modest in size and maximum dependence will be placed on assistance by other agencies of the government. Thus the Development Loan Fund will have no personnel abroad, but will rely on the U.S. Operations Missions and Embassies to receive applications from prospective borrowers in the foreign country, to supply appropriate information to interested parties regarding the operations of the Development Loan Fund, to aid in preparation of loan applications where requested, and to supply such information as may be required by Washington.

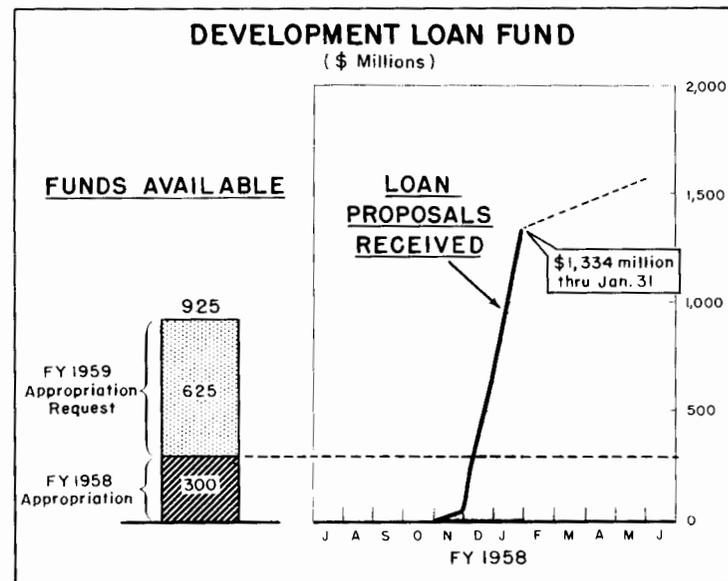
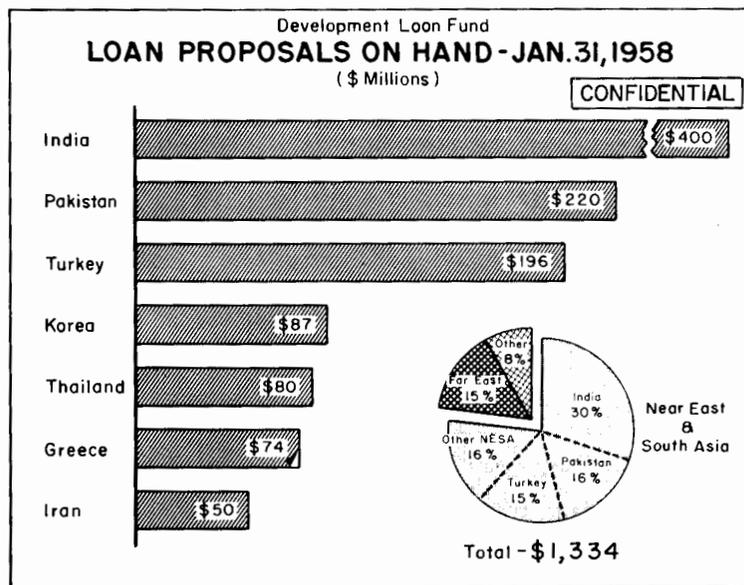
On the Washington end it has been determined that once the loan negotiation is concluded, the Export-Import Bank will provide the same services which it now performs for ICA in the administration of loans. It is considered efficient to have the Ex-Im Bank perform these functions since it is well versed in this activity and already has personnel to carry out these services.

The Development Loan Fund will have sufficient staff to permit independence of judgement in applying the criteria laid down by the Congress and by the Board of Directors in determining the projects to be financed, in exercising its responsibilities for the negotiation of loans and other transactions and in effectively carrying out the objectives of the Fund. Duplication of staff will, however, be avoided. Thus, in addition to the services rendered

by the Export-Import Bank, ICA will be responsible for the provision of administrative support. The advice of both agencies will be sought on economic and financial aspects of projects and for technical advice. This close relationship will be confirmed by the inclusion of the heads of both agencies on the Board of Directors. From time to time the Fund will, in addition, use the services of consulting engineering firms.

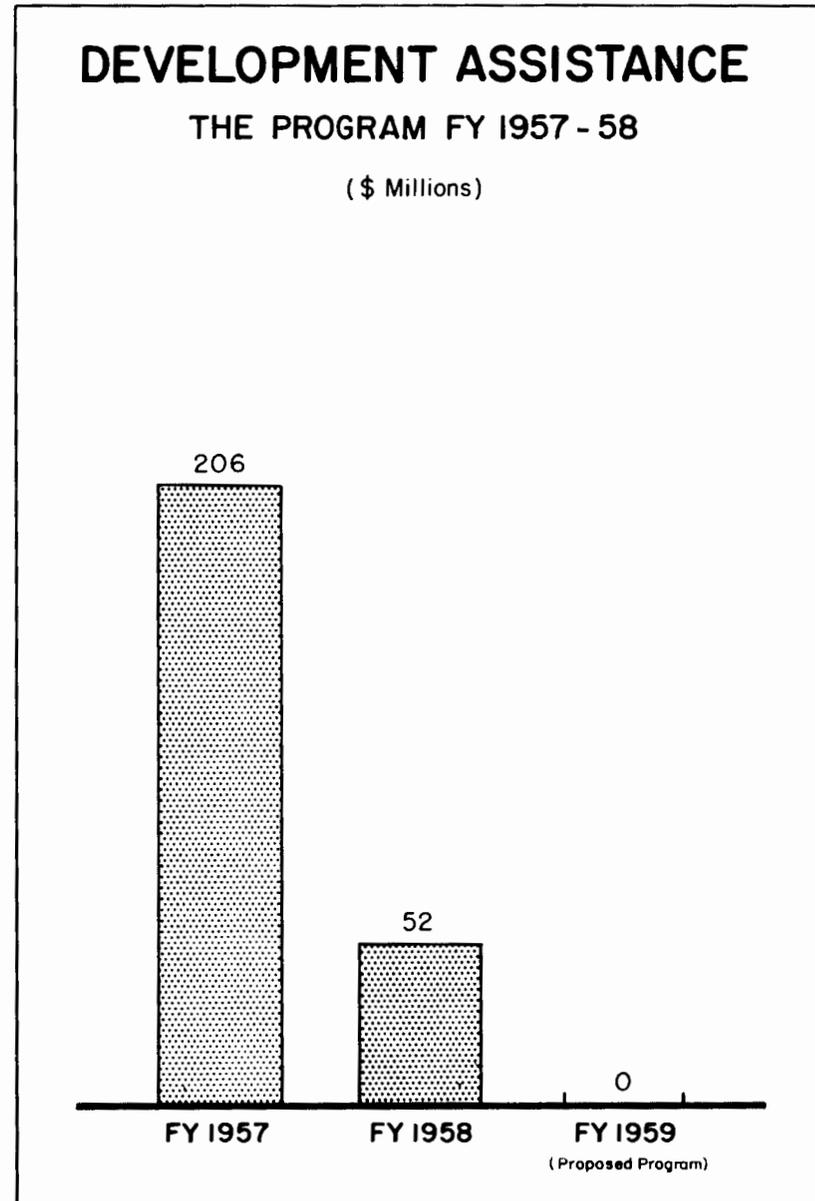
The close working relationships already established with Ex-Im Bank and with the IBRD will be maintained to assure that financing for a particular project is not available from these sources. The Ex-Im Bank is forwarding to the Development Loan Fund for consideration applications which are economically feasible and meritorious, but which the Ex-Im Bank does not wish to finance because of the limited dollar repayment capacity of the borrower. Also, the Ex-Im Bank will make available to the Development Loan Fund studies which it may have made of particular projects. Conversely, the Fund forwards to the Ex-Im Bank applications which appear more suitable for Bank financing.

As in the case of all U.S. Government programs involving financial relations with foreign countries, the Development Loan Fund will receive counsel and advice from the National Advisory Council on International Monetary and Financial Problems (NAC). The NAC will be particularly concerned with the loan terms and conditions and with the policies concerning loan repayments.



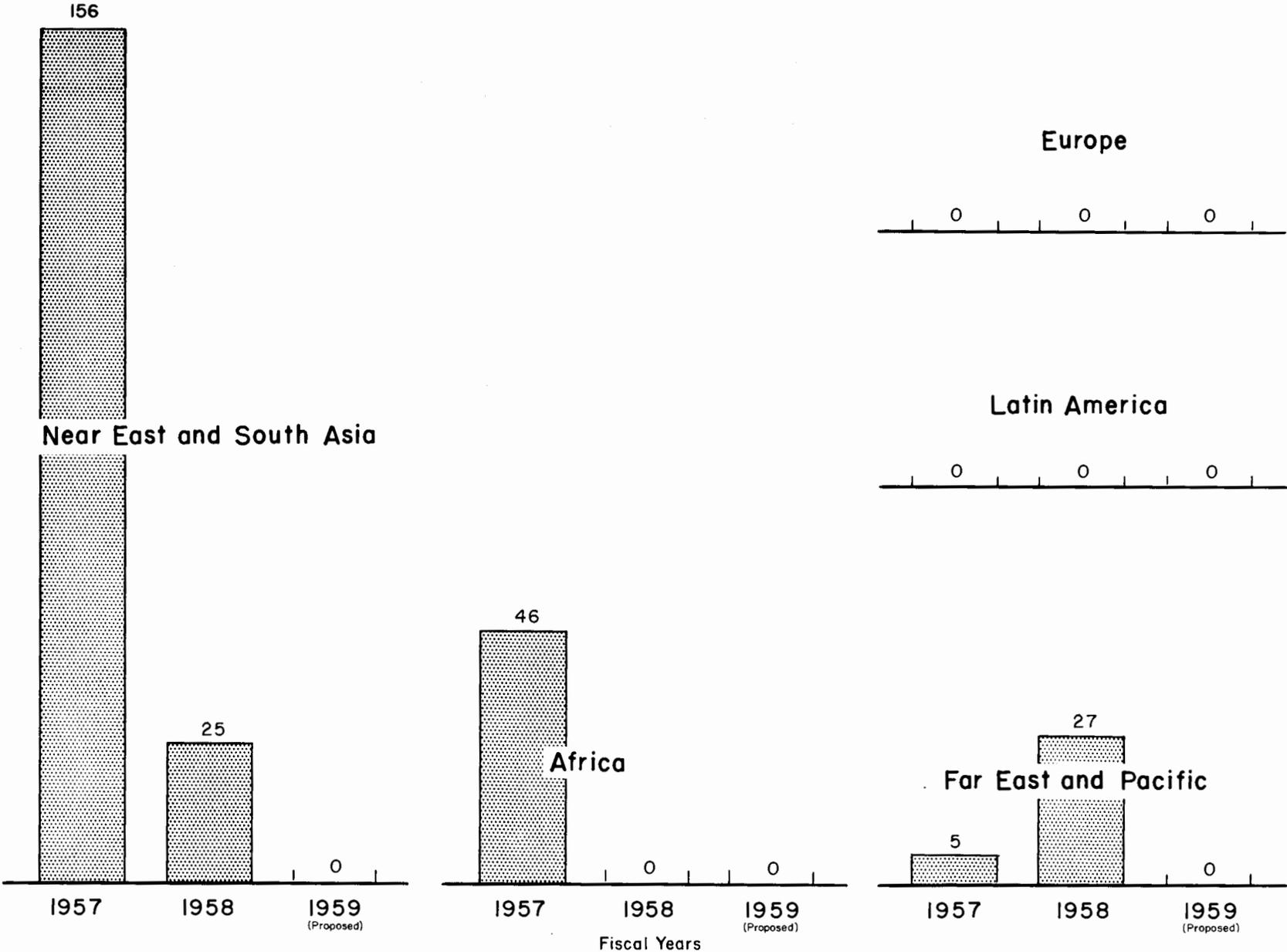
This section of the Presentation does not provide for an appropriation in FY 1959.

The schedules immediately following account only for funds available in FY 1957 and FY 1958.



# DEVELOPMENT ASSISTANCE PROGRAM - BY REGION

( \$ Millions )



WORLD WIDE

DEVELOPMENT ASSISTANCE

Summary of Program by Area and Country

(In thousands of dollars)

Area and Country	Actual FY 1957	Program	
		Estimate FY 1958	Proposed FY 1959
<u>TOTAL - ALL DEVELOPMENT ASSISTANCE PROGRAMS</u>	<u>206,435</u>	<u>52,000</u>	<u>-</u>
<u>AFRICA - TOTAL</u>	<u>45,580</u>	<u>-</u>	<u>-</u>
Libya	16,580	-	-
Morocco	20,000	-	-
Somalia	1,000	-	-
Tunisia	8,000	-	-
<u>NEAR EAST AND SOUTH ASIA - TOTAL</u>	<u>156,138</u>	<u>25,000</u>	<u>-</u>
Afghanistan	11,407	-	-
Ceylon	5,000	-	-
India	62,500	-	-
Iraq	1,373	-	-
Israel	25,000	-	-
Jordan	20,000	-	-
Lebanon	10,000	-	-
Nepal	3,089	-	-
Saudi Arabia	22	25,000	-
Regional and Undistributed	17,747	-	-
(Baghdad Pact)	(12,747)	-	-
(Clearing Suez Canal)	(5,000)	-	-
<u>FAR EAST - TOTAL</u>	<u>4,717</u>	<u>27,000</u>	<u>-</u>
Burma	-	12,700	-
Indonesia	4,717	14,300	-

WORLD WIDE

DEVELOPMENT ASSISTANCE

Summary of Project Assistance by Major Cost Components

(In thousands of dollars)

Program by Fiscal Year	Program by Major Cost Components							Number of People			
	Total Cost	U.S. Employed Tech- nicians	Partici- pants	Contract Services	Supplies and Equipment	Contribu- tions to Coop. Services	Other Costs	Technicians		Participants (Programmed during Year)	
								U.S. Employed On Duty Close of Year	Contract On Duty Close of Year		Contract Contract
<b>U.S. Dollar Program</b>											
<u>Fiscal Year 1957</u>	77,628	209	115	13,441	49,340	13,368	1,155	10	26		24
Europe											
Africa	16,580		50	3,500		13,030					11
Near East and South Asia	56,331	209	65	9,224	45,340	338	1,155	10	26		13
Far East	4,717			717	4,000						
Latin America											
<u>Fiscal Year 1958</u>	52,000			30,150	21,850				21		
Europe											
Africa											
Near East and South Asia	25,000			25,000					5		
Far East	27,000			5,150	21,850				16		
Latin America											
<u>Fiscal Year 1959</u>									15		
Europe											
Africa											
Near East and South Asia									15	a/	
Far East											
Latin America											

a/ Financed from prior year Development Assistance funds.

WORLD WIDE

DEVELOPMENT ASSISTANCE

Summary of Mutual Security Project Assistance by Field of Activity

(In thousands of dollars)

Program by Fiscal Year	Total Cost	ACTIVITIES								
		Agriculture and Natural Resources	Industry and Mining	Transportation	Labor	Health and Sanitation	Education	Public Adminis- tration	Community Development, Soc. Welfare and Housing	General and Miscel- laneous
<u>U.S. Dollar Program</u>										
<u>Fiscal Year 1957</u>	<u>77,628</u>	5,134	20,943	28,112		11,552	4,509	3,221	2,000	2,157
Europe										
Africa	16,580	1,662	9,376	907		1,186	2,595	350		504
Near East and South Asia	56,331	3,472	10,850	27,205		7,866	1,914	1,371	2,000	1,653
Far East	4,717		717			2,500		1,500		
Latin America										
<u>Fiscal Year 1958</u>	<u>52,000</u>	6,100	6,900	39,000						
Europe										
Africa										
Near East and South Asia	25,000			25,000						
Far East	27,000	6,100	6,900	14,000						
Latin America										
<u>Fiscal Year 1959</u>										
Europe										
Africa										
Near East and South Asia										
Far East										
Latin America										

WORLD WIDE

ECONOMIC ASSISTANCE

COMPOSITION OF NON-PROJECT ASSISTANCE - DEVELOPMENT ASSISTANCE

(In thousands of dollars)

Commodities and Other	P R O G R A M		
	Actual FY 1957	Estimate FY 1958	Proposed FY 1959
<u>Agricultural Commodities Total</u>	68,229		
Surplus	52,429		
Other	15,800		
<u>Industrial Commodities Total</u>	35,500		
Raw Materials and Fuels	27,645		
Machinery and Equipment	7,855		
Other Industrial Commodities			
<u>Cash Transactions</u>	25,000		
<u>Other</u>	78		
<u>Total Non-Project Assistance</u>	128,807		

WORLD WIDE

OTHER PROGRAMS

Summary of Program by Area

(In thousands of dollars)

Area and Country	Program		
	Actual FY 1957	Estimate FY 1958	Proposed FY 1959
<b>TOTAL - ALL OTHER PROGRAMS</b>	170,458	239,888	306,593
<b>EUROPE - TOTAL</b>	11,864	-	-
Berlin	11,406	- a/	- a/
European Technical Exchange	309	- a/	- a/
Interregional Expenses	149	- a/	- a/
<b>NEAR EAST AND SOUTH ASIA - TOTAL</b>	24,750	19,872	25,000
Palestine Refugees	21,500	19,872	25,000
Regional and Undistributed (U.N. Emergency Forces)	3,250 (3,250)	-	-
<b>FAR EAST - TOTAL</b>	1,973	81,277	-
<u>President's Fund for Asian Econ. Develop.</u>	1,973	81,277	-
<b>NON-REGIONAL PROGRAMS - TOTAL</b>	131,871	138,739	281,593
Other Programs:			
Contingency Fund	100,000	225,950	200,000
Less: Funds distributed to programs reflected under other items in this Presentation	-95,357	-165,153	-
Unobligated balance no longer available	-4,643	-	-
Undistributed Contingency Fund	-	60,797	200,000
Migrants, Refugees and Escapees:			
ICEM	12,500	12,500	12,500
U.N. High Commissioner for Refugees Program	1,900	2,233	1,200
U.S. Escapee Program	5,989	5,850	8,600
Hungarian Refugees	31,723	-	-
Egyptian Refugees	763	-	-
Children's Welfare	10,000	11,000	11,000
Ocean Freight (Voluntary Relief)	2,040	2,200	2,100
Control Act Expenses (MDAC)	1,136	1,040	1,000
Administrative Expenses - ICA	28,261	30,504	33,000
Administrative Expenses - Sec. 411(c)	6,402	6,665	6,693
Atoms for Peace Program	1,050	4,450	5,500
Special Programs, Other than Military	30,107	1,500	-

a/ Programs for these countries in FY 1958 and FY 1959 are included under Special Assistance.

In addition to the major programs described earlier in this volume, the Mutual Security Program includes certain additional programs which fall into one of the following categories: (1) Programs addressed to special situations important to U.S. interests abroad, such as the programs for assisting persons fleeing into free Europe from behind the Iron Curtain and for promoting the peaceful uses of atomic energy. Some of these activities are bilateral in nature, while others involve U.S. contributions to international agencies. (2) Programs providing for personnel and other costs involved in administering the Mutual Security Program and related activities under P.L. 480 and the Battle Act.

Authorization for these programs is contained in Title IV of the Mutual Security Act.

The "Other Programs" include:

Migrants, Refugees, and Escapees

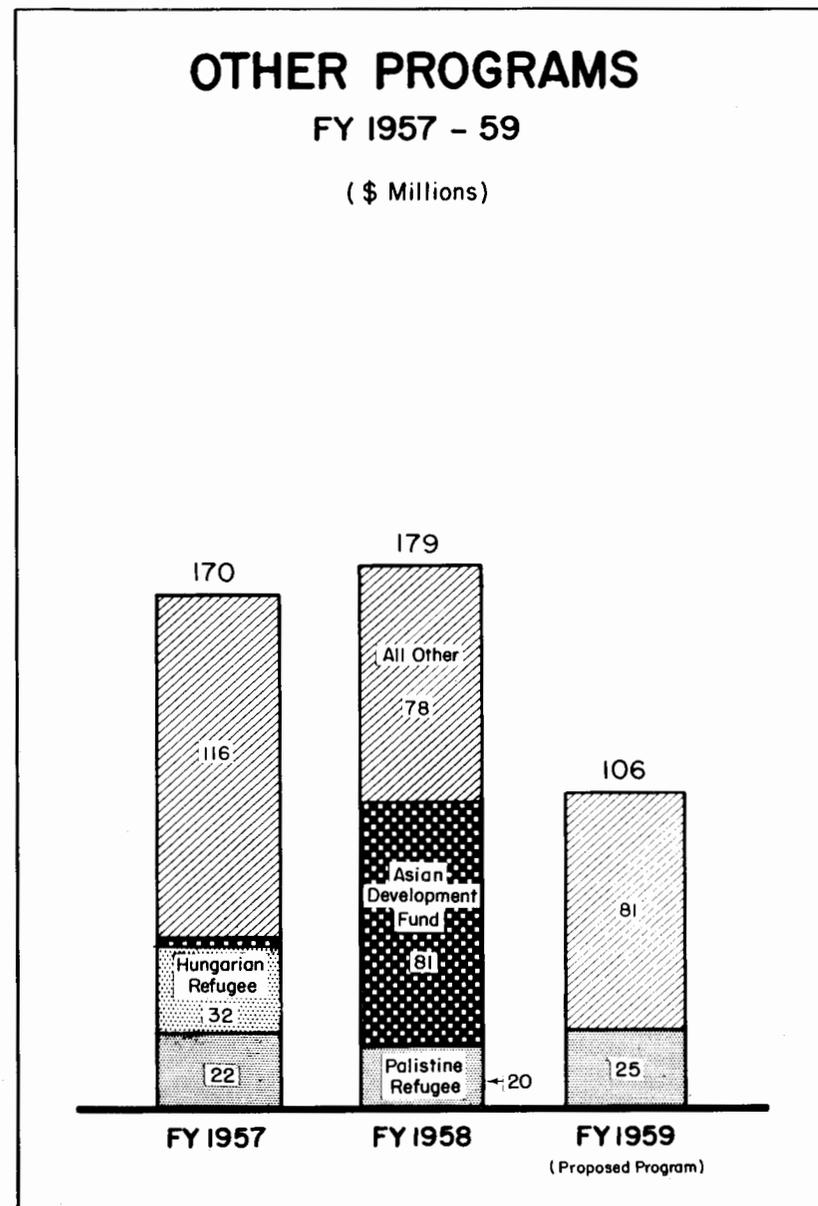
Intergovernmental Committee for European Migration (ICEM). This organization's objective is to move out of Europe and resettle overseas those surplus populations and refugees who would not otherwise move. The U.S. joined and has supported ICEM since 1951, and a contribution to its budget for 1959 is now proposed.

The U.N. High Commissioner for Refugees is authorized to carry out special activities such as the resettlement or local integration of older refugees under his mandate. At present his operations are mainly directed toward the refugees from Eastern Europe who are still residing in European camps. A U.S. voluntary contribution to the High Commissioner's program for 1959 is proposed.

The U.S. Escapee Program provides assistance principally in Europe and to a lesser extent in the Far East, in the reception, interim care and maintenance, and resettlement of recent Soviet bloc escapees. The program inaugurated in 1952, is administered by the Department of State.

Children's Welfare. The U.N. Children's Fund (UNICEF) seeks to improve the health and welfare of children and mothers, primarily in underdeveloped areas, by providing medical supplies, food, and technical advice. The U.S. has contributed to UNICEF since its inception in 1947; a voluntary contribution to its 1959 program is proposed.

Palestine Refugees. The U.N. Relief and Works Agency (UNRWA) provides essential care and maintenance for, and assists in local



WORLD WIDE

BRIEF DESCRIPTION OF "OTHER PROGRAMS"

integration of, the Arab refugees displaced from Palestine in 1948. Continued support of UNRWA's activities through 1959 is proposed.

Ocean Freight Charges (Voluntary Relief). This program meets the costs of the ocean transportation of supplies (other than Government-owned surplus agricultural commodities) donated to U.S. voluntary relief agencies and destined for distribution to needy persons abroad.

Control Act Expenses. Under this program, funds are provided for staff of the Department of State, ICA, and the Department of Commerce, both in the U.S. and overseas, for administration of the Mutual Defense Assistance (Battle) Act.

Administrative Expenses - ICA. This program provides the necessary funds for administration by ICA, both in Washington and abroad, of the defense support, technical cooperation, and other non-military activities within the Mutual Security Program and for discharging ICA's responsibilities under the Agricultural Trade Development and Assistance Act (P.L. 480).

Administrative Expenses - Department of State. Under this heading, funds are requested for the staff in the Department and abroad who assist in providing foreign policy guidance and direction in the development and implementation of the Mutual Security Program, coordinating the various parts of the program and directly administering certain components of the program.

The Atoms-for-Peace Program embraces several activities designed to promote the peaceful uses of nuclear energy abroad, including assistance in establishing research reactors and providing research and training equipment.

President's Fund for Asian Economic Development. The purpose of this fund is to foster regional cooperation in the economic growth of Free Asia, mainly through projects directed at promoting greater economic strength in the region and involving two or more countries. \$100,000,000 was appropriated for a three year period beginning in FY 1956. No new funds are being requested for FY 1959, but reappropriation of the unobligated balance remaining on June 30, 1958, will be requested to finance projects which hold reasonable promise of materializing early in FY 1959.

WORLD WIDE

OTHER PROGRAMS

Summary of Project Assistance by Major Cost Components

(In thousands of dollars)

Program by Fiscal Year	Program by Major Cost Components						Number of People			
	Total Cost	U.S. Employed Tech- nicians	Partici- pants	Contract Services	Supplies and Equipment	Contribu- tions to Coop. Services	Technicians		Participants (Programmed during Year)	
							U.S. Employed On Duty Close of Year	Contract On Duty Close of Year	Contract	Non- Contract
<u>U.S. Dollar Program</u>										
<u>Fiscal Year 1957</u>	2,599	81	172	180	5		2,161	6		148
Europe	626	81	172	180	5		188	6		148
Africa										
Near East and South Asia										
Far East	1,973						1,973 <sup>a/</sup>			
Latin America										
<u>Fiscal Year 1958</u>	81,277						81,277			
Europe										
Africa										
Near East and South Asia										
Far East	81,277						81,277 <sup>a/</sup>			
Latin America										
<u>Fiscal Year 1959</u>										
Europe										
Africa										
Near East and South Asia										
Far East										
Latin America										

<sup>a/</sup> Represents projects to be administered from the Asian Economic Development Fund.

WORLD WIDE

OTHER PROGRAMS

Summary of Mutual Security Project Assistance by Field of Activity

(In thousands of dollars)

Program by Fiscal Year	Total Cost	A C T I V I T I E S							General and Miscel- laneous	
		Agriculture and Natural Resources	Industry and Mining	Transpor- tation	Labor	Health and Sanita- tion	Education	Public Adminis- tration		Community Development, Soc. Welfare and Housing
<u>U.S. Dollar Program</u>										
<u>Fiscal Year 1957</u>	2,599		207	5	66			70		2,251
Europe	626		207	5	66			70		278
Africa										
Near East and South Asia										
Far East	1,973									1,973 <sup>a/</sup>
Latin America										
<u>Fiscal Year 1958</u>	81,277									81,277
Europe										
Africa										
Near East and South Asia										
Far East	81,277									81,277 <sup>a/</sup>
Latin America										
<u>Fiscal Year 1959</u>										
Europe										
Africa										
Near East and South Asia										
Far East										
Latin America										

a/ Represents projects to be administered from the Asian Economic Development Fund.

Revised February 27, 1958

WORLD WIDE

ECONOMIC ASSISTANCE

COMPOSITION OF NON-PROJECT ASSISTANCE - OTHER

(In thousands of dollars)

Commodities and Other	Actual	P R O G R A M	
	FY 1957	Estimate FY 1958	Proposed FY 1959
<u>Agricultural Commodities Total</u>	10,738		
Surplus	10,738		
Other			
<u>Industrial Commodities Total</u>			
Raw Materials and Fuels			
Machinery and Equipment			
Other Industrial Commodities			
<u>Cash Transactions</u>	49,150	45,605	49,700
<u>Other</u>	107,971	113,006 <sup>a/</sup>	256,893 <sup>a/</sup>
<u>Total Non-Project Assistance</u>	<u>167,859</u>	<u>158,611</u>	<u>306,593</u>

<sup>a/</sup> Includes undistributed Contingency Fund some portion of which may be used for project assistance.

Revised February 27, 1958

SURPLUS AGRICULTURAL COMMODITY PROGRAM  
 UNDER  
 SECTION 402 OF THE MUTUAL SECURITY ACT OF 1954, AS AMENDED

*Shaded areas are Security classified  
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Section 402 of the Mutual Security Act of 1954, as amended, requires that not less than certain specified amounts of funds appropriated in each pertinent year be used to finance the export and sale of U.S. surplus agricultural commodities for foreign currencies. Congress has not appropriated additional funds to carry out the provisions of this section but provided that a portion of the funds appropriated pursuant to the Mutual Security Act should be earmarked for this purpose. In accordance with the legislative requirement, the foreign currency proceeds of these sales are used to carry out the objectives for which dollar appropriations were provided.

Commodities are considered eligible for sale in accordance with the recommendations of the Secretary of Agriculture. Shipments of all purchases are subject to the requirement that 50% be sent in American ships. The commodities are generally sold at prevailing U.S. export prices and private trade channels are used to the maximum extent possible. Authorizations are issued on the basis of requests submitted by the foreign government and provide the terms and conditions of the transaction including the provision that the commodity may not be re-exported without prior agreement of the U.S. Government.

In FY 1957, \$250 million were earmarked to finance these sales. Actual sales under this provision of the Act totaled \$286 million, or 14% higher than the legislative requirement, including \$140 million of grain, \$86 million of cotton, \$22 million of dairy products, \$20 million of fats and oils, and \$18 million of other commodities and ocean transportation costs. Sales of grain and cotton under triangular arrangements were made to Austria, France, Germany, and Italy, which do not receive non-military assistance under the Mutual Security Program. These sales were financed by dollar funds programmed for Cambodia, Pakistan, Turkey and Vietnam. The local currency proceeds of the sales to the Western European countries are being used to finance purchases of industrial equipment and other goods needed for programs in the countries for which the dollar funds were programmed.

In FY 1958, \$175 million of the funds available were earmarked to finance the export and sale of U.S. surplus agricultural commodities for foreign currencies. Present plans indicate that the Section 402 sales in FY 1958 will amount to approximately \$191 million or 9% more than the legislative requirement. Negotiations for these sales are actively under way, including \$148.5 million in direct sales and \$42.5 million in triangular transactions. It is anticipated that sales of cotton will amount to about \$91

million or almost half of the total program. Other sales are expected to include \$54 million grain, \$30 million fats and oils, \$15 million dairy products, and \$1 million of other commodities.

The maximum amount of direct sales which could be effectively programmed fell short of the minimum requirement, so that negotiations are now under way to arrange triangular transactions in order to assure meeting the legislative target. Arrangements for sales of cotton and grain to Austria, France, the United Kingdom, and Italy, are in process. The foreign currency proceeds of these sales will be used to purchase industrial goods required for programs in various countries receiving mutual security assistance. It should be noted that such transactions tend to displace normal commercial marketings of such surplus agricultural products by the United States and other countries, since there is no usual marketing provision in Section 402. The purchases of industrial goods required for programs in various countries receiving mutual security assistance are restricted to the countries receiving the agricultural commodities, thus precluding American or other third country suppliers, and their costs tend to be increased because of the absence of international competitive bidding.

In FY 1959, mutual security funds will be used to finance the sale of surplus agricultural commodities to the maximum extent compatible with the purposes of the Act. It is anticipated that such uses may amount to \$175 million or about the same as the legislative requirement for FY 1958.

No increase in the amount of total sales is forecast although every effort will be made to maximize the use of surplus commodities in carrying out the various programs and to exceed the target if at all possible. The possibility was explored in the current year to use some of the funds appropriated for military assistance programs in the form of surplus agricultural commodities using the local currency proceeds for offshore procurement of military end-items. However, opportunity for such use is drastically limited because offshore procurement is usually not of a size or type or in countries which would make it possible to employ such funds through Section 402.

According to present plans about 75% of the total Section 402 sales program in FY 1959 will be financed from funds requested for defense support programs and 25% from special assistance and other funds. No really significant decreases from FY 1958 are proposed among the countries specifically programmed. Reductions in sales are estimated only when the

WORLD WIDE

SURPLUS AGRICULTURAL COMMODITY PROGRAM  
UNDER  
SECTION 402 OF THE MUTUAL SECURITY ACT OF 1954, AS AMENDED

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special circumstances which permitted sales in FY 1958 are not likely to recur or when decreases in aid or pressing needs for funds for other purposes made reductions necessary.

There are anticipated small decreases in sales in the Berlin, Morocco, and Vietnam programs, which it is hoped will be offset by expected increases in sales to Israel, Philippines, and Taiwan. In FY 1959, present plans also contemplate financing a small amount of cotton to Ethiopia which has not heretofore purchased.

any surplus agricultural commodities under Section 402, and some grain to Bolivia which is not expected to participate in the program in the current fiscal year.

The total amount of Section 402 programs which have been developed for FY 1959 by country falls short by almost \$22 million of the proposed \$175 million target. It is expected that this shortfall can be made up only by engaging in triangular transactions, or by utilizing surplus agricultural products in such other contingent programs as may develop during the fiscal year.

## WORLD WIDE

## FY 1957 DOLLAR UTILIZATION FOR SURPLUS AGRICULTURAL COMMODITIES

UNDER

## SECTION 402 OF THE MUTUAL SECURITY ACT OF 1954, AS AMENDED

(In millions of dollars)

Area and Country	Sales by Country FY 1957			Surplus Commodities						
	From FY 1957 Programs	From Reobligation of Prior Year Funds	Total	Bread Grains	Cotton	Fats and Oils	Coarse Grains	Dairy Products	Other	Ocean Freight
<b>DIRECT SALES</b>										
<u>Europe</u>										
Germany	10.7		10.7	7.8			2.4			0.5
Italy (Somalia)	1.0		1.0		0.7				0.3	
Spain	18.5	0.2	18.7			14.0	2.2		2.3	0.2
Yugoslavia	13.5		13.5	7.1	4.8					1.6
Total Europe	43.7	0.2	43.9	14.9	5.5	14.0	4.6		2.6	2.3
<u>Near East and South Asia</u>										
Ceylon	2.2		2.2	2.2						
Greece	25.0		25.0	19.4		1.7	3.9			
India	30.0	1.1	31.1	17.5	13.6					
Israel	15.0		15.0	9.1	1.1		4.8			
Turkey	0.9		0.9						0.9	
Total Near East and South Asia	73.1	1.1	74.2	48.2	14.7	1.7	8.7		0.9	
<u>Far East and Pacific</u>										
Cambodia	0.8		0.8	0.6				0.2		
Korea	45.5	3.7	49.2	16.2	11.0	1.4	12.2		1.2	7.2
Philippines	17.0	0.1	17.1		3.0		1.1	13.0		
Taiwan	26.9		26.9	8.3	14.6	1.7				2.3
Vietnam	13.1		13.1	4.1		0.1		8.9		
Total Far East and Pacific	103.3	3.8	107.1	29.2	28.6	3.2	13.3	22.1	1.2	9.5
<u>Latin America</u>										
Bolivia	7.7		7.7	3.6	2.0	1.2				0.9
Guatemala	2.0		2.0	2.0						
Total Latin America	9.7		9.7	5.6	2.0	1.2				0.9
TOTAL DIRECT SALES	229.8	5.1	234.9	97.9	50.8	20.1	26.6	22.1	4.7	12.7
<b>TRIANGULAR TRADE</b>										
<u>Europe</u>										
Austria	5.0		5.0				5.0			
France	33.0		33.0		30.0		3.0			
Germany	8.0		8.0	7.0						1.0
Italy	5.0		5.0		5.0					
TOTAL TRIANGULAR TRADE	51.0		51.0	7.0	35.0		8.0			1.0
TOTAL - ALL COUNTRIES	280.8	5.1	285.9	104.9	85.8	20.1	34.6	22.1	4.7	13.7

## WORLD WIDE

## FY 1958 DOLLAR UTILIZATION FOR SURPLUS AGRICULTURAL COMMODITIES

UNDER  
SECTION 402 OF THE MUTUAL SECURITY ACT OF 1954, AS AMENDED

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(In millions of dollars)

Area and Country	Programmed Sales by Country FY 1958 Total	Surplus Commodities					
		Bread Grains	Cotton	Fats and Oils	Coarse Grains	Dairy Products	Other
<b>DIRECT SALES</b>							
<u>Europe</u>							
Germany	10.9	5.5				5.4	
Spain	20.0		13.0	6.0		1.0	
Yugoslavia	3.0			3.0			
Total Europe	33.9	5.5	13.0	9.0		6.4	
<u>Near East and South Asia</u>							
Greece	5.0	4.2		0.8			
Israel	7.5	1.9	1.6	4.0			
Total Near East and South Asia	12.5	6.1	1.6	4.8			
<u>Africa</u>							
Libya	1.0	1.0					
Morocco	7.0		2.0	5.0			
Dots - Somalia	0.3	0.3					
Total Africa	8.3	1.3	2.0	5.0			
<u>Far East and Pacific</u>							
Cambodia	0.8	0.4				0.4	
Korea	40.0	6.0	30.0	1.0	2.0		1.0
Philippines	9.0		2.0			7.0	
Taiwan	34.0	9.2	14.8	10.0			
Vietnam	10.0	1.9		0.5		7.6	
Total Far East and Pacific	93.8	17.5	46.8	11.5	2.0	15.0	1.0
TOTAL DIRECT SALES	148.5	30.4	63.4	30.3	8.4	15.0	1.0
<b>TRIANGULAR TRADE</b>							
<u>Europe</u>							
Austria	2.5				2.5		
France	20.0		20.0				
United Kingdom	12.5	12.5					
Italy	7.5		7.5				
TOTAL TRIANGULAR TRADE	42.5	12.5	27.5		2.5		
TOTAL - ALL COUNTRIES	191.0	42.9	90.9	30.3	10.9	15.0	1.0

WORLD WIDE

FY 1959 ESTIMATED MSP DOLLAR UTILIZATION FOR SURPLUS AGRICULTURAL COMMODITIES

UNDER  
SECTION 402 OF THE MUTUAL SECURITY ACT OF 1954, AS AMENDED

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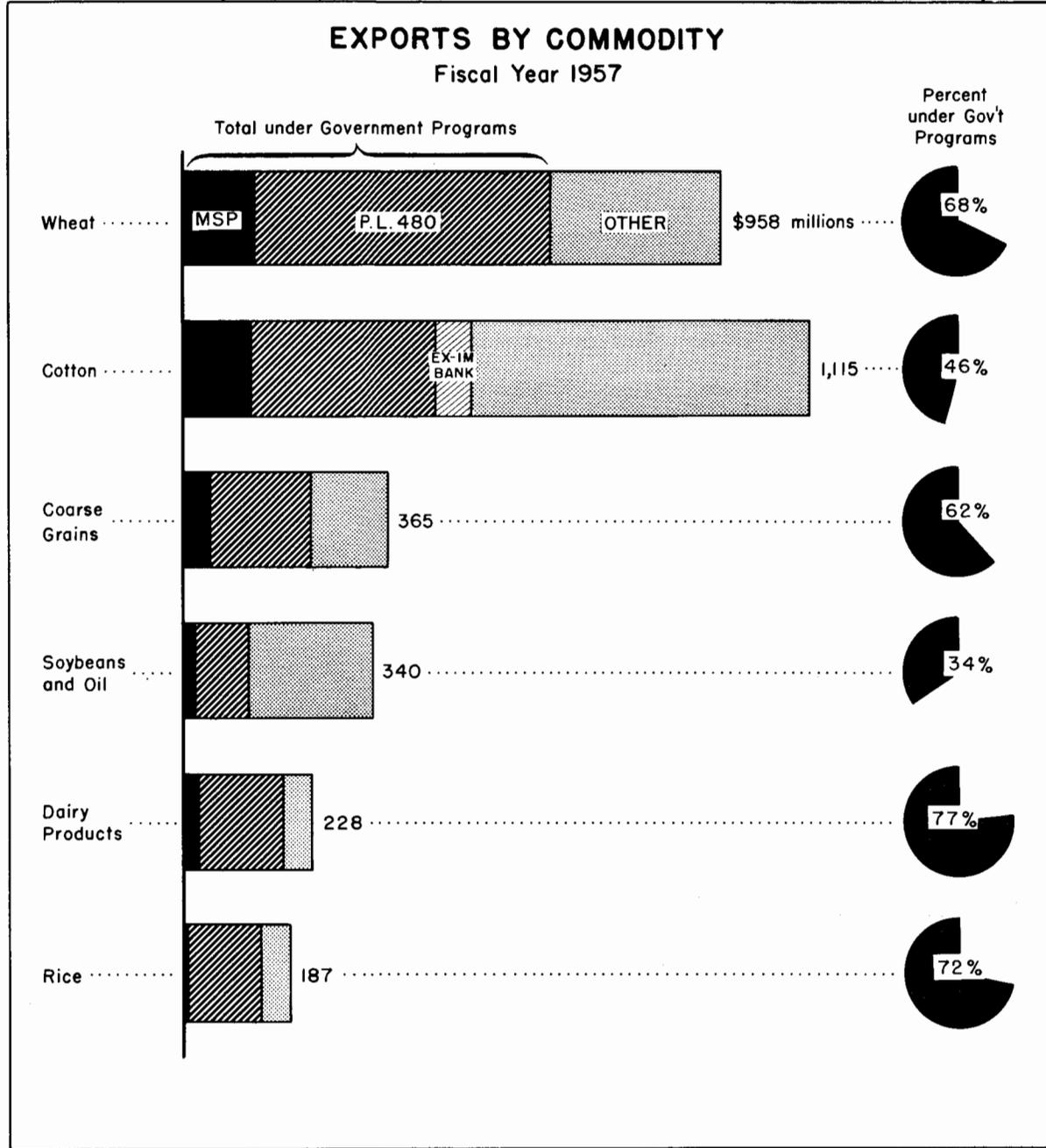
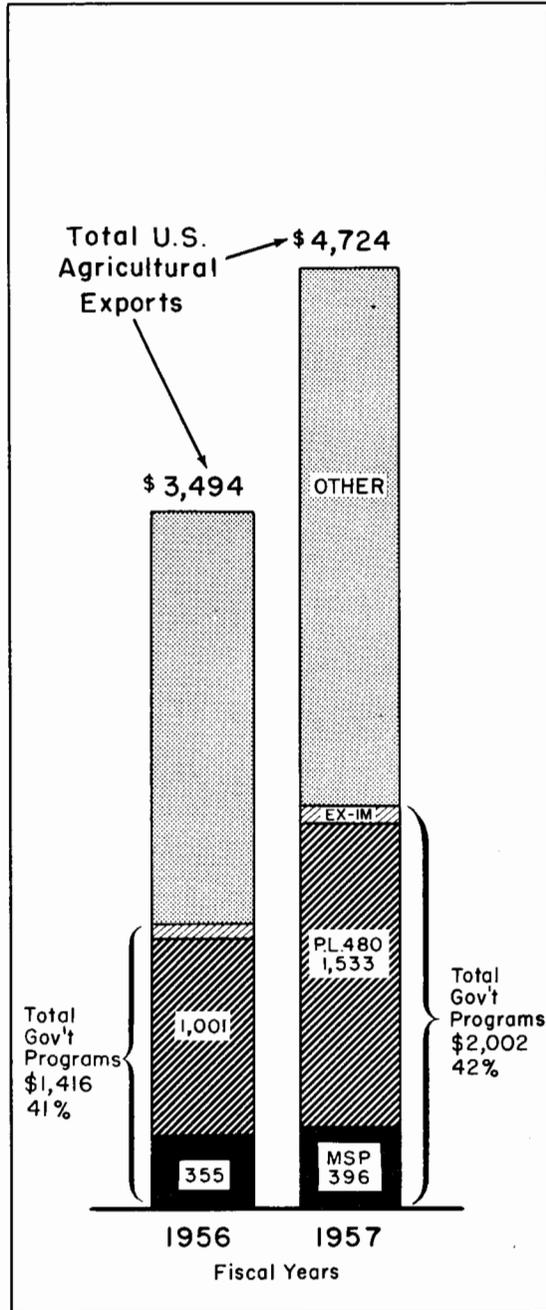
(In millions of dollars)

Area and Country	Programmed Sales by Country and Functional Source of Funds - 1959				Surplus Commodities						
	Military Assistance	Defense Support	Special Assistance	Other	Total	Bread Grains	Cotton	Fats and Oils	Coarse Grains	Dairy Products	Other
<b>Europe</b>											
Germany (Berlin)			8.0		8.0	4.0			4.0		
Spain		20.0			20.0		13.0	6.0	1.0		
Total Europe		20.0	8.0		28.0	4.0	13.0	6.0	5.0		
<b>Africa</b>											
Ethiopia			1.0		1.0		1.0				
Libya			1.0		1.0	1.0					
Morocco		5.0			5.0		1.0	4.0			
Somalia			0.3		0.3	0.3					
Total Africa		5.0	2.3		7.3	1.3	2.0	4.0			
<b>Near East and South Asia</b>											
Greece		5.0			5.0	5.0					
Israel			10.0		10.0	10.0					
Total Near East and South Asia		5.0	10.0		15.0	15.0					
<b>Far East</b>											
Cambodia		1.0			1.0	0.5				0.5	
Korea		40.0			40.0	7.5	30.0	1.5			1.0
Philippines		12.5			12.5		5.0			7.5	
Taiwan		39.0			39.0	15.0	15.0	9.0			
Vietnam		8.5			8.5	2.0		0.5		6.0	
Total Far East		101.0			101.0	25.0	50.0	11.0		14.0	1.0
<b>Latin America</b>											
Bolivia			2.0		2.0	2.0					
Unprogrammed				21.7	21.7						21.7 <sup>a/</sup>
TOTAL - ALL COUNTRIES		131.0	22.3	21.7	175.0	47.3	65.0	21.0	5.0	14.0	22.7

a/ Commodities not specified.

# THE FINANCING OF U.S. AGRICULTURAL EXPORTS

(\$ Millions)



WORLD WIDE

SUMMARY SALES PROGRAM UNDER P. L. 480 <sup>a/</sup>

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TITLE I AND FOREIGN CURRENCY PROGRAM EARMARKING

Area and Country	(In thousands of dollars)				(Foreign Currency in thousands of dollar equivalent)						
	Sales Agreement by Year <sup>b/</sup>			Total Value of Sales	Foreign Currency Reserved for U.S. Uses	Foreign Currency Admin. by Ex-Im Bank (Cooley Amend.)	Foreign Currency to be Administered by MSP Agencies				Total Administered by MSP Agencies
	FY 1955-57	Estimate FY 1958	Estimate FY 1959				Sec. 104c	Sec. 104d	Sec. 104e	Sec. 104g	
<b>Europe - Total</b>	676,226	142,100	160,500	978,826	364,094	1,500	99,173	22,500		491,559	613,232
Austria	43,300			43,300	14,100			2,900		26,300	29,200
Finland	27,700			27,700	14,700			13,000			13,000
France	2,100			2,100	1,500			600			600
Germany	1,200			1,200	1,200						
Iceland	2,785	3,000	3,000	8,785	1,857	1,500				5,428	5,428
Italy	127,900			127,900	33,900			6,000		88,000	94,000
Netherlands	300			300	300						
Poland	18,700			18,700	18,700						
Portugal	7,100			7,100	3,705					3,395	3,395
Spain	186,322	69,100	75,000	330,422	150,031		10,269			170,122	180,391
United Kingdom	35,600			35,600	35,600						
Yugoslavia	223,219	70,000	82,500	375,719	88,501		88,904			198,314	287,218
<b>Africa - Total</b>		19,500	3,200	22,700	4,540	3,405				14,755	14,755
Morocco		19,500	3,200	22,700	4,540	3,405				14,755	14,755
<b>Near East and South Asia - Total</b>	720,540	215,500	433,500	1,369,540	338,870	147,240	85,160	5,000	61,470	731,800	883,430
Egypt	19,600			19,600	6,000					13,600	13,600
Greece	46,200	19,800	26,000	92,000	26,270	6,870				51,390	58,860
India	360,100	48,500	235,000	643,600	123,425	70,875		5,000	54,000	390,300	449,300
Iran	12,100			12,100	3,700		5,900			2,500	8,400
Israel	51,640	35,000	30,000	116,640	24,600	16,250				75,790	75,790
Pakistan	120,700	65,400	85,000	271,100	52,840	37,600	79,260			101,400	180,660
Turkey	110,200	46,800	57,500	214,500	102,035	15,645				96,820	96,820
<b>Far East - Total</b>	378,771	87,600	93,500	559,871	123,472	25,400	164,990	7,659		238,350	410,999
Burma	22,700	18,400	18,000	59,100	11,650	9,100				38,350	38,350
Cambodia	1,100	1,100	1,000	2,100	1,575	525					
China (Taiwan)	9,800	12,100	10,500	32,400	16,850	5,650	9,900				9,900
Indonesia	98,700			98,700	21,300					77,400	77,400
Japan	150,800			150,800	34,291 <sup>c/</sup>			7,659		108,850	116,509
Korea	81,871	48,000	47,000	176,871	25,881	4,000	146,990			146,990	146,990
Philippines	10,300		8,500	18,800	5,000	2,000	2,100			9,700	11,800
Thailand	4,600	2,000	2,500	9,100	3,925	1,125				4,050	4,050
Viet Nam		6,000	6,000	12,000	3,000	3,000	6,000				6,000
<b>Latin America - Total</b>	307,421	28,200		335,621	72,518	7,050				256,053	256,053
Argentina	29,331			29,331	11,100					18,231	18,231
Brazil	179,920			179,920	30,698					149,222	149,222
Chile	39,600			39,600	7,920					31,680	31,680
Colombia	30,040			30,040	7,800					22,240	22,240
Ecuador	8,100			8,100	1,820					6,280	6,280
Mexico		28,200		28,200	7,550	7,050				13,600	13,600
Paraguay	3,000			3,000	750					2,250	2,250
Peru	17,430			17,430	4,880					12,550	12,550
<b>Total All Areas</b>	2,082,958	492,900	690,700	3,266,558	903,494	184,595	349,323	35,159	61,470	1,732,517	2,178,469
Reserve for Countries not Proposed for Defense Support or Special Assistance in FY 1959		238,900	360,000	598,900	411,500	76,100				111,300	111,300
<b>GRAND TOTAL</b>	2,082,958	731,800	1,050,700	3,865,458	1,314,994	260,695	349,323	35,159	61,470	1,843,817	2,289,769

a/ Local currency proceeds for third country use are included in the country which is the recipient of the agricultural commodities.

b/ All figures are stated in market values.

c/ Includes the yen equivalent of \$3,270 thousand transferred to the Department of the Army for Ryukyu typhoon rehabilitation and relief.

General Note Regarding Forecasts - All forecasts of sales agreements, the proceeds therefrom, and the distribution by type of use are made by ICA, are intended to be illustrative, and are not necessarily agreed to by the Department of Agriculture. Future sales agreements must be approved by the interested executive agencies and are, of course, subject to negotiation with each country. The above forecasts assume full utilization of existing and requested authority.

U.S.-OWNED OR CONTROLLED LOCAL CURRENCIES  
RELATED TO THE MUTUAL SECURITY PROGRAM

WORLD WIDE

A. Categories of Local Currencies

There are three principal categories of foreign currencies, owned or controlled by the U.S., which are related to operations under the Mutual Security Program.

Counterpart is the local currency sales proceeds or commensurate value of U.S. commodity assistance furnished under the Mutual Security Program. With the exception of such amounts up to 10% as are set aside for use by the United States for administrative and other purposes, it belongs to the aid recipient country and is deposited in a special account to be used for programs agreed to by the United States in carrying out the purposes of the Mutual Security Act. As of last June 30, deposits of such currencies on hand amounted to \$980 million, of which all but \$363 million had been committed.

The second category is the proceeds from the sales of surplus agricultural commodities under authority of Section 402 and its predecessor, Section 550, of the Mutual Security Act. These currencies are owned by the U.S. Under the terms of the sales agreements, they are available only for the purposes of the Mutual Security Act and are usually available only for use in the country in which generated. However, in some instances, these sales proceeds are available for purchase of goods and services for use in the Mutual Security Programs in other countries. With the exception of this latter type, called "triangular" currency, Sections 402 and 550 currencies are similar in many respects to the counterpart discussed above. The chief difference is ownership. In substance there is little difference, since both kinds of currencies are used for the benefit of the host government and for purposes outlined in the Mutual Security Act. In both categories there is a lag of about a year between the obligation of the Mutual Security dollar and the deposit of local currency. This time lag is required to place commodity orders, receive shipments, and place the items in normal trade channels. Thus, currency programmed for use in FY 1959 consists largely of currency generated from FY 1958 dollars. As of last June 30, Sections 402 and 550 deposits on hand amounted to \$309 million, of which all but \$216 million had been obligated.

The third type of local currencies available to ICA and Defense for purposes related to the Mutual Security Program are those available under certain provisions of P.L. 480, the Agricultural Trade Development and Assistance Act. These provisions are those authorizing the use of local currency sales proceeds for the common defense (Subsection 104(c)), for grants for economic develop-

ment (Subsection 104(e)), and for loans for economic development (Subsection 104(g)). These currencies are owned by the U.S. and are generated by the sale of surplus agricultural commodities to foreign countries under the provisions of P.L. 480. P.L. 480 currencies differ from the two categories discussed earlier in that (1) they were not generated by Mutual Security activities with the result that they are not all available within Mutual Security countries, and (2) currencies under 104(g), the largest account, are available only for loans, not for grants. In addition, a very limited quantity of P.L. 480 currencies is available under Subsection 104(d) for procurement of goods and services for export to other friendly countries. As of last June 30 deposits on hand earmarked for use under these four provisions amounted to \$867.7 million. Of this total \$645.9 million had not yet been obligated.

B. The Usefulness of Such Currencies in the Mutual Security Program

There are three important considerations relative to these local currencies which indicate their limitations as well as their value in the conduct of the Mutual Security Program.

First: Local currency cannot be used to provide additional physical resources for use in the country in which it is generated, because it cannot be used to import goods and services into that country. A country's own currency, far from being a resource to that country, is a claim against its existing resources. It is to the country the same as a checkbook is to an individual bank account; writing more checks does not create more resources in the bank. Neither does expanding currency supply make more resources available in the country. Additional economic resources can be brought into these countries only by using dollars or other convertible currencies which can be used for imports. Thus, because the furtherance of Mutual Security objectives requires that the U.S. make new resources available to a cooperating country, local currency previously generated in that country cannot further such objectives by meeting this requirement for new resources. By the same token, the use by the U.S. of local currencies to export goods and services for Mutual Security purposes in other countries would in effect take back the assistance originally given.

Second: On the other hand, the device of generating local currencies and setting them aside helps in assuring cooperation of the host country in the Mutual Security Program and in directing the use of the physical resources available in the country. In many

of the less developed countries, it is the most effective and practical method of making available budgetary resources that ordinarily in a developed economy would be created by taxation and government borrowing.

In other countries, however, this local currency is of little or no current value to Mutual Security objectives. Some countries have no need for the local currencies generated by U.S. programs, although they did and still may need the dollar commodities which generated such local currencies. The purpose and the timing of the use of local currencies depend on the monetary situation of the country as well as the economic condition of the country. Where inflation threatens or already exists, unrestrained use of such funds would be contrary to the objectives of helping in maintaining or building up the economy of the aid recipient country. In some instances, although it might be a service to the country to make its own currency available to it, there are important reasons why the country would rather obtain the currency through its own internal methods rather than to borrow such currency from the U.S. which would entail obligations of repayment of both principal and interest and of maintaining the value of such repayments against a decline in the value of its currency. This may in some cases inhibit the usefulness of currency which is available only for loans.

Third: To the extent that U.S. assistance constitutes an element in an annual understanding with a country, not only the dollar assistance but the local currency proceeds from that assistance are considered as the U.S. contribution for that year. Therefore, even though the local currency proceeds from one year's program may still be available for use in the next year, they cannot be considered as part of a second year's understanding. In other words, you cannot count the same dollar twice even though it changes form in the process of being used.

In several of the countries receiving the largest amounts of economic assistance, the basic need for the appropriated dollars is to assure a flow of goods and services into the economy in order to serve such purposes as combating inflation or helping to build, or supply raw materials for, productive facilities. This group would include, among others, Korea, Taiwan, Pakistan, Turkey, Greece and Spain. In these countries if a substantial backlog of uncommitted or unobligated local currency existed (which in most of these countries it does not) it could not be used to meet the requirement in FY 1959 for a continued flow of goods and services into the country. The currency resulting from this flow of goods and services is frequently useful to the full achievement of our

objectives. But it cannot achieve the purposes of new appropriated dollars. It is the second step in a single transaction, begun at an earlier time, and cannot be used in lieu of the first (or dollar) step in the transaction which must be started in FY 1959.

These three factors lead to the conclusion that the generation and availability of local currencies, both under MSP and P.L. 480, are in some cases useful in improving the use of resources available to these countries but cannot be substituted for the external resources needed by the country. To furnish such resources requires foreign exchange supplied by our aid dollar.

#### C. An Exception: "Triangular" Currencies

An exception to the above discussion on the usefulness of local currency is a limited amount of currency which can be used to procure goods and services for use in Mutual Security Program in third countries. The largest amount of this currency was generated under Section 402. These generations do not reduce the need for MSP dollar appropriations since the surplus commodities must be purchased with these funds. The dollars which purchased the agricultural commodities are charged against the dollar program of the country which will receive the benefits from such currency. The generated currencies are in effect a part of the pipeline from earlier appropriations and have been taken into account in making the request for dollar appropriations for FY 1959.

#### D. Value and Availabilities of Local Currencies

Great difficulty is encountered in producing global tables involving inconvertible currencies in dollar equivalent values which are at all realistic. Deposits in the various accounts discussed herein are made at agreed rates, which may vary from agreement to agreement, depending on the nature of the transaction. While every effort is made to negotiate agreements at the most favorable possible rates, provision is seldom made to cover devaluation after the foreign currencies have been deposited and before they have been expended. The dollar equivalent figures used in the attached tables are shown at agreement rates which in many instances do not reflect the true current value. In total, this results in stating a dollar value considerably in excess of the actual market value.

A substantial portion of the accumulations of local currencies is in countries for which no economic aid other than technical cooperation is proposed under the Mutual Security Act. While the

U.S.-OWNED OR CONTROLLED LOCAL CURRENCIES  
RELATED TO THE MUTUAL SECURITY PROGRAM

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major portion of such accumulations are in P.L. 480 currencies, some accumulations of counterpart exist in countries for which no defense support or special assistance program is proposed for FY 1959.

A substantial portion of present counterpart currency accumulations results from the fact that, in certain cases, it has been agreed with the host government not to release such currencies into foreign economies. In such cases, while a dollar equivalent value can be assigned to these frozen currencies, they have no program value since they cannot be used at present. Approximately \$341.7 million of the unprogrammed balances as of June 30, 1959 are in this non-usable category.

To clarify the above points and reflect their importance, the following table shows the major accumulations of MSP-related foreign currencies by country and source. It will be noted that, of the estimated total unobligated balances of \$778 million as of June 30, 1959, \$117.2 million is in countries not scheduled to receive defense

support or special assistance in FY 1959, and \$341.7 million is estimated to be unavailable for program purposes because it has been frozen, leaving unprogrammed only \$319.1 million of usable currencies in countries scheduled to receive Defense Support or Special Assistance.

There are also attached four tables showing the cumulative status of U.S.-owned or controlled local currencies as of the end of FYs 1957, 1958 and 1959.

In developing programs to be carried out in the various countries under the Mutual Security Program, all existing and potential local currency assets are taken into account. A reference to the individual country tables will show the planned uses of these currencies. The country tables show the amounts planned for obligation for military and economic purposes in the country. The economic uses are distributed by field of activity and individual project.

COUNTERPART AND U.S.-OWNED LOCAL CURRENCY IN EUROPEAN COUNTRIES NOT PROGRAMMED TO RECEIVE DEFENSE SUPPORT, SPECIAL ASSISTANCE OR TECHNICAL COOPERATION IN FY 1959

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

Counterpart and U.S.-owned local currencies that have been derived from prior year dollar aid and surplus commodity sales programs are not totally expended in some European countries no longer receiving MSP economic assistance. Local currency proceeds are also being generated currently from sales of surplus agricultural products under MSP (Sec. 402) and P.L. 480 Title I programs in these "non-aid" countries.

Counterpart

No unexpended balances are expected to remain in the counterpart accounts for any of the non-aid European countries after June 30, 1959.

All of the equivalent \$9.4 billion in counterpart generated and deposited since 1948 in non-aid countries is expected to be committed to agreed purposes by the end of FY 1958, except for \$28.1 million in Austria. An equivalent of \$33.3 million will remain unexpended on June 30, 1958, representing the total of unexpended balances in Austria, Ireland and the United Kingdom.

The unexpended balance in Austria includes repayments of loans made under the Zablocki amendment and a small amount of counterpart that have never been programmed. An overall counterpart settlement is being negotiated with the Austrian Government which will cover the foregoing unprogrammed amount and all funds now programmed to revolving loan accounts. However, the final settlement is not expected to be reached before FY 1959 because of the internal political situation in Austria. The use of the unexpended balance shown for Ireland as of the end of FY 1958 has already been agreed for financing an Agricultural Institute and funds can be withdrawn in FY 1959 or as soon as current discussions on details are completed. A small balance of \$550 thousand worth of sterling is being retained unexpended in the United Kingdom counterpart account into FY 1959 in case any refund actions should arise from audit of old dollar obligations.

MSP U.S.-Owned Local Currencies

Of the total MSP U.S.-owned local currencies derived from the sale of surplus agricultural products under Section 402 and Section 550, about 10% was allocated to the Department of Defense for offshore procurement, about 35% was made available for host country uses, slightly more than 50% was set aside for financing purchases of commodities in the host country for use in third countries, and the remaining 3% consists of Section 550 funds programmed for French

and British DOTs, Somalia and other uses. Local currencies earmarked for specific third country programs have been taken into account in estimating new dollar requirements for those programs.

By the end of FY 1959, all MSP U.S.-owned local currency is expected to be fully obligated but unexpended balances of \$2.6 million will remain in Italy for offshore procurement, as well as \$300 thousand in Somalia and \$354 thousand in the British DOTs.

The unobligated and unexpended balance in the United Kingdom at the end of FY 1958 consists largely of Section 402 sterling originally intended for U.S. use for offshore procurement for third countries, administered by the Department of Defense, and Section 402 sterling which ICA is holding for host country military use subject to direction from the Department of Defense. The original programming of these funds is under review and is in the process of adjustment in the light of current military requirements. These accounts are expected to be closed out in FY 1959.

About 95% of the Section 550 funds programmed for the British DOTs is expected to be expended by the end of FY 1959. The rate of expenditure has been relatively slow because of a lag in the DOT development plans with which the prior year local currency projects are associated, but the territories are now moving ahead with these projects and expenditures will be accelerated in fiscal years 1958 and 1959. The rate of expenditures is also expected to improve in Somalia.

P.L. 480, Title I Program

P.L. 480, Title I sales agreements totalling a market value equivalent of \$263.9 million were negotiated during FY 1955-57 with nine non-aid countries in Europe. Under these agreements a total of \$119.7 million was reserved for U.S. uses. Most of the remaining \$144.2 million was earmarked for loans to the countries purchasing the surplus commodities to promote multilateral trade and economic development, the remainder or \$26.5 million being reserved for financing procurement of goods and services for use in programs in third countries. Generally, the Budget Bureau apportions "third country" currency only in exchange for appropriated dollars.

Except in the case of Finland, all ICA-administered local currency generated and deposited under the foregoing programs is expected to be obligated by the end of FY 1958. All deposited funds are expected to be expended by June 30, 1959 except in Finland and Portugal.

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COUNTERPART AND U.S.-OWNED LOCAL CURRENCY IN EUROPEAN  
COUNTRIES NOT PROGRAMMED TO RECEIVE DEFENSE SUPPORT,  
SPECIAL ASSISTANCE OR TECHNICAL COOPERATION IN FY 1959

An obstacle to rapid programming of available funds in Finland has been the limited types and amounts of goods that can be supplied by Finland at world market price and that are needed in the underdeveloped areas. A Presidential determination has been made to loan the remaining balance to Finland for economic development under Section 104(g).

In the case of Portugal, all the P.L. 480, Title I local currency generated and deposited was fully obligated by June 30, 1957 for loans to the Portuguese National Development Fund to construct food storage facilities. However, actual construction is not scheduled to begin until January 1958 and will extend beyond FY 1959. Approximately 60% of the funds deposited, although fully obligated, will remain unexpended on June 30, 1959.

Expenditure of funds will be fully completed in Italy by the end of FY 1959. The lag in FY 1958 reflects the nature of Italian governmental procedures that necessitate passage of authorizing legislation for each separate use. Similarly, in Austria the P.L. 480 funds obligated for loans to Austrian industry are not disbursed until loan applications are processed and approved.

Other Currencies (Coal Procurement Fund)

Sales of U.S. surplus coal, generating a total equivalent of \$17.3 million in local currency, were made in fiscal 1955 to six European countries not now receiving MSP economic assistance. Only in Denmark is there expected to be any unexpended balance of local currency remaining on June 30, 1958 or 1959.

Reduction in the amount of this unexpended kroner balance is dependent on the availability of Danish export goods of suitable types and at competitive prices, as needed for U.S. aid programs in underdeveloped countries. The Danish Coal Procurement Fund is expected to be 80% obligated by the end of FY 1958 and fully obligated by the end of FY 1959; but about 35% will remain unexpended at the end of FY 1959 because of the length of time required for delivery on some of the capital goods being procured.

WORLD WIDE

ANALYSIS OF AVAILABILITIES OF MSP-ADMINISTERED LOCAL CURRENCIES BY COUNTRY AND SOURCE OF CURRENCY

WORLD WIDE SUMMARY - BY COUNTRY GROUPS AND BY TYPES OF CURRENCY

Actual as of June 30, 1957 and Estimated Through June 30, 1959

(In thousands of dollars equivalent)

	Status as of June 30, 1957				Fiscal Year 1958				Fiscal Year 1959			
	Unexpended Deposits	Deduct Unliquidated Obligations	Unobligated or Uncommitted Deposits	Not Available for Use (Frozen) <sup>a/</sup>	Estimated New Deposits	Estimated Obligations or Commitments	Estimated Unobligated or Uncommitted Deposits 6/30/58	Not Available for Use (Frozen) <sup>a/</sup>	Estimated New Deposits	Estimated Obligations or Commitments	Estimated Unobligated or Uncommitted Deposits 6/30/59	Not Available for Use (Frozen) <sup>a/</sup>
Countries Programmed to Receive Defense Support or Special Assistance in FY 1959	1,349,232	527,117	822,115	276,761	1,358,385	1,480,011	700,489	261,785	1,240,341	1,279,991	660,839	341,705
MSP (U.S.-Owned)	181,941	49,668	132,273		240,776	253,732	119,317		158,842	201,796	76,363	
Counterpart	678,139	459,950	218,189	276,761	791,594	755,789	253,994	261,785	832,694	687,940	398,748	341,705
P.L. 480	464,174	17,499	446,675		320,958	467,502	300,131		248,805	371,255	177,681	
Other (Country-Owned)	24,978		24,978		5,057	2,988	27,047			19,000	8,047	
Countries Programmed to Receive Only Technical Cooperation in FY 1959	175,731	21,641	154,090		306,744	296,690	164,144		148,665	236,678	76,131	
MSP (U.S.-Owned)	38,953	19,899	19,054		38,909	20,975	36,988		856	19,846	17,998	
Counterpart					2,500	2,500						
P.L. 480	136,030	1,622	134,408		264,328	271,580	127,156		147,259	216,282	58,133	
Other (Country-Owned)	748	120	628		1,007	1,635			550	550		
Countries Not Programmed to Receive Defense Support, Special Assistance, or Technical Cooperation in FY 1959	469,424	193,619	275,805	111,947	100,230	311,448	64,587		41,800	80,744	25,643	
MSP (U.S.-Owned)	88,490	24,040	64,450		30,475	81,301	13,624		32,800	43,947	2,477	
Counterpart	302,023	156,754	145,269	111,947	881	118,051	28,099			28,099		
P.L. 480	72,591	7,807	64,784		68,874	111,492	22,166		9,000	8,000	23,166	
Other (Country-Owned)	6,320	5,018	1,302			604	698			698		
Undistributed P.L. 480 Availability for Countries Not Receiving Defense Support or Special Assistance in FY 1959					6,100	3,000	3,100		38,600	26,300	15,400	
P.L. 480					6,100	3,000	3,100		38,600	26,300	15,400	
<b>GRAND TOTAL</b>	<b>1,994,387</b>	<b>742,377</b>	<b>1,252,010</b>	<b>388,708</b>	<b>1,771,459</b>	<b>2,091,149</b>	<b>932,320</b>	<b>261,785</b>	<b>1,469,406</b>	<b>1,623,713</b>	<b>778,013</b>	<b>341,705</b>
MSP (U.S.-Owned)	309,384	93,607	215,777		310,160	356,008	169,929		192,498	265,589	96,838	
Counterpart	980,162	616,704	363,458	388,708	794,975	876,340	282,093	261,785	832,694	716,039	398,748	341,705
P.L. 480	672,795	26,928	645,867		660,260	853,574	452,553		443,664	621,837	274,380	
Other (Country-Owned)	32,046	5,138	26,908		6,064	3,227	27,745		550	20,248	8,047	

<sup>a/</sup> The figures in this column represent a portion of the preceding column ("Unobligated or Uncommitted Deposits"). Amounts represent those portions of balances on which formal or informal agreements with the host government have been reached that no releases are to be made for the indefinite future. Many other cases exist, not set forth in this column, where portions of the unobligated deposits are being withheld from programming on a temporary or indefinite basis in order to avoid harmful inflationary effects.

Revised February 27, 1958

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ANALYSIS OF AVAILABILITIES OF MSP-ADMINISTERED LOCAL CURRENCIES BY COUNTRY AND SOURCE OF CURRENCY  
 COUNTRIES PROGRAMMED TO RECEIVE DEFENSE SUPPORT OR SPECIAL ASSISTANCE IN FISCAL YEAR 1959 - BY REGION AND COUNTRY AND BY SOURCE OF CURRENCY

Actual as of June 30, 1957 and Estimated Through June 30, 1959

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

	Status as of June 30, 1957			FY 1958					FY 1959			
	Unexpended Deposits	Deduct Unliquidated Obligations	Unobligated or Uncommitted Deposits	Not Available for Use (Frozen)	Estimated New Deposits	Estimated Obligations or Commitments	Est. Unob. or Uncommitted Deposits 6/30/58	Not Available for Use (Frozen)	Estimated New Deposits	Estimated Obligations or Commitments	Est. Unob. or Uncommitted Deposits 6/30/59	Not Available for Use (Frozen)
<b>Countries Programmed to Receive DS or SA in FY 1959</b>												
<b>Europe and Africa - Total</b>	432,422	112,893	319,529		282,694	409,351	192,872		274,147	301,692	165,327	
Germany, Federal Republic (Incl. Berlin)	44,395	38,846	5,549		38,513	46,379	-2,317		27,050	25,291	-558	
MSP (U.S.-Owned)	25,495	15,787	9,708		18,520	26,386	1,842		9,870	9,870	1,842	
Counterpart	18,900	23,059	-4,159		19,993	19,993	-4,159		17,180	15,421	-2,400	
Iceland	12,800		12,800		3,828	3,828	12,800		1,600	1,600	12,800	
Counterpart	12,800		12,800				12,800				12,800	
P.L. 480					3,828	3,828			1,600	1,600		
Spain	127,889	63,190	64,699		133,069	165,334	32,434		116,170	107,676	40,928	
MSP (U.S.-Owned)	30,016	6,865	23,151		27,531	36,701	13,981		20,000	21,717	12,254	
Counterpart	17,262	56,325	-39,063		51,744	19,964	-7,283		59,170	30,759	21,128	
P.L. 480	80,611		80,611		53,794	108,669	25,736		37,000	55,200	7,536	
Yugoslavia	247,338	10,857	236,481		65,374	148,900	152,955		67,572	102,870	117,697	
MSP (U.S.-Owned)	40,150		40,150		17,273	5,000	52,423		2,072	30,000	24,955	
Counterpart	26,699	10,857	15,842		12,000	26,700	1,142		7,500	7,870	772	
P.L. 480	157,499		157,499		36,044	117,200	76,343		58,000	50,000	84,343	
Other (Country-owned)	22,990		22,990		57		23,047			15,000	8,047	
Ethiopia									1,000	1,000		
MSP (U.S.-Owned)									1,000	1,000		
Libya					3,000	3,000			5,000	5,000		
MSP (U.S.-Owned)					1,000	1,000			1,000	1,000		
Counterpart					2,000	2,000			4,000	4,000		
Morocco					32,910	31,910	1,000		43,255	44,255		
MSP (U.S.-Owned)					7,000	7,000			5,000	5,000		
Counterpart					17,910	17,910			31,500	31,500		
P.L. 480					8,000	7,000	1,000		6,755	7,755		
Tunisia					6,000	10,000	-4,000		12,500	14,000	-5,500	
Counterpart					6,000	10,000	-4,000		12,500	14,000	-5,500	
<b>Near East - South Asia - Total</b>	438,876	54,851	384,025	171,567	320,417	461,916	242,526	57,000	283,714	365,500	160,740	57,000
Afghanistan	1,172		1,172		4,000	1,172	4,000			4,000		
MSP (U.S.-Owned)	1,172		1,172			1,172						
Other (Country-owned)					4,000		4,000			4,000		
Greece	274,211		274,211	171,567	26,390	159,000	141,601	57,000	31,500	35,500	137,601	57,000
MSP (U.S.-Owned)	10,586		10,586		13,000	13,000	10,586		5,500	16,000	86	
Counterpart	237,055		237,055	171,567	2,500	115,000	124,555	57,000	12,000	19,500	136,535	57,000
P.L. 480	26,570		26,570		10,890	31,000	6,460		14,000	19,500	566	
Iran	1,959	10,960	-9,001		21,352	21,165	-8,814		21,000	23,000	-10,814	
Counterpart	1,146	10,960	-9,814		16,000	15,000	-8,814		21,000	23,000	-10,814	
P.L. 480	813		813		5,352	6,165						
Israel	17,076	9,724	7,352		43,345	47,292	3,405		28,700	30,300	1,895	
MSP (U.S.-Owned)	3,722	3,722			21,405	21,000	405		10,700	10,000	1,105	
Counterpart	292		292			292						
P.L. 480	13,062	6,002	7,060		21,940	26,000	3,000		18,000	20,300	700	
Jordan	28	28										
Counterpart	28	28										
Pakistan	125,299	11,497	113,802		94,656	139,585	68,873		100,000	165,000	3,873	
MSP (U.S.-Owned)	11,757		11,757			11,757						
Counterpart	40,362		40,362		52,000	65,000	27,362		65,000	100,000	-7,638	
P.L. 480	71,352	11,497	59,855		42,656	61,000	41,511		35,000	65,000	11,511	
Other (Country-owned)	1,828		1,828			1,828						
Turkey	19,131	22,642	-3,511		130,674	93,702	33,461		102,514	107,700	28,275	
MSP (U.S.-Owned)					9,306	9,306						
Counterpart		22,642	-22,642		81,368	63,396	-4,670		77,514	67,700	5,144	
P.L. 480	19,131		19,131		40,000	21,000	38,131		25,000	40,000	23,131	

a/ Includes \$114,567 thousand released under Section 105 of the 1958 Mutual Security Appropriation Act to liquidate central bank advances not represented by actual sales proceeds.

ANALYSIS OF AVAILABILITIES OF MSP-ADMINISTERED LOCAL CURRENCIES BY COUNTRY AND SOURCE OF CURRENCY  
COUNTRIES PROGRAMMED TO RECEIVE DEFENSE SUPPORT OR SPECIAL ASSISTANCE IN FISCAL YEAR 1959 - BY REGION AND COUNTRY AND BY SOURCE OF CURRENCY

Actual as of June 30, 1957 and Estimated Through June 30, 1959

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

	Status as of June 30, 1957				FY 1958				FY 1959			
	Unexpended Deposits	Deduct Unliquidated Obligations	Unobligated or Uncommitted Deposits	Not Available for Use (Frozen)	Estimated New Deposits	Estimated Obligations or Commitments	Est. Unob. or Uncommit- ted Deposits 6/30/58	Not Available for Use (Frozen)	Estimated New Deposits	Estimated Obligations or Commitments	Est. Unob. or Uncommit- ted Deposits 6/30/59	Not Available for Use (Frozen)
<b>Countries Programmed to Receive DS or SA in FY 1959 - Continued</b>												
<b>Far East - Total</b>	469,415	357,425	111,990	105,194	740,274	593,364	258,900	204,785	667,480	598,799	327,581	284,705
<b>Burma</b>	15,574		15,574		9,947	13,121	12,500		10,000	5,300	17,200	
Counterpart	278		278		843	1,121						
P.L. 480	15,396		15,396		9,104	12,000	12,500		10,000	5,300	17,200	
<b>China (Taiwan)</b>	45,945	19,340	26,605	12,293	83,645	90,255	19,995	12,293	86,820	88,395	18,420	12,293
MSP (U.S.-Owned)	13,031	9,346	3,685		36,300	33,350	6,635		35,000	36,575	5,060	
Counterpart	32,914	9,994	22,920	12,293	42,445	52,005	13,360	12,293	49,320	49,320	13,360	12,293
P.L. 480					4,900	4,900			2,500	2,500		
<b>Cambodia</b>	5,064	20,883	-15,819		27,010	25,700	-14,509		25,915	22,100	-10,694	
MSP (U.S.-Owned)	108	108			1,100	950	150		850	1,000		
Counterpart	4,956	20,775	-15,819		25,910	24,750	-14,659		25,065	21,100	-10,694	
<b>Indonesia</b>	68,975		68,975		31,187	6,738	93,424		4,135	58,514	39,045	
Counterpart	18,433		18,433		4,329	6,738	16,024		4,135	8,514	11,645	
P.L. 480	50,542		50,542		26,858		77,400			50,000	27,400	
<b>Korea</b>	223,344	157,075	66,269	92,901	366,253	218,020	214,502	192,492	298,820	192,250	321,072	
MSP (U.S.-Owned)	13,185		13,185		52,560	62,110	3,635		42,000	44,634	1,001	
Counterpart	181,761	157,075	24,686	92,901	263,551	95,420	192,817	192,492	219,870	97,516	315,171	272,412
P.L. 480	28,398		28,398		50,142	60,490	18,050		36,950	50,100	4,900	
<b>Laos</b>	2,152	23,826	-21,674		33,070	25,800	-14,404		28,830	24,910	-10,484	
MSP (U.S.-Owned)	89		89		281		370			370		
Counterpart	2,063	23,826	-21,763		32,789	25,800	-14,774		28,830	24,910	-10,854	
<b>Philippines</b>	20,093	18,575	1,518		38,470	23,200	16,788		25,960	21,500	21,248	
MSP (U.S.-Owned)	14,913	13,395	1,518		16,500	9,000	9,018		12,850	12,500	9,368	
Counterpart	5,180	5,180			16,770	9,000	7,770		13,110	9,000	11,880	
P.L. 480					5,200	5,200						
<b>Thailand</b>	20,949	14,353	6,596		15,063	31,230	-9,571		20,000	22,830	-12,401	
Counterpart	20,149	14,353	5,796		13,813	29,180	-9,571		19,000	21,830	-12,401	
P.L. 480	800		800		1,250	2,050			1,000	1,000		
<b>Viet Nam</b>	67,219	103,373	-36,154		135,629	159,300	-59,825		167,000	163,000	-55,825	
MSP (U.S.-Owned)	12,081		12,081		15,000	10,000	17,081		8,000	8,500	16,581	
Counterpart	55,138	103,373	-48,235		119,629	148,300	-76,906		156,000	151,500	-72,406	
P.L. 480					1,000	1,000			3,000	3,000		
<b>Latin America - Total</b>	8,519	1,948	6,571		15,000	15,380	6,191		15,000	14,000	7,191	
<b>Bolivia</b>	8,519	1,948	6,571		15,000	15,380	6,191		15,000	14,000	7,191	
MSP (U.S.-Owned)	5,636	445	5,191		4,000	6,000	3,191		5,000	4,000	4,191	
Counterpart	2,723	1,503	1,220		10,000	8,220	3,000		10,000	10,000	3,000	
Other (Country-Owned)	160		160		1,000	1,160						
<b>TOTALS</b>	1,349,232	527,117	822,115	276,761	1,358,385	1,480,011	700,489	261,785	1,240,341	1,279,991	660,839	341,705
MSP (U.S.-Owned)	181,941	49,668	132,273		240,776	253,732	119,317		158,842	201,796	76,363	
Counterpart	678,139	459,950	218,189	276,761	791,594	755,789	253,994	261,785	832,694	687,940	398,748	341,705
P.L. 480	464,174	17,499	446,675		320,958	467,502	300,131		248,805	371,255	177,681	
Other (Country-Owned)	24,978		24,978		5,057	2,988	27,047		19,000	8,047		

**GENERAL NOTE:** Minus amounts shown with reference to counterpart in the "Unobligated or Uncommitted Deposits" columns represent the excess of commitments made in advance of actual deposits. The commitment is frequently made at, or shortly after, the time of the dollar obligation generating the funds.

WORLD WIDE

ANALYSIS OF AVAILABILITIES OF MSP-ADMINISTERED LOCAL CURRENCIES BY COUNTRY AND SOURCE OF CURRENCY  
COUNTRIES PROGRAMMED TO RECEIVE ONLY TECHNICAL COOPERATION IN FISCAL YEAR 1959 - BY REGION AND COUNTRY AND BY SOURCE OF CURRENCY

Actual as of June 30, 1957 and Estimated Through June 30, 1959

Shaded areas are Security Classified and must not be disclosed to nonathorized individuals. All other material is unclassified.

	Status as of June 30, 1957			PY 1958			PY 1959				
	Unexpended Deposits	Deduct Unliquidated Obligations	Unobligated or Uncommitted Deposits	Not Available for Use (Frozen)	Estimated New Deposits	Estimated Obligations or Commitments	Est. Unoblig. or Uncommitted Deposits 6/30/58	Not Available for Use (Frozen)	Estimated Obligations or Commitments	Est. Unoblig. or Uncommitted Deposits 6/30/59	Not Available for Use (Frozen)
<b>Countries Programmed to Receive only TC in FY 1959</b>											
<b>NEAR EAST and SOUTH ASIA</b>											
Ceylon	101,121	4,174	96,947		200,676	172,732	124,891		100,550	155,955	69,486
MSP (U.S.-Owned)					3,240	3,240			550	550	
Other (Country-Owned)					2,240	2,240			550	550	
Other (Country-Owned)					1,000	1,000					
India	100,730	4,054	96,676		194,936	166,721	124,891		100,000	155,405	69,486
MSP (U.S.-Owned)	22,509	4,054	18,455		33,669	16,721	35,483		17,405	17,405	17,998
P.L. 480	78,221		78,221		161,267	150,000	89,408		100,000	138,000	51,488
Lebanon	391	120	271		2,500	2,771					
Counterpart					2,500	2,500					
Other (Country-Owned)	391	120	271								
<b>FAR EAST</b>											
Japan	17,405	15,527	1,878		17,930	19,808					
MSP (U.S.-Owned)	17,405	15,527	1,878		17,930	19,808					
P.L. 480	15,391	15,527	64		64	64					
P.L. 480	1,814		1,814		17,930	19,744					
<b>LATIN AMERICA</b>											
Argentina	57,205	1,940	55,265		88,138	104,150	39,253		48,115	80,723	6,645
P.L. 480	18,231		18,231				9,231		9,000	9,000	
Brazil	3,008		3,008		44,459	45,614	1,853		44,459	44,459	1,853
P.L. 480											
Chile	22,324	191	22,133		7,246	6,416	22,963			20,000	2,963
P.L. 480											
Colombia	8,984		8,984		13,256	22,240					
P.L. 480											
Ecuador	184		184		3,755	1,916	2,023			2,023	
P.L. 480											
Guatemala	1,061	318	743		3,007	2,165	1,585		856	2,441	
MSP (U.S.-Owned)	853	318	535		3,000	1,950	1,585		856	2,441	
Other (Country-Owned)	208		208		7	215					
Mexico					13,600	13,600					
P.L. 480											
Paraguay	1,435	1,431	4		815	819					
P.L. 480											
Peru	1,978		1,978		2,000	2,149	1,829		2,800	2,800	1,829
P.L. 480	1,829		1,829		2,000	2,000	1,829		2,800	2,800	1,829
Other (Country-Owned)	149		149			149					
<b>TOTALS</b>	<b>175,731</b>	<b>21,641</b>	<b>154,090</b>		<b>306,744</b>	<b>296,690</b>	<b>164,144</b>		<b>148,665</b>	<b>236,678</b>	<b>76,131</b>
MSP (U.S.-Owned)	38,953	19,899	19,054		38,909	20,975	36,988		856	19,846	17,998
Counterpart					2,500	2,500					
P.L. 480	136,030	1,622	134,408		264,328	271,580	127,156		147,259	216,282	58,133
Other (Country-Owned)	748	120	628		1,007	1,635			550	550	

WORLD WIDE

ANALYSIS OF AVAILABILITIES OF MSP-ADMINISTERED LOCAL CURRENCIES BY COUNTRY AND SOURCE OF CURRENCY

COUNTRIES NOT PROGRAMMED TO RECEIVE DEFENSE SUPPORT, SPECIAL ASSISTANCE OR TECHNICAL COOPERATION IN FISCAL YEAR 1959 - BY REGION AND COUNTRY AND BY SOURCE OF CURRENCY

Actual as of June 30, 1957 and Estimated Through June 30, 1959

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

	(In thousands of dollars equivalent)				FY 1958			FY 1959				
	Status as of June 30, 1957	Unobligated or Uncommitted Deposits		Not Available for Use (Frozen)	Estimated New Deposits	Estimated Obligations or Commitments	Est. Unoblig. or Uncommitted Deposits 6/30/58	Not Available for Use in 1958	Estimated New Deposits	Estimated Obligations or Commitments	Est. Unoblig. or Uncommitted Deposits 6/30/59	Not Available for Use (Frozen)
<b>Countries not Programmed to Receive DS, SA or TC in FY 1959</b>												
<b>Europe - Total</b>	453,781	193,619	260,162	111,947	100,230	311,448	48,944		41,800	80,744	10,000	
<b>Austria</b>	173,967	20,382	153,585	111,947	21,848	147,334	28,099			28,099		
MSP (U.S.-Owned)	7,045	4,587	2,458		5,614	15,072						
Counterpart	151,980	9,011	142,969	111,947 <sup>a/</sup>		114,876 <sup>a/</sup>	28,099			28,099		
P.L. 480	12,056	3,898	8,158		16,234	24,392						
Other (Country-Owned)	2,886	2,886										
<b>Belgium-Luxembourg</b>	404	404										
Counterpart	404	404										
<b>Denmark</b>	4,888	3,520	1,298			600	698			698		
MSP (U.S.-Owned)	1,567	1,567										
Other (Country-Owned)	3,321	2,023	1,298			600	698			698		
<b>Finland</b>	1,931	1,800	131		12,000	3,204	9,127		1,000	127	10,000	
MSP (U.S.-Owned)	1,918	1,791	127				127			127		
P.L. 480					12,000	3,000	9,000		1,000		10,000	
Other (Country-Owned)	13	9	4			4						
<b>France</b>	3,224	2,824	400		11,439	11,839		20,000	20,000			
MSP (U.S.-Owned)	2,700	2,700			10,839	10,839		20,000	20,000			
Counterpart	482	82	400			400						
P.L. 480					600	600						
Other (Country-Owned)	42	42										
<b>Ireland</b>	12,300	12,300										
Counterpart	12,300	12,300										
<b>Italy</b>	152,240	84,083	68,157		48,643	115,834	966		8,300	9,266		
MSP (U.S.-Owned)	31,165	7,768	23,397		8,572	31,003	966		300	1,266		
Counterpart	77,070	75,770	1,300			31						
P.L. 480	43,974	514	43,460		40,040	83,500			8,000	8,000		
Other (Country-Owned)	31	31										
<b>Netherlands</b>	58,103	54,893	3,210			3,210						
MSP (U.S.-Owned)	3,264	54	3,210			3,210						
Counterpart	54,839	54,839										
<b>Norway</b>	5,873	5,373	500		750	1,250						
MSP (U.S.-Owned)	2,275	1,775	500			500						
Counterpart	3,598	3,598			750	750						
<b>Portugal</b>	3,995	3,395	600			700						
Counterpart	600		600		100	700						
P.L. 480	3,395	3,395			100	700						
<b>Trieste</b>	200	200										
Counterpart	200	200										
<b>United Kingdom</b>	36,656	4,375	32,281		5,450	27,677	10,054		12,500	22,554		
MSP (U.S.-Owned)	36,079	3,798	32,281		5,450	27,677	10,054		12,500	22,554		
Counterpart	550	550										
Other (Country-Owned)	27	27										
<b>Near East and South Asia - Total</b>	15,643		15,643				15,643				15,643	
<b>Egypt</b>	15,643		15,643				15,643				15,643	
MSP (U.S.-Owned)	2,477		2,477				2,477				2,477	
P.L. 480	13,166		13,166				13,166				13,166	
<b>TOTALS</b>	469,424	193,619	275,805	111,947	100,230	311,448	64,587		41,800	80,744	25,643	
MSP (U.S.-Owned)	88,490	24,040	64,450		30,475	81,301	13,624		32,800	43,947	2,477	
Counterpart	302,023	156,754	145,269	111,947	881	118,051	28,099			28,099		
P.L. 480	72,591	7,807	64,784		68,874	111,492	22,166		9,000	8,000	23,166	
Other (Country-Owned)	6,320	5,018	1,302			604	698			698		

a/ \$111,947 thousand utilized under Section 105 of the 1958 Mutual Security Appropriation Act to liquidate central bank advances not represented by actual sales proceeds.

WORLD WIDE

STATUS OF LOCAL CURRENCY FUNDS

MSP U.S.-Owned Local Currencies <sup>a/</sup>

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

(In thousands of dollar equivalent)

Area and Country	Cumulative 6/30/57 (Actual)			Cumulative 6/30/58 (Estimate)				Cumulative 6/30/59 (Estimate)				
	Poten- tial Genera- tion	Deposits	Obliga- tions	Expendi- tures	Poten- tial Genera- tion	Deposits	Obliga- tions	Expendi- tures	Poten- tial Genera- tion	Deposits	Obliga- tions	Expendi- tures
<b>Europe</b>												
Austria	10,841	7,729	5,271	684	13,343	13,343	13,343	12,343	13,343	13,343	13,343	13,343
Denmark <sup>b/</sup>	3,887	3,887	3,887	2,320	3,887	3,887	3,887	3,887	3,887	3,887	3,887	3,887
Finland	4,927	4,927	4,800	3,009	4,927	4,927	4,800	4,800	4,927	4,927	4,927	4,927
France	166,443	155,233	155,233	152,533	186,072	166,072	166,072	166,072	186,072	186,072	186,072	186,072
Germany, Federal Republic (Incl. Berlin)	84,246	65,927	56,219	40,432	95,116	84,447	82,605	62,328	103,116	94,317	92,475	81,198
Italy	54,691	53,576	30,179	22,411	62,148	62,148	61,182	49,835	62,448	62,448	62,448	59,601
Netherlands <sup>c/</sup>	7,664	7,664	4,454	4,400	7,664	7,664	7,664	6,059	7,664	7,664	7,664	7,664
Norway	2,275	2,275	1,775		2,275	2,275	2,275	2,275	2,275	2,275	2,275	2,275
Spain	115,021	107,490	84,339	77,474	135,021	135,021	121,040	118,794	155,021	155,021	142,757	142,751
United Kingdom	137,750	132,300	100,019	96,221	150,250	137,750	127,696	118,040	150,250	150,250	150,250	149,896
Yugoslavia	96,532	79,983	39,833	39,833	99,532	97,256	44,833	44,833	99,532	99,328	74,833	62,833
<b>Total Europe</b>	<b>684,277</b>	<b>620,991</b>	<b>486,009</b>	<b>439,317</b>	<b>760,235</b>	<b>714,790</b>	<b>635,397</b>	<b>589,266</b>	<b>788,535</b>	<b>779,532</b>	<b>740,931</b>	<b>714,447</b>
<b>Africa</b>												
Ethiopia									1,000	1,000	1,000	200
Libya					1,000	1,000	1,000	800	2,000	2,000	2,000	1,700
Morocco					7,000	7,000	7,000	2,000	12,000	12,000	12,000	7,000
<b>Total Africa</b>					<b>8,000</b>	<b>8,000</b>	<b>8,000</b>	<b>2,800</b>	<b>15,000</b>	<b>15,000</b>	<b>15,000</b>	<b>8,900</b>
<b>Near East and South Asia</b>												
Afghanistan	1,172	1,172			1,172	1,172	1,172	172	1,172	1,172	1,172	972
Ceylon	2,240				2,240	2,240	2,240	2,240	2,240	2,240	2,240	2,240
Egypt	5,247	5,228	2,751	2,751	5,247	5,228	2,751	2,751	5,247	5,228	2,751	2,751
Greece	72,333	63,353	52,767	52,767	77,333	76,353	65,767	65,767	82,333	81,853	81,767	81,767
India	66,723	33,054	14,599	10,545	66,723	66,723	31,320	31,319	66,723	66,723	48,725	48,724
Iran	2,677	2,677	2,677	2,677	2,677	2,677	2,677	2,677	2,677	2,677	2,677	2,677
Israel	48,793	33,884	33,884	30,162	56,293	55,289	54,884	54,162	66,293	65,989	64,884	64,162
Pakistan	11,757	11,757			11,757	11,757	11,757	10,000	11,757	11,757	11,757	11,757
Turkey	17,061	7,755	7,755	7,755	17,061	17,061	17,061	17,061	17,061	17,061	17,061	17,061
<b>Total Near East and South Asia</b>	<b>228,003</b>	<b>158,880</b>	<b>114,433</b>	<b>106,657</b>	<b>240,503</b>	<b>238,500</b>	<b>189,629</b>	<b>186,149</b>	<b>255,503</b>	<b>254,700</b>	<b>233,034</b>	<b>232,111</b>
<b>Far East</b>												
Cambodia	2,988	2,188	2,188	2,080	3,788	3,288	3,138	2,188	4,788	4,138	4,138	2,638
China (Taiwan)	107,971	82,776	79,091	69,745	141,971	119,076	112,441	98,745	180,971	154,076	149,016	133,745
Japan	47,087	47,087	47,023	31,496	47,087	47,087	47,087	47,087	47,087	47,087	47,087	47,087
Korea	127,493	94,349	81,164	81,164	167,493	146,909	143,274	143,274	207,493	188,909	187,908	187,908
Laos	370	89			370	370			370	370		
Philippines	43,679	27,930	26,412	13,017	52,679	44,430	35,412	34,017	65,179	57,280	47,912	47,520
Viet Nam	30,852	19,138	7,057	7,057	40,852	34,138	17,057	17,057	49,352	42,138	25,557	25,557
<b>Total Far East</b>	<b>360,440</b>	<b>273,557</b>	<b>242,935</b>	<b>204,559</b>	<b>454,240</b>	<b>395,298</b>	<b>358,409</b>	<b>342,368</b>	<b>555,240</b>	<b>493,998</b>	<b>461,618</b>	<b>444,455</b>
<b>Latin America</b>												
Bolivia	26,776	9,793	4,602	4,157	26,776	13,793	10,602	10,157	28,776	18,793	14,602	14,157
Guatemala	5,757	1,901	1,366	1,048	5,757	4,901	3,316	2,848	5,757	5,757	5,757	5,757
<b>Total Latin America</b>	<b>32,533</b>	<b>11,694</b>	<b>5,968</b>	<b>5,205</b>	<b>32,533</b>	<b>18,694</b>	<b>13,918</b>	<b>13,005</b>	<b>34,533</b>	<b>24,550</b>	<b>20,359</b>	<b>19,914</b>
<b>TOTAL ALL AREAS</b>	<b>1,305,253</b>	<b>1,065,122</b>	<b>849,345</b>	<b>755,738</b>	<b>1,495,511</b>	<b>1,375,282</b>	<b>1,205,353</b>	<b>1,133,588</b>	<b>1,648,811</b>	<b>1,567,780</b>	<b>1,470,942</b>	<b>1,419,827</b>

a/ Includes receipts from Section 550 and Section 402 Agricultural Commodities. Except as noted, local currency proceeds for third country use are included in the country which is the recipient of the agricultural commodities.  
 b/ Includes Danish Kroner loaned to Iceland.  
 c/ Includes Netherlands Guilders loaned to Iceland.

Revised February 27, 1958



WORLD WIDE

STATUS OF LOCAL CURRENCY FUNDS<sup>a/</sup>  
 P.L. 480, TITLE I, ADMINISTERED BY ICA

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

Area and Country	Cumulative 6/30/57 (Actual)				Cumulative 6/30/58 (Estimate)				Cumulative 6/30/59 (Estimate)			
	Poten- tial Genera- tion	Deposits	Obliga- tions	Expendi- tures	Poten- tial Genera- tion	Deposits	Obliga- tions	Expendi- tures	Poten- tial Genera- tion	Deposits	Obliga- tions	Expendi- tures
<b>Europe</b>												
Austria	29,200	12,966	4,808	910	29,200	29,200	29,200	15,000	29,200	29,200	29,200	29,200
Finland	13,000				13,000	12,000	3,000	1,000	13,000	13,000	3,000	3,000
France	600				600	600	600	600	600	600	600	600
Iceland	2,228				3,828	3,828	3,828	2,828	5,428	5,428	5,428	5,428
Italy	94,000	45,960	2,500	1,986	94,000	86,000	86,000	10,000	94,000	94,000	94,000	94,000
Portugal	3,395	3,395	3,395		3,395	3,395	3,395	400	3,395	3,395	3,395	1,400
Spain	114,291	89,597	8,986	8,986	145,391	143,391	117,655	31,555	180,391	180,391	172,855	106,655
Yugoslavia	172,618	157,499			225,218	193,543	117,200	63,300	287,218	251,543	167,200	128,300
<b>Total Europe</b>	<b>429,332</b>	<b>309,417</b>	<b>19,689</b>	<b>11,882</b>	<b>514,632</b>	<b>471,957</b>	<b>360,878</b>	<b>124,083</b>	<b>613,232</b>	<b>577,557</b>	<b>475,678</b>	<b>368,583</b>
<b>Africa</b>												
Morocco					12,675	8,000	7,000	3,000	14,755	14,755	14,755	13,675
<b>Total Africa</b>					12,675	8,000	7,000	3,000	14,755	14,755	14,755	13,675
<b>Near East and South Asia</b>												
Egypt	13,600	13,166			13,600	13,166			13,600	13,166		
Greece	33,970	32,716	6,146	6,146	44,860	43,606	37,146	37,146	58,860	57,606	56,646	56,646
India	293,100	78,221			319,800	239,488	150,000	55,000	449,300	339,488	288,000	173,000
Iran	8,400	3,048	2,235	2,235	8,400	8,400	8,400	8,400	8,400	8,400	8,400	8,400
Israel	36,790	35,850	28,790	22,788	57,790	57,790	54,790	45,732	75,790	75,790	75,090	70,838
Pakistan	97,860	77,344	17,489	5,992	133,660	120,000	78,489	66,992	180,660	155,000	143,489	141,992
Turkey	55,100	19,131			73,820	59,131	21,000	7,000	96,820	84,131	61,000	41,000
<b>Total Near East and South Asia</b>	<b>538,820</b>	<b>259,476</b>	<b>54,660</b>	<b>37,161</b>	<b>651,930</b>	<b>541,581</b>	<b>349,825</b>	<b>220,270</b>	<b>883,430</b>	<b>733,581</b>	<b>632,625</b>	<b>493,270</b>
<b>Far East</b>												
Burma	18,100	15,396			28,350	24,500	12,000	3,000	38,350	34,500	17,300	12,200
China (Taiwan)	4,900				7,400	4,900	4,900	4,900	9,900	7,400	7,400	7,400
Indonesia	77,400	50,542			77,400	77,400			77,400	77,400	50,000	30,000
Japan	116,509	98,579	96,765	96,765	116,509	116,509	116,509	116,509	116,509	116,509	116,509	116,509
Korea	65,490	39,398	11,000	11,000	106,690	89,540	71,490	71,490	146,990	126,490	121,590	121,590
Philippines	5,200				5,200	5,200			11,800	5,200	5,200	5,200
Thailand	2,050	800			3,050	2,050	2,050	2,050	4,050	3,050	3,050	3,050
Vietnam					3,000	1,000	1,000		6,000	4,000	4,000	2,800
<b>Total Far East</b>	<b>289,649</b>	<b>204,715</b>	<b>107,765</b>	<b>107,765</b>	<b>347,599</b>	<b>321,099</b>	<b>213,149</b>	<b>197,949</b>	<b>410,999</b>	<b>374,549</b>	<b>325,049</b>	<b>298,749</b>
<b>Latin America</b>												
Argentina	18,231	18,231			18,231	18,231	9,231	9,231	18,231	18,231	18,231	18,231
Brazil	149,222	31,327	28,319	28,319	149,222	75,786	73,933	73,933	149,222	120,245	118,392	118,392
Chile	31,680	24,434	2,301	2,110	31,680	31,680	8,717	8,526	31,680	31,680	28,717	28,526
Colombia	22,240	8,984			22,240	22,240	22,240	22,240	22,240	22,240	22,240	22,240
Ecuador	6,280	2,525	2,341	2,341	6,280	6,280	4,257	4,257	6,280	6,280	6,280	6,280
Mexico					13,600	13,600	13,600	1,000	13,600	13,600	13,600	13,600
Paraguay	2,250	1,435	1,431		2,250	2,250	2,250	2,250	2,250	2,250	2,250	2,250
Peru	12,550	7,195	5,366	5,366	12,550	9,195	7,366	7,366	12,550	11,995	10,166	10,166
<b>Total Latin America</b>	<b>242,453</b>	<b>94,131</b>	<b>39,758</b>	<b>38,136</b>	<b>256,053</b>	<b>179,262</b>	<b>141,594</b>	<b>128,803</b>	<b>256,053</b>	<b>226,521</b>	<b>219,876</b>	<b>219,685</b>
<b>Total All Areas</b>	<b>1,500,254</b>	<b>867,739</b>	<b>221,872</b>	<b>194,944</b>	<b>1,782,889</b>	<b>1,521,899</b>	<b>1,072,446</b>	<b>674,105</b>	<b>2,178,469</b>	<b>1,926,963</b>	<b>1,667,983</b>	<b>1,393,962</b>
Reserve for Countries not proposed for Defense Support or Special Assistance in FY 1959					30,300	6,100	3,000		111,300	44,700	29,300	12,100
<b>GRAND TOTAL</b>	<b>1,500,254</b>	<b>867,739</b>	<b>221,872</b>	<b>194,944</b>	<b>1,813,189</b>	<b>1,527,999</b>	<b>1,075,446</b>	<b>674,105</b>	<b>2,289,769</b>	<b>1,971,663</b>	<b>1,697,283</b>	<b>1,406,062</b>

a/ Local currency proceeds for third country use are included in the country which is the recipient of the agricultural commodities.

WORLD WIDE

STATUS OF LOCAL CURRENCY FUNDS

Other Local Currency

(In thousands of dollar equivalent)

Area and Country	Cumulative 6/30/57 (Actual)				Cumulative 6/30/58 (Estimate)				Cumulative 6/30/59 (Estimate)			
	Poten- tial Genera- tion	Deposits	Commit- ments	Expendi- tures	Poten- tial Genera- tion	Deposits	Commit- ments	Expendi- tures	Poten- tial Genera- tion	Deposits	Commit- ments	Expendi- tures
<u>Europe</u> <sup>a/</sup>												
Austria	3,317	3,317	3,317	431	3,317	3,517	3,317	3,317	3,317	3,317	3,317	3,317
Denmark	3,410	3,421	2,123	100	3,421	3,421	2,723	1,300	3,421	3,421	3,421	2,250
Finland	1,975	1,975	1,971	1,962	1,975	1,975	1,975	1,975	1,975	1,975	1,975	1,975
France	1,784	1,784	1,784	1,742	1,784	1,784	1,784	1,784	1,784	1,784	1,784	1,784
Italy	3,131	3,131	3,131	3,100	3,131	3,131	3,131	3,131	3,131	3,131	3,131	3,131
United Kingdom	3,627	3,627	3,627	3,600	3,627	3,627	3,627	3,627	3,627	3,627	3,627	3,627
Yugoslavia	23,047	22,990			23,047	23,047			23,047	23,047	15,000	10,000
Total Europe	40,291	40,245	15,953	10,935	40,302	40,302	16,557	15,134	40,302	40,302	32,255	26,084
<u>Near East and South Asia</u> <sup>b/</sup>												
Afghanistan					4,000	4,000			4,000	4,000	4,000	2,000
Ceylon					1,550	1,000	1,000	500	1,550	1,550	1,550	1,550
Lebanon	903	903	632	512	903	903	903	903	903	903	903	903
Pakistan	36,469	36,469 <sup>c/</sup>	34,641	34,641 <sup>c/</sup>	36,469	36,469	36,469	36,469	36,469	36,469	36,469	36,469
Total Near East and South Asia	37,372	37,372	35,273	35,153	42,922	42,372	38,372	37,872	42,922	42,922	42,922	40,922
<u>Latin America</u> <sup>d/</sup>												
Bolivia	16,750	14,758	14,598	14,598	16,750	15,758	15,758	15,758	16,750	15,758	15,758	15,758
Guatemala	1,335	1,328	1,120	1,120	1,335	1,335	1,335	1,335	1,335	1,335	1,335	1,335
Peru	2,049	2,049	1,900	1,900	2,049	2,049	2,049	2,049	2,049	2,049	2,049	2,049
Total Latin America	20,134	18,135	17,618	17,618	20,134	19,142	19,142	19,142	20,134	19,142	19,142	19,142
TOTAL ALL AREAS	97,797	95,752	68,844	63,706	103,358	101,816	74,071	72,148	103,358	102,366	94,319	86,148

a/ All currencies consist of Coal Procurement Fund generations except for Yugoslavia, which originates from a P.L. 480, Title II, program.

b/ All currencies result from P.L. 480, Title II programs except for a portion of the Pakistan program which was generated pursuant to P.L. 77, 83rd Congress.

c/ Includes following amounts for Pakistan Wheat Account (P.L. 77) - Deposits - \$18,839 thousand; Expenditures - \$17,271 thousand.

d/ All currencies result from P.L. 480, Title II programs.

## WORLD WIDE

## MUTUAL SECURITY PROGRAM

## Status of Obligations - Summary of FY 1958 Appropriations

Appropriations	(In thousands of dollars)						
	New Appropriation FY 1958	Reappropriated and Continued Available	Est. Reimbursements and Anticipated Transfers	Est. Adjusts. Reflecting Rev. FY 1959 Program Definitions and Sec. 400 Uses	Total Program Availability	Total Est. Obligations and Reservations as of 6/30/58	Est. Unobligated and Unreserved Balance 6/30/58
Military Assistance, General Department of Defense	1,340,000	538,800	-30,000		1,848,800	1,823,800	25,000 <sup>a/</sup>
Defense Support	689,000	36,117	+30,000	-26,167	728,950	728,950	
Development Loan Fund	300,000			+118	300,118	125,000*	175,118 <sup>b/</sup>
Development Assistance		52,000			52,000	52,000	
Technical Cooperation, General	113,000	15,315	+485		128,800	128,800	
United Nations Expanded Program of Technical Assistance	15,500				15,500	15,500	
Organization of American States	1,500				1,500	1,500	
Special Assistance/Contingency Fund	225,000		+950	+42,210	268,160 <sup>c/</sup>	268,160 <sup>c/</sup>	
Joint Control Areas	11,500			-11,500			
Intergovernmental Committee for European Migration	12,500				12,500	12,500	
United Nations Refugee Fund	2,233				2,233	2,233	
Escapee Program	5,500			+350	5,850	5,850	
United Nations Children's Fund	11,000				11,000	11,000	
United Nations Relief and Works Agency		23,800			23,800	19,872	3,928
NATO Civilian Headquarters	1,500				1,500	1,500	
Ocean Freight, Voluntary Relief Agencies	2,200				2,200	2,200	
Control Act Expenses	1,000			+40	1,040	1,040	
Administrative Expenses (Sec. 411(b))	32,750			-2,246	30,504	30,504	
Administrative Expenses, Department of State (Sec. 411(c))	4,577			+2,088	6,665	6,665	
President's Fund for Asian Econ. Development		93,765		-4,893	88,872	81,277	7,595
Atoms for Peace Program		4,450			4,450	4,450	
<b>GRAND TOTAL</b>	<b>2,768,760</b>	<b>764,247</b>	<b>1,435</b>		<b>3,534,442</b>	<b>3,322,801</b>	<b>211,641</b>
<b>RECAPITULATION BY AGENCIES</b>							
Department of Defense	1,340,000	538,800	-30,000		1,848,800	1,823,800	25,000
Other Agencies	1,428,760	225,447	+31,435		1,685,642	1,499,001	186,641

<sup>a/</sup> Available for obligation through December 31, 1958 and is expected to be fully obligated before that date.

<sup>b/</sup> Available for obligation until expended.

<sup>c/</sup> Includes \$207,363 programmed for purposes comparable to proposed FY 1959 Special Assistance Appropriation and \$60,797 undistributed Contingency Fund.

\* Represents actual loan agreements expected to be signed by 6/30/58. In addition, an estimated \$95 million will be covered by Letters of Advice to loan applicants as of 6/30/58 and thus will also, as a practical matter, be unavailable for use by the DLF in considering further loan applications.

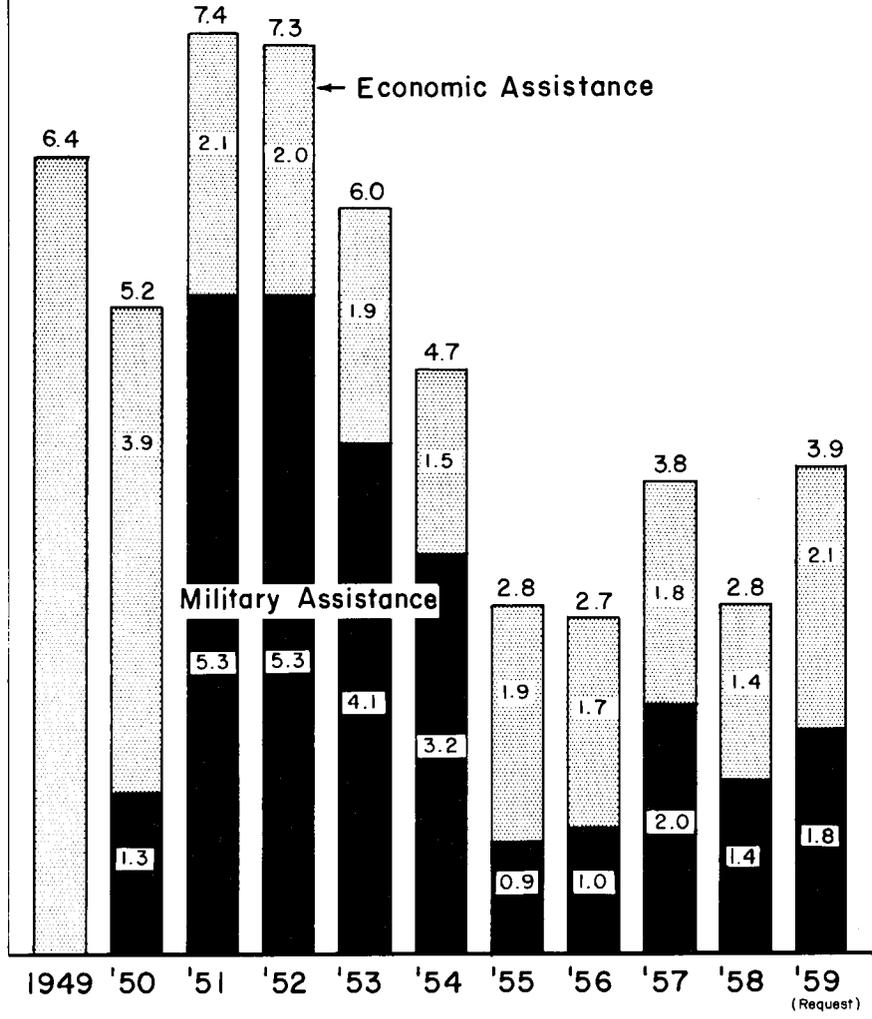
Revised 4/21/58

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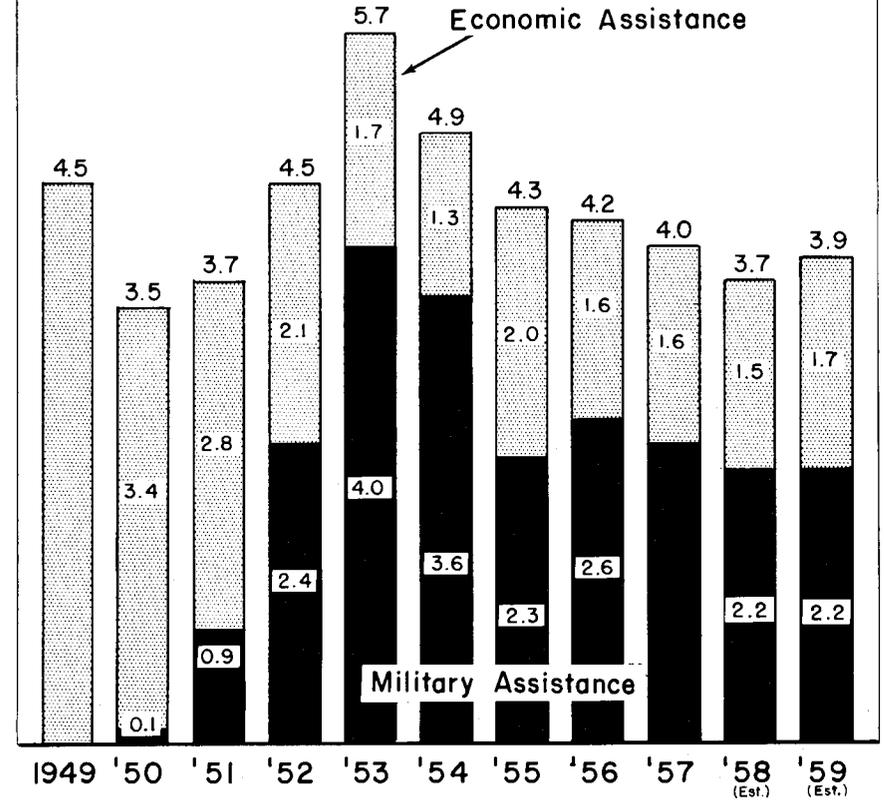
# TREND OF APPROPRIATIONS and EXPENDITURES

( \$ Billions )

## APPROPRIATIONS\* ( Adjusted for Transfers )



## EXPENDITURES



\*Excludes Reappropriations

U.S. Fiscal Years

WORLD WIDE

RECONCILIATION OF FY 1958 ECONOMIC ASSISTANCE APPROPRIATIONS TO FY 1958 PROGRAMS INDICATING ADJUSTMENTS TO CONFORM WITH FY 1959 APPROPRIATION STRUCTURE  
(Adjustments through February 15, 1958)

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

(In thousands of dollars)										
Appropriation Titles	New Appropriation FY 1958	Specific Reappropriations	Unobligated Balance Continued Available	Est. Reimbursements	Anticipated Sec. 501 Transfers	Available for Obligation	Estimated Adjustments Reflecting Revised FY 1959 Program Definitions and Section 400 Uses	Total Program Availability	Estimated Unobligated Balance 6/30/58	Total FY 1958 Obligations from Current Year Funds
<u>Defense Support</u>	689,000	36,000	117		+30,000	755,117	-26,167	728,950		728,950
					(+30,000) from Military Assistance		(+50) Spain, from Special Assistance (+6,590) Iran, from Special Assistance (-2,000) Ethiopia, to Special Assistance (-20,807) Morocco, to Special Assistance (-10,000) Libya, to Special Assistance			
<u>Development Loan Fund</u>	300,000					300,000	+118 (+118) DLF Administrative Expenses	300,118	175,118 <sup>a/</sup>	125,000 *
<u>Development Assistance</u>		52,000				52,000		52,000		52,000
<u>Technical Cooperation</u>	130,000	12,000	3,315	485		145,800		145,800		145,800
General Authorization	113,000	12,000	3,315	485		128,800		128,800		128,800
United Nations Expanded Program of Technical Assistance	15,500					15,500		15,500		15,500
Organization of American States	1,500					1,500		1,500		1,500
<u>Special Assistance/Contingency Fund</u>	225,000			950		225,950	+42,210 (-6,590) Iran, to Defense Support (+2,000) Ethiopia, from Defense Support (+20,807) Morocco, from Defense Support (+10,000) Libya, from Defense Support (+4,893) Malaria Eradication, from AED Fund (+11,500) JCA, entire JCA Appropriation to Escapee Program (-350) to Escapee Program (-50) Spain, to Defense Support	268,160 <sup>b/</sup>		268,160 <sup>b/</sup>
<u>Other Programs</u>	84,760	28,250	93,765			206,775	-16,161	190,614	11,523	179,091
<u>Joint Control Areas</u>	11,500					11,500	(-11,500) transferred to Spec. Assist. for JCA			
<u>Migrants, Refugees, Escapees:</u>										
Intergovernmental Committee for European Migration	12,500					12,500		12,500		12,500
United Nations Refugee Program	2,233					2,233		2,233		2,233
Escapee Program	5,500					5,500	(+350) from Special Assistance	5,850		5,850
United Nations Children's Fund	11,000					11,000		11,000		11,000
United Nations Relief and Works Agency		23,800				23,800		23,800	3,928	19,872
NATO Civilian Headquarters	1,500					1,500		1,500		1,500
Ocean Freight, U.S. Voluntary Relief Agencies	2,200					2,200		2,200		2,200
Control Act Expenses	1,000					1,000	(+40) from Admin. Expenses (Sec. 411(b))	1,040		1,040
General Administrative Expenses (Sec. 411(b))	32,750					32,750	(-118) to Development Loan Fund (-2,088) to Dept. of State Admin. (Sec. 411(c)) (-40) to Control Act Expenses	30,504		30,504
Administrative Expenses, Dept. of State (Sec. 411(c))	4,577					4,577	(+2,088) from Admin. Exp. (Sec. 411(b))	6,665		6,665
President's Fund for Asian Economic Development			93,765			93,765	(-4,893) to Spec. Assist. for Malaria Eradication	88,872	7,595	81,277
Atoms for Peace		4,450				4,450		4,450		4,450
<b>GRAND TOTAL</b>	<b>1,428,760</b>	<b>128,250</b>	<b>97,197</b>	<b>1,435</b>	<b>30,000</b>	<b>1,685,642</b>		<b>1,685,642</b>	<b>186,641</b>	<b>1,499,001</b>

<sup>a/</sup> Available for obligation until expended.

<sup>b/</sup> Includes \$207,363 programmed for purposes comparable to proposed FY 1959 Special Assistance appropriation and \$60,797 undistributed Contingency Fund.

\* Represents actual loan agreements expected to be signed by 6/30/58. In addition, an estimated \$95 million will be covered by Letters of Advice to loan applicants as of 6/30/58 and thus will also, as a practical matter, be unavailable for use by the DLF in considering further loan applications.

EXPENDITURE ANALYSIS - ACTUAL AND ESTIMATED STATUS THROUGH JUNE 30, 1958

Summaries by Major Appropriation, Function and Region

	(In thousands of dollars)						
	Cumulative Obligations Reservations 6/30/57	Cumulative Expenditures 6/30/57	Unliquidated Obligations & Reservations 6/30/57	FY 1958 Obligational Authority	Total Expenditure Availability FY 1958	Estimated Expenditures FY 1958	Estimated Unexpended Balance 6/30/58
<b>Major APPROPRIATIONS Converted to Major PROGRAMS</b>							
Military Assistance APPROPRIATIONS	21,941,329	18,228,039	3,713,290	1,848,800 <sup>a/</sup>	5,562,090	2,200,000	3,362,090
Deduct Economic Assistance Programs Financed from Military Assistance Appropriations	-911,432	-893,860	-17,572		-17,572	-14,984	-2,588
Military Assistance PROGRAMS	21,029,897	17,334,179	3,695,718	1,848,800	5,544,518	2,185,016	3,359,502
Economic Assistance APPROPRIATIONS	22,737,393	21,090,133	1,647,260	1,685,642 <sup>b/</sup>	3,332,902	1,500,000	1,832,902
Add Economic Assistance Programs Financed from Military Assistance Appropriations	911,432	893,860	17,572		17,572	14,984	2,588
Economic Assistance PROGRAMS	23,648,825	21,983,993	1,664,832	1,685,642	3,350,474	1,514,984	1,835,490
<b>Total Mutual Security PROGRAMS</b>							
Military Assistance PROGRAMS	21,029,897	17,334,179	3,695,718	1,848,800	5,544,518	2,185,016	3,359,502
Economic Assistance PROGRAMS	23,648,825	21,983,993	1,664,832	1,685,642	3,350,474	1,514,984	1,835,490
TOTAL	44,678,722	39,318,172	5,360,550	3,534,442	8,894,992	3,700,000	5,194,992
<b>Summary of Economic Assistance Programs by Function <sup>c/</sup></b>							
Defense Support	18,859,479	17,701,816	1,157,663	728,950	1,886,613	975,925	910,688
Development Assistance	902,803	620,185	282,618	52,000	334,618	166,407	168,211
Development Loan Fund				300,118	300,118	10,000	290,118
Technical Cooperation	671,377	500,302	171,075	145,800	316,875	140,478	176,397
Special Assistance				207,363	207,363	74,305	133,058
Other Programs	3,215,166	3,161,690	53,476	251,411	304,887	147,869	157,018
TOTAL	23,648,825	21,983,993	1,664,832	1,685,642	3,350,474	1,514,984	1,835,490
<b>Summary of Economic Assistance Programs by Region</b>							
Europe	14,839,045	14,734,990	104,055	75,200	179,255	108,751	70,504
Africa	124,063	68,473	55,590	62,750	118,340	52,940	65,400
Near East and South Asia	3,251,798	2,668,049	583,749	302,485	886,234	418,705	467,529
Far East	4,456,143	3,654,755	801,388	682,932	1,484,320	698,388	785,932
Latin America	265,091	197,263	67,828	62,300	130,128	64,660	65,468
Non-Regional	712,685	660,463	52,222	199,857	252,079	161,540	90,539
Development Loan Fund				300,118	300,118	10,000	290,118
TOTAL	23,648,825	21,983,993	1,664,832	1,685,642	3,350,474	1,514,984	1,835,490

a/ Excludes \$30 million planned for transfer to Economic Assistance (Defense Support Appropriation) under provisions of Section 501.

b/ Includes \$30 million planned for transfer from Military Assistance Appropriation under provisions of Section 501.

Revised April 11, 1958

c/ FY 1958 programs as shown by function are adjusted for comparison purposes to the program definitions used in the FY 1959 Appropriation Request.

MUTUAL SECURITY PROGRAM

EXPENDITURE ANALYSIS - ESTIMATED STATUS THROUGH JUNE 30, 1959

Summaries by Major Appropriation, Function and Region

	(In thousands of dollars)					
	Estimated Unexpended Balance 6/30/58	Less: Amounts Proposed for Return to Treasury	FY 1959 Appropriation Request	Total Expenditure Availability FY 1959	Estimated Expenditures FY 1959	Estimated Unexpended Balance 6/30/59
<b>Major APPROPRIATIONS Converted to Major PROGRAMS</b>						
Military Assistance APPROPRIATIONS	3,362,090		1,800,000	5,162,090	2,200,000	2,962,090
Deduct Economic Assistance Programs Financed from Military Assistance Appropriations	-2,588			-2,588	-2,588	
Military Assistance PROGRAMS	3,359,502		1,800,000	5,159,502	2,197,412	2,962,090
Economic Assistance APPROPRIATIONS	1,832,902	-11,523	2,142,093	3,963,472	1,675,000	2,288,472
Add Economic Assistance Programs Financed from Military Assistance Appropriations	2,588			2,588	2,588	
Economic Assistance PROGRAMS	1,835,490	-11,523	2,142,093	3,966,060	1,677,588	2,288,472
<b>Total Mutual Security PROGRAMS</b>						
Military Assistance PROGRAMS	3,359,502		1,800,000	5,159,502	2,197,412	2,962,090
Economic Assistance PROGRAMS	1,835,490	-11,523	2,142,093	3,966,060	1,677,588	2,288,472
TOTAL	5,194,992	-11,523	3,942,093	9,125,562	3,875,000	5,250,562
<b>Summary of Economic Assistance Programs by Function <sup>a/</sup></b>						
Defense Support	910,688		835,000	1,745,688	888,952	856,736
Development Assistance	168,211			168,211	82,900	85,311
Development Loan Fund	290,118		625,000	915,118	175,000	740,118
Technical Cooperation	176,397		163,500	339,897	167,441	172,456
Special Assistance	133,058		212,000	345,058	176,654	168,404
Other Programs	157,018	-11,523	306,593	452,088	186,641	265,447
TOTAL	1,835,490	-11,523	2,142,093	3,966,060	1,677,588	2,288,472
<b>Summary of Economic Assistance Programs by Region</b>						
Europe	70,504		74,300	144,804	91,190	53,614
Africa	65,400		97,450	162,850	83,100	79,750
Near East and South Asia	467,529	-3,928	309,650	773,251	369,181	404,070
Far East	785,932	-7,595	634,000	1,412,337	683,457	728,880
Latin America	65,468		59,500	124,968	68,863	56,105
Non-Regional	90,539		342,193	432,732	206,797	225,935
Development Loan Fund	290,118		625,000	915,118	175,000	740,118
TOTAL	1,835,490	-11,523	2,142,093	3,966,060	1,677,588	2,288,472

a/ FY 1958 program balances as shown by function are adjusted for comparison purposes to the program definitions used in the FY 1959 Appropriation Request.

MUTUAL SECURITY PROGRAM

EXPENDITURE ANALYSIS

Summaries by Major Appropriation, Function and Region

(In thousands of dollars)

	Cumulative Obligations & Reservations 6/30/57	Cumulative Expendi- tures 6/30/57	Unliquidated Obligations & Reservations 6/30/57	FY 1958 Obligational Authority	Total Expenditure Availability FY 1958	Estimated Expendi- tures FY 1958	Estimated Unexpended Balance 6/30/58	Less: Amounts Proposed for Return to Treasury	FY 1959 Appro- priation Request	Total Expenditure Availability FY 1959	Estimated Expendi- tures FY 1959	Estimated Unexpended Balance 6/30/59
<b>Major APPROPRIATIONS Converted to Major PROGRAMS</b>												
Military Assistance APPROPRIATIONS	21,941,329	18,228,039	3,713,290	1,848,800 <sup>a/</sup>	5,562,090	2,200,000	3,362,090		1,800,000	5,162,090	2,200,000	2,962,090
Deduct Economic Assistance Programs Financed from Military Assistance Appropriations	-911,432	-893,860	-17,572		-17,572	-14,984	-2,588			-2,588	-2,588	
Military Assistance PROGRAMS	21,029,897	17,334,179	3,695,718	1,848,800	5,544,518	2,185,016	3,359,502		1,800,000	5,159,502	2,197,412	2,962,090
Economic Assistance APPROPRIATIONS	22,737,393	21,090,133	1,647,260	1,685,642 <sup>b/</sup>	3,332,902	1,500,000	1,832,902	-11,523	2,142,093	3,963,472	1,675,000	2,288,472
Add Economic Assistance Programs Financed from Military Assistance Appropriations	911,432	893,860	17,572		17,572	14,984	2,588			2,588	2,588	
Economic Assistance PROGRAMS	23,648,825	21,983,993	1,664,832	1,685,642	3,350,474	1,514,984	1,835,490	-11,523	2,142,093	3,966,060	1,677,588	2,288,472
<b>Total Mutual Security PROGRAMS</b>												
Military Assistance PROGRAMS	21,029,897	17,334,179	3,695,718	1,848,800	5,544,518	2,185,016	3,359,502		1,800,000	5,159,502	2,197,412	2,962,090
Economic Assistance PROGRAMS	23,648,825	21,983,993	1,664,832	1,685,642	3,350,474	1,514,984	1,835,490	-11,523	2,142,093	3,966,060	1,677,588	2,288,472
<b>TOTAL</b>	<b>44,678,722</b>	<b>39,318,172</b>	<b>5,360,550</b>	<b>3,534,442</b>	<b>8,894,992</b>	<b>3,700,000</b>	<b>5,194,992</b>	<b>-11,523</b>	<b>3,942,093</b>	<b>9,125,562</b>	<b>3,875,000</b>	<b>5,250,562</b>
<b>Summary of Economic Assistance Programs by Function <sup>c/</sup></b>												
Defense Support	18,859,479	17,701,816	1,157,663	728,950	1,886,613	975,925	910,688		835,000	1,745,688	888,952	856,736
Development Assistance	902,803	620,185	282,618	52,000	334,618	166,407	168,211			168,211	82,900	85,311
Development Loan Fund				300,118	300,118	10,000	290,118		625,000	915,118	175,000	740,118
Technical Cooperation	671,377	500,302	171,075	145,800	316,875	140,478	176,397		163,500	339,897	167,441	172,456
Special Assistance				207,363	207,363	74,305	133,058		212,000	345,058	176,654	168,404
Other Programs	3,215,166	3,161,690	53,476	251,411	304,887	147,869	157,018	-11,523	306,593	452,088	186,641	265,447
<b>TOTAL</b>	<b>23,648,825</b>	<b>21,983,993</b>	<b>1,664,832</b>	<b>1,685,642</b>	<b>3,350,474</b>	<b>1,514,984</b>	<b>1,835,490</b>	<b>-11,523</b>	<b>2,142,093</b>	<b>3,966,060</b>	<b>1,677,588</b>	<b>2,288,472</b>
<b>Summary of Economic Assistance Programs by Region</b>												
Europe	14,839,045	14,734,990	104,055	75,200	179,255	108,751	70,504		74,300	144,804	91,190	53,614
Africa	124,063	68,473	55,590	62,750	118,340	52,940	65,400		97,450	162,850	83,100	79,750
Near East and South Asia	3,251,798	2,668,049	583,749	302,485	886,234	418,705	467,529	-3,928	309,650	773,251	369,181	404,070
Far East	4,456,143	3,654,755	801,388	682,932	1,484,320	698,388	785,932	-7,595	634,000	1,412,337	683,457	728,880
Latin America	265,091	197,263	67,828	62,300	130,128	64,660	65,468		59,500	124,968	68,863	56,105
Non-Regional	712,685	660,463	52,222	199,857	252,079	161,540	90,539		342,193	432,732	206,797	225,935
Development Loan Fund				300,118	300,118	10,000	290,118		625,000	915,118	175,000	740,118
<b>TOTAL</b>	<b>23,648,825</b>	<b>21,983,993</b>	<b>1,664,832</b>	<b>1,685,642</b>	<b>3,350,474</b>	<b>1,514,984</b>	<b>1,835,490</b>	<b>-11,523</b>	<b>2,142,093</b>	<b>3,966,060</b>	<b>1,677,588</b>	<b>2,288,472</b>

<sup>a/</sup> Excludes \$30 million planned for transfer to Economic Assistance (Defense Support Appropriation) under provisions of Section 501.

<sup>b/</sup> Includes \$30 million planned for transfer from Military Assistance Appropriation under provisions of Section 501.

<sup>c/</sup> FY 1958 programs as shown by function are adjusted for comparison purposes to the program definitions used in the FY 1959 Appropriation Request.