

PD-ACE-046



MUTUAL SECURITY PROGRAM

FISCAL YEAR 1959
ESTIMATES

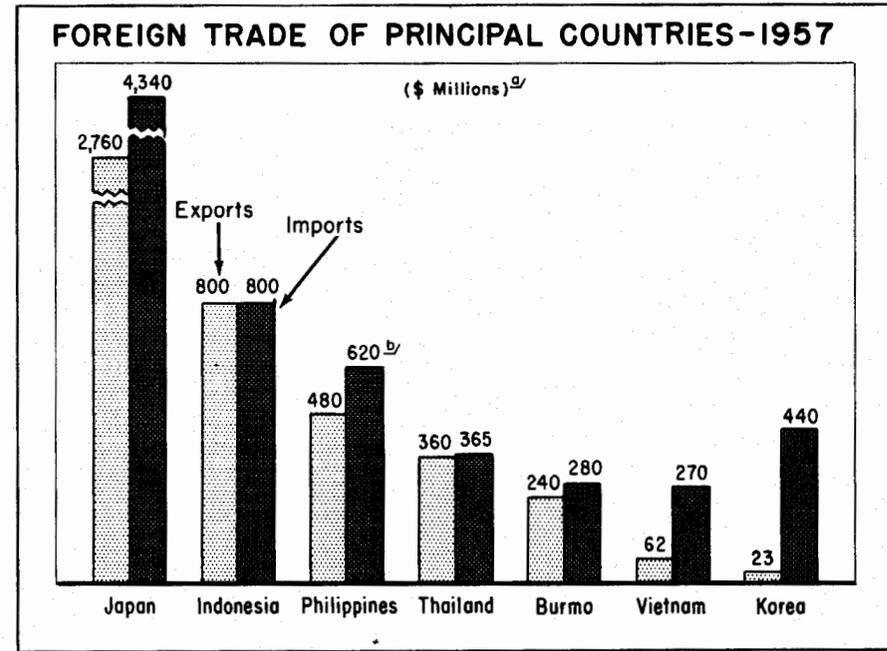
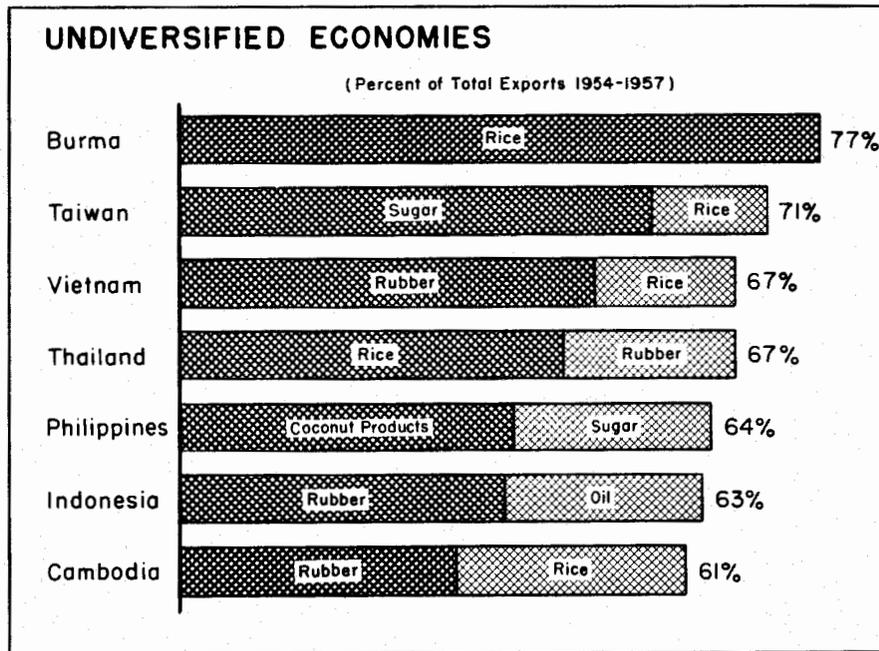
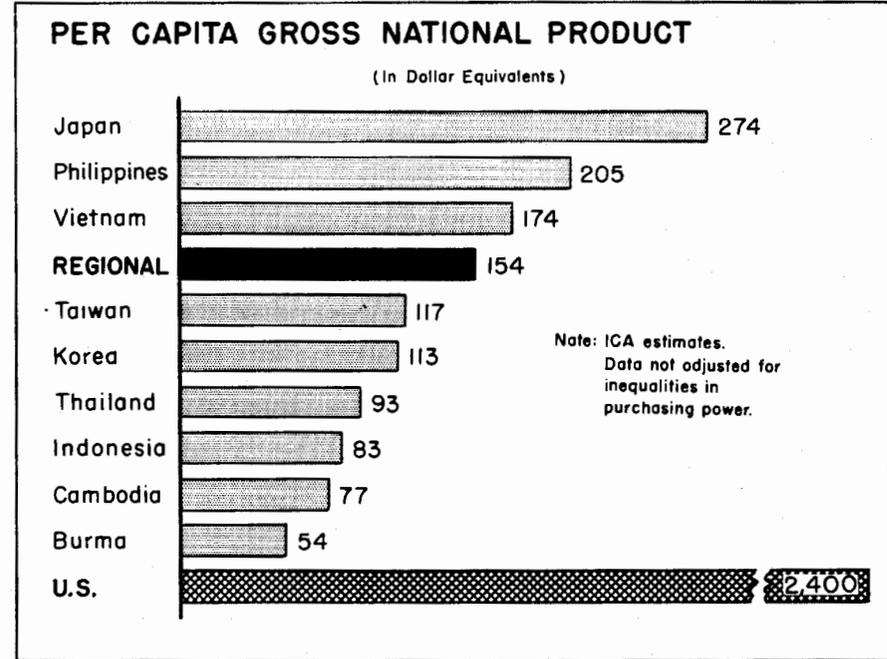
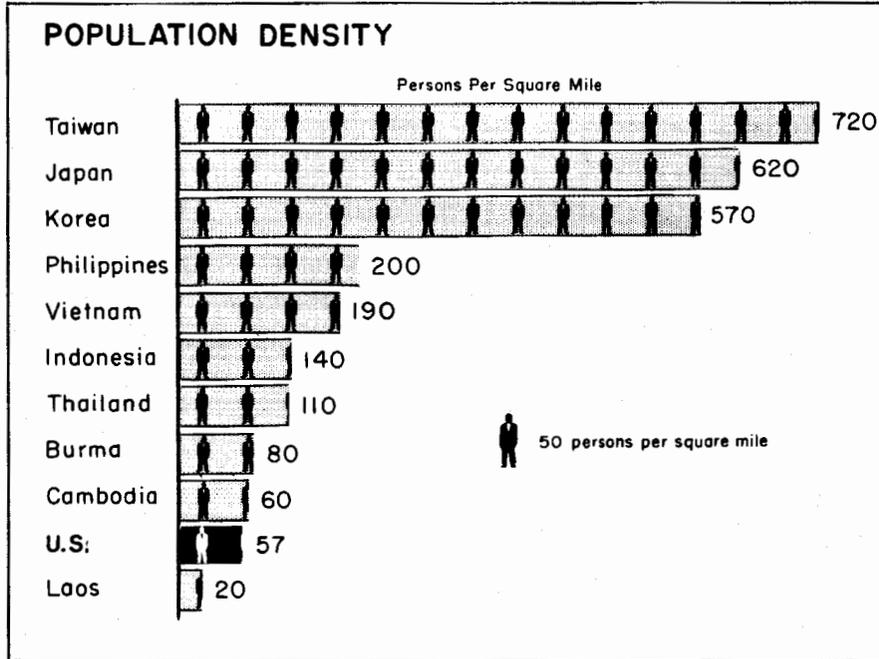
BEST AVAILABLE

FAR EAST



DECLASSIFIED ON 3/10/81
BY SMUCKER PPC/PB
AUTHORITY: EO 12065 & para 925, Uniform Security
Regulations

FAR EAST and PACIFIC-ECONOMIC DATA



^{a/} Data are preliminary.
^{b/} Imports f.o.b., not c.i.f. as in other countries.

MUTUAL SECURITY PROGRAM

TABLE OF CONTENTS

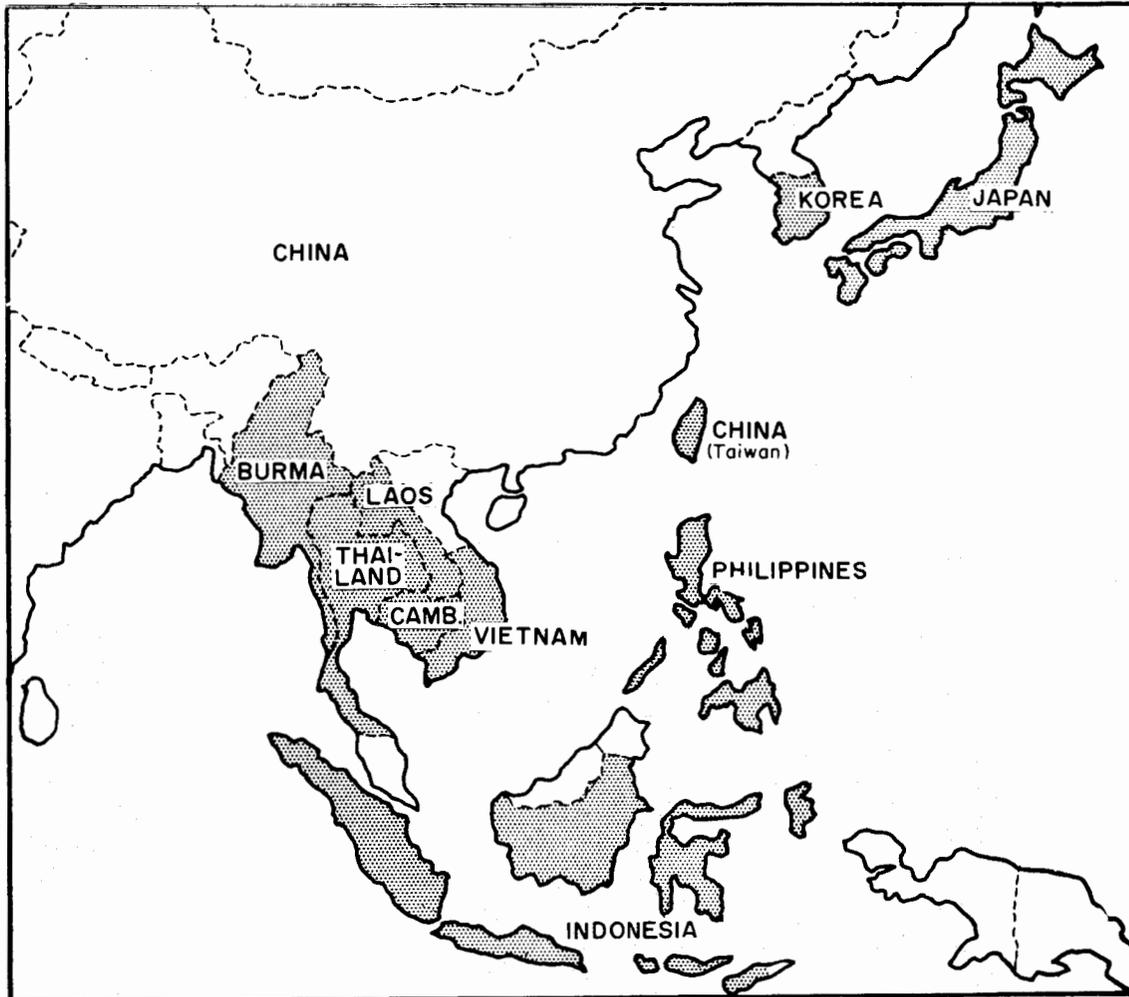
FAR EAST

	<u>Page No.</u>		<u>Page No.</u>
Map of Far East	1	Burma	13
Far East by Function (Chart)	2	Cambodia	23
Summary of MSP by Function	3	China	37
Program by Country (Chart)	4	Indonesia	53
Military Assistance by Country	5	Japan	63
Military Assistance Program (Chart)	6	Korea	73
Programs for Economic Assistance (Chart)	8	Laos	91
Economic Assistance Programs by Country	9	Philippines	103
Program by Function, Project and Non-Project Assistance	10	Thailand	117
Project Assistance by Field of Activity	11	Viet Nam	131
		Regional and Undistributed	147
		President's Fund for Asian Economic Development	153

February 20, 1958

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

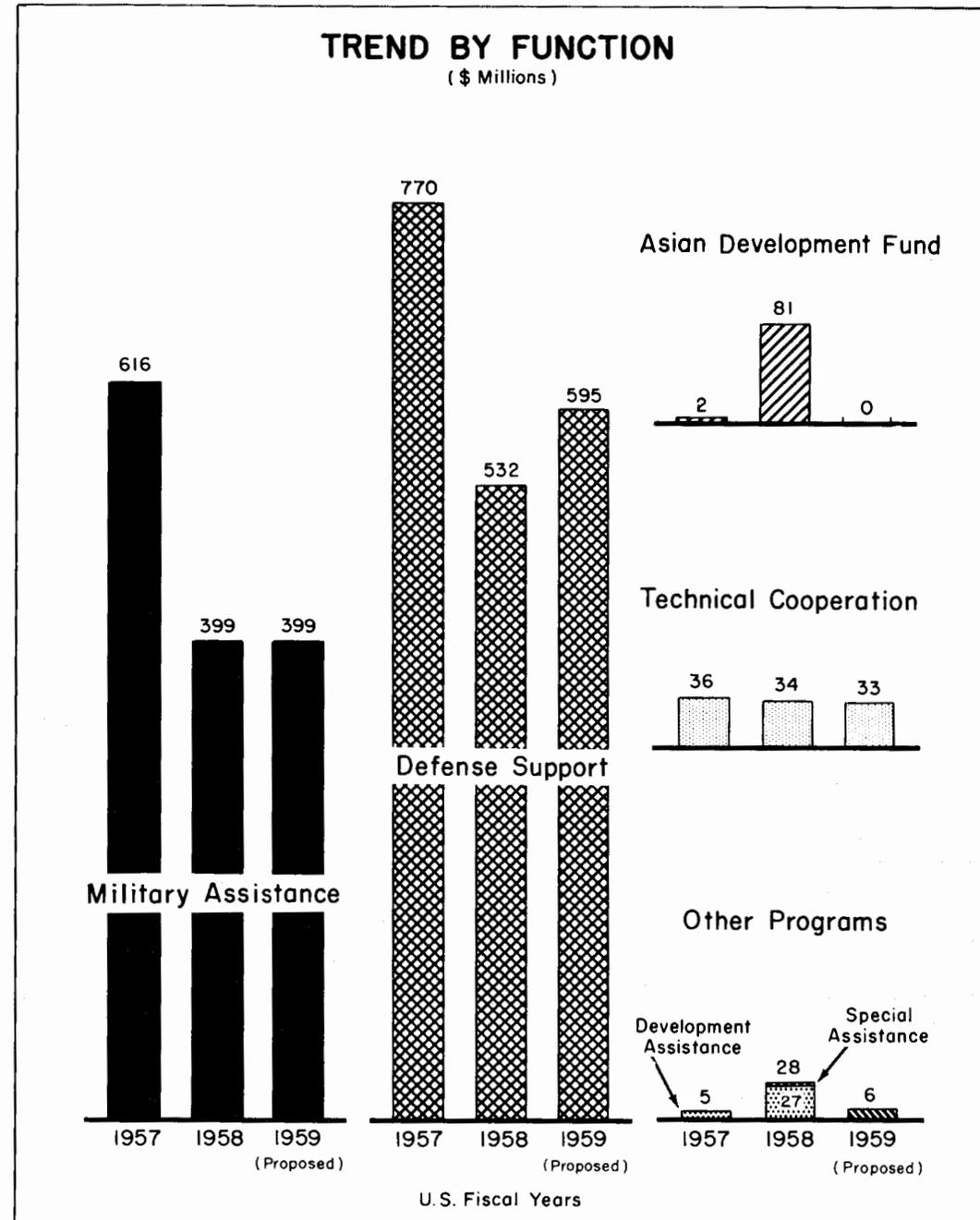
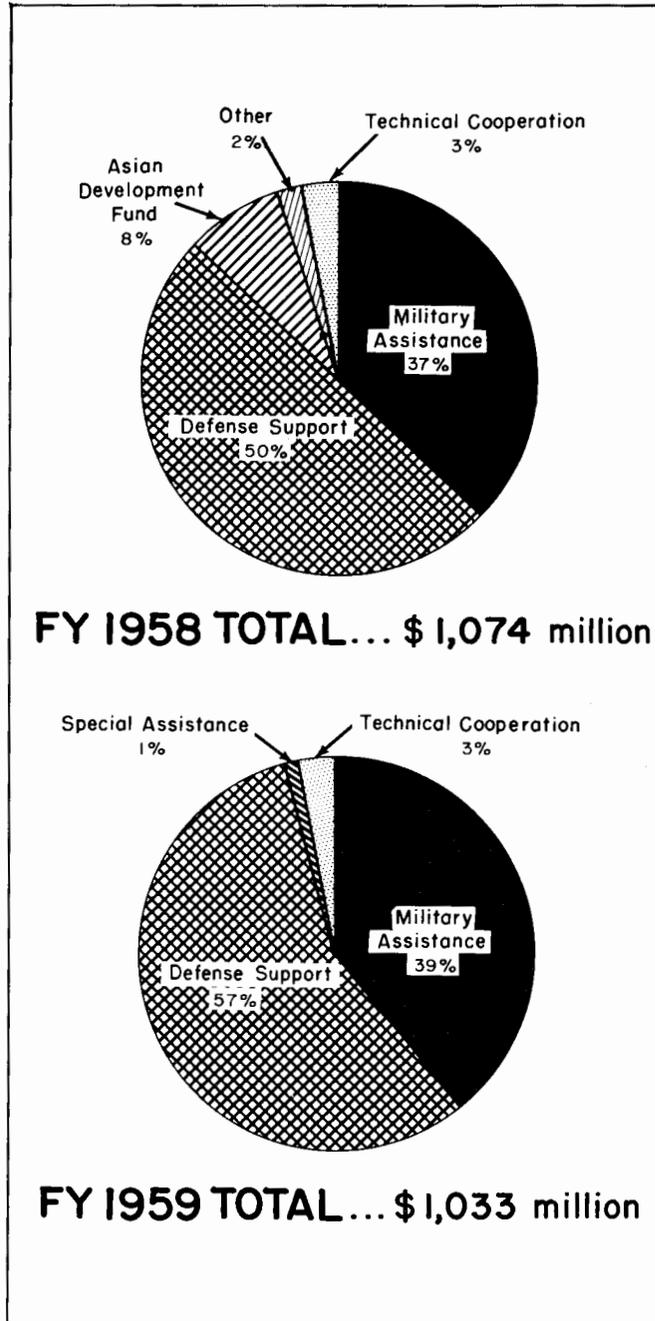
FAR EAST and PACIFIC



FY 1959 PROGRAM

Country	Type of Assistance (Millions of Dollars)			
	Military Assist.	Defense Support	Tech. Coop.	Special Assist.
Burma	10.0	—	—	5.0
Cambodia	5.9	25.0	2.2	—
China (Taiwan)	82.7	75.0	2.5	—
Indonesia	—	—	6.0	1.0
Japan	76.9	—	2.5	—
Korea	165.8	240.0	5.8	—
Laos	6.6	30.0	1.8	—
Philippines	16.5	15.0	3.0	—
Thailand	10.2	20.0	4.2	—
Vietnam	24.4	190.0	4.5	—
Regional and Undistributed	—	—	0.5	—
Total	399.1	595.0	33.0	6.0

FAR EAST and PACIFIC - PROGRAM BY FUNCTION



FAR EAST REGIONAL

SUMMARY OF MUTUAL SECURITY PROGRAMS BY FUNCTION

(In thousands of dollars)

FUNCTION	PROGRAM		
	Actual FY 1957	Estimate FY 1958	Proposed FY 1959
MILITARY ASSISTANCE	616,336	398,830	399,120
ECONOMIC ASSISTANCE			
Defense Support	769,563	532,310 ^{a/}	595,000
Development Assistance	4,717	27,000 ^{b/}	
Technical Cooperation	36,198	33,750	33,000
Special Assistance		1,000	6,000
Other Programs	1,973 ^{c/}	81,277 ^{c/}	
Total Economic Assistance	812,451	675,337	634,000
TOTAL ALL PROGRAMS	1,428,787	1,074,167	1,033,120

ESTIMATED OBLIGATIONS AND EXPENDITURES

(In thousands of dollars)

	Programmed	Del./Exp.	Unliquidated		Obligations	Expenditures	Unliquidated
MILITARY ASSISTANCE				ECONOMIC ASSISTANCE			
Cumulative 6/30/57	4,017,472	3,199,180	818,292	Cumulative 6/30/57	4,456,143	3,654,755	801,388
Estimate FY 1958	398,830	532,400	XXX	Estimate FY 1958	675,337	698,388	XXX
Cumulative 6/30/58	4,416,302	3,731,580	684,722	Cumulative 6/30/58	5,131,480	4,353,143	778,337

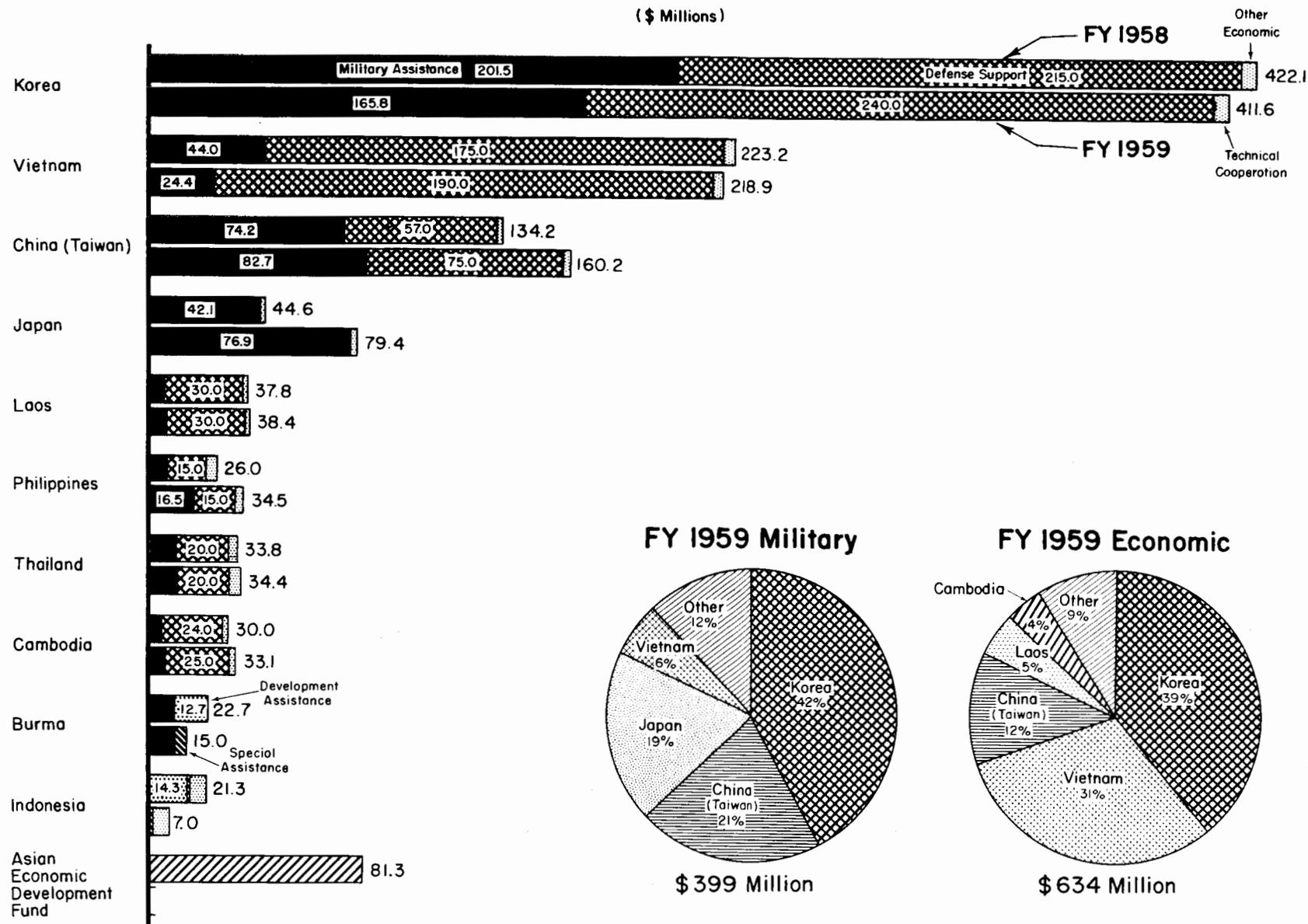
^{a/} Excludes \$3.69 million of prior-year Indochina recoveries applied to FY 1958 program in Laos.

^{b/} Reappropriated FY 1957 Development Assistance funds.

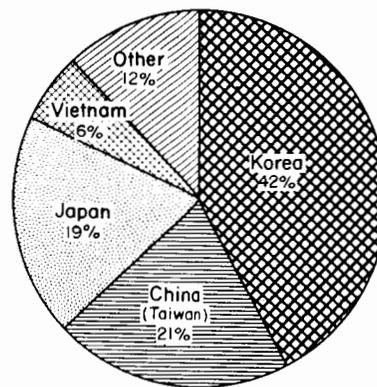
^{c/} Financed from President's Fund for Asian Economic Development.

FAR EAST AND PACIFIC PROGRAM BY COUNTRY

(\$ Millions)

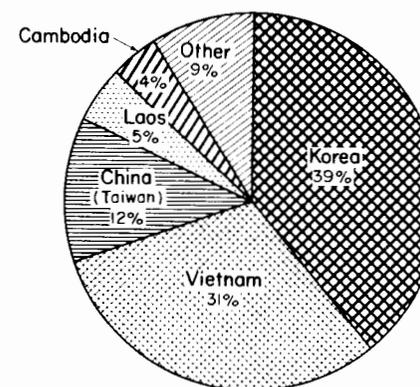


FY 1959 Military



\$ 399 Million

FY 1959 Economic



\$ 634 Million

SECRET
MILITARY ASSISTANCE

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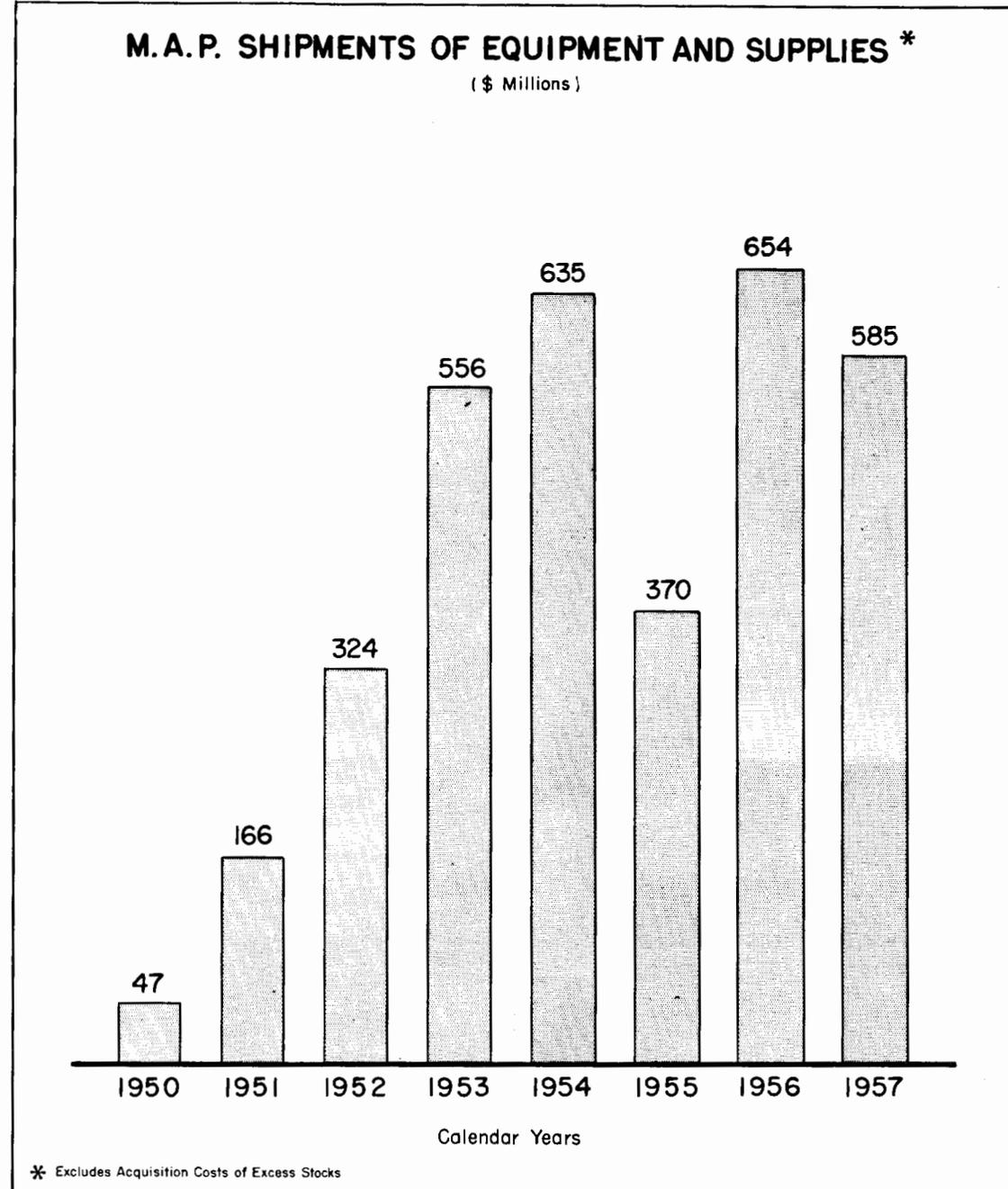
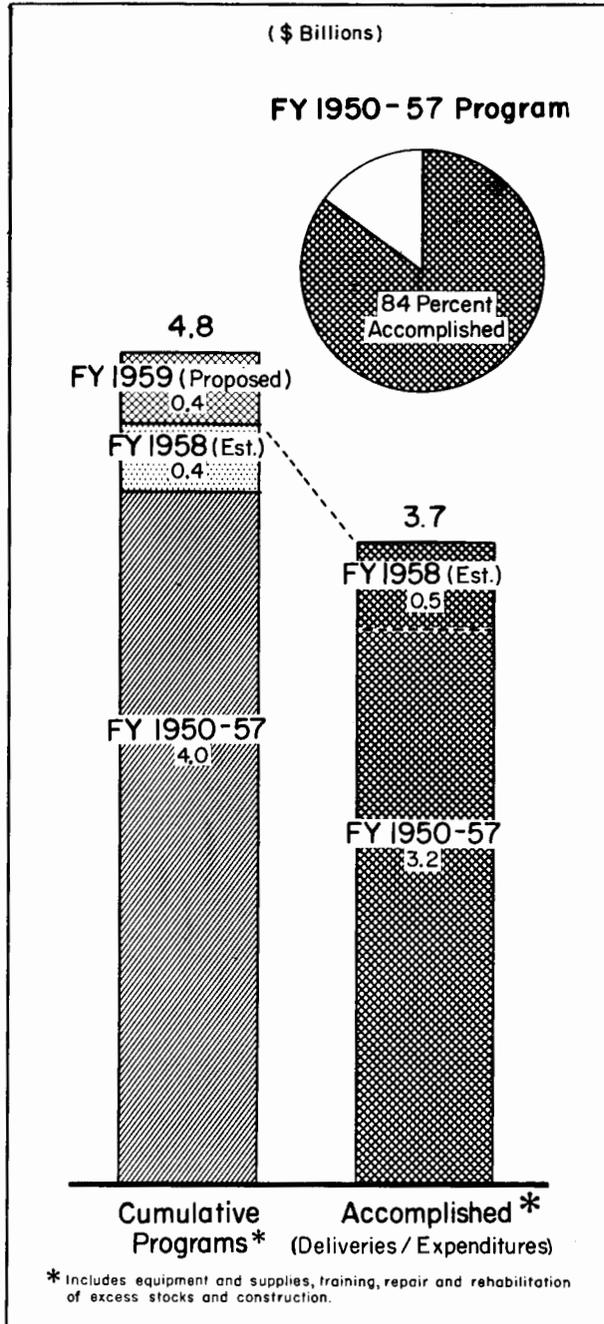
(all values in thousands of dollars)	Annual Programs				Del./Exp. F.Y. 1950-58 Programs		
	Value		Proposed F.Y. 1959		Estimate F.Y. 1958	Cumulative June 30, 1958	F.Y. 1959 and Later
	F.Y. 1957	F.Y. 1958	Quantity	Value			
FAR EAST	\$616,336	\$398,830		\$399,120	\$532,400	\$3,731,580	\$684,722
Burma	-	10,000		10,000	-	1,846	10,000
Cambodia	4,583	4,033		5,942	4,733	47,268	6,281
China (Taiwan)	106,105	74,215		82,674	111,669	1,242,787	136,045
Indo China	-	-		-	(2,250)	685,821	(6,557)
Indonesia	-	-		-	-	3,901	-
Japan	106,455	42,120		76,917	102,025	339,872	169,227
Korea	333,301	201,548		165,844	240,404	700,254	279,280
Laos	4,112	6,123		6,613	4,183	34,354	8,285
Philippines	8,073	7,012		16,513	10,780	141,741	15,693
Thailand	9,052	9,827		10,178	15,659	225,566	19,713
Vietnam	44,655	43,952		24,439	45,197	308,170	46,755

NOT APPLICABLE

() Indicate negative figures.

SECRET

FAR EAST AND PACIFIC - MILITARY ASSISTANCE PROGRAM

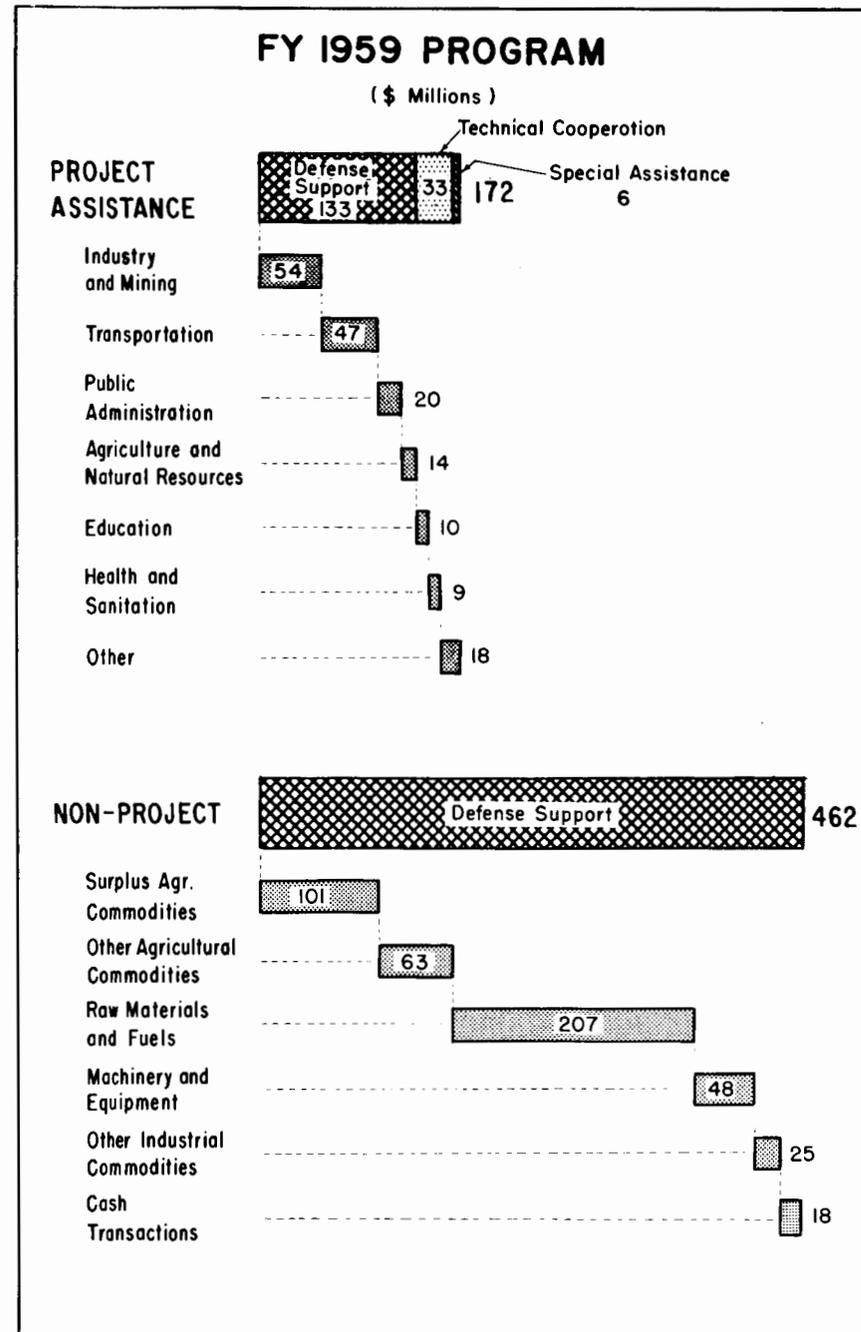
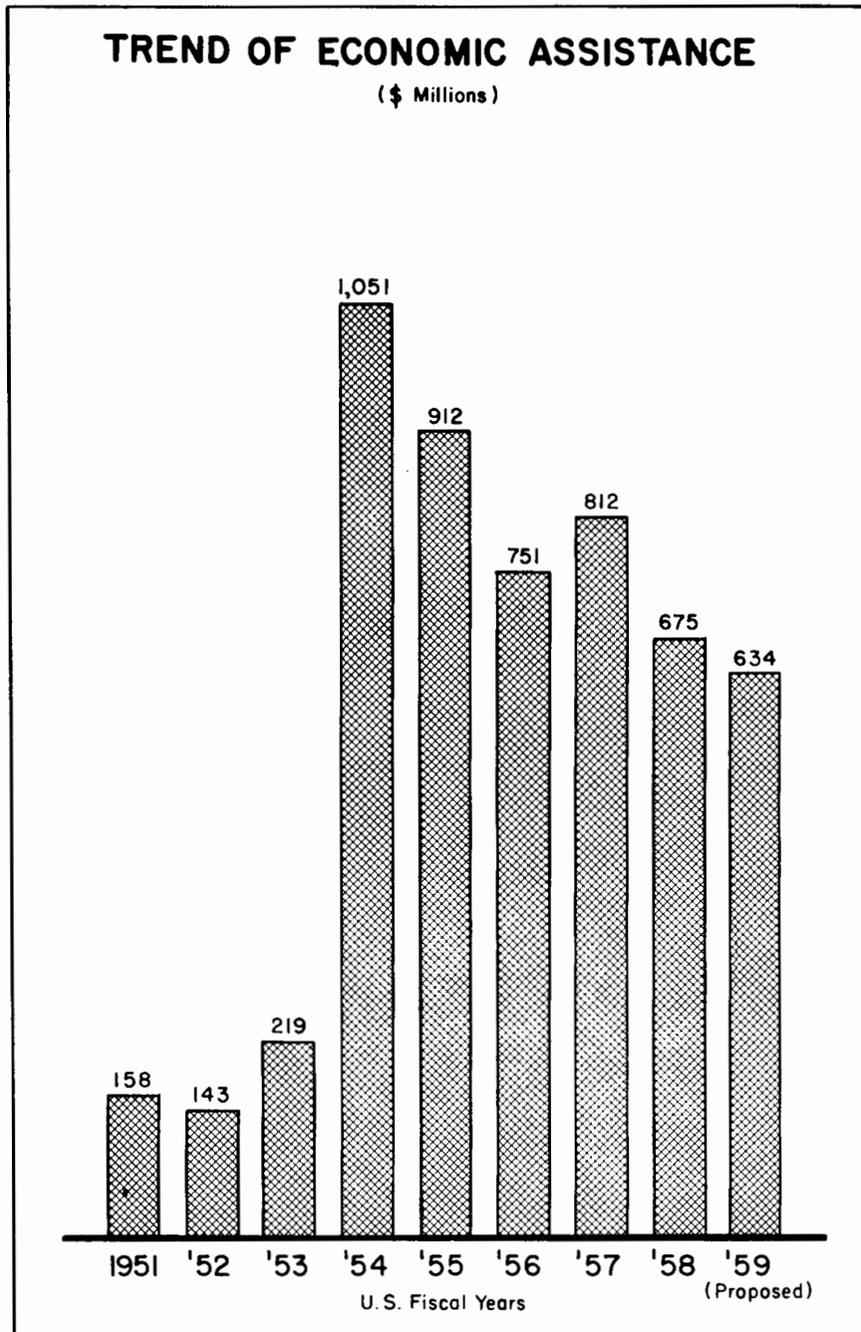


MILITARY ASSISTANCE PROGRAMS
(All Values in Thousands of Dollars)

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	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
FAR EAST	\$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

FAR EAST and PACIFIC—PROGRAMS FOR ECONOMIC ASSISTANCE



FAR EAST REGIONAL

SUMMARY OF ECONOMIC ASSISTANCE PROGRAMS

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By Function and Country

(In thousands of dollars)

	Defense Support			Special Assistance			Technical Cooperation			Other		Total		
	FY 1957	FY 1958	FY 1959	FY 1957	FY 1958	FY 1959	FY 1957	FY 1958	FY 1959	FY 1957	FY 1958	FY 1957	FY 1958	FY 1959
<u>Far East</u>														
Burma	-	-	-	-	5,000	-	-	-	-	-	12,700 ^{a/}	-	12,700	5,000
Cambodia	32,499	24,000	25,000	-	-	1,981	2,000	2,200	-	-	-	34,480	26,000	27,200
China (Taiwan)	80,000	57,000	75,000	-	-	3,749	3,000	2,500	-	-	-	83,749	60,000	77,500
Indonesia	-	-	-	1,000	1,000	7,000	6,000	6,000	4,717 ^{a/}	14,300 ^{a/}	-	11,717	21,300	7,000
Japan	-	-	-	-	-	2,297	2,500	2,500	-	-	-	2,297	2,500	2,500
Korea	300,183	215,000	240,000	-	-	5,482	5,600	5,800	-	-	-	305,665	220,600	245,800
Laos	42,974	30,000	30,000	-	-	1,484	1,700	1,800	-	-	-	44,458	31,700	31,800
Philippines	28,913	15,000	15,000	-	-	4,995	4,000	3,000	-	-	-	33,908	19,000	18,000
Thailand	30,000	20,000	20,000	-	-	4,500	4,000	4,200	-	-	-	34,500	24,000	24,200
Viet Nam	254,994	175,000	190,000	-	-	4,444	4,200	4,500	-	-	-	259,438	179,200	194,500
Regional and Undistributed	-	-	-	-	-	266	750	500	-	-	-	266	750	500
Less prior year recoveries applied to current year program	-	-3,690 ^{b/}	-	-	-	-	-	-	-	-	-	-	-3,690 ^{b/}	-
Subtotal	769,563	532,310	595,000	1,000	6,000	36,198	33,750	33,000	4,717 ^{a/}	27,000 ^{a/}	-	810,478	594,060	634,000
President's Fund for Asian Economic Development	-	-	-	-	-	-	-	-	1,973	81,277 ^{c/}	-	1,973	81,277 ^{c/}	-
TOTAL PROGRAMS	769,563	532,310	595,000	1,000	6,000	36,198	33,750	33,000	6,690	108,277	-	812,451	675,337	634,000

a/ Development Assistance funds. Amounts in FY 1958 are reappropriated FY 1957 DA funds.
 b/ Prior-year Indochina recoveries applied to FY 1958 program in Laos.
 c/ Excludes \$4,893 thousand for malaria eradication.

FAR EAST REGIONAL

ECONOMIC ASSISTANCE

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

(Excluding President's Fund for Asian Economic Development)

(In thousands of dollars)

MAJOR COST COMPONENT	ACTUAL FY 1957				ESTIMATE FY 1958					PROPOSED FY 1959			
	Total	DS	DA	TC	Total	DS	SA	TC	DA	Total	DS	SA	TC
PROJECT ASSISTANCE													
Technicians	11,154	4,383	-	6,771	13,131	3,973	-	9,158	-	12,798	4,560	50	8,188
Participants	10,618	1,280	-	9,338	10,248	1,210	-	9,038	-	10,522	1,900	80	8,542
Contractual Services	29,374	18,918	717	9,739	31,344	18,626	-	7,568	5,150	34,995	25,100	-	9,895
Supplies and Equipment . . .	226,732	212,974	4,000	9,758	105,179	75,508	1,000	6,821	21,850	110,660	99,465	5,870	5,325
Contrib. to Coop. Services .	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Costs	3,309	2,717	-	592	4,028	2,863	-	1,165	-	2,835	1,785	-	1,050
Total Project Assistance .	281,187	240,272	4,717	36,198	163,930	102,180	1,000	33,750	27,000^{a/}	171,810	132,810	6,000	33,000
NON-PROJECT ASSISTANCE													
Agric. Commodities Total . .	206,200	206,200			172,150	172,150				163,570	163,570		
Surplus	131,121	131,121			111,300	111,300				101,000	101,000		
Other	75,079	75,079			60,850	60,850				62,570	62,570		
Industrial Commodities Total	292,339	292,339			241,670	241,670				280,620	280,620		
Raw Materials and Fuels . .	211,498	211,498			181,645	181,645				206,910	206,910		
Machinery and Equipment . .	49,870	49,870			40,845	40,845				48,245	48,245		
Other Indus. Commodities .	30,971	30,971			19,180	19,180				25,465	25,465		
Cash Transactions	30,752	30,752			20,000	20,000				18,000	18,000		
Prior year recoveries applied to current year program . .	-	-			-3,690 ^{b/}	-3,690 ^{b/}							
Total Non-Project Assistance	529,291	529,291			430,130	430,130				462,190	462,190		
TOTAL COUNTRY PROGRAMS . .	810,478	769,563	4,717	36,198	594,060	532,310	1,000	33,750	27,000^{a/}	634,000	595,000	6,000	33,000
NUMBER OF PEOPLE													
Technicians (On duty close of year)	1,799	1,039	-	760	2,439	1,349	-	1,074	16	2,011	1,115	-	896
U.S. Employed	871	349	-	522	932	291	-	641	-	845	302	-	543
Contract	928	690	-	238	1,507	1,058	-	433	16	1,166	813	-	353
Participants (Programmed during year)	3,292	407	-	2,885	2,972	276	-	2,696	-	3,081	315	16	2,750
Non-Contract	3,131	407	-	2,724	2,851	276	-	2,575	-	2,921	295	16	2,610
Contract	161	-	-	161	121	-	-	121	-	160	20	-	140

a/ Reappropriated FY 1957 Development Assistance Funds.

b/ Prior-year Indochina recoveries applied to FY 1958 program in Laos.

FAR EAST REGIONAL

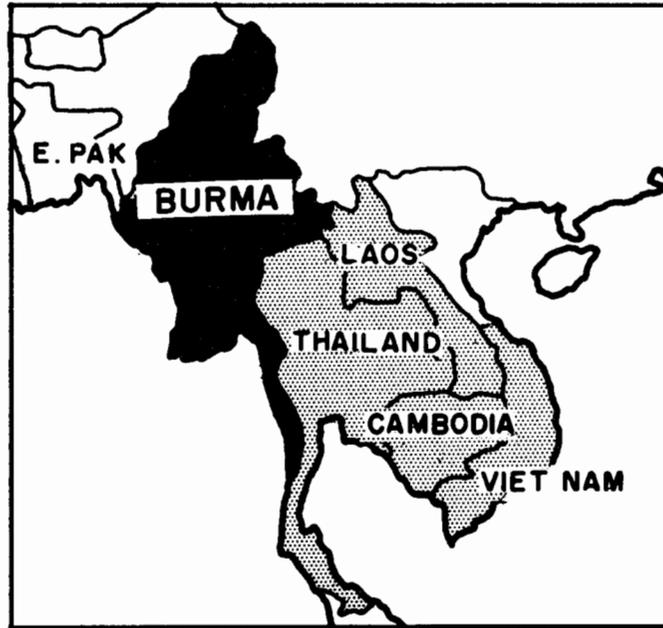
ECONOMIC ASSISTANCE

PROJECT ASSISTANCE BY FIELD OF ACTIVITY

(In thousands of dollars)

Function and Fiscal Year	Total Cost	Agriculture and Natural Resources	Industry and Mining	Transportation	Labor	Health and Sanitation	Education	Public Administration	Community Develop., Social Welfare & Housing	General and Miscellaneous
ACTUAL FY 1957										
Defense Support	240,272	15,602	73,890	103,519		13,244	4,671	7,954	8,442	12,950
Development Assistance . . .	4,717		717			2,500		1,500		
Technical Cooperation	36,198	7,004	4,593	1,940	790	3,242	8,491	4,741	775	4,622
Other Programs										
Total	281,187	22,606	79,200	105,459	790	18,986	13,162	14,195	9,217	17,572
ESTIMATE FY 1958										
Defense Support	102,180	5,229	27,299	41,469		7,105	3,364	4,410	6,430	6,874
Special Assistance	1,000							1,000		
Technical Cooperation	33,750	7,193	4,435	1,541	733	3,071	5,752	4,932	817	5,276
Development Assistance	27,000	6,100	6,900	14,000						
Total	163,930	18,522	38,634	57,010	733	10,176	9,116	10,342	7,247	12,150
PROPOSED FY 1959										
Defense Support	132,810	7,030	49,600	45,740		5,745	2,950	9,145	6,065	6,535
Special Assistance	6,000							6,000		
Technical Cooperation	33,000	6,545	4,725	1,245	645	2,985	7,080	4,635	925	4,215
Total	171,810	13,575	54,325	46,985	645	8,730	10,030	19,780	6,990	10,750

BURMA



ECONOMIC TRENDS

	Unit	Calendar Years			
		1954	1955	1956	1957 Est.
GROSS NATIONAL PRODUCT					
Total GNP (In 1955 Prices)	\$ Millions	955	1,015	1,050	1,040
Per Capita GNP	Dollars	50	52	53	52
PRODUCTION					
Agricul. Prod. Index ^a	1935-39=100	89	90	98	90
Per Capita Index	"	72	71	76	69
Rice, rough	1000 MT	6,710	6,530	7,210	6,500
Cotton	"	23	19	17	16
FOREIGN TRADE					
Total Exports (f.o.b.)	\$ Millions	251	227	243	240
Rice & rice products	"	200	173	182	187
Cotton	"	10	8	11	10
Total Imports (c.i.f.)	"	204	180	197	250
Trade Balance	"	47	47	46	-40
FOREIGN EXCHANGE RESERVES \$ Millions					
(end of year)		142	118	146	92 (Nov)
COST OF LIVING INDEX (Rangoon) 1953=100					
		96	99	111	118

BASIC DATA

Population	20 million
Annual Growth	1.2%
Agricultural Land	13% of area
Agri. Land per Capita	1.1 acres
Literacy Rate	35 percent

	BURMA	U.S.
Life Expectancy (Years)	n.a.	70
Inhabitants per Physician	8,400	760
Road Miles per 1,000 sq.mi.	35	1,020
Electric Power per Capita... (KWH per year)	5	4,070

CENTRAL GOVERNMENT FINANCES

Country Fiscal Year Ending - September 30	- \$ Millions -		
	1955	1956 (Budget)	1957 (Budget)
Total Expenditures	239	215	258
Revenues, excl. receipts of U.S. Grant Aid	228	158	240
Deficit or Surplus before U.S. Grant Aid	-11	-57	-18
Budgetary Receipts from U.S. Grant Aid	-	-	-
Budgetary Receipts from U.S. Loans	-	-	-
DEFENSE EXPENDITURES			
Total Defense Expenditures	87	97	104
As percent of Total Gov't Expenditures	36%	45%	40%
As percent of Gross National Product	9%	9%	10%
TOTAL DEBT (gross)	244	n.a.	n.a.
As percent of GNP	24%		
Foreign Debt	41		

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

Country BURMA

MUTUAL SECURITY PROGRAM

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U. S. Interests

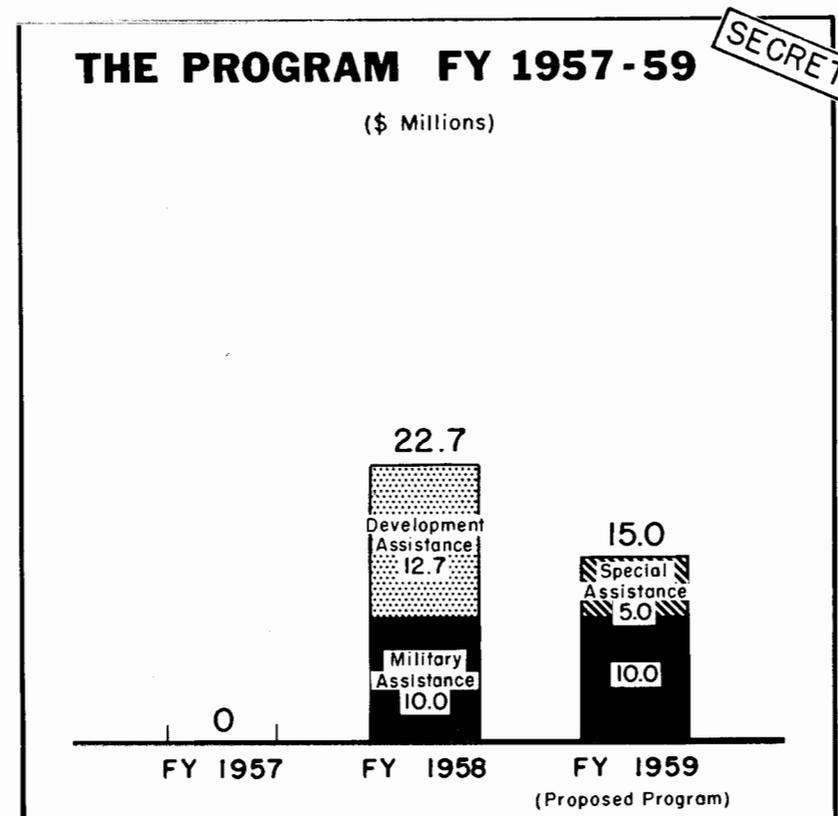
Burma borders on two of our SEATO allies, Pakistan and Thailand, and separates the two largest nations in the Far East, India and Communist China. Strategically, therefore, Burma's continued independence and pro-Western orientation are of great importance to the achievement of basic U. S. objectives in the Far East. Burma is abundantly rich in natural resources and is the world's largest rice exporter. These resources are important and should not be permitted to become Communist assets.

Burma's avowed neutrality, motivated largely by an unprotected thousand-mile border with Communist China, limits both the mode and scope of our activities. Although present Burmese leadership is generally well disposed to the West and is distrustful of international Communist objectives, the Communist bloc through persistent and flexible political and economic tactics already has achieved some success in Burma.

Recent U. S. efforts have been directed at providing Burma acceptable and preferable alternatives to more serious involvement with the Communist bloc. In this connection we have concluded loan agreements with the Burmese Government which are assisting Burma's economic development programs, and we are now discussing a second P.L. 480 Surplus Agricultural Commodities Agreement with Burma. We have agreed to give limited material help to the Burmese Army and are currently considering a Burmese request for assistance to the Burma Police. These programs are designed to encourage the continued friendly orientation of the Government.

Current Burmese leadership is committed to the democratic process and is remarkably free from corruption. A Communist-dominated group provides the only overt political opposition, although insurrectionary forces led by underground Communists continue to prevent the favorable security conditions necessary for economic development and full political stability.

Our fundamental concern is whether Burma's development can progress in a manner compatible with our interests and contribute to the general stability of this key area, or whether this rich country will fall to Communist control and place our objectives in the area in jeopardy.



Obligations and Expenditures \$ in thousands

MILITARY ASSISTANCE	PROGRAMMED	DEL./EXP.	UNLIQUIDATED
Cumulative 6/30/57	1,846	1,846	
Estimate F.Y. 1958	10,000		XXX
Cumulative 6/30/58	11,846	1,846	10,000
ECONOMIC ASSISTANCE	OBLIGATIONS	EXPENDITURES	UNLIQUIDATED
Cumulative 6/30/57	19,602	19,601	1
Estimate F.Y. 1958	12,700	1,001	XXX
Cumulative 6/30/58	32,302	20,602	11,700

SECRET
MILITARY ASSISTANCE

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other material is unclassified.*

Burma

Major Components by Category (all values in thousands of dollars)	Annual Programs				Del./Exp. F.Y. 1950-58 Programs		
	Quantity and Value		Proposed F.Y. 1959		Estimate F.Y. 1958	Cumulative June 30, 1958	F.Y. 1959 and Later
	F.Y. 1957	F.Y. 1958	Quantity	Value			
Country Total	-	\$10,000	-	\$10,000	-	\$1,846	\$10,000
Aircraft, Components, Spares & Related Equip.	-	-	-	-	-	-	-
Ships and Harbor Craft, Components and Spares	-	-	-	-	-	-	-
Coast Guard Utility Boat 83' & 95' (CGUB)	-	-	-	-	-	10	-
Tanks, Other Vehicles, Weapons, Comp. & Spares	-	\$ 5,543	-	\$ 5,297	-	\$ 27	\$ 5,543
Truck, 1/4 Ton, 4x4, Utility	-	274	145	\$ 155	-	-	274
Truck, 3/4 Ton, 4x4, Cargo	-	242	479	\$ 1,475	-	-	242
Truck, 2 1/2 Ton, 6x6, Cargo	-	502	583	\$ 2,798	-	-	502
Truck, 2 1/2 Ton, 6x6, Dump	-	65	-	-	-	-	65
Truck, 4-5-6 Ton, 6x6, Wrecker	-	32	2	\$ 36	-	-	32
Trailer, 1/4 Ton, 2 Wheel, Cargo	-	174	85	\$ 27	-	-	174
Trailer, 3/4 Ton, 2 Wheel, Cargo	-	68	10	\$ 4	-	-	68
Trailer, 1 1/2 Ton, 2 Wheel, Cargo	-	78	22	\$ 13	-	-	78
Trailer, Tank, 400 Gallon	-	39	29	\$ 25	-	-	39
Trailer, Ammunition, 2 Ton	-	63	24	\$ 24	-	-	63
Rifle, 75mm, Recoilless	-	36	36	\$ 44	-	-	36
Howitzer, 105mm, M2 A1, w/carriage or mount	-	54	36	\$ 533	-	-	54
Ammunition	-	\$ 2,317	-	\$ 3,680	-	\$ 572	\$ 2,317
Cartridge, 40mm (all types) (M Rds)	-	-	-	-	-	91	-
Cartridge, HE (HEAT) 75mm, Rifle (M Rds)	-	27	114	\$ 2,985	-	-	27
Cartridge, HE, M1, w/f, 105mm How, M2 (M Rds)	-	114	36	\$ 695	-	-	114
Electronics & Comm. Equipment, Comp. & Spares	-	\$ 1,337	-	\$ 584	-	\$ 67	\$ 1,337
AN/MPQ-10 Radar	-	3	2	\$ 163	-	-	3
SCR-300 (AN/PRC-10) Radio	-	215	183	\$ 93	-	-	215
AN/TCC-21 Telegraph Reprtr.	-	10	-	-	-	-	10
TA-43/PT Telephone	-	707	469	\$ 68	-	-	707
Other Materiel	-	\$ 803	-	\$ 439	-	-	\$ 803
Construction	-	-	-	-	-	-	-
Training	-	-	-	-	-	\$ 27	-
All Other	-	-	-	-	-	\$1,153	-

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SECRET
MILITARY ASSISTANCE

Burma

Objectives of Military Assistance: Burma's approach to the U.S. for limited military assistance is of special significance in view of the country's neutralist position in foreign affairs. It presents us with an important double opportunity; (1) it provides a means of establishing US influence in the single most important institution in Burma, an organization, moreover, whose leadership is anti-communist; and (2) it will materially assist in the Burmese military effort finally to quell the widespread communist insurgency which has for years retarded the country's economic and social progress.

MAP Accomplishments: The FY1952 program included 10 coast guard cutters together with ammunition. The FY 1958 program contains equipment for the equivalent of one army division.

Country Contributions: 4% of total population in armed forces
40% of total budget for military
10% of GNP for military

Proposed FY 1959 Program Provides:

Army: Equipment for an additional army division.

Miscellaneous Data: US excess stocks delivered at no charge through 30 June 1958: \$1.3 million (Est). Military sales through 30 June 1957: \$57 thousand.

No MAAG authorized.

PROGRAMS (In Thousands Dollars)	FY 1957	FY 1958	Proposed FY 1959
Country Programs	-	10,000	10,000
Portion Special Materiel Program	-	(720)	(720)
Total	-	(10,720)	(10,720)

SECRET

Country: BURMA

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

*Shaded areas are Security classified
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(In thousands of dollars)

MAJOR COST COMPONENT	ACTUAL FY 1957				ESTIMATE FY 1958				PROPOSED FY 1959		
	Total	DS or DA	Tech. Coop.	Other	Total	DA	Tech. Coop.	Other	Total	SA	Tech. Coop.
PROJECT ASSISTANCE											
Technicians									50	50	
Participants									80	80	
Contractual Services					850	850					
Supplies and Equipment					11,850	11,850			4,870	4,870	
Contrib. to Coop. Services											
Other Costs											
Total Project Assistance					12,700	12,700			5,000	5,000	
NON-PROJECT ASSISTANCE											
Agric. Commodities Total											
Surplus											
Other											
Industrial Commodities Total											
Raw Materials and Fuels											
Machinery and Equipment											
Other Indus. Commodities											
Cash Transactions											
Other											
Total Non-Project Assistance					12,700	12,700			5,000	5,000	
TOTAL COUNTRY PROGRAMS					12,700	12,700			5,000	5,000	
NUMBER OF PEOPLE											
Technicians (On duty close of year)					16	16					
U.S. Employed					16	16					
Contract											
Participants (Programmed during year)											
Non-Contract									16	16	
Contract									16	16	

Country BURMA

ECONOMIC ASSISTANCE

Objectives of Economic Assistance

- To encourage Burma to look to the Free World as a major source of investment capital, trade, and technical and managerial skills, and to provide an acceptable alternative to increased economic involvement with the Communist bloc, by responding constructively to Burmese requests for assistance.
- To assist Burma to carry out its economic development program, which the government considers vital to avoid a seizure of power by Communist elements within the country, by providing loan assistance for development projects and by supplying P.L. 480 surplus agricultural commodities to help maintain consumption levels.
- To help establish the conditions necessary for political stability and economic progress, by providing assistance to Burma's internal security program.

Accomplishments

The Burmese Government, at whose request earlier U. S. economic assistance was terminated in 1953, is becoming increasingly disposed to turn again to the U. S. for help in meeting its technical and economic problems.

- In February 1956, the Burmese Government signed an agreement for the purchase of \$21.7 million of P.L. 480 commodities in order to overcome deficiencies in the supply of consumer goods that were generating serious inflationary pressures. The Burmese have expressed satisfaction with the contribution the P.L. 480 program has made to price stabilization.
- In June 1956, the government contracted with the U. S. to purchase \$1.1 million worth of technical and training services in exchange for rice shipped to Pakistan for emergency use.
- In March 1957, the government signed two loan agreements for assistance to economic development projects: a dollar line of credit for \$25 million and a loan of \$17.3 million in U.S.-owned Burmese currency available from the P.L. 480 sales agreement signed in 1956. The first two projects to be carried out under these loans were agreed upon in December 1957 - one to restore to cultivation war-ravaged land in Burma, the other to expand output in the depressed but economically important lumbering industry.

Summary of Program \$ in thousands

Function	Actual F.Y. 1957	Estimate F.Y. 1958	Proposed F.Y. 1959
Defense Support	-	12,700	-
Development Assistance	-	-	5,000
Special Assistance	-	-	-
Technical Cooperation	-	-	-
Other Programs	-	-	-
Total	-	12,700	5,000

Increased Burmese confidence in the U. S. is further evidenced by its request for U. S. advice and equipment for its military forces and civil police, despite Burma's tendency to look to both East and West for external assistance under the most favorable terms obtainable.

The resumption of U. S. assistance has been accompanied by progress toward closer relations with the U. S. in other directions, such as more frequent visits to the U. S. by Burmese political leaders and businessmen, and increased Burmese interest in obtaining U. S. private investment.

Major Problems

Despite the improvement in Burma's relations with the U. S. and a significant decline during 1957 in its barter trade with the Communist bloc, the Communist nations have continued to have some success in Burma. Plans for implementing a series of high-impact Soviet construction projects in Burma are continuing; the Soviet Union is extending substantial technical assistance to agriculture; and Burmese leaders are continuing to visit the Communist countries. The U.S.S.R. and Communist China recently negotiated agreements with Burma to provide three loans, estimated at \$12 to \$14 million, for two irrigation dams, a farm implements factory, and a textile mill.

The activities of Communist insurgents and other armed bands continue to impede the restoration of normal production levels and living conditions, and progress toward the government's economic development objectives. The establishment of reasonable security conditions in the mining and lumbering areas alone would significantly raise Burma's total production.

The Burmese economy does not have the resources necessary to meet its essential consumption needs and to carry out the

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Country: BURMA

ECONOMIC ASSISTANCE - Continued

minimum capital development program required to raise living standards even to prewar levels. Losses in rice production due to late rains will result in a 25 percent reduction in rice exports during the coming year. This loss in earnings, following the recent drastic fall in foreign exchange holdings, will further curtail Burma's ability to finance imports of capital equipment and consumer goods required to carry out its development program without serious inflation. The shortage of skills required to mobilize, direct and manage Burma's resources and development effort must also be filled from abroad. Here, too, inadequate foreign exchange resources handicap Burma's development effort.

Proposed FY 1959 Program

The proposed FY 1959 program is limited to the objective of helping Burma achieve law and order through assistance to the police forces. However, U. S. assistance is expected to be available to Burma during FY 1959 from other sources; e.g. remaining availabilities under the \$25 million line of credit, the Development Loan Fund and P.L. 480, to assist Burma in meeting its consumption and development needs, without excessive reliance on Communist aid.

Special Assistance: \$5 million of Special Assistance is proposed, on a loan basis, to meet the estimated FY 1959

requirements of a three-year \$10 million program to finance the foreign exchange costs of equipping and training a modernized police force. This program was recommended by a recent U. S. survey team and plans are now being developed under which assistance would begin in FY 1958 and continue through FY 1960. The Burmese Government has declared the restoration of law and order to be its primary objective, and the proposed modernization of the police force should contribute greatly to achieving that objective and, through it, assist the economic development effort.

Other Sources of U. S. Assistance: The Burmese Government is currently negotiating to purchase \$18.4 million of surplus agricultural commodities in FY 1958 under P.L. 480, Title I, and has expressed a desire for a similar program in FY 1959. The program contemplated would consist largely of cotton for processing into textiles to help meet Burma's requirements for this important consumer commodity. It is anticipated that part of the local currency proceeds generated by these sales will be used for economic development purposes.

For further dollar assistance to finance external costs of economic development projects, it is expected that Burma will seek loans for at least a portion of these requirements from the Development Loan Fund.

ECONOMIC ASSISTANCE - PROJECT ASSISTANCE BY FIELD OF ACTIVITY

(In thousands of dollars)

Function and Fiscal Year	Total Cost	Agriculture and Natural Resources	Industry and Mining	Transportation	Labor	Health and Sanitation	Education	Public Administration	Community Develop., Social Welfare & Housing	General and Miscellaneous
<u>ACTUAL FY 1957</u>										
Defense Support										
Development Assistance										
Technical Cooperation										
Other Programs										
Total										
<u>ESTIMATE FY 1958</u>										
Defense Support										
Special Assistance										
Technical Cooperation										
Development Assistance	12,700	6,100	600	6,000				-		
Total	12,700	6,100	600	6,000				-		
<u>PROPOSED FY 1959</u>										
Defense Support										
Special Assistance	5,000	-	-	-				5,000		
Technical Cooperation										
Total	5,000	-	-	-				5,000		

Country: BURMA

ECONOMIC ASSISTANCE

DISTRIBUTION OF FY 1959 PROJECT ASSISTANCE

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TABLE I

(In thousands of dollars and equivalent)

Function: SPECIAL ASSISTANCE Projects	DIRECT U.S. DOLLAR COST - Proposed							Local Currency Cost - Proposed	
	Total	U.S. Technicians	Non-Contract Participants	Contracts	Commodities	Other Costs	Contributions to Cooperative Services	MSP includ. Counterpart	P. L. 480 Administered by ICA
<u>Agriculture and Natural Resources</u>									<u>5,300</u>
Land Reclamation									5,300 ^{a/}
<u>Public Administration</u>	<u>5,000</u>	<u>50</u>	<u>80</u>		<u>4,870</u>				
Internal Security Program	5,000	50	80		4,870				
TOTAL COST - Special Assistance Projects	5,000	50	80		4,870				5,300

^{a/} Dollar component of this project financed in FY 1958 with DA funds reappropriated from FY 1957.

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Country: BURMA

LOCAL CURRENCY - Narrative

Availabilities: U.S.-generated local currency available for use in Burma is limited to P.L. 480, Title I, Section 104(g) funds accruing from sales of surplus agricultural commodities. In accordance with the terms of the agreement covering the FY 1957 MSP dollar loan, no counterpart accrues under this program. Counterpart derived under prior aid programs is planned to be expended by the end of FY 1958.

Cash balances of P.L. 480, Section 104(g) local currency (in millions of dollar equivalent computed on the basis of data presented in Table IV) at the end of the following fiscal years are: 1957 (actual), 15.4; 1958 (estimated), 21.5; 1959 (estimated), 22.3.

Planned Uses: Under the FY 1956 P.L. 480 sales agreement and the loan agreement signed in March 1957 covering P.L. 480 funds allocated to Section 104(g), \$17.3 million equivalent is available to finance local costs of economic development projects.

\$12 million equivalent is expected to be used to capitalize an Industrial Development Bank which the Burmese are now in the process of establishing. The remaining \$5.3 million equivalent will also be used for economic development purposes.

Relationship to MSP Dollar Appropriations: The proposed FY 1959 program for Burma is limited to financing the foreign exchange costs of equipping and training a modernized police force. These costs can not be met from local currency availabilities. However, the local currency available from anticipated new P.L. 480 programs may be used to meet local costs of the security program as well as economic development projects.

Special Factors Affecting Utilization: More than a year elapsed between negotiation of the P.L. 480 sales agreement and the loan agreement making local currency proceeds available for development purposes under Section 104(g). Another seven months elapsed before the loan agreement was ratified by the Burmese Parliament. Plans for the use of these funds are now being completed and expenditures are expected to begin in FY 1958.

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

SALES AGREEMENT BY FISCAL YEAR		Foreign Currency Reserved for U.S. Uses	Foreign Currency Administered by Ex-Im Bank (Cooley Amend.)	FOREIGN CURRENCY TO BE ADMINISTERED BY MSP AGENCIES				
Fiscal Year in Which Sales Agreement Signed	Total Value of Sales			Sec. 104c	Sec. 104d	Sec. 104e	Sec. 104g	Total Administered by MSP Agencies
FY 1955 Actual								
FY 1956 Actual	21,700	4,400					17,300	17,300
FY 1957 Actual	1,000	200					800	800
FY 1958 Estimate	18,400	3,550	4,600				10,250	10,250
FY 1959 Estimate	18,000	3,500	4,500				10,000	10,000
TOTAL	59,100	11,650	9,100				38,350	38,350

Country: BURMA

STATUS OF LOCAL CURRENCY FUNDS

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TABLE IV

(In thousands of dollar equivalent)

Type of Programs Generating Local Currencies and its Utilization	ACTUAL FY 1957			ESTIMATE FY 1958		PROPOSED FY 1959	
	Cumulative Through 7/1/56	Net Change	Cumulative Through 6/30/57	Net Change	Cumulative Through 6/30/58	Net Change	Cumulative Through 6/30/59
<u>MSP U.S.-OWNED LOCAL CURRENCIES</u>							
Potential Generation from U.S. Dollar Program . .							
Deposits							
Obligations							
Expenditures							
<u>COUNTERPART</u>							
Potential Generation from U.S. Dollar Program . .	8,000		8,000		8,000		8,000
Deposits	7,054	103	7,157	843	8,000		8,000
Commitments	6,875	4	6,879	1,121	8,000		8,000
Expenditures	6,875	4	6,879	1,121	8,000		8,000
<u>P.L. 480 TITLE I, L.C. ADMINISTERED BY ICA</u>							
Potential Generation from U.S. Dollar Program . .	17,300	800	18,100	10,250	28,350	10,000	38,350
Deposits		15,396	15,396	9,104	24,500	10,000	34,500
Obligations				12,000	12,000	5,300	17,300
Expenditures				3,000	3,000	9,200	12,200
<u>OTHER LOCAL CURRENCY</u>							
Potential Generation from U.S. Dollar Program . .							
Deposits							
Commitments							
Expenditures							

Country: BURMA

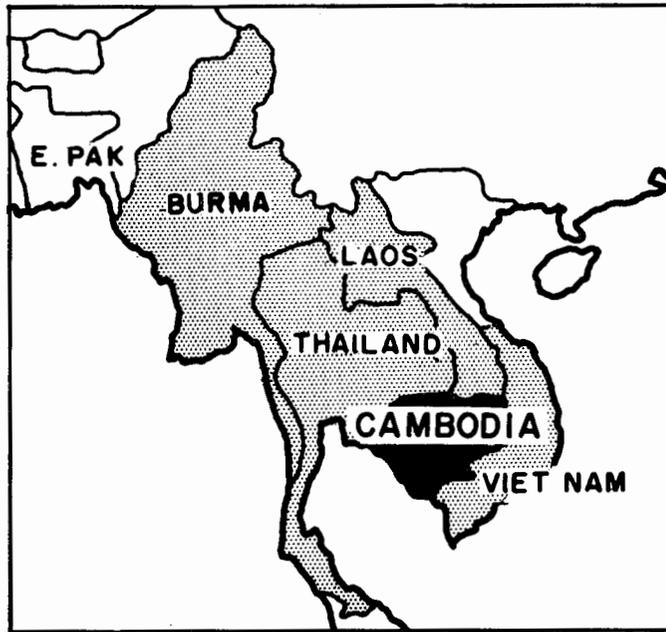
**SUMMARY OF LOCAL CURRENCY PROGRAM ADMINISTERED BY ICA
BY PURPOSE AND FIELD OF ACTIVITY**
Obligations or Commitments by Fiscal Year
(In thousands of dollar equivalent)

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TABLE V

PURPOSE AND ACTIVITY	FY 1957			FY 1958			FY 1959		
	MSP Source	P.L. 480 Title I Adm. by ICA	Other Sources	MSP Source	P.L. 480 Title I Adm. by ICA	Other Sources	MSP Source	P.L. 480 Title I Adm. by ICA	Other Sources
MILITARY PURPOSES									
Projects									
Budget Support									
Military Procurement									
Total Military Purposes									
ECONOMIC PURPOSES									
<u>Project Assistance by Field of Activity</u>									
Agriculture								5,300	
Industry and Mining					12,000				
Transportation									
Labor									
Health and Sanitation									
Education									
Public Administration									
Community Development, Social Welfare and Housing									
General and Miscellaneous	4			1,121					
Total	4			1,121	12,000			5,300	
Budget Support (Not Elsewhere Classified) . .									
Total Economic Purposes	4			1,121	12,000			5,300	
Procurement for Third Country	XXX			XXX			XXX		
TOTAL ALL PURPOSES	4			1,121	12,000			5,300	

CAMBODIA



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ECONOMIC TRENDS

	Unit	Calendar Years			
		1954	1955	1956	1957 Est.
GROSS NATIONAL PRODUCT					
Total GNP (In 1956 Prices)	\$ Millions	n.a.	320	345	325
Per Capita GNP	Dollars	n.a.	80	84	77
PRODUCTION					
Agricul. Prod. Index ^a	1935-39=100	108	117	142	103
Per Capita Index	"	81	80	95	67
Rice	1,000 M.T.	1,090	1,150	1,480	910
Rubber	"	24	28	32	32
FOREIGN TRADE					
Total Exports (f.o.b.)	\$ Millions	61	40	37	45
Rice	"	24	3	7	17
Rubber	"	12	18	16	14
Total Imports (c.i.f.)	"	59	48	57	55
Trade Balance	"	2	-8	-20	-10
FOREIGN EXCHANGE RESERVES (end of year)	\$ Millions	37	50	70	92
COST OF LIVING INDEX (Phnom Penh) 1954=100		100	111	117	116

BASIC DATA

Population	4 million
Annual Growth	1.5 percent
Agricultural Land	20% of area
Agri. Land per Capita	2.1 acres
Literacy Rate	35 percent

	CAMBODIA	U.S.
Life Expectancy (Years)	30 ^B	70
Inhabitants per Physician	90,000	760
Road Miles per 1,000 sq.mi.	45	1,020
Electric Power per Capita (KWH per year)	9	4,070

CENTRAL GOVERNMENT FINANCES

Country Fiscal Year Ending - December 31	- \$ Millions -		
	1956(Budget)	1957(Budget)	1958(Budget)
Total Expenditures	94	106	109
Revenues, excl. receipts of U.S. Grant Aid	61	71	83
Deficit or Surplus before U.S. Grant Aid	-33	-35	-26
Budgetary Receipts from U.S. Grant Aid	28	35	26
Budgetary Receipts from U.S. Loans	-	-	-
DEFENSE EXPENDITURES			
Total Defense Expenditures	40	32	33
As percent of Total Gov't Expenditures	43%	30%	30%
As percent of Gross National Product	12%	10%	n.a.
TOTAL DEBT (gross)	n.a.	n.a.	n.a.
As percent of GNP			
Foreign Debt			

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

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U. S. Interests

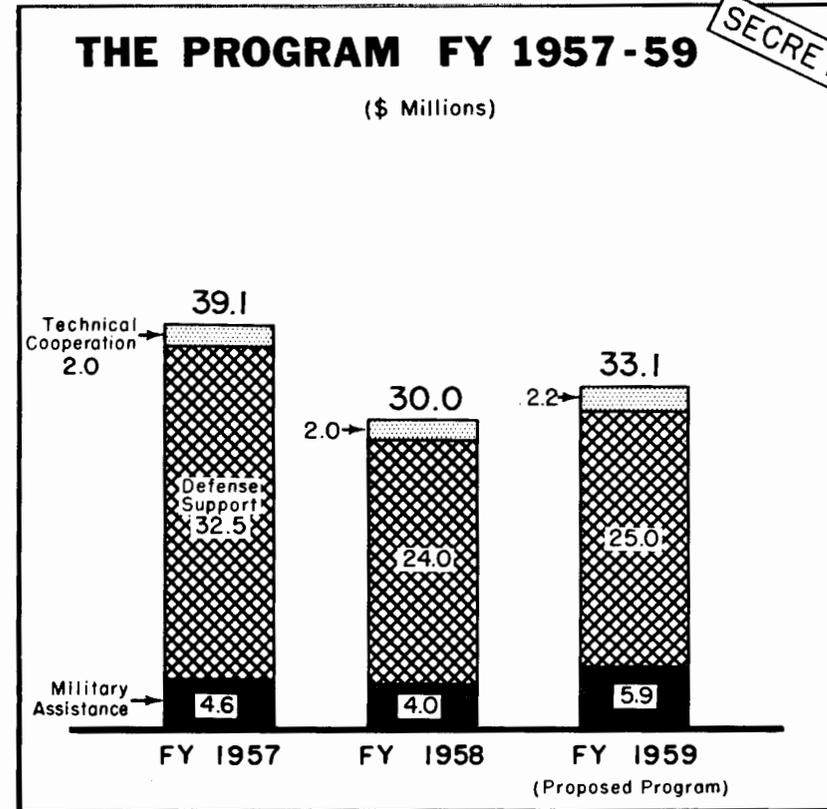
It is important that Cambodia remain free, independent and basically friendly toward the United States. The fall of Cambodia by aggression or subversion would gravely menace Thailand, a member of SEATO, as well as other neighboring countries which, until now, have shown themselves to be in opposition to Communism.

It is in the United States interest that the Cambodians become increasingly aware that the principal current threat to their nation's independence and stability is internal subversion, led by hostile elements within the country's Chinese and Vietnamese communities. These hostile elements are aided and abetted by trained agents left behind by the Viet Minh when they evacuated Cambodia under the Geneva Agreements, by the official representatives of Communist countries now in residence in Cambodia, and by the Chinese Communist economic mission now resident in Phnom Penh.

Ostensibly, the latter mission is in Phnom Penh to deliver the substantial aid which Cambodia is scheduled to receive from Communist China. This constitutes the only firm offer so far of free assistance by that country outside the bloc, and the first program of grant aid of a significant amount by any Communist state to a non-Communist nation. It is important to the United States that Cambodia become aware of the political motivation behind the giving of this aid and that the economic aid is being used as a means of political penetration.

It is not in the U. S. interest to compete with Communists in giving aid to Cambodia, but rather to continue aid as a manifestation of our determination to stand behind free nations. In giving aid, it is in our interest to prevent dangerous Soviet and Chinese Communist influence in such strategic fields as the military establishment, civil police, education, mass communications and rural cooperatives, and to foster Cambodia's development so as to reduce and eventually eliminate Cambodian dependence on outside aid.

Cambodia signed a Mutual Defense Assistance Agreement with the United States in 1955.



Obligations and Expenditures \$ in thousands			
MILITARY ASSISTANCE	PROGRAMMED	DEL./EXP.	UNLIQUIDATED
Cumulative 6/30/57	49,516	42,535	6,981
Estimate F.Y. 1958	4,033	4,733	XXX
Cumulative 6/30/58	53,549	47,268	6,281
ECONOMIC ASSISTANCE	OBLIGATIONS	EXPENDITURES	UNLIQUIDATED
Cumulative 6/30/57	117,385	81,500	35,885
Estimate F.Y. 1958	26,000	34,292	XXX
Cumulative 6/30/58	143,385	115,792	27,593

Cambodia

SECRET
MILITARY ASSISTANCE

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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			
Country Total	\$4,583	\$4,033	-	\$5,942	\$4,733	\$47,268	\$6,281
Aircraft, Components, Spares & Related Equip.	-	\$ 185	-	-	\$ 336	\$ 483	\$ 219
Ships and Harbor Craft, Components and Spares	\$ 440	\$ 70	-	\$ 485	\$ 780	\$11,067	\$ 149
Landing Craft Medium (LCM)	-	-	-	-	-	19	-
Landing Craft Vehicle Personnel (LCVP)	-	-	-	-	-	42	-
Landing Craft (LSIL)	-	-	-	-	-	1	-
Landing Craft (LSIL) (overhaul)	1	-	-	-	1	1	-
Submarine Chaser (PC)	-	-	-	-	-	2	-
Submarine Chaser (PC) (overhaul)	1	-	-	-	1	1	-
Water Barge (YWN)	-	-	-	-	-	1	-
Water Barge (YWN) (overhaul)	1	-	-	-	-	-	1
Tanks, Other Vehicles, Weapons, Comp. & Spares	\$ 213	\$ 369	-	\$ 670	\$ 229	\$16,630	\$ 406
Tank, Light, M24, M41	-	7	-	-	-	5	7
Truck, 1/4 Ton, 4x4 (all models)	-	2	-	-	2	779	-
Truck, 3/4 Ton, 4x4, Cargo (all models)	-	-	-	-	-	470	-
Truck, 2 1/2 Ton, 6x6, Dump	-	-	23	\$ 118	-	-	-
Truck, 2 1/2 Ton, 6x6, Cargo (all models)	-	-	-	-	-	984	-
Truck, 2 1/2 Ton, Signal Radio	-	-	9	\$ 187	-	-	-
Truck, 4-5-6 Ton, 6x6, Wrecker	8	-	-	-	8	19	-
Howitzer, 105mm, M2, A1, w/carriage or mount	-	-	-	-	-	24	-
Mortar, 60mm (all models)	-	-	-	-	-	188	-
Mortar, 81mm (all models)	-	-	-	-	-	143	-
Rifle, 57mm Recoilless	1	-	-	-	1	76	-
Carbine, Cal..30 (all models)	3	6	-	-	67	8,894	24
Rifle, 75mm, Recoilless	2	-	-	-	2	4	-
Ammunition	\$ 282	\$ 139	-	\$ 337	\$ 180	\$ 9,008	\$ 125
Cartridge, Cal..30 (all types) (M Rds)	-	185	360	\$ 39	128	17,335	57
Cartridge, HE, M1, w/f, 105mm, How, M2 (M Rds)	-	-	-	-	-	84	-
Cartridge, HE, 60mm Mortar (M Rds)	-	-	-	-	-	189	-
Cartridge, HE, 81mm Mortar (M Rds)	14	-	*	-	13	100	-
Cartridge, HE, w/f, PD, 4.2" Mortar (M Rds)	-	-	5	\$ 105	-	8	-
Cartridge, 20mm (all types) (M Rds)	-	58	-	-	6	6	52
Electronics & Comm. Equipment, Comp. & Spares	\$ 279	\$ 110	-	\$ 937	\$ 255	\$ 3,532	\$ 117
SCR-694 (AN/GRC-9) Radio	-	42	-	-	-	223	42
AN/TRD-9 Radio	-	-	4	\$ 131	-	-	-
AN/TCC-3 Telephone Terminal	-	-	18	\$ 86	-	-	-
AN/TRC-3 Radio Terminal	-	-	17	\$ 85	-	-	-
Other Materiel	\$3,157	\$2,465	-	\$2,549	\$1,966	\$ 5,353	\$4,465
Construction	\$ 75	\$ 238	-	\$ 589	\$ 515	\$ 657	\$ 456
Training	\$ 75	\$ 172	-	\$ 375	\$ 171	\$ 237	\$ 63
All Other	\$ 62	\$ 285	-	-	\$ 301	\$ 301	\$ 281

* Less than M Rds.

Cambodia

SECRET MILITARY ASSISTANCE

*Shaded areas are Security classified
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unauthorized individuals. All
other material is unclassified.*

Objectives of Military Assistance: Continued assistance in organizing, training and equipping armed forces in order to insure the maintenance of internal security.

Major Combat Forces:

Strategic Objectives

1 Regt., 17 Bns.
4 Naval Vessels
1 Air Squadron

MAP Supported

1 Regt., 17 Bns.
3 Naval Vessels
1 Air Squadron

Active Military Strength: 30,620

MAP Accomplishments: Prior to the beginning of MAP the Cambodian Armed Forces consisted of ill-trained, ill-equipped and poorly organized units. The strength of the Armed Forces was over 40,000 personnel which was in excess of the country's needs and well over the 31,000 approved for MAP support. The Cambodian forces have now been reduced to the approved strengths as a result of US recommendations. The military assistance program has accomplished the equipping of the approved forces to an adequate level. Facilities to provide an adequate logistical base have been programmed for the country and most of the contracts for this construction have been awarded. MAP has kept Cambodia from seeking military aid outside the western orbit.

Appraisal of Forces:

Army: Capable of maintaining internal security unless guerrilla or insurrection forces are organized and supported from outside the country. At the present time, it is doubtful whether it could provide more than limited harassment to a well-organized and trained invasion force.

Navy: Has developed into a small, fairly efficient organization with the capability of patrolling coastal waters and inland waterways, and of providing essential support for the Army.

Air Force: Effectiveness of the authorized composite squadron is considered fair.

Country Contribution: .7% of total population in armed forces
30% of total budget for military
10% of GNP for military.

PROGRAMS (In Thousands Dollars)	FY 1957	FY 1958	Proposed FY 1959
Country Programs	4,583	4,033	5,942
Portion Special Materiel Program	(4,272)	(2,139)	(8,013)
Total	(8,855)	(6,172)	(13,956)

Proposed FY 1959 Program Provides:

Army: Ammunition, communications equipment, consumables and some spare parts.

Navy: Ship overhaul, naval construction, fuel and lubricants.

Air Force: Training ammunition, communications equipment, training equipment, and some spare parts.

Miscellaneous Data: US excess stocks delivered at no charge through 30 June 1958: \$4.5 million (Est). Military sales through 30 June 1957: \$0.

<u>MAAG Strength:</u>	<u>US Mil</u>	<u>US Civ</u>	<u>Local</u>	<u>Total</u>
1957	62	0	15	77
1958	58	0	11	69

SECRET

Country: CAMBODIA

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

*Shaded areas are Security classified
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(In thousands of dollars)

MAJOR COST COMPONENT	ACTUAL FY 1957				ESTIMATE FY 1958				PROPOSED FY 1959		
	Total	DS	Tech. Coop.	Other	Total	DS	Tech. Coop.	Other	Total	DS	Tech. Coop.
PROJECT ASSISTANCE											
Technicians	591	-	591		847	-	847		1,290	240	1,050
Participants	302	-	302		269	-	269		325	25	300
Contractual Services	757	471	286		4,242	4,000	242		2,120	1,675	445
Supplies and Equipment	9,324	8,529	795		1,842	1,200	642		1,365	960	405
Contrib. to Coop. Services	-	-	-		-	-	-		-	-	-
Other Costs	7	-	7		-	-	-		-	-	-
Total Project Assistance	10,981	9,000	1,981		7,200	5,200	2,000		5,100	2,900	2,200
NON-PROJECT ASSISTANCE											
Agric. Commodities Total	<u>4,148</u>	<u>4,148</u>	-		<u>1,600</u>	<u>1,600</u>	-		<u>1,770</u>	<u>1,770</u>	-
Surplus	3,800	3,800	-		800	800	-		1,000	1,000	-
Other	348	348	-		800	800	-		770	770	-
Industrial Commodities Total	<u>19,351</u>	<u>19,351</u>	-		<u>17,200</u>	<u>17,200</u>	-		<u>20,330</u>	<u>20,330</u>	-
Raw Materials and Fuels	13,315	13,315	-		12,250	12,250	-		14,400	14,400	-
Machinery and Equipment	1,850	1,850	-		2,150	2,150	-		2,580	2,580	-
Other Indus. Commodities	4,186	4,186	-		2,800	2,800	-		3,350	3,350	-
Cash Transactions	-	-	-		-	-	-		-	-	-
Other	-	-	-		-	-	-		-	-	-
Total Non-Project Assistance	23,499	23,499	-		18,800	18,800	-		22,100	22,100	-
TOTAL COUNTRY PROGRAMS	34,480	32,499	1,981		26,000	24,000	2,000		27,200	25,000	2,200
NUMBER OF PEOPLE											
Technicians (On duty close of year)	<u>204</u>	<u>157</u>	<u>47</u>		<u>323</u>	<u>232</u>	<u>91</u>		<u>183</u>	<u>89</u>	<u>94</u>
U.S. Employed	47	-	47		70	-	70		86	16	70
Contract	157	157	-		253	232	21		97	73	24
Participants (Programmed during year)	205	-	205		190	-	190		272	15	257
Non-Contract	205	-	205		190	-	190		272	15	257
Contract	-	-	-		-	-	-		-	-	-

Country CAMBODIA

ECONOMIC ASSISTANCE

Objectives of Economic Assistance

- To help Cambodia maintain its national integrity and internal security, by providing budgetary support for the armed forces, and technical assistance and equipment for the civil police.
- To strengthen the national will and capacity to resist Communist subversion, through assistance to programs satisfying the basic needs of the people, particularly in the rural areas, thus providing an alternative to Communist aid in meeting these needs.
- To help stimulate the development of a sound economy capable of providing a higher standard of living for the Cambodian people, by assisting in efforts to expand and diversify agricultural production, develop technical skills and basic facilities, and improve government institutions and operations.

Accomplishments of Economic Assistance

With substantial U. S. assistance since its separation from France early in 1955, Cambodia has managed to maintain its independence and preserve relative political and economic equilibrium.

Cambodian military forces, financed in part with defense support funds and strengthened by the logistical support of the MAAG, have sustained the authority of the national government. Though previously confident that economic relationships with the Communist Bloc would benefit Cambodia without jeopardizing its independence, the government has awakened to the growing threat of Communist subversion and recently initiated a comprehensive civil police improvement program with U. S. aid.

Construction of the new 130-mile highway, linking Phnom Penh with a seaport being developed on the Gulf of Siam, is well advanced, with completion expected in 1959. This Port-Highway will free Cambodia from dependence on foreign ports and provide access to large undeveloped agricultural and forest areas. Rehabilitation of other transportation facilities, essential to internal security and normal economic activity, has made visible progress.

U.S.-assisted programs in health, education, agriculture, and public administration have helped to improve and expand government services, bringing immediate benefits to the people in the provinces and strengthening the institutional framework necessary for economic advancement. The most serious national health problems are being met through jointly financed projects helping control contagious diseases, improve medical facilities, and provide safe water supplies. With U. S. technical support, the government has made rapid progress in the educational field.

Summary of Program \$ in thousands

Function	Actual F.Y. 1957	Estimate F.Y. 1958	Proposed F.Y. 1959
Defense Support	32,499	24,000	25,000
Technical Cooperation	1,981	2,000	2,200
Total	34,480	26,000	27,200

Major Problems

Increased opportunities for Communist penetration, through economic assistance, threaten the stability and independence of the present neutralist government and make the maintenance of internal security a matter of increasing concern. The flow of goods from Communist China to Cambodia has already begun under a two-year \$22.5 million economic aid agreement signed in June 1956, and substantial amounts are still to be delivered.

The local currency generated by the sale of these goods has been expended so far on activities of relatively low economic priority, but skillful publicity and an apparent absence of controls on Cambodian use of these funds have produced a favorable psychological effect. Although other Communist aid to date has been limited to one-time gifts for political impact or propaganda purposes, several of the Bloc countries are exploring possibilities for more extensive aid and trade relationships with Cambodia.

The need to maintain a 31,000-man military force requires expenditures which the government cannot finance unaided. The inflationary pressures caused by these expenditures can be offset only by a sizeable import program. Over-all military costs, at \$32.8 million annually, are equivalent to about 50 percent of total revenues from domestic sources. The proposed Cambodian contributions toward these military costs - \$16.3 million in 1958 and \$17.3 million in 1959 - plus expenditures for essential civilian services, will result in budget deficits in both years, which are offset only by virtue of foreign aid.

Low levels of productivity result in low incomes, which limit tax revenues and prevent the accumulation of savings to provide investment capital. A serious shortage of technical and managerial skills, plus the scarcity of certain raw materials inhibit industrial development. These difficulties are aggravated by the lack of constructive government policies needed to encourage maximum use of the resources which are available.

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Country: CAMBODIA

ECONOMIC ASSISTANCE - Continued

Proposed FY 1959 Program

The FY 1959 program is designed primarily to help Cambodia maintain its military and security forces, without serious inflationary effect, and to assist selected activities that will strengthen the government and establish a sound foundation for economic growth. This emphasis is intended to lessen the possibility of Cambodia's further involvement with the Communist bloc and, above all, prevent Communist aid from being used as a means of infiltrating the military establishment, the civil police, and such sensitive fields as public education.

Action also will be taken to encourage the government to make more productive use of indigenous resources and to turn to other appropriate Free World sources for the supplemental assistance required to promote sound economic development at an accelerated rate. Despite its inexperience with foreign borrowing and consequent reluctance to assume external debt, the Cambodian Government has expressed some interest in the Development Loan Fund as a possible source of such assistance.

Defense Support: Of the \$25 million proposed for FY 1959, \$22.1 million is required to finance essential commodity imports, primarily to generate local currency needed to supplement Cambodian resources available for military support and civilian activities, but serving at the same time to offset the inflationary effects of these local expenditures. A \$15.5 million U. S. contribution to Cambodia's military budget is proposed for 1959, as

compared with \$16.5 million in 1958, on the assumption that the government will increase its share by a corresponding amount.

In addition to the \$22.1 million needed for saleable imports, \$2.9 million is proposed to provide equipment and training for the civil police forces, and to continue such activities as construction and repair of transportation facilities, irrigation, forestry, and improvement of water supply. About \$1.0 million in local currency will be applied toward internal costs.

Technical Cooperation: The proposed \$2.2 million program concentrates assistance in areas of activity that will help improve the well-being and develop the capacities of the Cambodian people, thus strengthening popular resistance to Communist appeals.

Specifically, the proposed funds will be allocated as follows: (a) almost one-third for agricultural extension, crop and livestock improvement, and the development of rural credit and marketing facilities through organization of farmers' cooperatives; (b) another third for fundamental education projects focusing on improved instruction in elementary schools, establishment of a new secondary trades school, and introduction of industrial and craft training in existing vocational schools; and (c) the remainder primarily for medical training and installation of rural health centers, and for technical assistance to improve the fiscal operations and information services of the Cambodian Government. About \$5.5 million in local currency will be required for internal costs of these projects.

PROJECT ASSISTANCE BY FIELD OF ACTIVITY

(\$ in thousands)

FISCAL YEAR	TOTAL COST	AGRICULTURE AND NATURAL RESOURCES	INDUSTRY AND MINING	TRANSPORTATION	LABOR	HEALTH AND SANITATION	EDUCATION	PUBLIC ADMINISTRATION	COMMUNITY DEVELOP., SOCIAL WELFARE & HOUSING	GENERAL AND MISCELLANEOUS
<u>ACTUAL FY 1957</u>										
Defense Support	9,000	-	80	8,455	-	465	-	-	-	-
Technical Cooperation	1,981	543	35	-	-	29	462	112	58	742
Total	10,981	543	115	8,455	-	494	462	112	58	742
<u>ESTIMATE FY 1958</u>										
Defense Support	5,200	-	275	4,725	-	200	-	-	-	-
Technical Cooperation	2,000	750	10	75	-	145	315	135	-	570
Total	7,200	750	285	4,800	-	345	315	135	-	570
<u>PROPOSED FY 1959</u>										
Defense Support	2,900	310	-	1,655	-	145	-	790	-	-
Technical Cooperation	2,200	680	15	85	-	135	680	115	-	490
Total	5,100	990	15	1,740	-	280	680	905	-	490

Country: CAMBODIA

ECONOMIC ASSISTANCE

DISTRIBUTION OF FY 1959 PROJECT ASSISTANCE

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TABLE I

(In thousands of dollars and equivalent)

Function: DEFENSE SUPPORT Projects	DIRECT U.S. DOLLAR COST - Proposed							Local Currency Cost - Proposed	
	Total	U.S. Technicians	Non-Contract Participants	Contracts	Commodities	Other Costs	Contributions to Cooperative Services	MSP includ. Counterpart	P. L. 480 Administered by ICA
<u>Agriculture and Natural Resources</u>	<u>310</u>	<u>30</u>	<u>5</u>	<u>195</u>	<u>80</u>			<u>460</u>	
Development of Irrigation and Drainage	125	15	-	60	50			260	
Forestry Resources	185	15	5	135	30			200	
<u>Transportation</u>	<u>1,655</u>	<u>30</u>	-	<u>1,480</u>	<u>145</u>			<u>500</u>	
Port Highway	1,480	-	-	1,480	-			400	
Highway and Bridge Repair	75	30	-	-	45			-	
Development of Airfields	100	-	-	-	100			100	
<u>Health and Sanitation</u>	<u>145</u>	<u>45</u>	-	-	<u>100</u>			<u>100</u>	
Water Supplies	145	45	-	-	100			100	
<u>Public Administration</u>	<u>790</u>	<u>135</u>	<u>20</u>	-	<u>635</u>			<u>40</u>	
Civil Police Administration	790	135	20	-	635			40	
TOTAL COST - Defense Support Projects	2,900	240	25	1,675	960			1,100	

Country: CAMBODIA

ECONOMIC ASSISTANCE

DISTRIBUTION OF FY 1959 PROJECT ASSISTANCE

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TABLE I
Page 1 of 2

(In thousands of dollars and equivalent)

Function: TECHNICAL COOPERATION Projects	DIRECT U.S. DOLLAR COST - Proposed						Local Currency Cost - Proposed		
	Total	U.S. Technicians	Non-Contract Participants	Contracts	Commodities	Other Costs	Contributions to Cooperative Services	MSP includ. Counterpart	P. L. 480 Administered by ICA
<u>Agriculture and Natural Resources</u>	<u>680</u>	<u>345</u>	<u>85</u>	<u>90</u>	<u>160</u>			<u>2,345</u>	
Agriculture Extension	100	60	15	-	25			200	
Development of Agriculture Education	155	15	30	90	20			150	
Improvement of Soils and Water Resources	110	75	10	-	25			65	
Crop Development	65	30	15	-	20			185	
Livestock Improvement	65	30	10	-	25			235	
Development of Cooperatives & Agricultural Credit	80	45	5	-	30			1,500	
Fisheries Conservation	30	15	-	-	15			10	
Technical Support	75	75	-	-	-			-	
<u>Industry and Mining</u>	<u>15</u>	<u>15</u>	-	-	-			<u>200</u>	
Small Industry Loan Fund Advisory Services	15	15	-	-	-			200	
<u>Transportation</u>	<u>85</u>	<u>85</u>	-	-	-			-	
Dredging Advisory Services	25	25	-	-	-			-	
Technical Support	60	60	-	-	-			-	
<u>Health and Sanitation</u>	<u>135</u>	<u>75</u>	<u>35</u>	-	<u>25</u>			<u>130</u>	
Medical Health Training	60	15	35	-	10			30	
Health Services	30	15	-	-	15			100	
Technical Support	45	45	-	-	-			-	
<u>Education</u>	<u>680</u>	<u>225</u>	<u>140</u>	<u>230</u>	<u>85</u>			<u>1,045</u>	
Vocational Industrial Training	75	45	20	-	10			75	
Rural Development Through Education	455	120	110	155	70			830	
English Language Laboratory	5	-	-	-	5			20	
Development of Technical High School	85	-	10	75	-			120	
Technical Support	60	60	-	-	-			-	

Country: CAMBODIA

ECONOMIC ASSISTANCE

DISTRIBUTION OF FY 1959 PROJECT ASSISTANCE

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TABLE I
Page 2 of 2

(In thousands of dollars and equivalent)

Function: TECHNICAL COOPERATION Projects	DIRECT U.S. DOLLAR COST - Proposed							Local Currency Cost - Proposed	
	Total	U.S. Technicians	Non-Contract Participants	Contracts	Commodities	Other Costs	Contributions to Cooperative Services	MSP includ. Counterpart	P. L. 480 Administered by ICA
<u>Public Administration</u>	<u>115</u>	<u>90</u>	<u>20</u>	-	<u>5</u>			<u>100</u>	
Improvement of Government Finances	70	60	10	-	-			25	
Statistical Survey of Natural Resources	15	-	10	-	5			75	
Technical Support	30	30	-	-	-			-	
<u>General and Miscellaneous</u>	<u>490</u>	<u>215</u>	<u>20</u>	<u>125</u>	<u>130</u>			<u>1,680</u>	
Improvement of Mass Communications	130	60	20	10	40			240	
Technical Support	360	155	-	115	90			1,440	
TOTAL - Technical Cooperation	2,200	1,050	300	445	405			5,500	
GRAND TOTAL	5,100	1,290	325	2,120	1,365			6,600	

Country: CAMBODIA

ECONOMIC ASSISTANCE
COMPOSITION OF NON-PROJECT ASSISTANCE

TABLE II

*Shaded areas are Security classified
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(In thousands of dollars)

Commodities and Other	PROGRAM		
	Actual FY 1957	Estimate FY 1958	Proposed FY 1959
<u>Surplus Agricultural Commodities</u>	<u>3,800</u>	<u>800</u>	<u>1,000</u>
Bread Grains	550	700	500
Dairy Products	250	100	500
Sales to other countries for benefit of this country	3,000	-	-
<u>Food, Feed and Fertilizer</u>	<u>348</u>	<u>800</u>	<u>770</u>
Sugar	298	800	770
Other	50	-	-
<u>Fuel</u>	<u>2,190</u>	<u>3,500</u>	<u>3,500</u>
Petroleum and Products	2,190	3,500	3,500
<u>Raw Materials and Semifinished Products</u>	<u>11,125</u>	<u>8,750</u>	<u>10,900</u>
Fabricated Basic Textiles	7,075	4,800	5,800
Iron and Steel Mill Materials	1,200	1,200	2,100
Chemicals and Related Products	1,050	1,050	1,300
Nonmetallic Minerals	725	700	700
Other	1,075	1,000	1,000
<u>Machinery and Vehicles</u>	<u>1,850</u>	<u>2,150</u>	<u>2,580</u>
Electrical Apparatus	400	450	550
Machinery and Equipment	700	900	1,000
Motor Vehicles, Engines and Spare Parts	750	800	1,030
<u>Miscellaneous and Unclassified</u>	<u>4,186</u>	<u>2,800</u>	<u>3,350</u>
Miscellaneous Industrial Commodities	4,186	2,800	3,350
Total Commodity Program	23,499	18,800	22,100
<u>Cash Grants</u>	-	-	-
<u>Other</u>	-	-	-
TOTAL NON-PROJECT ASSISTANCE	23,499	18,800	22,100

Country: CAMBODIA

LOCAL CURRENCY - Narrative

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

Availabilities: U.S.-generated local currencies available for ICA programming in Cambodia are: (a) Counterpart equivalent in value to the sales proceeds of commodities imported for commercial use under the Defense Support program, except surplus agricultural commodities; and (b) MSP U.S.-owned local currency derived from the sale of surplus agricultural commodities to Cambodia under Section 402.

Local currency cash balances from these sources (in millions of dollar equivalent computed on the basis of data presented in Table IV) at the end of the following fiscal years are: 1957 (actual), 5.0; 1958 (estimated), 5.5; 1959 (estimated), 3.8.

Planned Uses: In Cambodia, Section 402 local currency is applied exclusively toward the U.S. contribution for support of the military forces. Counterpart funds make up the balance of this contribution and, in addition, finance the major portion of the local costs of economic projects, as indicated in Table V.

Local currency commitments and obligations, in millions of dollar equivalent, for the fiscal years 1957 through 1959 are as follows: Military budget support - 16.7, 16.5, 15.5; Economic projects - 8.2, 9.2, 6.6.

Relationship to MSP Dollar Appropriations: More than 80 percent of the economic and technical assistance proposed for Cambodia in FY 1959 will be used to finance the commercial import program. The amount proposed for this purpose is based primarily on requirements for local currency to supplement Cambodian resources expected to be available for military support and the

local costs of essential economic projects. The potential inflationary effects of these local currency expenditures will be offset by the imports financed with the dollar funds.

By the end of FY 1958, local currency cash balances, as well as virtually all of the local currency still to be generated, will have been committed for support of the Cambodian military budget and for economic purposes. Consequently, commercial imports in the amount proposed for FY 1959 will be required to generate the local currency needed to meet planned commitments in that year. The remaining dollar assistance will finance the cost of imported supplies, equipment and services required for specific economic projects.

Special Factors Affecting Utilization: Continued annual local currency expenditures in excess of new deposits through FY 1959 are expected to reduce cash balances to under \$4 million, or less than two months' requirements, by June 30, 1959. At the same time, year-end balances remaining to be deposited will have declined by 50 percent, from approximately \$23 million at the end of FY 1957 to about \$11.5 million at the end of FY 1959. This will leave a very short pipeline to meet anticipated expenditures in FY 1960.

The rate of generation of local currency in Cambodia has been quite uneven, due to frequent interruption of import licensing by the Cambodian Government in its efforts to improve overall administration of the country's import program. It is therefore particularly necessary that an adequate pipeline be maintained to assure that required local currency expenditures can be met on time.

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

SALES AGREEMENT BY FISCAL YEAR		Foreign Currency Reserved for U.S. Uses	Foreign Currency Administered by Ex-Im Bank (Cooley Amend.)	FOREIGN CURRENCY TO BE ADMINISTERED BY MSP AGENCIES				
Fiscal Year in Which Sales Agreement Signed	Total Value of Sales			Sec. 104c	Sec. 104d	Sec. 104e	Sec. 104g	Total Administered by MSP Agencies
FY 1955 Actual	-	-	-					
FY 1956 Actual	-	-	-					
FY 1957 Actual	-	-	-					
FY 1958 Estimate	1,100	825	275					
FY 1959 Estimate	1,000	750	250					
TOTAL	2,100	1,575	525					

Country: CAMBODIA

STATUS OF LOCAL CURRENCY FUNDS

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TABLE IV

(In thousands of dollar equivalent)

Type of Programs Generating Local Currencies and its Utilization	ACTUAL FY 1957			ESTIMATE FY 1958		PROPOSED FY 1959	
	Cumulative Through 7/1/56	Net Change	Cumulative Through 6/30/57	Net Change	Cumulative Through 6/30/58	Net Change	Cumulative Through 6/30/59
MSP U.S.-OWNED LOCAL CURRENCIES							
Potential Generation from U.S. Dollar Program . .	2,188	800	2,988	800	3,788	1,000	4,788
Deposits	=	2,188	2,188	1,100	3,288	850	4,138
Obligations	=	2,188	2,188	950	3,138	1,000	4,138
Expenditures	=	2,080	2,080	108	2,188	450	2,638
COUNTERPART							
Potential Generation from U.S. Dollar Program . .	73,153	22,699	95,852	18,000	113,852	21,100	134,952
Deposits	46,094	27,092	73,186	25,910	99,096	25,065	124,161
Commitments	66,296	22,709	89,005	24,750	113,755	21,100	134,855
Expenditures	39,490	28,740	68,230	26,445	94,675	27,195	121,870
P.L. 480 TITLE I, L.C. ADMINISTERED BY ICA							
Potential Generation from U.S. Dollar Program . .							
Deposits							
Obligations							
Expenditures							
OTHER LOCAL CURRENCY							
Potential Generation from U.S. Dollar Program . .							
Deposits							
Commitments							
Expenditures							

Country: CAMBODIA

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

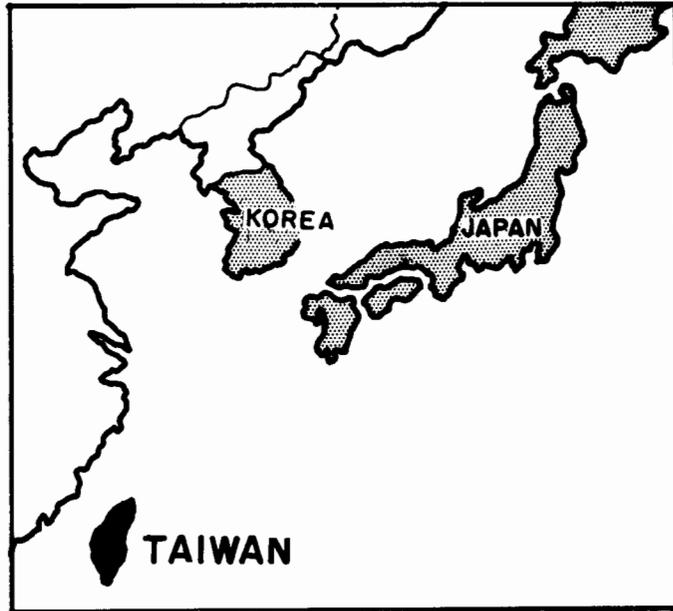
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TABLE V

PURPOSE AND ACTIVITY	FY 1957			FY 1958			FY 1959		
	MSP Source	P.L. 480 Title I Adm. by ICA	Other Sources	MSP Source	P.L. 480 Title I Adm. by ICA	Other Sources	MSP Source	P.L. 480 Title I Adm. by ICA	Other Sources
MILITARY PURPOSES									
Projects	-			-			-		
Budget Support	16,742			16,500			15,500		
Military Procurement	-			-			-		
Total Military Purposes	16,742			16,500			15,500		
ECONOMIC PURPOSES									
Project Assistance by Field of Activity									
Agriculture	1,203			2,180			2,805		
Industry and Mining	30			100			200		
Transportation	1,571			3,850			500		
Labor	-			-			-		
Health and Sanitation	502			120			230		
Education	2,047			1,135			1,045		
Public Administration	62			200			140		
Community Development, Social Welfare and Housing	81			-			-		
General and Miscellaneous	2,659			1,615			1,680		
Total	8,155			9,200			6,600		
Budget Support (Not Elsewhere Classified)	-			-			-		
Total Economic Purposes	8,155			9,200			6,600		
Procurement for Third Country	XXX			XXX			XXX		
TOTAL ALL PURPOSES	24,897			25,700			22,100		

CHINA (TAIWAN)

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ECONOMIC TRENDS

	Unit	Calendar Years			
		1954	1955	1956	1957 Est.
GROSS NATIONAL PRODUCT					
Total GNP (In 1955 Prices)	\$ Millions	1,030	1,090	1,140	1,180
Per Capita GNP	Dollars	112	114	117	117
PRODUCTION					
Agricul. Prod. Index ^a	1935-39=100	97	106	111	109
Per Capita Index	"	52	56	58	56
Rice, rough	1,000 MT	2,070	2,390	2,390	2,270
Industrial Prod. Index	1952=100	137	153	165	171
FOREIGN TRADE					
Total Exports (f.o.b.)	\$ Millions	98	133	130	160
Sugar	"	57	67	75	98
Rice	"	8	33	13	19
Total Imports (c.i.f.)	"	204	190	228	250
Trade Balance	"	-106	-57	-98	-90
FOREIGN EXCHANGE RESERVES \$ Millions					
(end of year)		49	74	71	72
COST OF LIVING INDEX (Taipei) . 1953=100					
		131	145	158	170

BASIC DATA

Population	10 million
Annual Growth	3.4 percent
Agricultural Land	26% of area
Agri. Land per Capita	0.2 acres
Literacy Rate	65 percent

	TAIWAN	U.S.
Life Expectancy (Years)	55 (est)	70
Inhabitants per Physician	2,600	760
Road Miles per 1,000 sq.mi.	660	1,020
Electric Power per Capita... (KWH per year)	270	4,070

CENTRAL GOVERNMENT FINANCES^b

Country Fiscal Year Ending - June 30	- \$ Millions -		
	1956	1957	1958 (Budget)
Total Expenditures	270	336	339
Revenues, excl. receipts of U.S. Grant Aid	193	235	246
Deficit or Surplus before U.S. Grant Aid	-77	-101	-89
Budgetary Receipts from U.S. Grant Aid	42	62	51
Budgetary Receipts from U.S. Loans	21	23	26
DEFENSE EXPENDITURES			
Total Defense Expenditures	152	173	177
As percent of Total Gov't Expenditures	56%	51%	53%
As percent of Gross National Product	13%	13%	n.a.
TOTAL DEBT (gross)			
Total Debt	939	983	1,033
As percent of GNP	80%	75%	n.a.
Foreign Debt	857	880	906

n.a. - Not Available a - Crops harvested in crop-year beginning in year stated.
 b - Consolidated statement of provincial and central government finances.

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U. S. Interests

United States objectives with regard to Taiwan and the Republic of China are to deny Taiwan and the neighboring islands of Penghu to the Communists; to increase the effectiveness of the armed forces of the Chinese Government; to promote the continued stability and international stature of a friendly, responsible government on Taiwan; and to help strengthen Taiwan's economy.

The continued existence of an independent Government of the Republic of China is important to the United States and the Free World, because that government provides a source of hope to the people of the Communist-controlled mainland and a challenge to Communist influence among the 12 million overseas Chinese in Southeast Asia. The Government of the Republic of China (GRC) also acts as a constructive member of the United Nations, whereas the Chinese Communists could be expected to be obstructive and hostile.

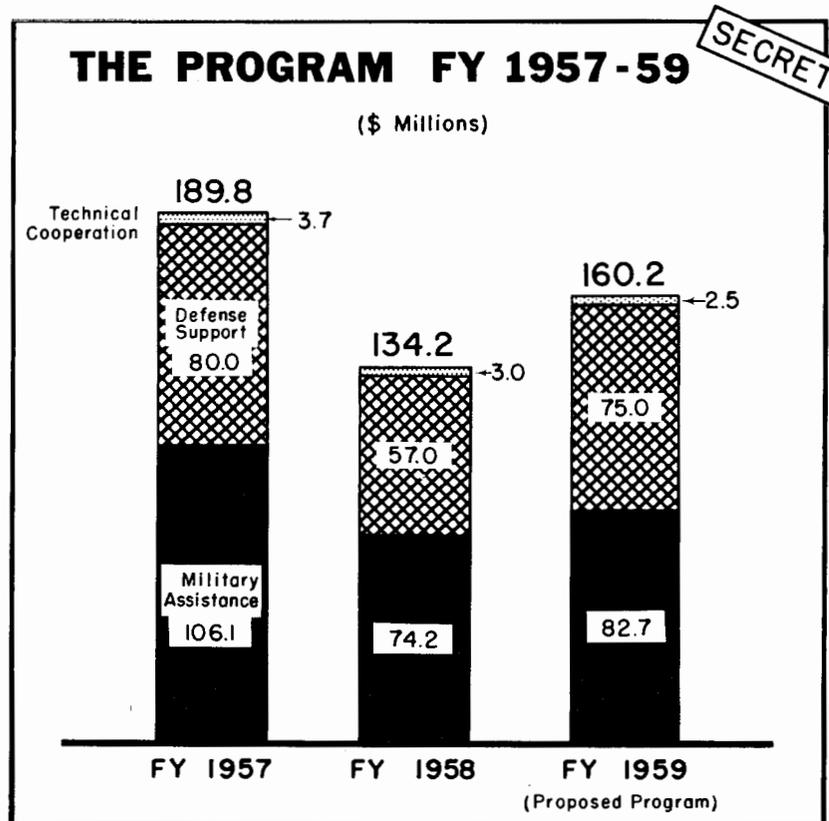
Furthermore, the Republic of China possesses military forces armed and trained by the United States under a Mutual Defense Assistance Agreement, second in size among the indigenous forces of the free Asian nations only to those of the Republic of Korea, and dedicated to the task of opposing Communism. These forces stand on the flank of Communist China and serve as a deterrent to Communist aggression in Asia.

Taiwan constitutes an important link in the chain of islands off the Asian mainland which form a defense perimeter for the United States. The conquest of Taiwan by an unfriendly power would immediately diminish the security of Okinawa to the north and the Philippines to the south.

Of possibly equal significance would be the effect of such an event on the ability of other Asian states to resist Communist pressure and eventual domination, for the loss of Taiwan would be a serious blow to United States prestige and would cause doubt as to the effectiveness of the American policy of collective defense against Communism in the area.

It is essential, therefore, that the United States continue to bolster the Chinese Government's strength to resist Communist pressures and through fostering economic growth, increase Taiwan's ability to support itself.

The Republic of China has signed an Investment Guaranty Agreement with the United States.



Obligations and Expenditures \$ in thousands			
MILITARY ASSISTANCE	PROGRAMMED	DEL./EXP.	UNLIQUIDATED
Cumulative 6/30/57	1,304,617	1,131,118	173,499
Estimate F.Y. 1958	74,215	111,669	XXX
Cumulative 6/30/58	1,378,832	1,242,787	136,045
ECONOMIC ASSISTANCE	OBLIGATIONS	EXPENDITURES	UNLIQUIDATED
Cumulative 6/30/57	969,223	869,058	100,165
Estimate F.Y. 1958	60,000	74,130	XXX
Cumulative 6/30/58	1,029,223	943,188	86,035

SECRET
MILITARY ASSISTANCE

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China (Taiwan)

Major Components by Category (all values in thousands of dollars)	Annual Programs				Del./Exp. F.Y. 1950-58 Programs		
	Quantity and Value		Proposed F.Y. 1959		Estimate F.Y. 1958	Cumulative June 30, 1958	F.Y. 1959 and Later
	F.Y. 1957	F.Y. 1958	Quantity	Value			
Country Total	\$106,105	\$74,215	-	\$82,674	\$111,669	\$1,242,787	\$136,045
Aircraft, Components, Spares & Related Equip.	\$ 254	\$ 585	-	\$42,743	\$ 27,318	\$ 216,757	\$ 5,522
F-84G	-	-	-	-	51	241	5
F-86F	-	-	83	\$14,887	82	320	-
RF-84F	-	-	-	-	5	25	-
RF-86F	-	-	-	-	-	7	-
RB-57	-	-	-	-	2	2	-
T-33	-	3	-	-	-	45	22
Reconnaissance Aircraft Hi-Performance	-	-	-	\$22,000	-	-	-
Ships and Harbor Craft, Components and Spares	\$ 15,070	\$18,825	-	\$ 7,143	\$ 12,624	\$ 50,081	\$ 25,846
Coastal Minesweeper (MSC)	2	-	-	-	-	2	2
Coastal Minesweeper (MSC) (overhaul)	-	2	2	\$ 300	-	-	2
Junks	-	20	-	-	-	-	20
Destroyer (DD) (Including Activation)	-	1	-	-	-	3	1
Destroyer (DD) (overhaul)	-	-	3	\$ 1,500	-	-	-
Ocean Escort (DE) (overhaul)	2	-	2	\$ 470	2	3	-
Landing Ship Transport (LST) (Activation)	1	4	-	-	-	4	4
Landing Ship Transport (LST) (overhaul)	8	-	3	\$ 2,700	5	13	-
Submarine Chaser (PC) (Including Loans & Act)	5	5	3	\$ 1,635	5	13	5
Auxiliary Floating Dock (AFDL)	-	1	-	-	-	-	1
Tanks, Other Vehicles, Weapons, Comp. & Spares	\$ 11,436	\$ 3,516	-	\$ 5,301	\$ 11,700	\$ 294,290	\$ 17,981
Truck, 1/4 Ton, 4x4 (all models)	23	81	218	\$ 460	13	6,250	98
Truck, 2 1/2 Ton, 6x6, Cargo (all models)	7	-	92	\$ 674	-	5,720	35
Truck, 3/4 Ton, 4x4, Cargo (all models)	1	-	225	\$ 723	1	5,364	-
Gun, Automatic, 40mm, w/carriage	-	-	3	\$ 52	7	473	-
Howitzer, 105mm, M2 A1, w/carriage or mount	57	66	1	\$ 15	14	336	118
Howitzer, 155mm, M1, w/carriage	-	-	6	-	-	147	1
Carbine, Cal..30 (all models)	6,409	1,066	-	-	641	87,127	1,407
Ammunition	\$ 4,456	\$ 5,061	-	\$ 4,126	\$ 15,460	\$ 389,454	\$ 10,206
Cartridge, Cal..30 (all types) (M Rds)	4,271	14,625	-	-	-	391,270	19,297
Cartridge, HE, 75mm Gun (all types) (M Rds)	-	-	61	\$ 1,405	-	1,343	-
Motor and Rocket, 5', MK2	-	-	17,559	-	-	-	-
Cartridge, HE, 60mm Mortar (M Rds)	-	5	-	-	-	1,494	18
Rocket, 2.75" FFAR w/plaster head	-	51,996	-	-	-	-	51,996
Rocket, HEAT, 3.5" M28 Series	134	5,200	600	\$ 10	68	547	5,265
Electronics & Comm. Equipment, Comp. & Spares	\$ 6,233	\$ 5,547	-	\$ 839	\$ 6,699	\$ 110,212	\$ 16,205
SCR-300 (AN/PRC-10) Radio	2,036	41	-	-	633	6,210	444
AN/TRN-6 Tacan	-	-	1	\$ 105	-	-	-
AN/FPS-6 Height Finder Radar	-	-	1	\$ 168	-	2	-
Other Materiel	\$ 47,447	\$26,870	-	\$11,107	\$ 17,510	\$ 121,866	\$ 48,631
Construction	\$ 11,934	\$ 2,834	-	\$ 4,909	\$ 10,954	\$ 11,856	\$ 4,231
Training	\$ 7,035	\$ 6,771	-	\$ 6,506	\$ 8,365	\$ 36,361	\$ 2,635
All Other	\$ 2,240	\$ 4,206	-	-	\$ 1,039	\$ 11,910	\$ 4,788

SECRET

China (Taiwan)

SECRET
MILITARY ASSISTANCE

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Objectives of Military Assistance: Continued development of the military potential of GRC armed forces:

- (a) to assist in defense of Taiwan and the Penghus;
- (b) to take action in defense of the GRC-held offshore islands;
- (c) to take such other action as may be mutually agreed upon under the terms of the Mutual Defense Treaty, and;
- (d) to contribute to collective non-Communist strength in the Far East

Major Combat Forces:

Strategic Objectives

21 Inf. Divs, 9 Reserve Divs.
1 Marine Div, 2 Marine Bns.
2 Nike Bns, 1 Hawk Bn.
88 Naval Vessels
26 Air Squadrons

MAP Supported

21 Inf. Divs, 9 Reserve Div.
1 Marine Div, 2 Marine Bns.
2 Nike Bns, 1 Hawk Bn.
85 Naval Vessels
25 Air Squadrons

Active Military Strength: 621,930

MAP Accomplishments: MAP has provided most of the equipment and much of the training of the GRC armed forces. MAP support has enabled the GRC to develop a relatively modern military establishment the equal of any of similar size in the Pacific Area. GRC combat units are well trained and adequately equipped to accomplish defense missions and independent offensive action of limited duration. Personnel strength and capabilities of the GRC armed forces have steadily increased.

Appraisal of Forces:

Army: With outside air, naval, logistic support, can defend Taiwan and Penghus.

Navy: Increasingly effective in combined operation with USN.

Air Force: Increasing combat effectiveness; all AAA units operational.

Marines: With shipping, air, and naval support, capable of division size amphibious operation.

Factors affecting effectiveness of forces are the increasing average age of Nationalist Chinese servicemen; lack of industrial base for armed forces support as well as economic development, causing requirement of heavy logistical support; and GRC high priority to non-MAP forces aggravated by GRC objective to return to mainland.

PROGRAMS (In Thousands Dollars)	FY 1957	FY 1958	Proposed FY 1959
Country Programs	106,105	74,215	82,674
Portion Special Materiel Program	(31,182)	(69,651)	(42,163)
Total	(137,287)	(143,866)	(124,837)

Country Contribution: Primarily manpower. 6% of total population in armed forces; 30% of males 20 to 44 in armed forces; 51% of total GRC budget for military; 13% of GNP for military. Further military effort by GRC without increased economic aid would cause severe economic deterioration.

Proposed FY 1959 Program Provides:

Army: Military construction, maintenance and training support.

Navy: Replace 6 major vessels, and 7 small craft, floating dock for offshore island defense; vehicles and uniforms for navy and marine corps units; essential ship overhaul; support projects at Tsoying Naval Yard.

Air Force: F-86F modernization of one F-84 F/B wing, as well as reconnaissance a/c and other support equipment; communications and electronics equipment; and miscellaneous construction.

Continuation of military communications network, POL storage project. Future plans call for some further buildup, particularly of the Navy but largely of a qualitative nature. The primary aim now is modernization and better maintenance of existing forces.

Miscellaneous Data: US excess stocks delivered at no charge through 30 June 1958: \$135.9 million (Est). Military sales through 30 June 1957: \$1.1 million.

<u>MAAG Strength:</u>	<u>US Mil</u>	<u>US Civ</u>	<u>Local</u>	<u>Total</u>
1957	1,920	0	196	2,116
1958	1,587		398	1,985

SECRET

Country: CHINA (Taiwan)

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

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(In thousands of dollars)

MAJOR COST COMPONENT	ACTUAL FY 1957				ESTIMATE FY 1958				PROPOSED FY 1959		
	Total	DS	Tech. Coop.	Other	Total	DS	Tech. Coop.	Other	Total	DS	Tech. Coop.
PROJECT ASSISTANCE											
Technicians	989	454	535		1,010	200	810		885	120	765
Participants	840	252	588		755	215	540		575	140	435
Contractual Services	2,724	1,504	1,220		2,610	2,610	-		2,735	2,735	-
Supplies and Equipment	43,918	42,634	1,284		21,565	19,975	1,590		34,215	33,005	1,210
Contrib. to Coop. Services	-	-	-		-	-	-		-	-	-
Other Costs	278	156	122		60	-	60		90	-	90
Total Project Assistance	48,749	45,000	3,749		26,000	23,000	3,000		38,500	36,000	2,500
NON-PROJECT ASSISTANCE											
Agric. Commodities Total	30,679	30,679	-		34,000	34,000	-		39,000	39,000	-
Surplus	21,800	21,800	-		34,000	34,000	-		39,000	39,000	-
Other	8,879	8,879	-		-	-	-		-	-	-
Industrial Commodities Total	4,321	4,321	-		-	-	-		-	-	-
Raw Materials and Fuels	3,686	3,686	-		-	-	-		-	-	-
Machinery and Equipment	35	35	-		-	-	-		-	-	-
Other Indus. Commodities	600	600	-		-	-	-		-	-	-
Cash Transactions	-	-	-		-	-	-		-	-	-
Other	-	-	-		-	-	-		-	-	-
Total Non-Project Assistance	35,000	35,000	-		34,000	34,000	-		39,000	39,000	-
TOTAL COUNTRY PROGRAMS	83,749	80,000	3,749		60,000	57,000	3,000		77,500	75,000	2,500
NUMBER OF PEOPLE											
Technicians (On duty close of year)	121	56	65		185	118	67		149	85	64
U.S. Employed	69	33	36		65	8	57		64	8	56
Contract	52	23	29		120	110	10		85	77	8
Participants (Programmed during year)	266	66	200		233	58	175		141	38	103
Non-Contract	260	66	194		233	58	175		141	38	103
Contract	6	-	6		-	-	-		-	-	-

Country: CHINA (Taiwan)

ECONOMIC ASSISTANCE - Continued

Productive investment is low in relation to the need for economic growth. New investment continues to be limited by (a) the low level of per capita income, (b) the prevailing climate for private enterprise, and (c) the fundamental interest of the GRC in channeling available resources into the military effort and an increasing standard of living. However, there is an increasing realization in the government that stability and growth require that limits imposed by available resources be observed and military spending controlled more strictly. Per capita consumption has not risen perceptibly since 1955.

The supply of managerial and skilled technical personnel is still inadequate, despite the progress that has been made with the help of past programs.

Proposed FY 1959 Program

The program proposed for FY 1959 is designed to enable Taiwan to maintain the economic and political stability necessary for a sustained defense effort in the face of limited resources. The proposed funds are needed to supplement local resources in supplying essential commodities for the maintenance of current living standards, and to help establish a sound foundation for the economic expansion required to keep pace with military and civilian needs.

Defense Support (\$75 million)

Non-project aid amounting to \$39 million, together with anticipated P.L. 480 sales of \$10.5 million, will be required to help maintain current consumption levels and prevent price instability. The amount proposed for FY 1959 exceeds somewhat the low level of non-project assistance being provided in FY 1958, because of the need to restore to safe levels the pipelines of such commodities as cotton and wheat, which are being seriously depleted as a result of the FY 1958 reduction in economic aid. Because the Taiwan economy is highly sensitive to changes in the supply of essential commodities, a fact which has been demonstrated often, even a threatened shortage can cause price fluctuations that generate serious inflationary pressures.

The commodities to be supplied in FY 1959 are all U. S. surplus agricultural products, including wheat (\$14.0 million), cotton (\$15.2 million), soybeans (\$8.0 million), and tallow (\$1.8 million). Proceeds from the sale of these commodities will be used to meet part of the local costs of military construction, training and supply projects, and of essential projects in the civilian economy.

Project aid amounting to \$36 million will be required in FY 1959 to continue strengthening the Taiwan economy so that local production can be expanded at least to the extent necessary to meet consumption needs of the increasing population, and to provide employment for the growing labor force. The alternative to providing Taiwan with the means of keeping its productive capacity on a par with its increasing essential consumption requirements is for the U. S. to finance ever larger amounts of commodity imports. With the population of Taiwan increasing at the rate of about 3 percent a year, the cost to the U. S. will be less, in the long run, if assistance is currently provided to help expand the basic facilities prerequisite to increased local production.

The assistance proposed for FY 1959 will be used primarily to provide the capital equipment and services needed to construct additional facilities in the fields of power, transportation and communications. Beyond their contribution to increased productive capacity, these facilities are vitally important to the military effort. The \$36 million requested for project financing will be allocated as follows:

- \$23.9 million for electric power facilities to help overcome the current acute shortage which is expected to continue at least until 1961, thus retarding the pace of industrial growth;
- \$6.0 million for railroad rolling stock and equipment to help eliminate the current handicap to the movement of military and civilian freight caused by obsolescence and an insufficient number of locomotives and cars;
- \$1.9 million for expansion of telecommunication facilities; \$1.5 million for development of coal and other mineral resources; \$1.1 million for improvement of highway, harbor, shipping and air navigation facilities; and
- The remaining \$1.6 million for engineering services and assistance necessary to complete projects already underway in logging, handicrafts, industrial productivity, and disease control.

Project assistance in the amount proposed will help restore investment from the low level of FY 1958 necessitated by the reduction in economic aid for that year, to a level more nearly commensurate with requirements if production is to keep pace with population growth. To progress beyond this point, so

Country: CHINA (Taiwan)

ECONOMIC ASSISTANCE - Continued

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that Taiwan can provide an increasing share of its military and expanding civilian requirements, a larger amount of investment will be required than is available from local resources or possible within the level of project assistance proposed for FY 1959

A part of the additional investment required is already being sought from the Development Loan Fund, and it is hoped that foreign private capital can be increasingly attracted to Taiwan. **Loans from the Export-Import Bank and the IERD are considered unlikely, in view of the large outstanding indebtedness of the Chinese Government incurred on the China mainland.**

Technical Cooperation (\$2.5 million)

The funds proposed for Technical Cooperation are required primarily to help provide the trained manpower prerequisite to economic growth. More than one-third of the total \$2.5 million is proposed for activities administered by the Joint Commission

on Rural Reconstruction (JCRR). These activities are designed to help formulate and carry out the agricultural development plans of the government, by means of better agricultural techniques, expansion of irrigation facilities, and improved practices in such fields as forestry, soil conservation, agricultural education and extension, and agricultural credit.

Greater and more efficient industrial output also will be encouraged through improvement of vocational industrial schools, and training of Chinese engineers and plant managers in such fields as electric power, transportation, and manufacturing industries. Other projects will be directed toward improving public health services and education, in part through contractual arrangements with American universities.

The expansion of educational facilities for overseas Chinese students will be continued in order partially to offset the number going to Communist China for educational purposes.

PROJECT ASSISTANCE BY FIELD OF ACTIVITY

(\$ in thousands)

FISCAL YEAR	TOTAL COST	AGRICULTURE AND NATURAL RESOURCES	INDUSTRY AND MINING	TRANSPORTATION	LABOR	HEALTH AND SANITATION	EDUCATION	PUBLIC ADMINISTRATION	COMMUNITY DEVELOP., SOCIAL WELFARE & HOUSING	GENERAL AND MISCELLANEOUS
<u>ACTUAL FY 1957</u>										
Defense Support	45,000	1,583	30,552	7,300	-	1,281	-	60	44	4,180
Technical Cooperation	3,749	1,016	57	20	-	279	1,074	121	-	1,182
Total	48,749	2,599	30,609	7,320	-	1,560	1,074	181	44	5,362
<u>ESTIMATE FY 1958</u>										
Defense Support	23,000	260	15,660	5,565	-	200	-	-	60	1,255
Technical Cooperation	3,000	915	235	45	5	380	945	85	-	390
Total	26,000	1,175	15,895	5,610	5	580	945	85	60	1,645
<u>PROPOSED FY 1959</u>										
Defense Support	36,000	325	27,655	7,145	-	125	-	-	-	750
Technical Cooperation	2,500	890	190	50	15	185	730	-	-	440
Total	38,500	1,215	27,845	7,195	15	310	730	-	-	1,190

Country: CHINA (Taiwan)

ECONOMIC ASSISTANCE

DISTRIBUTION OF FY 1959 PROJECT ASSISTANCE

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TABLE I
Page 1 of 2

(In thousands of dollars and equivalent)

Function: DEFENSE SUPPORT Projects	DIRECT U.S. DOLLAR COST - Proposed							Local Currency Cost - Proposed	
	Total	U.S. Technicians	Non-Contract Participants	Contracts	Commodities	Other Costs	Contributions to Cooperative Services	MSP includ. Counterpart	P. L. 480 Administered by ICA
<u>Agriculture and Natural Resources</u>	<u>325</u>	-	-	<u>325</u>	-			<u>2,915</u>	
Logging Development	325	-	-	325	-			2,145	
Fishery Development	-	-	-	-	-			770	
<u>Industry and Mining</u>	<u>27,655</u>	<u>60</u>	<u>130</u>	<u>1,660</u>	<u>25,805</u>			<u>30,470</u>	
Coal Mine Development	1,020	15	5	-	1,000			1,505	
Mineral Development (Other than Coal)	465	15	-	-	450			495	
Hydroelectric Power Development	7,115	30	-	1,000	6,085			15,275	
Thermal Power Development	11,790	-	5	560	11,225			3,320	
Primary System Improvement	2,470	-	30	-	2,440			3,155	
Power Transmission and Distribution	2,540	-	40	-	2,500			6,410	
Telecommunications	1,920	-	20	-	1,900			70	
China Productivity Center	215	-	20	100	95			80	
Handicraft Promotion Center	120	-	10	-	110			160	
<u>Transportation</u>	<u>7,145</u>	<u>60</u>	<u>10</u>	-	<u>7,075</u>			<u>9,100</u>	
East West Highway (RETSEK)	-	-	-	-	-			1,915	
Highway Development	10	-	10	-	-			2,220	
Railway Facilities Expansion	6,000	-	-	-	6,000			2,000	
Harbor and Shipping Development	910	-	-	-	910			2,020	
CAA Improvement	225	60	-	-	165			945	
<u>Health and Sanitation</u>	<u>125</u>	-	-	-	<u>125</u>			<u>255</u>	
Disease Control	125	-	-	-	125			50	
Hospital Construction (RETSEK)	-	-	-	-	-			205	
<u>Community Development, Social Welfare and Housing</u>	-	-	-	-	-			<u>405</u>	
East West Highway Development (RETSEK)	-	-	-	-	-			405	

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Country: CHINA (Taiwan)

ECONOMIC ASSISTANCE

DISTRIBUTION OF FY 1959 PROJECT ASSISTANCE

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TABLE I
Page 2 of 2

(In thousands of dollars and equivalent)

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	Total	U.S. Technicians	Non-Contract Participants	Contracts	Commodities	Other Costs	Contributions to Cooperative Services	MSP includ. Counterpart	P. L. 480 Administered by ICA
Projects									
<u>General and Miscellaneous</u>	750	-	-	750	-			300	
Engineering Services	750	-	-	750	-			300	
TOTAL - Defense Support	36,000	120	140	2,735	33,005			43,445	

Country: CHINA (Taiwan)

ECONOMIC ASSISTANCE

DISTRIBUTION OF FY 1959 PROJECT ASSISTANCE

TABLE I
Page 1 of 2

(In thousands of dollars and equivalent)

Function: TECHNICAL COOPERATION Projects	DIRECT U.S. DOLLAR COST - Proposed						Local Currency Cost - Proposed		
	Total	U.S. Technicians	Non-Contract Participants	Contracts	Commodities	Other Costs	Contributions to Cooperative Services	MSP includ. Counterpart	P. L. 480 Administered by ICA
<u>Agriculture and Natural Resources</u>	<u>890</u>	<u>180</u>	<u>200</u>	-	<u>510</u>	-		<u>14,480</u>	
Agricultural and Rural Development (JCRR)	780	150	175	-	455	-		7,420	
Rural Credit (JCRR)	-	-	-	-	-	-		6,055	
Forestry Development (JCRR)	70	15	15	-	40	-		485	
Fisheries Development (JCRR)	30	15	10	-	5	-		240	
Agricultural Reconstruction (JCRR)	10	-	-	-	10	-		280	
<u>Industry and Mining</u>	<u>190</u>	<u>165</u>	<u>25</u>	-	-	-		<u>140</u>	
Industrial Advisory Services	165	165	-	-	-	-		135	
General Industrial Training	25	-	25	-	-	-		5	
<u>Transportation</u>	<u>50</u>	<u>30</u>	<u>20</u>	-	-	-		<u>25</u>	
Transportation Advisory Services	30	30	-	-	-	-		20	
General Transportation Training	20	-	20	-	-	-		5	
<u>Labor</u>	<u>15</u>	<u>15</u>	-	-	-	-		<u>10</u>	
Labor Advisory Services	15	15	-	-	-	-		10	
<u>Health and Sanitation</u>	<u>185</u>	<u>60</u>	<u>70</u>	-	<u>55</u>	-		<u>3,105</u>	
Sanitation and Water Supply	40	15	20	-	5	-		2,190	
Public Health and Nursing Practices	105	45	50	-	10	-		510	
Rural Health (JCRR)	40	-	-	-	40	-		405	
<u>Education</u>	<u>730</u>	<u>120</u>	<u>100</u>	-	<u>430</u>	<u>80</u>		<u>2,415</u>	
Trade and Industrial Education	290	15	20	-	255	-		170	
Vocational Agricultural Schools Assistance	135	30	35	-	70	-		225	
Home Economics Teacher Training	75	-	20	-	55	-		-	
Overseas Chinese Educational Facilities	200	45	25	-	50	80		2,020	
Educational Advisory Services	30	30	-	-	-	-		-	

Country: CHINA (Taiwan)

ECONOMIC ASSISTANCE

DISTRIBUTION OF FY 1959 PROJECT ASSISTANCE

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TABLE I
Page 2 of 2

(In thousands of dollars and equivalent)

Function: TECHNICAL COOPERATION Projects	DIRECT U.S. DOLLAR COST - Proposed							Local Currency Cost - Proposed	
	Total	U.S. Technicians	Non-Contract Participants	Contracts	Commodities	Other Costs	Contributions to Cooperative Services	MSP incl. Counterpart	P. L. 480 Administered by ICA
<u>Community Development, Social Welfare and Housing</u>	-	-	-	-	-	-	-	405	
American Voluntary Agencies	-	-	-	-	-	-	-	405	
<u>General and Miscellaneous</u>	<u>440</u>	<u>195</u>	<u>20</u>	-	<u>215</u>	<u>10</u>	-	<u>275</u>	
Communication Media	95	45	-	-	45	5	-	200	
Technical Support	325	150	-	-	170	5	-	70	
General Training	20	-	20	-	-	-	-	5	
Total Technical Cooperation	2,500	765	435	-	1,210	90	-	20,855	
GRAND TOTAL	38,500	885	575	2,735	34,215	90		64,300	

Country: CHINA (Taiwan)

ECONOMIC ASSISTANCE
COMPOSITION OF NON-PROJECT ASSISTANCE

TABLE II

*Shaded areas are Security classified
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(In thousands of dollars)

Commodities and Other	PROGRAM		
	Actual FY 1957	Estimate FY 1958	Proposed FY 1959
<u>Surplus Agricultural Commodities</u>	21,800	34,000	39,000
Bread Grains	7,519	9,200	14,000
Soybeans	-	7,200	8,000
Raw Cotton	12,485	14,800	15,200
Fats and Oils	1,671	2,800	1,800
Other	125	-	-
<u>Food, Feed and Fertilizer</u>	8,879	-	-
Soybeans	8,879	-	-
<u>Fuel</u>	1,198	-	-
Petroleum and Petroleum Products	1,198	-	-
<u>Raw Materials and Semifinished Products</u>	2,488	-	-
Chemicals and Related Products	1,100	-	-
Pulp and Paper	988	-	-
Lumber and Lumber Products	400	-	-
<u>Machinery and Vehicles</u>	35	-	-
Motor Vehicles, Engines and Spare Parts	35	-	-
<u>Miscellaneous and Unclassified</u>	600	-	-
Rubber and Rubber Products	600	-	-
Total Commodity Program	35,000	34,000	39,000
<u>Cash Grants</u>	-	-	-
<u>Other</u>	-	-	-
TOTAL NON-PROJECT ASSISTANCE	35,000	34,000	39,000

Country: CHINA (Taiwan)

LOCAL CURRENCY - Narrative

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

Availabilities: U.S.-generated local currencies available for ICA programming in China are: (a) Counterpart equivalent in value to the cost of goods and services supplied under the Economic Assistance programs, except surplus agricultural commodities sold to Taiwan; (b) MSP U.S.-owned local currency derived from the sale of surplus agricultural commodities under Section 402; and (c) P.L. 480, Title I, Section 104(c) local currency, likewise accruing from the sale of surplus agricultural commodities. In addition, the Chinese Government credits to the counterpart account customs duties and harbor fees levied on aid goods arrivals in Taiwan.

Local currency cash balances from these sources (in millions of U.S. dollar equivalent computed on the basis of data presented in Table IV) at the end of the following fiscal years are: 1957 (actual), 33.7; 1958 (estimated), 31.0; and 1959 (estimated), 32.3.

Planned Uses: Local currencies administered by ICA in Taiwan are used for: (a) Military purposes such as facilities construction, budgetary support, and the procurement of locally-produced commodities for military consumption; and (b) essential activities in the civilian economy. The military support is provided by allocations of U.S.-owned MSP and P.L. 480 local currencies, supplemented by such amounts of counterpart as may be required. Remaining availabilities of counterpart and Section 402 funds are used to help defray the local costs of economic projects. Local currency commitments and obligations, in millions of

dollar equivalent, for the fiscal years 1957 through 1959 are as follows: Military purposes - 26.9, 31.5, 24.1; Economic purposes - 52.7, 58.7, 64.3. Activities for which local currency funds are to be used are set forth in Table V.

Relationship to MSP Dollar Appropriations: The economic assistance proposed for Taiwan in FY 1959 is the amount needed to supplement Chinese foreign exchange resources in order to provide the minimum level of essential imports. These imports are required to help (a) maintain economic stability and the current standard of living, and (b) strengthen the basic facilities prerequisite to economic growth, at least to the extent necessary to enable Taiwan to keep pace with its military and expanding civilian requirements. While imports financed under the aid program generate local currencies which supplement Taiwan's internal resources, the availability of such currencies does not reduce requirements for MSP assistance because Taiwan's currency is inconvertible and cannot be used to pay for imported commodities and essential services.

Special Factors Affecting Utilization: A precarious price stability has been achieved in Taiwan after several years of effort and substantial amounts of U.S. aid. Experience has demonstrated that the Taiwan economy is so sensitive that even the threat of commodity shortages serves to generate inflationary pressures. Under these circumstances, the rate of utilization of local currency must be adjusted to the prevailing economic situation to avoid creating new inflationary forces that might require substantial external assistance to bring them under control.

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

SALES AGREEMENT BY FISCAL YEAR		Foreign Currency Reserved for U.S. Uses	Foreign Currency Administered by Ex-Im Bank (Cooley Amend.)	FOREIGN CURRENCY TO BE ADMINISTERED BY MSP AGENCIES				
Fiscal Year in Which Sales Agreement Signed	Total Value of Sales			Sec. 104c	Sec. 104d	Sec. 104e	Sec. 104g	Total Administered by MSP Agencies
FY 1955 Actual	-	-	-	-				-
FY 1956 Actual	-	-	-	-				-
FY 1957 Actual	9,800	4,900	-	4,900				4,900
FY 1958 Estimate	12,100	6,575	3,025	2,500				2,500
FY 1959 Estimate	10,500	5,375	2,625	2,500				2,500
TOTAL	32,400	16,850	5,650	9,900				9,900

Country: CHINA (Taiwan)

STATUS OF LOCAL CURRENCY FUNDS

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TABLE IV

(In thousands of dollar equivalent)

Type of Programs Generating Local Currencies and its Utilization	ACTUAL FY 1957		ESTIMATE FY 1958		PROPOSED FY 1959		
	Cumulative Through 7/1/56	Net Change	Cumulative Through 6/30/57	Net Change	Cumulative Through 6/30/58	Net Change	Cumulative Through 6/30/59
<u>MSP U.S.-OWNED LOCAL CURRENCIES</u>							
Potential Generation from U.S. Dollar Program ..	81,024	26,947	107,971	34,000	141,971	39,000	180,971
Deposits	52,744	30,032	82,776	36,300	119,076	35,000	154,076
Obligations	44,250	34,841	79,091	33,350	112,441	36,575	149,016
Expenditures	37,134	32,611	69,745	29,000	98,745	35,000	133,745
<u>COUNTERPART</u>							
Potential Generation from U.S. Dollar Program ..	430,800	70,567	501,367	39,000	540,367	53,000	593,367
Deposits	335,836	48,489	384,325	42,445	426,770	49,320	476,090
Commitments	316,600	44,805	361,405	52,005	413,410	49,320	462,730
Expenditures	304,565	46,846	351,411	52,375	403,786	48,000	451,786
<u>P.L. 480 TITLE I, L.C. ADMINISTERED BY ICA</u>							
Potential Generation from U.S. Dollar Program ..	-	4,900	4,900	2,500	7,400	2,500	9,900
Deposits	-	-	-	4,900	4,900	2,500	7,400
Obligations	-	-	-	4,900	4,900	2,500	7,400
Expenditures	-	-	-	4,900	4,900	2,500	7,400
<u>OTHER LOCAL CURRENCY</u>							
Potential Generation from U.S. Dollar Program ..							
Deposits							
Commitments							
Expenditures							

a/ Includes \$12,293,000 in frozen deposits accruing from Mainland activities not available for program purposes.

Country: CHINA (Taiwan)

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

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TABLE V

PURPOSE AND ACTIVITY	FY 1957			FY 1958			FY 1959		
	MSP Source	P.L. 480 Title I Adm. by ICA	Other Sources	MSP Source	P.L. 480 Title I Adm. by ICA	Other Sources	MSP Source	P.L. 480 Title I Adm. by ICA	Other Sources
MILITARY PURPOSES									
Projects	15,157			9,625	4,900		5,850	2,500	
Budget Support	7,817			12,000	-		11,385	-	
Military Procurement	3,969			5,015	-		4,360	-	
Total Military Purposes	26,943			26,640	4,900		21,595	2,500	
ECONOMIC PURPOSES									
Project Assistance by Field of Activity									
Agriculture	12,960			9,350	-		17,395	-	
Industry and Mining	17,622			27,395	-		30,610	-	
Transportation	4,998			11,160	-		9,125	-	
Labor	2			5	-		10	-	
Health and Sanitation	6,091			5,665	-		3,360	-	
Education	2,947			2,970	-		2,415	-	
Public Administration	1,084			730	-		-	-	
Community Development, Social Welfare and Housing	2,201			790	-		810	-	
General and Miscellaneous	762			650	-		575	-	
Total	48,667			58,715	-		64,300	-	
Budget Support (Not Elsewhere Classified) ..	4,036			-	-		-	-	
Total Economic Purposes	52,703			58,715	-		64,300	-	
Procurement for Third Country	XXX			XXX			XXX		
TOTAL ALL PURPOSES	79,646			85,355	4,900		85,895	2,500	

INDONESIA



ECONOMIC TRENDS

	Unit	Calendar Years			
		1954	1955	1956	1957 Est.
GROSS NATIONAL PRODUCT					
Total GNP (In 1955 Prices)	\$ Millions	n.a.	7,250	7,000	7,100
Per Capita GNP	Dollars	n.a.	88	83	83
PRODUCTION					
Agricul. Prod. Index ^a	1935-39=100	119	116	114	114
Per Capita Index	"	98	93	90	88
Rice, rough	1000 MT	11,250	11,230	11,250	10,900
Petroleum, crude	"	10,780	11,780	12,730	15,000
FOREIGN TRADE					
Total Exports (f.o.b.)	\$ Millions	867	932	882	800
Rubber	"	264	429	353	275 (9 mos)
Petroleum & products	"	201	212	225	177 (")
Total Imports (c.i.f.)	"	629	604	856	800
Trade Balance	"	238	328	26	-
FOREIGN EXCHANGE RESERVES (end of year)	\$ Millions	299	377	321	281 (Oct)
COST OF LIVING INDEX: Food ^b	1953=100	106	141	161	170

BASIC DATA

Population	85 million
Annual Growth	1.6 percent
Agricultural Land	7% of area
Agri. Land per Capita	0.3 acres
Literacy Rate	60 percent

	INDONESIA	U.S.
Life Expectancy (Years)	32	70
Inhabitants per Physician	71,000	760
Road Miles per 1,000 sq.mi.	75	1,020
Electric Power per Capita (KWH per year)	16	4,070

CENTRAL GOVERNMENT FINANCES

Country Fiscal Year Ending - December 31	- \$ Millions -		
	1955	1956	1957 (Budget)
Total Expenditures	1,431	1,820	1,823
Revenues, excl. receipts of U.S. Grant Aid	1,248	1,618	1,683
Deficit or Surplus before U.S. Grant Aid	-183	-202	-140
Budgetary Receipts from U.S. Grant Aid	1	1	18
Budgetary Receipts from U.S. Loans	4	-	n.a.
DEFENSE EXPENDITURES			
Total Defense Expenditures	345	384	384
As percent of Total Gov't Expenditures	24%	21%	21%
As percent of Gross National Product	5%	5%	5%
TOTAL DEBT (gross)	1,648	1,673	1,816
As percent of GNP	23%	21%	22%
Foreign Debt	441	261	271

n.a. - Not Available

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

b - Jakarta.

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U. S. Interests

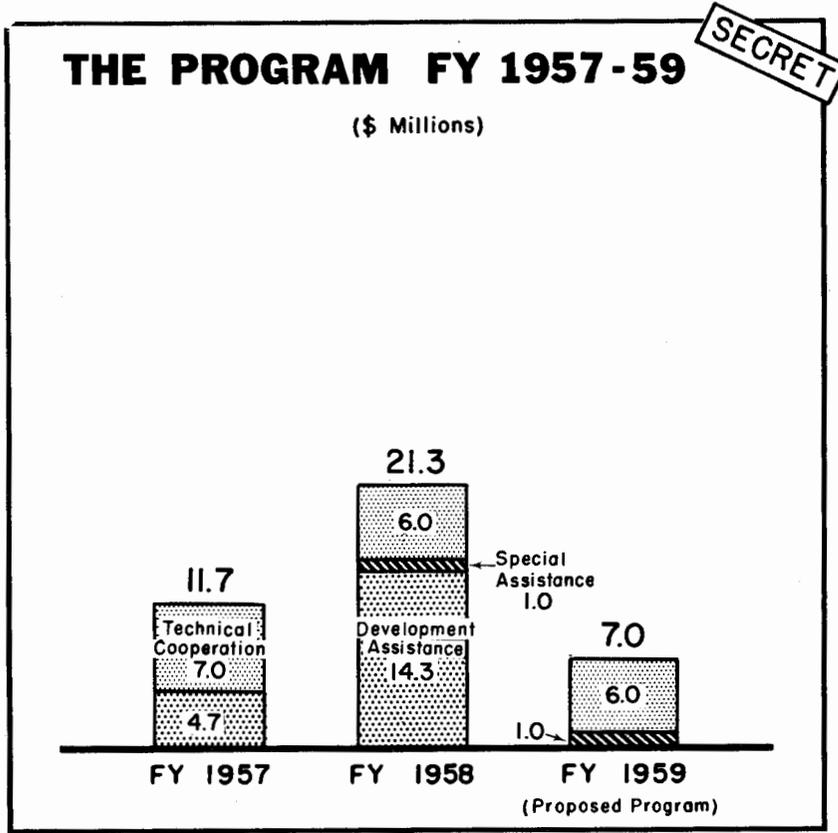
The United States has political, economic and strategic stakes of considerable importance in Indonesia. The largest and most populous of the newly independent states of Southeast Asia, Indonesia is the principal Far Eastern producer of petroleum and the source of an important portion of the world's supply of tin and natural rubber. Its location between Asia and Australia, and the Pacific and Indian Oceans, gives the country considerable strategic importance.

The new Republic of Indonesia, intensely nationalistic and proud of its hard-won status as a free nation, has refused to align itself with either major power bloc and has followed a foreign policy which it describes as "active and independent." At the same time, in its efforts to improve the living standards of its people and establish a stable, democratic government, it has turned to the West for sorely-needed assistance in solving pressing problems of economic development, public health, technical training and education.

The Soviet bloc, for its part, is engaging in a greatly intensified diplomatic, propaganda and economic offensive to win Indonesian trust and sympathy.

It is in the interest of the United States to assist the Indonesian people in their efforts to achieve a higher standard of living; to encourage them in the development of democratic political institutions; and to prevent the young nation from drifting into the Communist orbit.

Annual per capita income in Indonesia is probably below the prewar level and is one of the lowest in the world. U. S. private investments in the country, principally in petroleum and rubber, are substantial and have increased considerably since Indonesia became independent. The recently-intensified campaign to reduce Dutch influence in the Indonesian economy will aggravate the country's economic problems. It also may provide opportunities for increased Communist bloc penetration through closer economic relations with Indonesia.



Obligations and Expenditures \$ in thousands			
MILITARY ASSISTANCE	PROGRAMMED	DEL./EXP.	UNLIQUIDATED
Cumulative 6/30/57	3,901	3,901	
Estimate F. Y. 1958			XXX
Cumulative 6/30/58	3,901	3,901	
ECONOMIC ASSISTANCE	OBLIGATIONS	EXPENDITURES	UNLIQUIDATED
Cumulative 6/30/57	51,748	35,335	16,413
Estimate F. Y. 1958	21,300	7,514	XXX
Cumulative 6/30/58	73,048	42,849	30,199

Revised April 1, 1958

Country: INDONESIA

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

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(In thousands of dollars)

MAJOR COST COMPONENT	ACTUAL FY 1957				ESTIMATE FY 1958				PROPOSED FY 1959		
	Total	DA	Tech. Coop.	Other	Total	SA	Tech. Coop.	DA	Total	SA	Tech. Coop.
PROJECT ASSISTANCE											
Technicians	1,297	-	1,297		1,345	-	1,345	-	1,183	-	1,183
Participants	3,002	-	3,002		2,350	-	2,350	-	2,192	-	2,192
Contractual Services	2,588	717	1,871		5,945	-	1,645	4,300	2,355	-	2,355
Supplies and Equipment	4,830	4,000	830		11,660	1,000	660	10,000	1,180	1,000	180
Contrib. to Coop. Services	-	-	-		-	-	-	-	-	-	-
Other Costs	-	-	-		-	-	-	-	90	-	90
Total Project Assistance	11,717	4,717	7,000		21,300	1,000	6,000	14,300^{a/}	7,000	1,000	6,000
NON-PROJECT ASSISTANCE											
Agric. Commodities Total											
Surplus											
Other											
Industrial Commodities Total											
Raw Materials and Fuels											
Machinery and Equipment											
Other Indus. Commodities											
Cash Transactions											
Other											
Total Non-Project Assistance											
TOTAL COUNTRY PROGRAMS	11,717	4,717	7,000		21,300	1,000	6,000	14,300^{a/}	7,000	1,000	6,000
NUMBER OF PEOPLE											
Technicians (On duty close of year).	<u>137</u>	-	<u>137</u>		<u>165</u>	-	<u>165</u>	-	<u>180</u>	-	<u>180</u>
U.S. Employed	94	-	94		93	-	93	-	90	-	90
Contract	43	-	43		72	-	72	-	90	-	90
Participants (Programmed during year)	<u>498</u>	-	<u>498</u>		<u>415</u>	-	<u>415</u>	-	<u>365</u>	-	<u>365</u>
Non-Contract	498	-	498		415	-	415	-	365	-	365
Contract	-	-	-		-	-	-	-	-	-	-

a/ Reappropriated carry-over of FY 1957 DA funds.

Revised April 1, 1958

Country INDONESIA

ECONOMIC ASSISTANCE

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Objectives of Economic Assistance

To help Indonesia maintain its independence and encourage favorable attitudes toward the West, by continuing assistance designed to:

- Build up technical, professional and managerial competence, by strengthening Indonesian educational institutions and by training Indonesians in the United States;
- Improve government services, especially in public health, agriculture and the national police, through local and overseas training and the demonstration of improved practices; and
- Develop such basic facilities as transportation and power which are prerequisites for economic growth.

Accomplishments of Economic Assistance

The U.S. aid program has rendered substantial assistance to the Indonesian people in meeting their desires for education and technical training. Since independence, the number of high school and university students has multiplied ten times. To meet the increased educational demands, five American university teams are working in the country, helping the Indonesians improve curricula and teaching methods in the vocational school system and in the leading collegiate schools of agriculture, engineering, medicine and science.

In addition, 1,300 Indonesians have been given training abroad since the aid program began and, before the close of this fiscal year, 1,000 will have returned to apply their newly gained knowledge to the practical problems of their country.

A program for the control of malaria has provided protection for some 10 million Indonesians and laid the groundwork for eventual eradication of the disease throughout most of the country. Assistance necessary to continue progress toward this objective is being provided from the worldwide Malaria Eradication Fund.

Through U.S.-supplied equipment, training provided locally by American technicians, and technical training of Indonesian police officers in the United States, effectiveness of the 105,000-man national police force has been greatly increased.

Summary of Program \$ in thousands

Function	Actual F.Y. 1957	Estimate F.Y. 1958	Proposed F.Y. 1959
Defense Support			
Development Assistance	4,717	14,300	
Special Assistance		1,000	1,000
Technical Cooperation	7,000	6,000	6,000
Other Programs			
Total	11,717	21,300	7,000

Major Problems

Indonesia's political and economic situation has been deteriorating rapidly over the past year and the nation today is faced with disaffection in the provinces, stagnation of its foreign trade, sky-rocketing prices, breakdown in inter-island communications, disrupted distribution of staple foodstuffs, spot shortages of imported goods, and hoarding.

In addition, Indonesia is plagued by the basic problem which generally confronts a less-developed country -- inability to expand production to levels necessary to keep pace with its growing population and to provide some improvement in the standard of living, because of such handicaps as limited financial resources, shortages of technical and managerial personnel, inadequate educational facilities, and weakness of government organization.

Since the solution to Indonesia's current problems depends basically upon action by its Government, a direct attack on the country's manifold difficulties lies outside the scope of the U.S. aid program. In the meantime, however, it is vital that the United States show continued interest in constructive solutions to Indonesia's present crisis and encourage elements within the country seeking such solutions.

Proposed FY 1959 Program

The proposed FY 1959 program provides for continued assistance to Indonesia in solving some of the fundamental problems which existed before the present period of crisis and which will exist, perhaps in an intensified form, after the crisis has passed.

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Country: INDONESIA

ECONOMIC ASSISTANCE - Continued

Special Assistance: Since FY 1955 the United States has provided limited amounts of assistance for police training. **Special Assistance of \$1 million is proposed to continue commodity support for the police project during FY 1959.**

Technical Cooperation: \$6 million is proposed to continue past activities directed toward establishing a technical foundation for economic progress, by training essential managerial, scientific, agricultural and educational personnel, and by strengthening selected government services. Specifically, these funds will be used as follows:

- \$2.2 million to improve vocational education at the secondary school level, and training in engineering, science and medicine at the university level, through contractual arrangements with American universities and teacher training in Indonesia and abroad;
- \$1.0 million to improve agricultural techniques by training Indonesians in research and extension activities, land development and conservation, and the operation of credit and marketing cooperatives; and by assisting in the improvement of local facilities for agricultural education;

- \$1.3 million to improve public administration through training abroad of government personnel at all levels, especially officers and key officials in the national police and public health service; and through assistance in establishing an effective training program for civil service personnel; and

- \$1.5 million to provide operational and management training for government officials and others in the fields of industry, mining and transportation; and to foster development by financing a limited number of economic and engineering studies.

Other Assistance: While outside the scope of the aid program specifically proposed for FY 1959, it is expected that assistance also will be available to Indonesia from the Development Loan Fund and from unutilized amounts under the following prior years' programs: (a) about \$77 million in local currency derived from the sale of surplus agricultural commodities under a 1956 P.L. 480 agreement; and (b) the \$15 million Development Assistance loan provided under an agreement signed in April 1957, of which \$14.3 million was continued available in FY 1958. To the extent that the Development Assistance funds are not drawn down by the close of this year, it may be necessary to request their reappropriation so that the loan commitment may be fulfilled in FY 1959.

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

Function and Fiscal Year	Total Cost	Agriculture and Natural Resources	Industry and Mining	Transportation	Labor	Health and Sanitation	Education	Public Administration	Community Develop., Social Welfare & Housing	General and Miscellaneous
ACTUAL FY 1957										
Development Assistance . . .	4,717		717			2,500		1,500		
Technical Cooperation	7,000	1,001	1,548	280	326	356	1,487	1,032	94	876
Total	11,717	1,001	2,265	280	326	2,856	1,487	2,532	94	876
ESTIMATE FY 1958										
Special Assistance	1,000							1,000		
Technical Cooperation	6,000	1,005	765	310	285	695	1,385	780		775
Development Assistance . . .	14,300 ^{a/}		6,300	8,000						
Total	21,300	1,005	7,065	8,310	285	695	1,385	1,780		775
PROPOSED FY 1959										
Special Assistance	1,000							1,000		
Technical Cooperation	6,000	1,000	800	300	140	635	1,700	900		525
Total	7,000	1,000	800	300	140	635	1,700	1,900		525

a/ Reappropriated carry-over of FY 1957 Development Assistance funds.

Country: INDONESIA

ECONOMIC ASSISTANCE

DISTRIBUTION OF FY 1959 PROJECT ASSISTANCE

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TABLE I

(In thousands of dollars and equivalent)

Function: SPECIAL ASSISTANCE Projects	DIRECT U.S. DOLLAR COST - Proposed							Local Currency Cost - Proposed	
	Total	U.S. Technicians	Non-Contract Participants	Contracts	Commodities	Other Costs	Contributions to Cooperative Services	MSP includ. Counterpart	P. L. 480 Adminis-tered by ICA
<u>Public Administration</u>	<u>1,000</u>				<u>1,000</u>				
Police Administration	1,000				1,000				
TOTAL - Special Assistance	<u>1,000</u>				<u>1,000</u>				
Local Currency Projects									50,000 ^{a/}
GRAND TOTAL	7,000	1,183	2,192	2,355	1,180	90	8,514	50,000 ^{a/}	

a/ Although \$79.0 million of local currency will be available from the proceeds of a P.L. 480 sale of agricultural surplus products to be lent to Indonesia for economic development projects, the failure of the Indonesian Government to agree to loan terms established by the National Advisory Council has so far prevented the formation of a program for use of this fund. However, it is expected that agreement will be reached in time to permit an estimated \$50.0 million to be obligated before June 30, 1959.

Country: INDONESIA

ECONOMIC ASSISTANCE

DISTRIBUTION OF FY 1959 PROJECT ASSISTANCE

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TABLE I
Page 1 of 2

(In thousands of dollars and equivalent)

Function: TECHNICAL COOPERATION Projects	DIRECT U.S. DOLLAR COST - Proposed							Local Currency Cost - Proposed	
	Total	U.S. Technicians	Non-Contract Participants	Contracts	Commodities	Other Costs	Contributions to Cooperative Services	MSP includ. Counterpart	P. L. 480 Administered by ICA
<u>Agriculture and Natural Resources</u>	<u>1,000</u>	<u>283</u>	<u>177</u>	<u>500</u>	<u>40</u>	-	-	<u>3,870</u>	
Agricultural Education, Extension & Research	825	150	135	500	40	-	-	2,275	
Land Development and Conservation	100	58	42	-	-	-	-	1,595	
Technical Support	75	75	-	-	-	-	-	-	
<u>Industry and Mining</u>	<u>800</u>	<u>230</u>	<u>360</u>	<u>150</u>	<u>60</u>	-	-	<u>230</u>	
Mining Operations	150	60	75	-	15	-	-	45	
Industry Development	450	120	285	-	45	-	-	185	
Engineering Survey Contracts	150	-	-	150	-	-	-	-	
Technical Support	50	50	-	-	-	-	-	-	
<u>Transportation</u>	<u>300</u>	<u>30</u>	<u>240</u>	-	<u>30</u>	-	-	-	
Development of Transportation Facilities	300	30	240	-	30	-	-	-	
<u>Labor</u>	<u>140</u>	<u>15</u>	<u>125</u>	-	-	-	-	-	
Labor Leadership Training	125	-	125	-	-	-	-	-	
Technical Support	15	15	-	-	-	-	-	-	
<u>Health and Sanitation</u>	<u>635</u>	<u>45</u>	<u>220</u>	<u>370</u>	-	-	-	<u>3,190</u>	
Public Health Administration	100	15	85	-	-	-	-	2,780	
Medical Education	505	-	135	370	-	-	-	410	
Technical Support	30	30	-	-	-	-	-	-	
<u>Education</u>	<u>1,700</u>	<u>105</u>	<u>510</u>	<u>1,085</u>	-	-	-	<u>680</u>	
Acquisition of Technical Skills	265	-	265	-	-	-	-	-	
Vocational Education	435	60	140	235	-	-	-	180	
Engineering and Science Training	970	15	105	850	-	-	-	500	
Technical Support	30	30	-	-	-	-	-	-	

Country: INDONESIA

ECONOMIC ASSISTANCE

DISTRIBUTION OF FY 1959 PROJECT ASSISTANCE

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TABLE I
Page 2 of 2

(In thousands of dollars and equivalent)

Function: TECHNICAL COOPERATION Projects	DIRECT U.S. DOLLAR COST - Proposed							Local Currency Cost - Proposed	
	Total	U.S. Technicians	Non-Contract Participants	Contracts	Commodities	Other Costs	Contributions to Cooperative Services	MSP includ. Counterpart	P. L. 480 Adminis-tered by ICA
<u>Public Administration</u>	<u>900</u>	<u>275</u>	<u>375</u>	<u>250</u>	-	-		<u>455</u>	
Police Administration	440	215	225	-	-	-		410	
Government Administration Training	430	30	150	250	-	-		45	
Technical Support	30	30	-	-	-	-		-	
<u>General and Miscellaneous</u>	<u>525</u>	<u>200</u>	<u>185</u>	-	<u>50</u>	<u>90</u>		<u>89</u>	
Communications Media Training	180	15	150	-	15	-		45	
Audio-Visual Technical Support	80	45	-	-	35	-		44	
Atoms for Peace	35	-	35	-	-	-		-	
Technical Support	230	140	-	-	-	90		-	
TOTAL - Technical Cooperation	6,000	1,183	2,192	2,355	180	90		8,514	

Country: INDONESIA

LOCAL CURRENCY - Narrative

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Availabilities: U.S.-generated local currency available to ICA for programming in Indonesia consists of counterpart equivalent in value to the cost of (a) the commodity element of the Technical Cooperation program, and (b) the supplemental commodity support provided by special assistance for malaria control and police training projects. P.L. 480, Title I, Section 104(g) proceeds accruing from the sale of surplus agricultural commodities to Indonesia, under an agreement signed in March 1956, constitutes an additional potential source of local currency.

Counterpart cash balances (in millions of dollar equivalent computed on the basis of data presented in Table IV) at the end of the following fiscal years are: 1957 (actual), 18.4; 1958 (estimated), 18.7; 1959 (estimated), 16.5. As of June 30, 1957, a total of \$50.5 million equivalent of P.L. 480 sales proceeds were deposited, and an additional \$26.9 million is expected to be deposited for Section 104(g) purposes by the end of FY 1958.

Planned Uses: Counterpart in Indonesia is used to meet the local currency costs of Technical Cooperation projects and of the malaria control and police training projects, financed in part with Special Assistance funds. In addition, counterpart is used to support approved projects which do not require dollar assistance. **Counterpart commitments for these purposes, in millions of dollar equivalent, are as follows: FY 1957, 1.5; FY 1958, 6.7; FY 1959, 8.5.** Activities financed with these local currency funds are shown in Table V.

Relationship of MSP Dollar Appropriations: The U.S. aid programs are designed to help Indonesia maintain its independence and encourage favorable attitudes toward the West. They are not planned to meet external or internal gaps in Indonesian resources. Assistance is extended to help eliminate deficiencies in technical skills, expand basic facilities, lend encouragement to economic development and to meet Indonesia's most pressing health and security problems. Technicians and commodities required for this type of assistance are not available in Indonesia and must be supplied from external sources. Available local currency funds, therefore, can not be substituted for the proposed dollar assistance.

Special Factors Affecting Utilization: In the earlier years of the Indonesia program, the Government in effect sterilized the counterpart funds as they accumulated in order to offset inflationary pressures. In more recent years, the Government has been reluctant to authorize the release of such funds for project use in amounts exceeding current deposits. As a result, accumulated balances are being drawn down very slowly.

The P.L. 480 sales proceeds remain unused because agreement has not yet been reached on the loan terms. Should these funds be made available, it is expected that the total \$77.4 million equivalent will be used for the local costs of economic development projects, including the Sumatra highway and the diesel electric power plants which are to be financed with the \$15 million line of credit provided to Indonesia in FY 1957 and continued available in FY 1958.

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

SALES AGREEMENT BY FISCAL YEAR		Foreign Currency Reserved for U.S. Uses	Foreign Currency Administered by Ex-Im Bank (Cooley Amend.)	FOREIGN CURRENCY TO BE ADMINISTERED BY MSP AGENCIES				
Fiscal Year in Which Sales Agreement Signed	Total Value of Sales			Sec. 104c	Sec. 104d	Sec. 104e	Sec. 104g	Total Administered by MSP Agencies
FY 1955 Actual	-	-						
FY 1956 Actual	98,700	21,300					77,400	77,400
FY 1957 Actual	-	-					-	-
FY 1958 Estimate	-	-					-	-
FY 1959 Estimate	-	-					-	-
TOTAL	98,700	21,300					77,400	77,400

Country: INDONESIA

STATUS OF LOCAL CURRENCY FUNDS

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

TABLE IV

(In thousands of dollar equivalent)

Type of Programs Generating Local Currencies and its Utilization	ACTUAL FY 1957		ESTIMATE FY 1958			PROPOSED FY 1959	
	Cumulative Through 7/1/56	Net Change	Cumulative Through 6/30/57	Net Change	Cumulative Through 6/30/58	Net Change	Cumulative Through 6/30/59
<u>MSP U.S.-OWNED LOCAL CURRENCIES</u>							
Potential Generation from U.S. Dollar Program ..							
Deposits							
Obligations							
Expenditures							
<u>COUNTERPART ^{a/}</u>							
Potential Generation from U.S. Dollar Program ..	29,356	2,199	31,555	4,135	35,690	1,180	36,870
Deposits	24,664	2,562	27,226	4,329	31,555	4,135	35,690
Commitments	7,302	1,491	8,793	6,738	15,531	8,514	24,045
Expenditures	5,796	2,997	8,793	4,023	12,816	6,374	19,190
<u>P.L. 480 TITLE I, L.C. ADMINISTERED BY ICA ^{b/}</u>							
Potential Generation from U.S. Dollar Program ..	77,400	-	77,400	-	77,400	-	77,400
Deposits	-	50,542	50,542	26,858	77,400	-	77,400
Obligations	-	-	-	-	-	50,000	50,000
Expenditures	-	-	-	-	-	30,000	30,000
<u>OTHER LOCAL CURRENCY</u>							
Potential Generation from U.S. Dollar Program ..							
Deposits							
Commitments							
Expenditures							

^{a/} Dollar equivalents based on principal import rate, i.e., 25.1 rupiah per dollar.

^{b/} Dollar equivalents based on average collection rate, i.e., 11.76 rupiah per dollar.

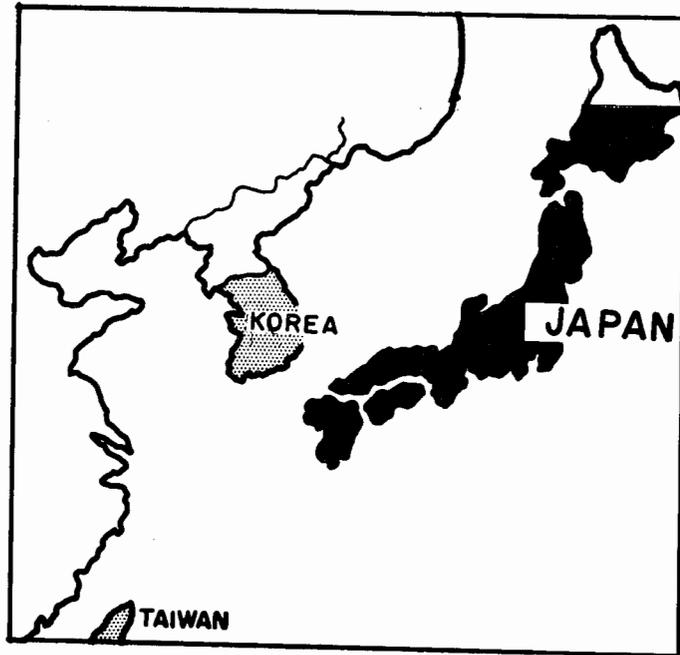
Country: INDONESIA

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

TABLE V

PURPOSE AND ACTIVITY	FY 1957			FY 1958			FY 1959		
	MSP Source	P.L. 480 Title I Adm. by ICA	Other Sources	MSP Source	P.L. 480 Title I Adm. by ICA	Other Sources	MSP Source	P.L. 480 Title I Adm. by ICA	Other Sources
MILITARY PURPOSES									
Projects									
Budget Support									
Military Procurement									
Total Military Purposes									
ECONOMIC PURPOSES									
Project Assistance by Field of Activity									
Agriculture	548			3,642			3,870		
Industry and Mining	-			-			230		
Transportation	-			-			-		
Labor	-			-			-		
Health and Sanitation	442			2,276			3,190		
Education	387			456			680		
Public Administration	114			364			455		
Community Development, Social Welfare and Housing	-			-			-		
General and Miscellaneous	-			-			89		
Total	1,491			6,738			8,514	50,000	
Budget Support (Not Elsewhere Classified) ..	-			-			-		
Total Economic Purposes	1,491			6,738			8,514		
Procurement for Third Country	XXX			XXX			XXX		
TOTAL ALL PURPOSES	1,491			6,738			8,514	50,000	

JAPAN



ECONOMIC TRENDS

	Unit	Calendar Years			
		1954	1955	1956	1957Est.
GROSS NATIONAL PRODUCT					
Total GNP (In 1955 Prices)	\$ Millions	20,150	21,880	23,660	24,840
Per Capita GNP	Dollars	229	246	263	274
PRODUCTION					
Agricul. Prod. Index ^a	1935-39=100	109	134	126	132
Per Capita Index	"	86	104	97	101
Industrial Prod. Index	1953=100	108	117	142	160
Electric Power	Billion KWH	59.6	65.2	73.6	87.0
FOREIGN TRADE					
Total Exports (f.o.b).....	\$ Millions	1,629	2,011	2,501	2,760
Cotton Fabrics	"	252	230	267	300
Iron and Steel	"	167	260	224	190
Total Imports (c.i.f).....	"	2,399	2,471	3,230	4,340
Trade Balance	"	-770	-460	-729	-1,580
FOREIGN EXCHANGE RESERVES....	\$ Millions	1,130	1,471	1,646	1,075
(end of year)					
COST OF LIVING INDEX	1953=100	106	105	106	108

BASIC DATA

Population	91 million
Annual Growth	1 percent
Agricultural Land	18% of area
Agri. Land per Capita	0.2 acres
Literacy Rate	95 percent

	JAPAN	U.S.
Life Expectancy (Years).....	66	70
Inhabitants per Physician ..	1,000	760
Road Miles per 1,000 sq.mi..	610	1,020
Electric Power per Capita... (KWH per year)	960	4,070

CENTRAL GOVERNMENT FINANCES

Country Fiscal Year Ending - March 31	- \$ Millions -		
	1956	1957(Budget)	1958(Budget)
Total Expenditures.....	3,517	3,569	3,955
Revenues, excl. receipts of U.S. Grant Aid....	2,815	2,843	3,183
Deficit or Surplus before U.S. Grant Aid....	-702	-726	-772
Budgetary Receipts from U.S. Grant Aid.....	7	-	-
Budgetary Receipts from U.S. Loans.....	59	49	n.a.
DEFENSE EXPENDITURES			
Total Defense Expenditures.....	386	408	450
As percent of Total Gov't Expenditures.....	11%	11%	11%
As percent of Gross National Product.....	2%	2%	2%
TOTAL DEBT (gross)			
As percent of GNP.....	2,694	n.a.	n.a.
Foreign Debt.....	12%		
	247		

n.a. - Not Available

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

Country JAPAN

MUTUAL SECURITY PROGRAM

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

U.S. Interests:

With its advanced industrialization, competent technology and disciplined people, Japan is potentially our strongest ally in the Far East. It is, accordingly, important that Japan remain firmly aligned with the Free World. From a military standpoint, its geographic location is highly strategic. However, Japan is not strong militarily and there is some political and economic appeal to the Japanese for a looser alignment. Japan has joined with the U. S. in a Mutual Defense Assistance Agreement.

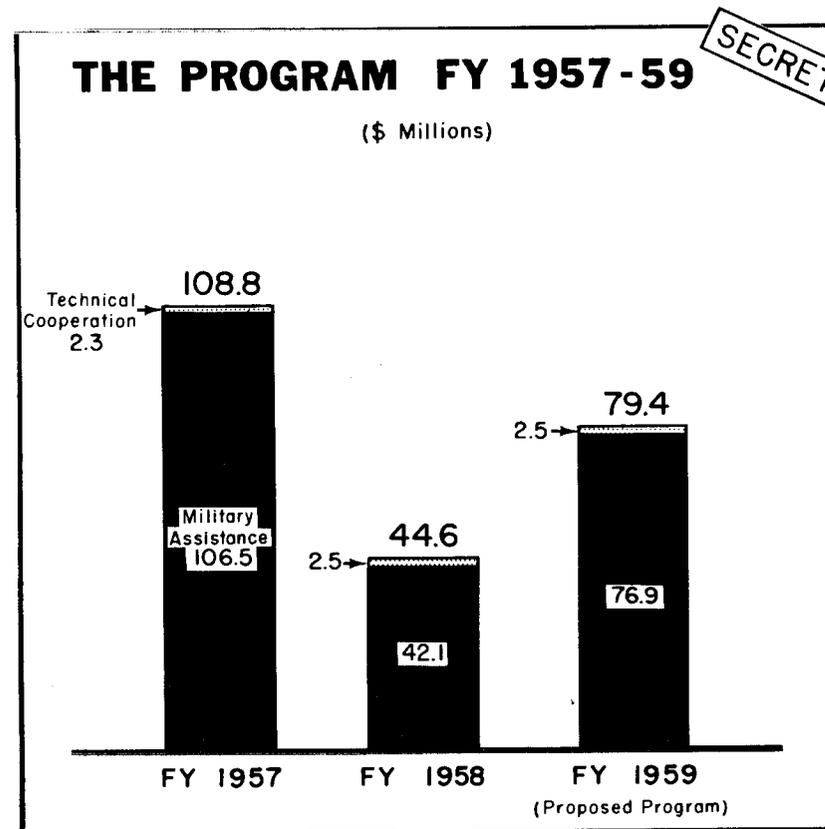
Preservation of the availability in Japan of naval and air bases and a logistic center, needed not only for Japan's protection but to back up the front line in Korea, Taiwan, and the former Indochina States, is a major United States interest.

The United States interest is served also by Japan's weight as a psychological counterpoise in Asia. Its great industry is a symbol of free enterprise; its free institutions and democracy encourage wavering countries to side with the Free World.

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

Japan's continuing contribution to Free World trade is of great value to the United States. It is our second largest customer (at times the largest for agricultural products) and fifth largest supplier. It is imperative to Japan's continued pro-Western orientation that it find reliable and adequate Free World sources of food and raw materials and markets, including a reasonable share of the United States' market.

Japan's contribution to the economic development of Asian and other underdeveloped countries is of growing importance. Having restored its own economy, Japan is now moving gradually in the direction of supplying both capital and technical know-how to interested Southeast Asian countries. In this manner Japan can facilitate the industrialization and agricultural modernization of Asian countries, contributing to improvement of their living standards and to their political stability. Such economic development also will enable these nations to become better customers both of the United States and of Japan, and will increase their ability to contribute to their own defense and that of the Free World.



Obligations and Expenditures \$ in thousands			
MILITARY ASSISTANCE	PROGRAMMED	DEL./EXP.	UNLIQUIDATED
Cumulative 6/30/57	466,979	237,847	229,132
Estimate F.Y. 1958	42,120	102,025	XXX
Cumulative 6/30/58	509,099	339,872	169,227
ECONOMIC ASSISTANCE	OBLIGATIONS	EXPENDITURES	UNLIQUIDATED
Cumulative 6/30/57	14,410	12,380	2,030
Estimate F.Y. 1958	2,500	1,760	XXX
Cumulative 6/30/58	16,910	14,140	2,770

Japan

SECRET
MILITARY ASSISTANCE

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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			
Country Total	\$106,455	\$42,120	-	\$76,917	\$102,025	\$339,872	\$169,227
Aircraft, Components, Spares & Related Equip.	\$ 23,436	\$ 8,754	-	\$21,781	\$ 63,827	\$191,378	\$ 60,540
F-86D	-	-	60	\$15,833	60	60	-
F-86F	-	-	-	-	-	180	-
JRB	7	-	1	\$ 66	33	33	-
P2V-7	-	-	-	-	6	14	2
S2F	30	-	3	\$ 1,609	23	26	34
SNJ-4/5	29	-	-	-	27	51	2
T-6G	-	-	-	-	29	160	-
F-86F Ship Sets	-	-	-	-	32	180	-
T-33 Ship Sets	-	-	-	-	32	180	-
Ships and Harbor Craft, Components and Spares	\$ 22,760	\$ 1,227	-	\$ 8,373	\$ 318	\$ 22,115	\$ 23,881
Coastal Minesweeper (MSC)	-	2	-	-	-	11	2
Destroyer (DD) (Including Activation)	2	-	2	-	-	2	2
Aircraft Rescue Vessel (AVR)	-	8	2	\$ 276	-	-	8
Harbor Tug Boat (YTL)	-	-	5	\$ 1,400	1	8	-
Destroyer Escort	-	-	-	-	-	2	-
Landing Ship Medium (LSM)	-	-	-	-	1	1	-
Submarine (SS)	-	-	-	-	-	1	-
Submarine Rescue Vessel (ASR) (Activation)	-	-	1	\$ 5,038	-	-	-
Tanks, Other Vehicles, Weapons, Comp. & Spares	\$ 43,386	\$ 3,572	-	\$13,001	\$ 21,847	\$ 55,199	\$ 30,369
Tank, Light, M24, M41	64	-	-	-	29	59	30
Tractor, HB, 18 Ton, M4 Series	6	-	-	-	21	36	-
Howitzer, 105mm M2 A1, w/carriage or mount	27	-	-	-	-	144	-
Gun, 40mm (Twin)	-	2	-	-	-	15	2
Mount, 3"/50 Twin RF	4	3	6	\$ 1,170	4	4	3
Gun, Machine, Cal..30 (all models)	143	73	-	-	7	15,140	66
Special Artillery	-	-	-	\$10,000	-	-	-
Japanese Procured Support Vehicles	9,165	-	-	-	-	-	9,165
Ammunition	\$ 3,681	\$ 5,653	-	\$ 3	\$ 1,266	\$ 12,608	\$ 8,956
Cartridge, 40mm (all types) (M Rds)	179	-	-	-	-	75	179
Shell, 3"/50 (all types) (M Rds)	36	-	-	-	-	13	36
Electronics & Comm. Equipment, Comp. & Spares	\$ 4,767	\$16,158	-	\$27,868	\$ 5,955	\$ 16,421	\$ 36,304
AN/FPS-3 Radar	-	-	15	\$ 5,759	-	-	5
AN/FPS-6 Height Finder Radar	-	-	12	\$ 2,016	-	-	2
AN/GPA-57 Radar	-	-	7	\$ 2,604	-	-	-
AN/TRC-35 Radio Terminal	-	-	44	\$ 1,262	-	-	-
Other Materiel	\$ 1,710	\$ 1,613	-	\$ 3,251	\$ 4,590	\$ 11,588	\$ 4,845
Construction	-	-	-	-	-	\$ 8,245	-
Training	\$ 4,400	\$ 3,927	-	\$ 2,640	\$ 2,458	\$ 15,195	\$ 2,221
All Other	\$ 2,315	\$ 1,216	-	-	\$ 1,764	\$ 7,123	\$ 2,111

SECRET

Japan

SECRET MILITARY ASSISTANCE

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and must not be divulged to
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Objectives of Military Assistance:

- (a) Continue development of the military potential of Japan's armed forces to protect the US investment already made.
- (b) Encourage development of Japanese armed forces in an orderly and rapid manner toward achievement of the Japanese three-year plan in order to permit withdrawal of US combat forces from Japan.
- (c) Assist in organizing, training, and equipping Japanese forces capable of maintaining internal security and assisting in defense against external aggression.

Major Combat Forces:

Strategic Objectives

8 Divs, 4 Combat Brig.
4 Hawk Bns, 8 Nike Bns.
277 Naval Vessels
179 Naval ASW Patrol a/c
1 Terrier Battery
30 Air Squadrons

MAP Supported

6 Divs, 4 Combat Brig.
4 Hawk Bns, 8 Nike Bns.
48 Naval Vessels
179 Naval ASW Patrol a/c
1 Terrier Battery
12 Air Squadrons

Active Military Strength: 190,780

MAP Accomplishments: MAP has provided the encouragement and assistance necessary for Japan to undertake the development of defense forces under Japanese sovereignty and control. It has enabled Japan to assume responsibility for ground defense, to begin the development of a sea defense force, to begin the production of modern air defense aircraft and to plan for the eventual transfer of responsibility for air defense from the US to Japan.

Appraisal of Forces:

Ground Self Defense Forces (GSDF): Capable of maintaining internal security and conducting limited defensive operations.

Maritime Self Defense Forces (MSDF): A good potential for expansion is being developed. It has some capability for the escort of coastal convoys and has a good minesweeping capability. The P2V-7 ASW squadron is capable of escort assistance and ASW warfare.

Air Self Defense Forces (ASDF): The tactical capability of the ASDF continues to increase. A training system has been firmly established and provides training for personnel in practically all required skills.

Factors affecting effectiveness of forces include: public reluctance to support an adequate defense program, limited maneuver area for ground forces, budgetary limitations on training and operations, and the lack of competent and experienced high

PROGRAMS (In Thousands Dollars)	FY 1957	FY 1958	Proposed FY 1959
Country Programs	106,455	42,120	76,917
Portion Special Materiel Program	(16,489)	(57,810)	(59,735)
Total	(122,944)	(99,930)	(136,652)

level commanders and staffs.

Country Contribution: .2% of total population in armed forces;
11% of total budget for military;
2% of GNP for military;
Implementation of a new three year plan to train and maintain a 190,780 man army, 107,000 tons of naval shipping and 33 air squadrons;
Production of limited quantities of military hard goods.

Proposed FY 1959 Program Provides:

Army: Selected items of ordnance and communications equipment and continuation of training support.

Navy: Naval vessels with ship and ordnance components, electronics and communication equipment, miscellaneous training equipment and ASW aircraft components.

Air Force: All weather aircraft, components for continued production of fighter aircraft, communication and electronics equipment, rocket ordnance and training equipment.

A rebuild program to include ordnance engineer and communications equipment.

Miscellaneous Data: US excess stocks delivered at no charge through 30 June 1958: \$38.5 million (Est). Military sales through 30 June 1957: \$2.6 million.

MAAG Strength:	US Mil	US Civ	Local	Total
1957	284	42	0	326
1958	197	44	244	485

SECRET

Country: JAPAN

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

(In thousands of dollars)

MAJOR COST COMPONENT	ACTUAL FY 1957				ESTIMATE FY 1958				PROPOSED FY 1959		
	Total	DS or DA	Tech. Coop.	Other	Total	DS, DA or SA	Tech. Coop.	Other	Total	DS or SA	Tech. Coop.
PROJECT ASSISTANCE											
Technicians	116		116		200		200		215		215
Participants	1,133		1,133		1,300		1,300		1,270		1,270
Contractual Services	567		567		690		690		770		770
Supplies and Equipment	194		194		120		120		70		70
Contrib. to Coop. Services											
Other Costs	287		287		190		190		175		175
Total Project Assistance	2,297		2,297		2,500		2,500		2,500		2,500
NON-PROJECT ASSISTANCE											
Agric. Commodities Total											
Surplus											
Other											
Industrial Commodities Total											
Raw Materials and Fuels											
Machinery and Equipment											
Other Indus. Commodities											
Cash Transactions											
Other											
Total Non-Project Assistance											
TOTAL COUNTRY PROGRAMS	2,297		2,297		2,500		2,500		2,500		2,500
NUMBER OF PEOPLE											
Technicians (On duty close of year).	<u>25</u>		<u>25</u>		<u>34</u>		<u>34</u>		<u>24</u>		<u>24</u>
U.S. Employed	<u>15</u>		<u>15</u>		<u>19</u>		<u>19</u>		<u>14</u>		<u>14</u>
Contract	10		10		15		15		10		10
Participants (Programmed during year)	<u>676</u>		<u>676</u>		<u>795</u>		<u>795</u>		<u>827</u>		<u>827</u>
Non-Contract	<u>659</u>		<u>659</u>		<u>771</u>		<u>771</u>		<u>803</u>		<u>803</u>
Contract	17		17		24		24		24		24

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other material is unclassified.

Country JAPAN

TECHNICAL COOPERATION

Objectives of Technical Cooperation

- To help Japan provide reasonable living standards for its expanding population and maintain an adequate defense force, through assistance to a productivity program designed to bring about fundamental changes in Japanese industrial and agricultural practices which will improve its economic position.
- To stimulate favorable attitudes toward the United States and to strengthen private enterprise through the interchange of ideas on the technical level.

Accomplishments of Technical Cooperation

Initiated less than three years ago, the productivity program has already begun to have a discernible effect on the organization and practices of Japanese industry. Evidence includes improved labor relations, increased industrial research, the adoption of modern marketing practices, added interest in design, standardization and simplification, and the beginning of closer relations between university teaching and research and the productive segments of Japanese society.

Though difficult to measure statistically, the program is credited by Japanese leaders with material assistance in raising productivity and employment. Financial support for the program by Japanese business groups and the government has increased. The combined contributions from private and government sources have risen from \$629,000 yen equivalent provided in FY 1956, the first full year of the program, to \$3,135,000 yen equivalent budgeted for FY 1959.

Members of teams who have visited the U. S. under the program report that a more favorable attitude has developed toward the U. S. and toward the American system of free enterprise. Because it encourages the sharing of increased economic benefits among consumers, labor and management, the productivity program is becoming an effective force against Communist influence in Japan.

From April 1955, when the program began, through September 1957, about 880 participants were sent to the United States to visit and exchange ideas with officials and technicians of nearly 380 American companies and plants.

It is doubtful that a productivity program of this type could be made available to the people of Japan without U. S. participation, in view of Japan's shortage of dollar funds and

Summary of Program \$ in thousands

Function	Actual F.Y. 1957	Estimate F.Y. 1958	Proposed F.Y. 1959
Technical Cooperation	2,297	2,500	2,500

the lack of direct relations with U. S. private business and labor leaders who now give full cooperation and support to the program.

Major Problems

Although the Japanese economy has expanded impressively during the past three years, the gap between exports and imports has widened. While government measures to correct the serious balance of payments problem have been extensive, a net deficit of \$350 to \$400 million is anticipated for the Japanese fiscal year beginning April 1, 1957. Especially significant in this situation is Japan's chronic trade deficit with the United States, which in 1957 will exceed the \$520 million imbalance experienced in 1956. In recent years, Japan's trade deficit with the U. S. has been covered by earnings derived from U. S. military expenditures, but these special earnings will decrease materially with the scheduled withdrawal of U. S. troops.

Japan's balance of payment difficulties are symptomatic of its fundamental economic weakness. Japan must trade to live. With resources limited, any economic expansion sufficient to meet the needs of a rapidly growing population is attainable only by drawing on the world's resources by trade. A reduction in trade opportunities or inability to compete with other free countries would confront Japan with the prospect of unemployment, economic retrogression, and social upheaval. These conditions in turn would leave Japanese leaders with little alternative but to seek closer ties with the Sino-Soviet bloc, particularly mainland China.

Principal obstacles to expanding trade are the uncertainty of access to foreign markets and a productivity level which is generally so low that Japan's ability to compete in world markets is limited. There is little that Japan can do directly to end present restrictions on its access to markets, but it can improve its competitive position through higher quality, better design, product standardization, modern merchandising methods and lower prices, particularly for heavy industrial products.

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Country: JAPAN

TECHNICAL COOPERATION - Continued

The principal obstacles to change are the obsolete management attitudes and techniques of small business, which employs 73 percent of the labor force in manufacturing and produces an estimated 56 percent of the total industrial output. Further, the largest labor trade union federation, Sohyo, is dominated by leadership which is dedicated almost entirely to political rather than economic action and which has denounced the productivity program, although splinter elements of the federation are cooperative.

Proposed FY 1959 Program

The \$2.5 million Technical Cooperation program proposed for FY 1959 will continue to emphasize the various facets of the productivity program initiated in prior years, with no material changes from FY 1958 in amount, objectives, or project components. It will concentrate on modernization of attitudes and practices in industry and labor, the improvement of upland agriculture, and fostering university level education related to these fields. Three principal techniques will be employed:

- Japanese nationals will be sent to the United States to observe modern practices, to study our techniques, and to discuss and exchange opinions with U. S. business and labor leaders and

university faculty members, in such fields as mass production, merchandising, cost and quality control, management techniques, labor relations, food preservation, and basic research.

- U. S. technicians will be provided as requested by the Japanese to serve as short-term advisers, seminar leaders, and consultants on various aspects of productivity to Japanese business associations, industrial plants, universities, trade union groups, and government agencies.
- Demonstration activities will be continued, particularly grass-land development, industrial pilot studies and research, and university advisory services.

In addition, limited attention will be given to other activities initiated in FY 1957, in which the United States has a particular interest. Training will be provided to improve Japan's capacity to handle international air traffic, thus relieving the U. S. Far East Air Force of a responsibility which it assumed at the end of World War II, and which now requires the services of a considerable number of American military specialists. Selected Japanese technicians will be brought to the U. S. for training in the peaceful uses of atomic energy.

PROJECT ASSISTANCE BY FIELD OF ACTIVITY

(\$ in thousands)

FISCAL YEAR	TOTAL COST	AGRICULTURE AND NATURAL RESOURCES	INDUSTRY AND MINING	TRANSPORTATION	LABOR	HEALTH AND SANITATION	EDUCATION	PUBLIC ADMINISTRATION	COMMUNITY DEVELOP., SOCIAL WELFARE & HOUSING	GENERAL AND MISCELLANEOUS
Actual FY 1957	2,297	508	1,134	246	296			25		88
Estimate FY 1958	2,500	515	1,275	275	330					105
Proposed FY 1959	2,500	465	1,305	250	365					115

Country: JAPAN

ECONOMIC ASSISTANCE

DISTRIBUTION OF FY 1959 PROJECT ASSISTANCE

TABLE I

(In thousands of dollars and equivalent)

Function: TECHNICAL COOPERATION Projects	DIRECT U.S. DOLLAR COST - Proposed							Local Currency Cost - Proposed	
	Total	U.S. Technicians	Non-Contract Participants	Contracts	Commodities	Other Costs	Contributions to Cooperative Services	MSP includ. Counterpart	P. L. 480 Administered by ICA
<u>Agriculture and Natural Resources</u>	<u>465</u>	<u>20</u>	<u>175</u>	<u>195</u>	<u>50</u>	<u>25</u>			
Agriculture Productivity Teams	195	-	175	20	-	-			
Grassland Development Demonstrations	50	-	-	-	50	-			
Hokkaido University Affiliation	175	-	-	175	-	-			
Technical Support	45	20	-	-	-	25			
<u>Industry and Mining</u>	<u>1,305</u>	<u>30</u>	<u>670</u>	<u>530</u>	<u>15</u>	<u>60</u>			
Japan Productivity Center	960	-	670	255	15	20			
Waseda University Affiliation	200	-	-	200	-	-			
Keio University Affiliation	75	-	-	75	-	-			
Technical Support	70	30	-	-	-	40			
<u>Transportation</u>	<u>250</u>	<u>100</u>	<u>125</u>	-	<u>5</u>	<u>20</u>			
Japan Civil Aviation Bureau	225	95	125	-	5	-			
Technical Support	25	5	-	-	-	20			
<u>Labor</u>	<u>365</u>	<u>30</u>	<u>265</u>	<u>45</u>	-	<u>25</u>			
Japan Trade Unions	310	-	265	45	-	-			
Technical Support	55	30	-	-	-	25			
<u>General and Miscellaneous</u>	<u>115</u>	<u>35</u>	<u>35</u>	-	-	<u>45</u>			
Peaceful Uses of Atomic Energy	35	-	35	-	-	-			
Technical Support	80	35	-	-	-	45			
TOTAL - Technical Cooperation	<u>2,500</u>	<u>215</u>	<u>1,270</u>	<u>770</u>	<u>70</u>	<u>175</u>			

Country: JAPAN

LOCAL CURRENCY - Narrative

Availabilities: It is not anticipated that there will be any U.S.-generated local currency available for use in Japan during FY 1959. In accordance with agreements between Japan and the U.S. Section 550 local currency proceeds have been expended in support of the U.S. military assistance program with final expenditures planned by the end of FY 1958. The P.L. 480, Title I, local currency proceeds have been spent on economic development projects such as electric power and irrigation development and land

reclamation. Current planning anticipates final expenditures from this 1955 and 1956 program by the end of FY 1958.

The Japanese Government makes budgetary provision for meeting a part of local currency costs incurred in Japan for activities undertaken in connection with the Technical Cooperation program. Japanese industry and private persons participating in the program contribute the major portion of local currency costs.

(In thousands of dollars)

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

TABLE III
(Foreign Currency in thousands of dollar equivalent)

SALES AGREEMENT BY FISCAL YEAR		Foreign Currency Reserved for U.S. Uses	Foreign Currency Administered by Ex-Im Bank (Cooley Amend.)	FOREIGN CURRENCY TO BE ADMINISTERED BY MSP AGENCIES				
Fiscal Year in Which Sales Agreement Signed	Total Value of Sales			Sec. 104c	Sec. 104d	Sec. 104e	Sec. 104g	Total Administered by MSP Agencies
FY 1955 Actual	85,000	20,000			5,500 ^{a/}		59,500	65,000
FY 1956 Actual	65,800	11,021			5,429 ^{a/}		49,350	54,779
FY 1957 Actual								
FY 1958 Estimate								
FY 1959 Estimate								
TOTAL	150,800	31,021			10,929		108,850	119,779

^{a/} Includes Japanese yen in the equivalent of \$2,000 thousand FY 1955 program and \$1,270 thousand FY 1956 program transferred to the Department of the Army for Ryukyu Islands typhoon rehabilitation and relief.

Country: JAPAN

STATUS OF LOCAL CURRENCY FUNDS

TABLE IV

(In thousands of dollar equivalent)

Type of Programs Generating Local Currencies and its Utilization	ACTUAL FY 1957			ESTIMATE FY 1958		PROPOSED FY 1959	
	Cumulative Through 7/1/56	Net Change	Cumulative Through 6/30/57	Net Change	Cumulative Through 6/30/58	Net Change	Cumulative Through 6/30/59
<u>MSP U.S.-OWNED LOCAL CURRENCIES^{a/}</u>							
Potential Generation from U.S. Dollar Program . .	47,087	-	47,087	-	47,087	-	47,087
Deposits	47,087	-	47,087	-	47,087	-	47,087
Obligations	27,163	19,860	47,023	64	47,087	-	47,087
Expenditures	23,557	7,939	31,496	15,591	47,087	-	47,087
<u>COUNTERPART</u>							
Potential Generation from U.S. Dollar Program . .							
Deposits							
Commitments							
Expenditures							
<u>P.L. 480 TITLE I, L.C. ADMINISTERED BY ICA^{b/}</u>							
Potential Generation from U.S. Dollar Program . .	116,509		116,509	-	116,509	-	116,509
Deposits	57,686	40,893	98,579	17,930	116,509	-	116,509
Obligations	57,540	39,225	96,765	19,744	116,509	-	116,509
Expenditures	57,540	39,225	96,765	19,744	116,509	-	116,509
<u>OTHER LOCAL CURRENCY</u>							
Potential Generation from U.S. Dollar Program . .							
Deposits							
Commitments							
Expenditures							

^{a/} Section 550, including transfer to the Department of Defense.^{b/} Excludes the yen equivalent of \$2,000 thousand FY 1955 104(d) program and \$1,270 thousand FY 1956 104(d) program transferred to the Department of the Army for Ryukyu Islands typhoon rehabilitation and relief.

Country: JAPAN

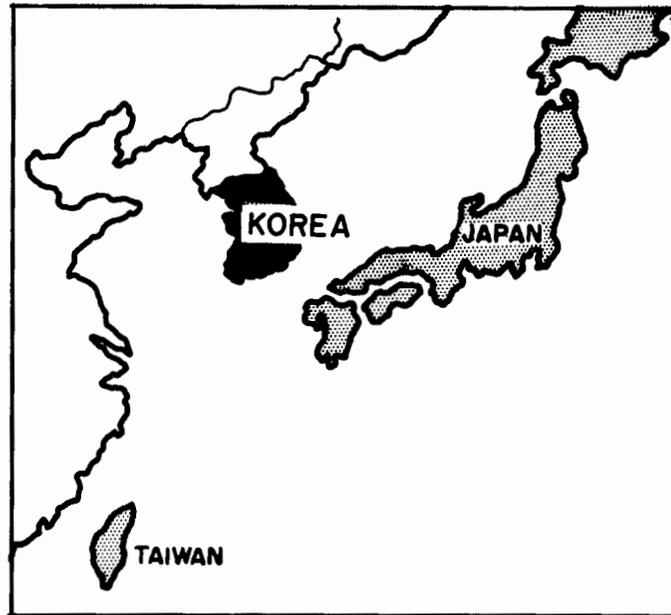
**SUMMARY OF LOCAL CURRENCY PROGRAM ADMINISTERED BY ICA
BY PURPOSE AND FIELD OF ACTIVITY
Obligations or Commitments by Fiscal Year
(In thousands of dollar equivalent)**

TABLE V

PURPOSE AND ACTIVITY	FY 1957			FY 1958			FY 1959		
	MSP Source	P.L. 480 Title I Adm. by ICA	Other Sources	MSP Source	P.L. 480 Title I Adm. by ICA	Other Sources	MSP Source	P.L. 480 Title I Adm. by ICA	Other Sources
<u>MILITARY PURPOSES</u>									
Projects									
Budget Support									
Military Procurement									
Total Military Purposes									
<u>ECONOMIC PURPOSES</u>									
<u>Project Assistance by Field of Activity</u>									
Agriculture		8,359			4,150				
Industry and Mining		22,833			9,994				
Transportation									
Labor									
Health and Sanitation									
Education									
Public Administration									
Community Development, Social Welfare and Housing									
General and Miscellaneous		8,033			5,600				
Total		39,225			19,744				
Budget Support (Not Elsewhere Classified) ..		-			-				
Total Economic Purposes		39,225			19,744				
Procurement for Third Country	XXX	-		XXX	-		XXX		
TOTAL ALL PURPOSES		39,225			19,744				

KOREA

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ECONOMIC TRENDS

	Unit	Calendar Years			
		1954	1955	1956	1957 Est.
GROSS NATIONAL PRODUCT *					
Total GNP (In 1955 Prices)	\$ Millions.	2,090	2,150	2,200	2,500
Per Capita GNP	Dollars	100	100	101	113
PRODUCTION					
Agricul. Prod. Index ^a	1935-39=100	112	109	91	109
Per Capita Index	"	82	80	66	79
Cotton cloth	Mill. sq. yds.	115	121	146	167
Electric Power	Mill. KWH	900	880	1,120	1,300
FOREIGN TRADE					
Total Exports (f.o.b)	\$ Millions	24	18	25	23
Tungsten	"	11	5	10	6
Graphite	"	1	2	2	3
Total Imports (c.i.f)	"	248	328	389	440
Trade Balance	"	-224	-310	-364	-417
FOREIGN EXCHANGE RESERVES	\$ Millions	108	96	99	106
(end of year)					
COST OF LIVING INDEX	1953=100	135	229	285	350

BASIC DATA

Population	22 million
Annual Growth	1.8 percent
Agricultural Land	23% of area
Agri. Land per Capita	0.2 acres
Literacy Rate	65 percent

	KOREA	U.S.
Life Expectancy (Years)	47	70
Inhabitants per Physician ..	3,400	760
Road Miles per 1,000 sq. mi. ..	240	1,020
Electric Power per Capita ... (KWH per year)	59	4,070

CENTRAL GOVERNMENT FINANCES *

Country Fiscal Year Ending -	- \$ Millions -		
	Apr. 1, 1954- June 30, 1955	July 1, 1955- Dec. 31, 1956	Jan. 1, 1957- Dec. 31, 1957 ^b
Total Expenditures	285	605	633
Revenues, excl. receipts of U.S. Grant Aid	154	340	377
Deficit or Surplus before U.S. Grant Aid	-131	-265	-276
Budgetary Receipts from U.S. Grant Aid	61	205	224
Budgetary Receipts from U.S. Loans	-	-	-
DEFENSE EXPENDITURES			
Total Defense Expenditures	120	213	217
As percent of Total Gov't Expenditures	42%	35%	33%
As percent of Gross National Product	n.a.	n.a.	6%
TOTAL DEBT (gross)	138	354	n.a.
As percent of GNP	6%	13%	-
Foreign Debt	n.a.	88	n.a.

n.a. - Not Available a - Crops harvested in crop-year beginning in year stated.
b - Budget *Converted into dollars at the rate of 500 hwan per dollar.

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Country KOREA

MUTUAL SECURITY PROGRAM

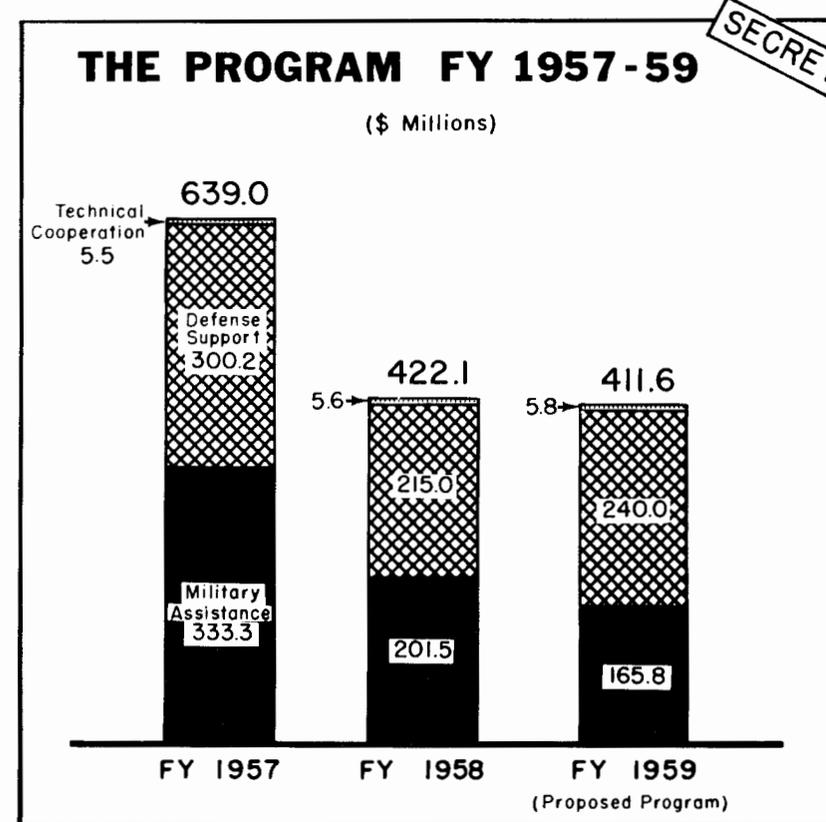
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U.S. Interests: The long-term U.S. objective is to achieve a political settlement and the peaceful unification of Korea under a free, democratic and representative government friendly to the U.S. Pending achievement of this objective, the U.S. seeks to preserve an independent government in the Republic of Korea and to support the Armistice Agreement as the basis for maintenance of peace in the area.

Korea holds a strategic position in Northeast Asia, and its loss to the Free World would seriously damage U.S. interests everywhere. The Communists seek to obtain control of this area: they committed aggression in 1950 to achieve their objective and have opposed the peaceful unification of Korea except on a basis of capitulation to Communist control of all Korea. Although the armistice terminated hostilities in 1953, the Communists maintain an aggressive posture. They have a strong military position in north Korea and have strengthened their forces in violation of the Armistice Agreement.

The Republic of Korea is firmly allied with the U.S. and is strongly anti-Communist. It has signed a Mutual Defense Assistance Agreement. Without U.S. assistance, the Republic of Korea would be unable to resist Communist pressures and to maintain its independence. An effective military force must be maintained in Korea as a deterrent to a renewal of Communist aggression and to resist aggression should it occur. Effective Korean forces contribute to the defense of the Republic of Korea and to Free World strength in the Pacific area.

U.S. assistance is required to help support the ROK military establishment, to maintain basic economic stability and a standard of living essential for sustained civilian support of the defense effort, and to enlarge Korea's productive capacity in order to permit further gradual reduction of ROK dependence on U.S. aid.



Obligations and Expenditures \$ in thousands			
MILITARY ASSISTANCE	PROGRAMMED	DEL./EXP.	UNLIQUIDATED
Cumulative 6/30/57	777,986	459,850	318,136
Estimate F.Y. 1958	201,548	240,404	XXX
Cumulative 6/30/58	979,534	700,254	279,280
ECONOMIC ASSISTANCE	OBLIGATIONS	EXPENDITURES	UNLIQUIDATED
Cumulative 6/30/57	1,211,974	895,314	316,660
Estimate F.Y. 1958	220,600	279,060	XXX
Cumulative 6/30/58	1,432,574	1,174,374	258,200

Korea

SECRET
MILITARY ASSISTANCE

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and must not be divulged to
unauthorized individuals. All
other material is unclassified.*

Major Components by Category (all values in thousands of dollars)	Annual Programs				Del./Exp. F.Y. 1950-58 Programs		
	Quantity and Value		Proposed F.Y. 1959		Estimate F.Y. 1958	Cumulative June 30, 1958	F.Y. 1959 and Later
	F.Y. 1957	F.Y. 1958	Quantity	Value			
Country Total	\$333,301	\$201,548	-	\$165,844	\$240,404	\$700,254	\$279,280
Aircraft, Components, Spares & Related Equip.	\$ 113	\$ 18,127	-	\$ 1,096	\$ 11,276	\$ 45,204	\$ 21,963
F-86F	-	75	-	-	27	112	75
B-19	-	-	-	-	2	2	-
RF-86F	-	-	-	-	10	10	-
T-33	-	-	-	-	1	26	9
Ships and Harbor Craft, Components and Spares	\$ 676	\$ 8,211	-	\$ 5,979	\$ 391	\$ 22,785	\$ 8,297
Coastal Minesweeper (MSC)	-	3	-	-	-	3	3
Coastal Minesweeper (MSC) (Overhaul)	-	-	10	\$ 2,000	-	-	-
Landing Craft Medium (LCM)	-	1	2	\$ 88	-	10	1
Landing Craft Vehicle Personnel (LCVP)	-	2	6	\$ 138	-	24	2
Landing Ship Medium (LSM)	-	-	4	\$ 2,576	-	12	-
Landing Ship Transport (LST)	-	4	-	-	-	4	4
Ocean Escort (OE)	-	-	-	-	-	2	-
Submarine Chaser (PC) (Overhaul)	-	-	3	\$ 600	-	-	-
Tanks, Other Vehicles, Weapons, Comp. & Spares	\$ 8,103	\$ 15,029	-	\$ 8,791	\$ 10,535	\$122,652	\$ 19,374
Tank, Medium, 76mm, Gun M4 Series	41	-	-	-	41	49	-
Trailer, Fuel Servicing F-7	-	-	2	\$ 31	27	27	31
Truck, 2 1/2 Ton, 6x6, Cargo (all models)	-	-	69	\$ 492	1,577	4,106	-
Truck, 2 1/2 Ton, 6x6, Dump (all models)	-	-	7	\$ 36	-	-	-
Truck, 4-5-6 Ton, 6x6, Wrecker	32	-	11	\$ 228	32	60	-
Gun, Machine, Cal..30 (all models)	1,116	-	-	-	351	2,727	-
Mortar, 4.2" w/mount (all models)	50	-	-	-	50	155	-
Mortar, 81mm (all models)	110	-	-	-	63	398	32
Rifle, 75mm, Recoilless	50	-	-	-	-	140	-
Carbine, Cal..30 (all models)	11,702	-	-	-	5,851	32,422	-
Rifle, US, Cal..30, M1 Series	2,268	-	-	-	-	48,882	-
Ammunition	\$104,615	\$ 28,268	-	\$ 19,536	\$ 55,602	\$139,555	\$ 45,978
Cartridge, 20mm (all types) (M Rds)	194	132	181	\$ 253	-	-	326
Cartridge, 40mm (all types) (M Rds)	138	38	80	\$ 508	62	164	113
Cartridge, Cal..30 (all types) (M Rds)	667,823	175,863	40,629	\$ 3,318	193,897	788,215	237,602
Cartridge, HE, 105mm, How (all types)(M Rds)	338	211	116	\$ 3,728	431	616	197
Cartridge, Fix., HE, w/f, PD, 90mm Gun (M Rds)	20	10	10	\$ 374	20	26	14
Electronics & Comm. Equipment, Comp. & Spares	\$ 17,154	\$ 4,210	-	\$ 15,605	\$ 18,579	\$ 33,809	\$ 12,147
SCR-300 (AN/PRC-10) Radio	1,003	-	205	\$ 104	1,003	1,413	-
TC-10 Telephone Central Office Set	-	-	11	\$ 393	-	-	-
WDL-TT Wire MX 306	-	-	107,652	\$ 7,536	-	-	-
Other Materiel	\$187,590	\$107,922	-	\$ 82,862	\$128,602	\$296,127	\$158,408
Construction	\$ 7,139	\$ 8,084	-	\$ 23,998	\$ 8,405	\$ 9,327	\$ 6,484
Training	\$ 4,873	\$ 5,771	-	\$ 7,527	\$ 5,342	\$ 28,071	\$ 1,375
All Other	\$ 3,038	\$ 5,926	-	\$ 450	\$ 1,672	\$ 2,724	\$ 5,254

SECRET

Korea

SECRET MILITARY ASSISTANCE

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

Objectives of Military Assistance: Continued assistance in organizing, training and equipping the Republic of Korea military forces in order to provide effective forces capable of maintaining internal security and of repelling aggression by any country other than a major power.

Emphasis will be placed on building up the air defense capability of the ROKAF and the mine countermeasure capability of the ROKN to a state of readiness equal to that already attained by the ground forces.

Major Combat Forces:

Strategic Objectives

16 Active, 12 Res. Inf. Divs.
1 Marine Div.
75 Naval Vessels
11 Air Squadrons

MAP Supported

*18 Active, 10 Res. Inf. Div
1 Marine Div.
57 Naval Vessels
9 Air Squadrons

Active Military Strength: 673,470 (Incl. 40,000 Nat. Police)

* Actions to reduce ROK Forces to this level from the present 20 active division base are being taken as a result of discussions with the ROK Government begun in June 1957. Reductions in ROK personnel already have been made pending conclusion of these discussions.

MAP Accomplishments: Through the MAP the US has assisted in the development of sizeable ROK defense forces. This would not have been possible without US assistance nor can these forces be maintained without continued US support. These forces are essential for the security of the ROK and, in addition, contribute to free world strength in the Far East.

The negotiations which are in progress to achieve a reduction in ROK ground forces will, it is hoped, eventually reduce the requirements for US support. The US must be guided, of course, in this matter by the security requirements in the area in view of the continued threat posed by Communist forces in north Korea. The Communist side, through violations of the reinforcement provisions of the Armistice Agreement, has destroyed the relative military balance this agreement intended to preserve. Appropriate actions are being taken, as announced by the United Nations Command on June 21, 1957, to restore this balance.

Appraisal of Forces:

Army: Capable of accomplishing its mission of maintaining internal security and resisting aggression by the north Koreans alone. However, its capability to conduct sustained defensive action against such aggression or to meet a Communist attack not

PROGRAMS (In Thousands Dollars)	FY 1957	FY 1958	Proposed FY 1959
Country Programs	333,301	201,548	165,844
Portion Special Materiel Program	(60,859)	(103,787)	(43,124)
Total	(394,160)	(305,335)	(208,968)

limited to north Korean forces would require extensive training, logistical and air support.

Navy: Improving in effectiveness as a result of emphasis on training in the maintenance and operation of the vessels and equipment on hand. The patrol forces are considered adequate, but the mine-warfare forces while effective against moored mines, are only partially effective against influence mines. The ROK Marine Corps' amphibious capability is rated as good.

Air Force: Considered capable of accomplishing its limited mission in support of the Army. Because of the Communist air buildup in north Korea, however, the ROK must depend on continued USAF support for its defense.

Country Contribution: 3% of total population in armed forces
33% of total budget for military
6% of GNP for military

Proposed FY 1959 Program Provides:

Army: Construction equipment and materials; modernization of communication equipment; training ammunition; maintenance and training support. Additional housing program for MAAG personnel in Korea.

Navy: Modernization and replacement of landing craft and vessels; ammunition, spare parts and POL.

Air Force: Maintenance and training support of existing units and limited construction.

Miscellaneous Data: US excess stocks delivered at no charge through 30 June 1958: \$22.7 million (Est). Military sales through 30 June 1957: \$.3 million.

MAAG Strength:	US Mil	US Civ	Local	Total
1957	1724	83	698	2505
1958	1859	69	804	2732

SECRET

Country: KOREA

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

*Shaded areas are Security classified
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(In thousands of dollars)

MAJOR COST COMPONENT	ACTUAL FY 1957				ESTIMATE FY 1958				PROPOSED FY 1959		
	Total	DS	Tech. Coop.	Other	Total	DS	Tech. Coop.	Other	Total	DS	Tech. Coop.
PROJECT ASSISTANCE											
Technicians	2,528	1,820	708		3,294	1,603	1,691		3,530	2,025	1,505
Participants	1,445	358	1,087		1,437	115	1,322		1,510	555	955
Contractual Services	6,478	4,430	2,048		4,342	2,716	1,626		8,360	5,980	2,380
Supplies and Equipment	91,845	90,328	1,517		30,374	29,713	661		41,475	40,830	645
Contrib. to Coop. Services	969	847	122		1,153	853	300		925	610	315
Other Costs											
Total Project Assistance	103,265	97,783	5,482		40,600	35,000	5,600		55,800	50,000	5,800
NON-PROJECT ASSISTANCE											
Agric. Commodities Total	103,850	103,850			99,000	99,000			91,000	91,000	
Surplus	45,470	45,470			47,500	47,500			40,000	40,000	
Other	58,380	58,380			51,500	51,500			51,000	51,000	
Industrial Commodities Total	95,150	95,150			81,000	81,000			99,000	99,000	
Raw Materials and Fuels	77,942	77,942			67,110	67,110			81,100	81,100	
Machinery and Equipment	10,983	10,983			9,190	9,190			13,200	13,200	
Other Indus. Commodities	6,225	6,225			4,700	4,700			4,700	4,700	
Cash Transactions	-	-			-	-			-	-	
Other	-	-			-	-			-	-	
Total Non-Project Assistance	199,000	199,000			180,000	180,000			190,000	190,000	
TOTAL COUNTRY PROGRAMS	305,665	300,183^{a/}	5,482		220,600	215,000	5,600		245,800	240,000^{a/}	5,800
NUMBER OF PEOPLE											
Technicians (On duty close of year)	437	339	98		576	299	277		553	351	202
U.S. Employed	223	161	62		254	124	130		239	137	102
Contract	214	178	36		322	175	147		314	214	100
Participants (Programmed during year)	357	72	285		293	22	271		322	22	300
Non-Contract	299	72	227		272	22	250		286	22	264
Contract	58	-	58		21	-	21		36	-	36

^{a/} Includes \$3.4 million allocated to Dept. of Defense in FY 1957 for construction of dependent housing for ICA personnel. Approximately \$1.2 million additional may be required to complete this project. Should this materialize, the project will be financed from funds made available for Korea in FY 1959.

Country KOREA

ECONOMIC ASSISTANCE

Objectives of Economic Assistance

- To help Korea maintain military forces capable of repelling other than a major external attack, through local currency support of its defense budget.
- To assist in maintaining the pre-Korean War standard of living for the country's growing population and combat serious inflationary pressures, through imports of foodstuffs, raw materials, fuels, and other essential supplies to meet requirements beyond Korea's own production capacity and foreign exchange resources.
- To enable Korea to provide a larger share of its essential military and civilian needs, by providing assistance helping to increase the productivity of the Korean economy, gradually expand its production base, and improve government facilities and services and their administration.
- To help overcome the severe shortage of technical, managerial, professional and administrative skills, through technical assistance and increased training.

Accomplishments of Economic Assistance

With the help of substantial U. S. financial support of the Korean military budget, Korea's large armed forces, consisting of 21 active and 10 reserve divisions, have been built up to a state of readiness and efficiency permitting the withdrawal of all but two U. S. divisions. The effectiveness of the Korean forces has been greatly increased through the reconstruction and improvement of strategic transportation and communications facilities.

Substantial price stability was achieved in 1957, after years of rampant inflation. This resulted from a combination of factors, notably improved operation of the aid program, including increased collections from the sale of aid goods, adoption of a more conservative fiscal and monetary policy, and a bountiful rice crop as well as other increases in domestic production.

The 1949-50 consumption level for Korea's sharply increased population has been restored, except in housing, through reconstruction of the Korean economy and imports of fertilizer, fuels and other essential producer and consumer goods, including U. S. surplus foods and fibers.

Summary of Program \$ in thousands

Function	Actual F.Y. 1957	Estimate F.Y. 1958	Proposed F.Y. 1959
Defense Support	300,183	215,000	240,000
Technical Cooperation	5,482	5,600	5,800
Total	305,665	220,600	245,800

Korea's war-shattered economy has been largely restored and a beginning made toward expansion of its productive facilities. Specific accomplishments during 1957 include: a major shift from high cost coal to low ton-mile cost Diesel operation of Korea's strategic rail system; restoration of the Hwachon Dam, Korea's largest power source; expansion of power output to a level three times that of 1938, when South Korea depended heavily on power facilities in the north; and a continued rise in anthracite coal production to ten times that of 1938.

Due to these and other increases in production made possible by U. S. aid, notably in cotton textiles and rice, Korea's per capita production in 1957 exceeded that of 1956 by 12 percent, after having remained constant during the preceding 3 years. This growth in domestic production helped achieve price stability, despite a reduction in new aid funds in FY 1957.

The training of increased numbers of Korean participants and the greater use of American advisers have contributed to increased efficiency in Korean Government operations.

Major Problems

Korea's agricultural and industrial output is still far from adequate to meet the needs of the present large military effort and the consumption requirements of the greatly increased population. Korean exports in 1957 paid for only 5 percent of the country's total imports in that year.

Known natural resources, including arable land, are scarce. Availability of agricultural land per person, which averages one-fifth of an acre, is among the lowest in the Far East. Centuries of intensive use of the land have impoverished the soil. Known deposits of minerals, except for tungsten and low-grade coal, are generally small. There is no petroleum. Even before the war, South Korea was largely dependent on the north

for forest products, and such forest resources as did exist are now even more seriously depleted.

Although it increased during 1957, per capita national income in Korea is still among the lowest in the Far East. This low income level restricts the capacity of the people to save and to finance needed investment.

Conditions are still not attractive for foreign private investment, nor has Korea yet been extended loans from the Export-Import Bank and the IBRD. The country is not yet at peace; only an armistice line separates the opposing armies. Years of inflation, heavy dependence on U. S. aid, lack of repayment capacity due to the paucity of export earnings, and the general political situation are other significant reasons for Korea's failure to attract foreign capital.

Inflation remains a potential serious threat, due to the heavy spending required for Korea's extraordinary defense and reconstruction efforts.

Existing political, social and economic institutions, traditions and policies (including the low state of private enterprise), which are the outgrowth of long seclusion, foreign rule, and subsequent violent upheaval and dislocations, retard progress toward the solution of Korea's manifold economic problems.

Korea's economic progress is inhibited by an inadequate supply of managerial, professional, technical and administrative personnel.

Proposed FY 1959 Program

The economic assistance proposed for FY 1959 is designed to enable Korea to continue the maintenance of required military forces and its civilian economy, without a recurrence of serious inflation, and gradually to increase productive capacity to provide more of its military and civilian requirements.

Defense Support (\$240 million)

Non-Project Aid: \$190 million of non-project funds, together with anticipated FY 1959 P.L. 480 sales of \$47 million, will be required to provide the commodities Korea must import, beyond those it can finance with its own foreign exchange

earnings, to maintain essential production and consumption levels as well as to combat persistent inflationary pressures. Hwan obtained from the sale of these commodities will be used to finance approximately half of the Korean military budget and to help defray the local currency costs of U. S. aid projects.

Commodities proposed for financing with Defense Support funds (in millions of \$) are: fertilizer - 56; cotton - 30; other surplus agricultural commodities - 10; fuels - 33.5; chemicals, pulp and paper - 21; iron and steel materials, electrical and other machinery and equipment - 15.5; and a variety of other products - 30.

Project Aid: \$50 million is proposed for project assistance in FY 1959. These funds will provide the equipment, supplies and services required to continue to strengthen Korea's productive base, and improve government facilities and services, in order to maintain and gradually increase the nation's present limited ability to meet its large military and civilian needs. A substantial part of the investment proposed for FY 1959 will serve merely to maintain per capita consumption levels of the Korean population, which is increasing at the rate of 1.8 percent a year. Other elements will help diversify and strengthen Korea's economy to encourage investment by both foreign and domestic private enterprise. Resulting production increases can be expected gradually to reduce the heavy financial responsibility of the U. S. and at the same time increase Korea's self-reliance and prestige.

Reconstruction of the Korean economy has substantially increased its capacity to absorb new investment, but low production and income levels limit its capacity to repay loans from its own resources. It is hoped, however, that the investment projects in past programs and those proposed for FY 1959 will help Korea reach the point where it can rely increasingly on the Development Loan Fund and other public and private capital sources for its investment needs for productive enterprise.

The specific objectives of the projects proposed for financing with FY 1959 Defense Support funds and their estimated cost (in millions of \$) are:

- To improve and diversify the agricultural production base (irrigation, reforestation and fertilizer demonstrations to improve land and water use - 3.4, fisheries development - 0.5);

Country: KOREA

ECONOMIC ASSISTANCE - Continued

- To explore and develop coal and other mineral resources - 4.0;
- To further increase required electric power production (thermal power expansion - 8.0; power system improvement - 1.7);
- To import machinery and equipment for construction and expansion of small and medium-size, privately-owned industrial plants, against payment in local currency - 4.8;
- To provide American management and training of Korean personnel to operate the fertilizer plant now nearing completion - 1.5;
- To continue rehabilitation and improvement of the transportation network directly supporting the military effort (highways and bridges - 2.7; ports and harbors - 0.8; railway construction, diesel locomotives and other rolling stock - 9.2);
- To improve basic education, and health and housing facilities needed to sustain civilian morale (sanitary facilities, drainage, waterworks - 1.2; vocational education, teacher training - 1.0; housing construction materials - 2.6; Armed Forces Aid to Korea (AFAK) - 1.0;

- To continue the modernization of the Korean National Police - 1.6; and
- Technical Support, advisory services, and a limited number of smaller projects - 6.0.

Technical Cooperation (\$5.8 million)

The Technical Cooperation funds proposed for FY 1959 are required to continue the important effort of helping Korea overcome the critical shortage of administrative, technical, professional and managerial skills, and utilize effectively the aid furnished by the U. S.

The largest single bloc of funds in the proposed program will be devoted to education. Emphasis will be placed on vocational education, improvement of teacher training, and support of education in business and public administration. Advisory services for the Industrial Development Center, initiated in FY 1958, will be continued. Substantial amounts also will be devoted to the support of continuing projects in agricultural extension and research, training in communications, and improvement of fiscal administration, statistical operations, and information services of the Korean Government.

PROJECT ASSISTANCE BY FIELD OF ACTIVITY

(\$ in thousands)

FISCAL YEAR	TOTAL COST	AGRICULTURE AND NATURAL RESOURCES	INDUSTRY AND MINING	TRANSPORTATION	LABOR	HEALTH AND SANITATION	EDUCATION	PUBLIC ADMINISTRATION	COMMUNITY DEVELOP., SOCIAL WELFARE & HOUSING	GENERAL AND MISCELLANEOUS
<u>ACTUAL FY 1957</u>										
Defense Support	97,783 ^{a/}	7,346	28,453	41,951		5,208	4,100	1,273	8,190	1,262
Technical Cooperation	5,482	1,018	692	130		319	1,802	729	290	502
Total	103,265	8,364	29,145	42,081		5,527	5,902	2,002	8,480	1,764
<u>ESTIMATE FY 1958</u>										
Defense Support	35,000	2,749	10,844	9,079		2,720	2,349	1,330	5,345	584
Technical Cooperation	5,600	866	975	169		462	867	641	567	1,053
Total	40,600	3,615	11,819	9,248		3,182	3,216	1,971	5,912	1,637
<u>PROPOSED FY 1959</u>										
Defense Support	50,000	4,585	20,755	13,530		1,775	1,500	1,580	5,145	1,130
Technical Cooperation	5,800	710	960	80		405	1,570	675	635	765
Total	55,800	5,295	21,715	13,610		2,180	3,070	2,255	5,780	1,895

^{a/} Includes \$3.4 million allocated to Department of Defense in FY 1957 for construction of dependent housing for ICA personnel.

Country: KOREA

ECONOMIC ASSISTANCE

DISTRIBUTION OF FY 1959 PROJECT ASSISTANCE

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TABLE I
Page 1 of 3

(In thousands of dollars and equivalent)

Function: DEFENSE SUPPORT Projects	DIRECT U.S. DOLLAR COST - Proposed							Local Currency Cost - Proposed	
	Total	U.S. Technicians	Non-Contract Participants	Contracts	Commodities	Other Costs	Contributions to Cooperative Services	MSP includ. Counterpart	P. L. 480 Administered by ICA
<u>Agriculture and Natural Resources</u>	<u>4,585</u>	<u>385</u>	<u>160</u>	-	<u>3,925</u>	<u>115</u>		<u>26,400</u>	
Land and Water Use	2,770	100	40	-	2,630	-		22,400	
Crop and Soil Improvement	670	25	30	-	615	-		2,000	
Crop Disease, Insect and Pest Control	300	30	25	-	245	-		400	
Fisheries Development	510	120	65	-	325	-		1,600	
Technical Support	335	110	-	-	110	115		-	
<u>Industry and Mining</u>	<u>20,755</u>	<u>435</u>	<u>130</u>	5,400	<u>14,650</u>	<u>140</u>		<u>19,800</u>	
Coal Mine Development	2,000	-	-	400	1,600	-		3,600	
Development Metals and Minerals Other Than Coal	2,000	-	-	100	1,900	-		1,000	
Thermal Electric Generating Plant	8,000	15	-	2,600	5,385	-		3,000	
Rehabilitation and Construction of Over-All Transmission and Distribution System	1,000	-	-	200	800	-		1,500	
Rehabilitation of Yongwol and Tangin-ri Thermal Plants	500	-	-	100	400	-		1,400	
Power System Operations Improvement	205	75	130	-	-	-		-	
Management Training Fertilizer Plant	1,500	-	-	1,500	-	-		300	
Medium Industry Development	2,780	-	-	500	2,280	-		4,500	
Small Industry Development	2,000	-	-	-	2,000	-		4,500	
Technical Support	770	345	-	-	285	140		-	
<u>Transportation</u>	<u>13,530</u>	<u>655</u>	<u>40</u>	-	<u>12,630</u>	<u>205</u>		<u>10,020</u>	
Highway and Bridge Construction and Rehabilitation	2,665	90	25	-	2,550	-		5,000	
Railway Rolling Stock	3,000	-	-	-	3,000	-		-	
KNR Support	180	165	15	-	-	-		-	
Diesel Locomotives	4,600	-	-	-	4,600	-		20	

Country: KOREA

ECONOMIC ASSISTANCE

DISTRIBUTION OF FY 1959 PROJECT ASSISTANCE

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TABLE I
Page 2 of 3

(In thousands of dollars and equivalent)

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	Total	U.S. Technicians	Non-Contract Participants	Contracts	Commodities	Other Costs	Contributions to Cooperative Services	MSP incl. Counterpart	P. L. 480 Administered by ICA
<u>Transportation (continued)</u>									
Railway Construction	1,455	-	-	-	1,455	-	-	2,970	
Port and Harbor Rehabilitation	800	165	-	-	635	-	-	600	
Civil Aviation Operations Improvement	200	-	-	-	200	-	-	400	
Other	-	-	-	-	-	-	-	1,030	
Technical Support	630	235	-	-	190	205	-	-	
<u>Health and Sanitation</u>	<u>1,775</u>	<u>70</u>	<u>95</u>	<u>80</u>	<u>1,530</u>	-	-	<u>3,495</u>	
Disease Control	510	25	50	-	435	-	-	120	
Construction of Wells and Sanitary Facilities	530	20	10	80	420	-	-	400	
City Drainage Improvement	210	10	10	-	190	-	-	750	
Waterworks Rehabilitation	415	15	15	-	385	-	-	1,500	
Public Health Facilities Improvement	110	-	10	-	100	-	-	725	
<u>Education</u>	<u>1,500</u>	<u>30</u>	-	-	<u>1,470</u>	-	-	<u>4,200</u>	
Vocational Education	500	-	-	-	500	-	-	400	
Secondary Education	200	15	-	-	185	-	-	800	
Improvement Teacher Training	500	-	-	-	500	-	-	2,000	
Higher Education	300	15	-	-	285	-	-	1,000	
<u>Public Administration</u>	<u>1,580</u>	<u>75</u>	<u>65</u>	-	<u>1,440</u>	-	-	<u>5</u>	
National Police Modernization	1,580	75	65	-	1,440	-	-	5	
<u>Community Development, Social Welfare and Housing</u>	<u>5,145</u>	<u>55</u>	<u>65</u>	-	<u>5,025</u>	-	-	<u>11,580</u>	
Community Development	300	-	-	-	300	-	-	580	
Voluntary Agencies Support	700	-	-	-	700	-	-	2,400	
Housing Construction Materials	2,600	-	20	-	2,580	-	-	8,000	
Housing Research and Development	145	55	45	-	45	-	-	200	
Development of Domestic Building Materials Plants	400	-	-	-	400	-	-	400	
AFAK	1,000	-	-	-	1,000	-	-	-	

Country: KOREA

ECONOMIC ASSISTANCE

DISTRIBUTION OF FY 1959 PROJECT ASSISTANCE

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TABLE I
Page 3 of 3

(In thousands of dollars and equivalent)

Function: DEFENSE SUPPORT Projects	DIRECT U.S. DOLLAR COST - Proposed							Local Currency Cost - Proposed	
	Total	U.S. Technicians	Non-Contract Participants	Contracts	Commodities	Other Costs	Contributions to Cooperative Services	MSP incl. Counterpart	P. L. 480 Administered by ICA
<u>General and Miscellaneous</u>	<u>1,130</u>	<u>320</u>	-	<u>500</u>	<u>160</u>	<u>150</u>		<u>250</u>	
General Engineering Advisory Services (SH&G)	550	-	-	500	50	-		250	
Technical Support	580	320	-	-	110	150		-	
Total Defense Support	50,000	2,025	555	5,980	40,830	610		75,750	

Country: KOREA

ECONOMIC ASSISTANCE

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TABLE I

Page 1 of 2

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Function: TECHNICAL COOPERATION Projects	DIRECT U.S. DOLLAR COST - Proposed						Local Currency Cost - Proposed		
	Total	U.S. Technicians	Non-Contract Participants	Contracts	Commodities	Other Costs	Contributions to Cooperative Services	MSP includ. Counterpart	P. L. 480 Administered by ICA
<u>Agriculture and Natural Resources</u>	<u>710</u>	<u>345</u>	<u>170</u>	-	<u>160</u>	<u>35</u>		<u>2,660</u>	
Agricultural Research and Extension Development	405	240	90	-	75	-		2,000	
Livestock Improvement	70	30	25	-	15	-		-	
Agricultural Cooperatives and Rural Credit Development	85	45	25	-	15	-		-	
Agricultural Statistics Improvement	35	15	15	-	5	-		-	
Agricultural Engineering Development	35	15	15	-	5	-		-	
Other	-	-	-	-	-	-		660	
Technical Support	80	-	-	-	45	35		-	
<u>Industry and Mining</u>	<u>960</u>	<u>150</u>	<u>255</u>	<u>455</u>	<u>85</u>	<u>15</u>		<u>100</u>	
Mining and Geologic Training	75	30	25	20	-	-		10	
Communications Technical Improvement	345	15	30	250	50	-		25	
Korea Handicrafts	125	-	-	125	-	-		15	
Industrial Development Center	380	105	200	60	15	-		50	
Technical Support	35	-	-	-	20	15		-	
<u>Transportation</u>	<u>80</u>	<u>40</u>	<u>40</u>	-	-	-		-	
Marine Transportation Improvement	20	-	20	-	-	-		-	
Civil Aviation Operations Improvement	60	40	20	-	-	-		-	
<u>Health and Sanitation</u>	<u>405</u>	<u>110</u>	<u>65</u>	<u>65</u>	<u>120</u>	<u>45</u>		<u>40</u>	
Nursing Education	175	45	30	65	35	-		-	
Seoul National University Dental College Improvement	25	-	25	-	-	-		-	
Health Education	80	15	10	-	55	-		-	
Other	-	-	-	-	-	-		40	
Technical Support	125	50	-	-	30	45		-	

Country: KOREA

ECONOMIC ASSISTANCE

DISTRIBUTION OF FY 1959 PROJECT ASSISTANCE

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TABLE I

Page 2 of 2

(In thousands of dollars and equivalent)

Function: TECHNICAL COOPERATION	DIRECT U.S. DOLLAR COST - Proposed							Local Currency Cost - Proposed	
	Total	U.S. Technicians	Non-Contract Participants	Contracts	Commodities	Other Costs	Contributions to Cooperative Services	MSP includ. Counterpart	P. L. 480 Administered by ICA
<u>Education</u>	<u>1,570</u>	<u>200</u>	<u>130</u>	<u>1,155</u>	<u>40</u>	<u>45</u>		<u>600</u>	
Vocational Education	250	120	130	-	-	-		-	
Improvement Teacher Training	570	20	-	550	-	-		600	
Public Administration Education	165	-	-	165	-	-		-	
Business Administration Education	440	-	-	440	-	-		-	
Technical Support	145	60	-	-	40	45		-	
<u>Public Administration</u>	<u>675</u>	<u>225</u>	<u>145</u>	<u>245</u>	<u>25</u>	<u>35</u>		<u>50</u>	
Improvement Government Management and Personnel Administration	165	90	70	-	5	-		-	
Public Administration Survey	50	-	-	50	-	-		-	
Improvement Government Fiscal Management and Statistics	330	60	75	195	-	-		50	
Technical Support	130	75	-	-	20	35		-	
<u>Community Development, Social Welfare and Housing</u>	<u>635</u>	<u>165</u>	<u>115</u>	<u>200</u>	<u>110</u>	<u>45</u>		<u>1,280</u>	
Resettlement and Assimilation	20	15	5	-	-	-		200	
Community Development	260	15	90	115	40	-		490	
Welfare Institutions Improvement	155	15	20	85	35	-		590	
Technical Support	200	120	-	-	35	45		-	
<u>General and Miscellaneous</u>	<u>765</u>	<u>270</u>	<u>35</u>	<u>260</u>	<u>105</u>	<u>95</u>		<u>1,770</u>	
Improvement of Technical Information Services	325	40	25	210	50	-		80	
Demonstration Audio-Visual Center	80	-	10	50	20	-		1,690	
Technical Support	360	230	-	-	35	95		-	
Total Technical Cooperation	<u>5,800</u>	<u>1,505</u>	<u>955</u>	<u>2,380</u>	<u>645</u>	<u>315</u>		<u>6,500</u>	
GRAND TOTAL	55,800	3,530	1,510	8,360	41,475	925		82,250	

Country: KOREA

ECONOMIC ASSISTANCE
COMPOSITION OF NON-PROJECT ASSISTANCE

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TABLE II
Page 1 of 2

(In thousands of dollars)

Commodities and Other	PROGRAM		
	Actual FY 1957	Estimate FY 1958	Proposed FY 1959
<u>Surplus Agricultural Commodities</u>	<u>45,470</u>	<u>47,500</u>	<u>40,000</u>
Bread Grains	19,380	6,000	7,000
Coarse Grains	12,475	2,000	-
Raw Cotton	11,000	30,000	30,000
Fats and Oils	1,615	1,500	2,000
Hides and Skins	1,000	500	1,000
Sales to other countries for benefit of this country	-	7,500	-
<u>Food, Feed and Fertilizer</u>	<u>58,380</u>	<u>51,500</u>	<u>51,000</u>
Fertilizer	52,280	50,000	50,000
Sugar	6,000	1,500	1,000
Other	100	-	-
<u>Fuel</u>	<u>23,800</u>	<u>32,500</u>	<u>33,500</u>
Coal and Related Fuels	4,840	14,500	12,000
Petroleum and Petroleum Products	18,960	18,000	21,500
<u>Raw Materials and Semifinished Products</u>	<u>54,142</u>	<u>34,610</u>	<u>47,600</u>
Fabricated Basic Textiles	11,975	9,000	9,000
Iron and Steel Mill Materials	5,487	6,470	7,380
Chemicals and Related Products	12,386	13,000	16,150
Miscellaneous Fiber Products (Wool Tops)	6,330	1,000	3,000
Nonmetallic Minerals	4,092	816	808
Pulp and Paper	7,309	3,950	5,000
Other	6,563	374	6,262
<u>Machinery and Vehicles</u>	<u>10,983</u>	<u>9,190</u>	<u>13,200</u>
Electrical Apparatus	1,097	1,100	1,550
Machinery and Equipment	9,487	8,090	10,650
Motor Vehicles, Engines and Spare Parts	200	-	1,000
Other	199	-	-

Country: KOREA

ECONOMIC ASSISTANCE
COMPOSITION OF NON-PROJECT ASSISTANCE

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TABLE II
Page 2 of 2

(In thousands of dollars)

Commodities and Other	PROGRAM		
	Actual FY 1957	Estimate FY 1958	Proposed FY 1959
<u>Miscellaneous and Unclassified</u>	6,225	4,700	4,700
Scientific and Professional Instruments	1,100	1,000	1,000
Rubber and Rubber Products	4,590	3,500	3,500
Other	535	200	200
Total Commodity Program	199,000	180,000	190,000
<u>Cash Grants</u>	-	-	-
<u>Other</u>	-	-	-
TOTAL NON-PROJECT ASSISTANCE	199,000	180,000	190,000

Country: KOREA

LOCAL CURRENCY - Narrative

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

Availabilities: U.S.-generated local currencies available for ICA programming in Korea are: (a) Counterpart equivalent in value to the cost of all goods and services supplied under the Economic Assistance programs, except surplus agricultural commodities sold to Korea; (b) MSP U.S.-owned local currency derived from the sale of surplus agricultural commodities under Section 402; and (c) P.L. 480, Title I, Section 104(c) local currency, likewise accruing from sales of agricultural commodities.

Local currency cash balances from these sources (in millions of U.S. dollar equivalent computed on the basis of data presented in Table IV) at the end of the following fiscal years are: 1957 (actual), 130.4; 1958 (estimated), 141.6; 1959 (estimated), 140.2.

Planned Uses: The Korean military establishment is the principal beneficiary of expenditures of the above local currency funds. Without U.S. financial support for its defense budget, Korea could not maintain its forces. This support is provided through the allocation of U.S.-owned MSP and P.L. 480 local currencies, supplemented by such amounts of counterpart as may be required. The remaining counterpart is available for economic purposes of the aid program.

Local currency commitments and obligations, in millions of dollar equivalent, for the fiscal years 1957 through 1959 are as follows: Military budget support - 65.8, 122.6, 110.0; Economic projects - 90.1, 95.4, 82.3. The low military commitments in FY 1957 reflect a concentration of U.S. budget support in the second half of the Korean fiscal year, which corresponds to the first half of U.S. FY 1958. Activities for which local currency funds are to be used are set forth in Table V.

Relationship to MSP Dollar Appropriations: The essential problem of Korea is the inadequacy of internal and external resources necessary to maintain national existence. The U.S. supplements Korean resources through economic assistance. The aid program is planned to close the external gap; the local currencies it generates help to close the gap in internal resources. Since Korea's foreign exchange resources are inadequate to finance minimum essential imports of capital goods and services, and of the commodities required for production and consumption purposes, local currency availabilities can not be substituted for dollar assistance made available under the aid program.

Special Factors Affecting Utilization: Since the close of World War II the Korean economy has been subjected to substantial inflationary pressures. To meet the problems created by such pressures, large imports of aid commodities have been required during a relatively short period of time. As a result, available counterpart balances increased by the end of December, 1957 to a total of \$127 million equivalent, of which \$72 million was expressly sterilized. Withdrawal of these funds from circulation was one of the principal factors contributing to the unprecedented price stability achieved in Korea during 1957, for the first time in recent years.

Price stabilization has been achieved in Korea at a substantial cost to the U.S. and utilization, therefore, of local currency balances in Korea will have to be most cautious and gradual in order to avoid the possibility of renewing an intolerable inflation. As part of the plan to control inflation and in order to avoid excessive government deficit financing, that portion of counterpart deposits which exceeds actual sales proceeds collections is not available for programming.

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

TABLE III

(In thousands of dollars)

(Foreign Currency in thousands of dollar equivalent)

SALES AGREEMENT BY FISCAL YEAR		Foreign Currency Reserved for U.S. Uses	Foreign Currency Administered by Ex-Im Bank (Cooley Amend.)	FOREIGN CURRENCY TO BE ADMINISTERED BY MSP AGENCIES				
Fiscal Year in Which Sales Agreement Signed	Total Value of Sales			Sec. 104c	Sec. 104d	Sec. 104e	Sec. 104g	Total Administered by MSP Agencies
FY 1955 Actual	14,841	8,841	-	6,000				6,000
FY 1956 Actual	48,130	4,840	-	43,290				43,290
FY 1957 Actual	18,900	2,700	-	16,200				16,200
FY 1958 Estimate	48,000	4,800	2,000	41,200				41,200
FY 1959 Estimate	47,000	4,700	2,000	40,300				40,300
TOTAL	176,871	25,881	4,000	146,990				146,990

Country: KOREA

STATUS OF LOCAL CURRENCY FUNDS

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TABLE IV

(In thousands of dollar equivalent)

Type of Programs Generating Local Currencies and its Utilization	ACTUAL FY 1957		ESTIMATE FY 1958		PROPOSED FY 1959		
	Cumulative Through 7/1/56	Net Change	Cumulative Through 6/30/57	Net Change	Cumulative Through 6/30/58	Net Change	Cumulative Through 6/30/59
<u>MSP U.S.-OWNED LOCAL CURRENCIES</u>							
Potential Generation from U.S. Dollar Program ..	73,116	45,470	118,586	40,000	158,586	40,000	198,586
Deposits	33,179	61,170	94,349	52,560	146,909	42,000	188,909
Obligations	32,609	48,555	81,164	62,110	143,274	44,634	187,908
Expenditures	32,609	48,555	81,164	62,110	143,274	44,634	187,908
<u>COUNTERPART ^{a/}</u>							
Potential Generation from U.S. Dollar Program ..	328,069	157,972	486,041	138,100	624,141	148,250	772,391
Deposits	191,802	180,616	372,418	163,960	536,378	139,950	676,328
Commitments	338,292	102,341	440,633	95,420	536,053	97,516	633,569
Expenditures	160,773	122,785	283,558	132,910	416,468	125,515	541,983
<u>P.L. 480 TITLE I, L.C. ADMINISTERED BY ICA</u>							
Potential Generation from U.S. Dollar Program ..	49,290	16,200	65,490	41,200	106,690	40,300	146,990
Deposits	6,000	33,398	39,398	50,142	89,540	36,950	126,490
Obligations	6,000	5,000	11,000	60,490	71,490	50,100	121,590
Expenditures	6,000	5,000	11,000	60,490	71,490	50,100	121,590
<u>OTHER LOCAL CURRENCY</u>							
Potential Generation from U.S. Dollar Program ..							
Deposits							
Commitments							
Expenditures							

^{a/} Excludes commensurate counterpart in excess of sales proceeds which, for anti-inflationary reasons are not available for programming purposes.

Country: KOREA

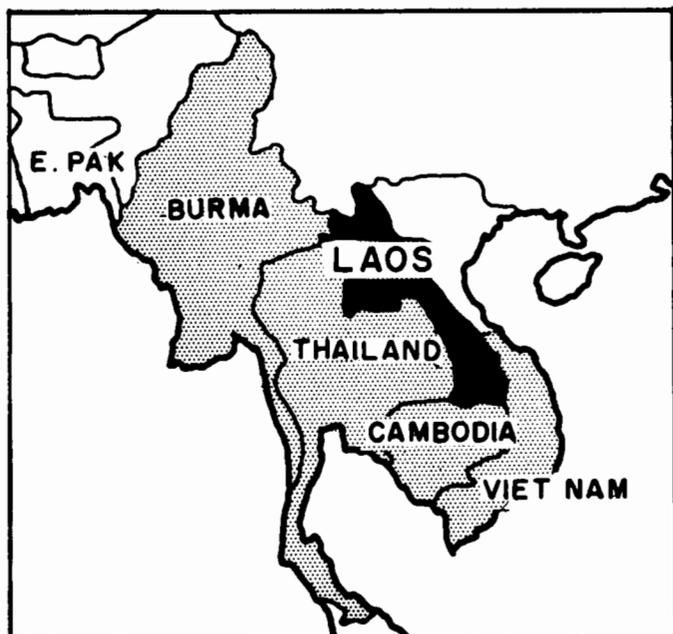
**SUMMARY OF LOCAL CURRENCY PROGRAM ADMINISTERED BY ICA
BY PURPOSE AND FIELD OF ACTIVITY**
Obligations or Commitments by Fiscal Year
(In thousands of dollar equivalent)

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TABLE V

PURPOSE AND ACTIVITY	FY 1957			FY 1958			FY 1959		
	MSP Source	P.L. 480 Title I Adm. by ICA	Other Sources	MSP Source	P.L. 480 Title I Adm. by ICA	Other Sources	MSP Source	P.L. 480 Title I Adm. by ICA	Other Sources
MILITARY PURPOSES									
Projects	-	-	-	-	-	-	-	-	-
Budget Support	60,826	5,000	-	62,110	60,490	-	59,900	50,100	-
Military Procurement	-	-	-	-	-	-	-	-	-
Total Military Purposes	60,826	5,000	-	62,110	60,490	-	59,900	50,100	-
ECONOMIC PURPOSES									
<u>Project Assistance by Field of Activity</u>									
Agriculture	30,410	-	-	45,200	-	-	29,060	-	-
Industry and Mining	17,194	-	-	12,235	-	-	19,900	-	-
Transportation	18,018	-	-	10,040	-	-	10,020	-	-
Labor	-	-	-	-	-	-	-	-	-
Health and Sanitation	10,038	-	-	5,440	-	-	3,535	-	-
Education	1,188	-	-	3,000	-	-	4,800	-	-
Public Administration	66	-	-	70	-	-	55	-	-
Community Development, Social Welfare and Housing	12,836	-	-	17,425	-	-	12,860	-	-
General and Miscellaneous	320	-	-	2,010	-	-	2,020	-	-
Total	90,070	-	-	95,420	-	-	82,250	-	-
Budget Support (Not Elsewhere Classified) ..	-	-	-	-	-	-	-	-	-
Total Economic Purposes	90,070	-	-	95,420	-	-	82,250	-	-
Procurement for Third Country	XXX	-	-	XXX	-	-	XXX	-	-
TOTAL ALL PURPOSES	150,896	5,000	-	157,530	60,490	-	142,150	50,100	-

LAOS



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ECONOMIC TRENDS

	Unit	Calendar Years			
		1954	1955	1956	1957 Est.
GROSS NATIONAL PRODUCT					
Total GNP (In 1955 Prices)	\$ Millions	NOT AVAILABLE			
Per Capita GNP	Dollars	NOT AVAILABLE			
PRODUCTION					
Rice ^a	1,000 MT	350	500	520	430
Tin (metal content)	"	0.1	0.3	0.2	0.4
Electric power	Mill. KWH	1.4	n.a.	2.2	3.0
FOREIGN TRADE					
Total Exports (f.o.b)	\$ Millions	1.0	2.1	3.0	3.0
Tin ore	"	0.1	0.3	0.4	0.5
Coffee	"	0.3	0.2	0.2	0.2
Total Imports (c.i.f)	"	16.1	18.9	35.3	35.0
Trade Balance	"	-15.1	-16.8	-32.3	-32.0
FOREIGN EXCHANGE RESERVES^b					
(end of year)	\$ Millions	7.4	33.0	45.0	42.0
COST OF LIVING (Vientiane)					
	1953=100	123	125	141	160

BASIC DATA

Population	2 million	
Annual Growth	n.a.	
Agricultural Land	6% of area	
Agri. Land per Capita	2.4 acres	
Literacy Rate	15 percent	
	LAOS	U.S.
Life Expectancy (Years)	30	70
Inhabitants per Physician	47,000	760
Road Miles per 1,000 sq.mi.	20	1,020
Electric Power per Capita (KWH per year)	1.5	4,070

CENTRAL GOVERNMENT FINANCES

Country Fiscal Year Ending - March 31	- \$ Millions -		
	1956	1957 (Budget)	1958 (Budget) ^c
Total Expenditures	47.2	54.8	63.5
Revenues, excl. receipts of U.S. Grant Aid	12.7	14.0	27.0
Deficit or Surplus before U.S. Grant Aid	-34.5	-40.8	-36.5
Budgetary Receipts from U.S. Grant Aid	35.7	37.8	30.8
Budgetary Receipts from U.S. Loans	-	-	-
DEFENSE EXPENDITURES			
Total Defense Expenditures	35.8	37.9	25.1
As percent of Total Gov't Expenditures	76%	69%	40%
As percent of Gross National Product	n.a.	n.a.	n.a.
TOTAL DEBT (gross)			
As percent of GNP	n.a.	n.a.	n.a.
Foreign Debt	n.a.	n.a.	n.a.

n.a. - Not Available

b - Central Bank only.

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

c - New fiscal year ending June 30.

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Country LAOS

MUTUAL SECURITY PROGRAM

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U.S. Interests:

Laos is an extremely vulnerable outpost of the Free World, since it shares more than 600 miles of its frontiers with Communist China and Communist North Vietnam. Its vulnerability to Communist penetration has been heightened by the formation of a coalition government with Pathet Lao participation.

The objective of U. S. assistance is to deny Laos to the Communist bloc and to insure that the Lao Government's chosen policy of neutrality remains oriented toward the west. It is vital to U. S. interests to assist in the protection of Laos' independence in order to maintain a buffer between the Communist world and the free states on Laos' borders. Withdrawal of U. S. assistance and diplomatic support would lead to eventual take-over by the Communists, giving them direct access to Thailand and Cambodia across a long indefensible frontier and permitting them to attack South Vietnam.

It is in U. S. interests that the Royal Lao Government, remain non-Communist, maintain its independence, consolidate its control throughout the country, neutralize Pathet Lao subversive capability, resist pressures for increased accommodation to the Communist bloc, and build a base for economic strength. It is essential to continue support of the Lao Army, because there is considerable danger that the formation of the coalition government will permit the Pathet Lao to engage in a country-wide penetration effort.

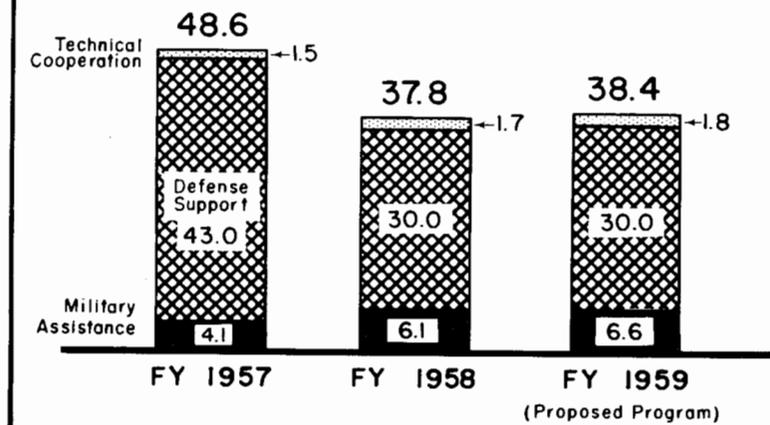
The fact that Laos thus far has remained independent may be ascribed to U. S. political, material and moral support. It is essential to U. S. interests that the resistance of this soft and politically unsophisticated nation to Communist enticements be stiffened and that the Royal Government, in the face of ostensible Communist friendliness, be convinced that its well-being lies in close cooperation with the Free World.

Laos is a little-developed area with one of the lowest income levels in the world. Some 95 percent of the people are engaged in subsistence agriculture and almost all manufactured products necessary to the economy must be imported. The United States has entered into a mutual defense assistance agreement for Indochina, applicable to Laos, and bears the entire cost of supporting the Lao Army. Almost all of Laos' imports are financed under the U. S. aid program.

THE PROGRAM FY 1957-59

(\$ Millions)

SECRET



Obligations and Expenditures \$ in thousands			
MILITARY ASSISTANCE	PROGRAMMED	DEL./EXP.	UNLIQUIDATED
Cumulative 6/30/57	36,516	30,171	6,345
Estimate F.Y. 1958	6,123	4,183	XXX
Cumulative 6/30/58	42,639	34,354	8,285
ECONOMIC ASSISTANCE	OBLIGATIONS	EXPENDITURES	UNLIQUIDATED
Cumulative 6/30/57	133,661	112,902	20,759
Estimate F.Y. 1958	31,700	33,674	XXX
Cumulative 6/30/58	165,361	146,576	18,785

Laos

SECRET
MILITARY ASSISTANCE

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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			
Country Total	\$4,112	\$6,123	-	\$6,613	\$4,183	\$24,354	\$8,285
Aircraft, Components, Spares & Related Equip. C-47	-	\$ 67	-	-	\$ 183	\$ 764	\$ 151
Ships and Harbor Craft, Components and Spares	-	\$ 118	-	-	1	6	-
Tanks, Other Vehicles, Weapons, Comp. & Spares	-	\$ 251	-	-	\$ 377	\$13,106	\$ 171
Tank, Light, M24, M41	-	-	-	-	-	5	-
Trailer, 1-1 1/2 Ton, 2 Wheel, Cargo	-	-	-	-	-	167	-
Truck, 1/4 Ton, 4x4 (all models)	-	-	-	-	-	507	-
Truck, 3/4 Ton, 4x4, Cargo (all models)	-	-	-	-	-	269	-
Truck, 2 1/2 Ton, 6x6, Cargo (all models)	-	-	-	-	-	699	-
Truck, 4-5-6 Ton, 6x6, Cargo (PM)	-	-	-	-	-	14	-
Truck, 4-5-6 Ton, 6x6, Wrecker	-	-	-	-	-	11	-
Howitzer, 105mm, M2 A1, w/carriage or mount	-	-	-	-	-	27	-
Mortar, 60mm (all models)	-	-	-	-	-	157	-
Mortar, 81mm (all models)	-	-	-	-	-	78	-
Rifle, 57mm, Recoilless	-	-	-	-	-	71	-
Carbine, Cal..30 (all models)	-	-	-	-	350	9,920	-
Rifle, U. S., Cal..30, M1 Series	-	-	-	-	-	10,699	-
Gun, Machine, Cal..30 (all models)	-	-	-	-	-	237	-
Ammunition	-	-	-	\$ 55	\$ 148	\$ 7,499	\$ 11
Cartridge, Cal..30 (all types) (M Rds)	-	-	-	-	300	18,355	-
Cartridge, HE (HEAT) 57mm Rifle (M Rds)	-	-	-	-	-	22	-
Cartridge, HE (HEAT) 75mm Rifle (M Rds)	-	-	-	-	9	17	-
Cartridge, HE, M1, w/f, 105mm How M2 (M Rds)	-	-	-	-	-	66	-
Cartridge, Cal..45 (all types) (M Rds)	-	-	2,703	-	-	-	-
Cartridge, HE, 60mm Mortar (M Rds)	-	-	-	-	-	130	-
Cartridge, HE, 81mm Mortar (M Rds)	-	-	-	-	-	86	-
Cartridge, HE, w/f PD, 4.2" Mortar (M Rds)	-	-	-	-	-	8	-
Rocket, HEAT, 2.36"	-	-	5,200	-	-	10,324	-
Rocket, HEAT, 3.5"	-	-	1,730	-	-	2,748	-
Electronics & Comm. Equipment, Comp. & Spares	-	-	-	\$ 4	\$ 25	\$ 2,733	-
SCR-694 (AN/GRC-9) Radio	-	-	-	-	-	237	-
Other Material	\$3,610	\$4,564	-	\$5,737	\$2,750	\$ 9,510	\$7,046
Construction	\$ 344	\$ 792	-	\$ 573	\$ 528	\$ 528	\$ 608
Training	\$ 16	\$ 221	-	\$ 244	\$ 166	\$ 167	\$ 70
All Other	\$ 142	\$ 110	-	-	\$ 6	\$ 6	\$ 110

SECRET

Laos

SECRET MILITARY ASSISTANCE

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Objectives of Military Assistance: Sufficient assistance to assure internal security and provide initial resistance to an attack by the North Viet-Nam or the Chinese Communists. Limited initial resistance, as it applies to Laos, is defined as resistance to Communist aggression by defending or delaying in such manner as to preserve and maintain the integrity of the government and its armed forces for the period of time required to invoke the UN Charter and/or the Southeast Asia Collective Defense Treaty and to commit collective security forces to support or reinforce indigenous forces in defense of the country.

Major Combat Forces:

Strategic Objectives

1 Regt, 16 Bns.
12 Commando Groups
1 Air Squadron

MAP Supported

1 Regt, 16 Bns.
12 Commando Groups
1 Air Squadron

Active Military Strength: 22,530

MAP Accomplishments: Residue assets from the Indochina program have been used to build a reliable army. The country is not economically self-sufficient, nor will it become so in the foreseeable future, and could not therefore support the required military effort from its own resources thus requiring continued US assistance.

Appraisal of Forces:

Army: Considered capable of maintaining internal security exclusive of the 2 Pathet Lao (Lao Communist) provinces of Pohang Saly and San Neua. At the present time, it is doubtful whether this force could provide more than limited harassment to a well-organized and trained invasion force.

Navy: There are no MAP supported Naval forces.

Air Force: Effectiveness of the authorized composite squadron is considered fair because of French manning and maintenance.

Country Contributions: Provision of 22,530 men and the deployment of fighting forces to the two northern provinces to attempt to regain control of the provinces from the Pathet Lao forces under the terms of recently concluded royal government-Pathet Lao accords; compulsory conscription service for all able-bodied men.

PROGRAMS (In Thousands Dollars)	FY 1957	FY 1958	Proposed FY 1959
Country Programs	4,112	6,123	6,613
Portion Special Materiel Program	(3,017)	(1,981)	(5,373)
Total	(7,129)	(8,104)	(11,986)

Proposed FY 1959 Program Provides:

Army: War reserve and training ammunition, shop equipment, POL, uniforms, foodstuffs, construction equipment, and medical supplies.

Navy: None.

Army Air Force: POL supplies.

Miscellaneous Data: US excess stocks delivered at no charge through 30 June 1958: \$1.4 million (Est). Military sales through 30 June 1957: \$0.

MAAG Strength: No MAAG authorized. The present authorized complement of the Program Evaluation Office is 40 US civilians and 40 local employees.

SECRET

Country: LAOS

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

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(In thousands of dollars)

MAJOR COST COMPONENT	ACTUAL FY 1957				ESTIMATE FY 1958				PROPOSED FY 1959		
	Total	DS	Tech. Coop.	Other	Total	DS	Tech. Coop.	Other	Total	DS	Tech. Coop.
PROJECT ASSISTANCE											
Technicians	524	101	423		700	75	625		590	55	535
Participants	204	93	111		110	85	25		290	160	130
Contractual Services	2,392	1,945	447		3,030	2,235	795		2,900	2,435	465
Supplies and Equipment	2,560	2,062	498		1,965	1,780	185		3,020	2,405	615
Contrib. to Coop. Services	-	-	-		-	-	-		-	-	-
Other Costs	298	293	5		95	25	70		90	35	55
Total Project Assistance	5,978	4,494	1,484		5,900	4,200	1,700		6,890	5,090	1,800
NON-PROJECT ASSISTANCE											
Agric. Commodities Total	-	-	-		100	100	-		100	100	-
Surplus	-	-	-		-	-	-		-	-	-
Other	-	-	-		100	100	-		100	100	-
Industrial Commodities Total	7,728	7,728	-		5,700	5,700	-		6,810	6,810	-
Raw Materials and Fuels	4,728	4,728	-		3,265	3,265	-		4,125	4,125	-
Machinery and Equipment	2,300	2,300	-		1,285	1,285	-		1,385	1,385	-
Other Indus. Commodities	700	700	-		1,150	1,150	-		1,300	1,300	-
Cash Transactions	30,752	30,752	-		20,000	20,000	-		18,000	18,000	-
Other	-	-	-		-	-	-		-	-	-
Total Non-Project Assistance	38,480	38,480	-		25,800	25,800	-		24,910	24,910	-
TOTAL COUNTRY PROGRAMS	44,458	42,974	1,484		31,700	30,000^{a/}	1,700		31,800	30,000	1,800
NUMBER OF PEOPLE											
Technicians (On duty close of year)	58	17	41		91	29	62		76	28	48
U.S. Employed	42	12	30		56	5	51		45	4	41
Contract	16	5	11		35	24	11		31	24	7
Participants (Programmed during year)	244	132	112		88	72	16		136	70	66
Non-Contract	244	132	112		88	72	16		136	70	66
Contract	-	-	-		-	-	-		-	-	-

a/ Includes \$3,690 thousand of prior-year recoveries.

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Objectives of Economic Assistance

- To enable the Royal Lao Government to maintain an adequate military force by supporting the military budget.
- To assist in maintaining internal security and countering Communist subversion, through support of the civil police and to civic action and other programs helping people at the village level.
- To help stimulate economic development by improving such basic facilities as highways and waterways, which are also essential for effective operation of the military and police forces.
- To help improve government services and administration, and the use of available resources, through technical advice and training and by encouraging the adoption of sound monetary policies.

Accomplishments of Economic Assistance

With substantial U. S. assistance since its separation from France three years ago, Laos has been able to maintain its independence and to provide its people with minimum basic services.

The Royal Army, entirely financed by the U.S., has resisted Pathet Lao aggression in the two northern provinces, has maintained law and order, and is bulwark of pro-western sentiment in the country. With U.S. assistance, the civil police force has been strengthened and expanded from 500 to 3,000 men.

About ten Civic Action teams, composed of Lao trained and supported with U. S. aid, are at work in the villages, teaching simple but improved techniques for raising food, building roads, and caring for the sick. Five Operation Brotherhood teams of Philippine doctors and nurses are conducting educational and demonstration work to improve health conditions in Lao towns and villages. By providing benefits directly to the people, these activities help to counteract Communist appeals and foster loyalty to the Royal Government.

Road, water and air transport facilities have been rehabilitated and substantially improved. The highway connecting Luang Prabang and Vientiane has been reconstructed, and a new ferry crossing on the Bangkok-Vientiane route was opened last December. These improvements in transportation facilities increase the mobility of the security forces and facilitate the movement of goods into and within land-locked Laos.

a/ Includes \$3,690 thousand of prior year recoveries.

Summary of Program \$ in thousands

Function	Actual F.Y. 1957	Estimate F.Y. 1958	Proposed F.Y. 1959
Defense Support	42,974	30,000 ^{a/}	30,000
Technical Cooperation	1,484	1,700	1,800
Total	44,458	31,700 ^{a/}	31,800

More than 5,000 hectares of new land have been brought into cultivation, through the use of improved irrigation and drainage techniques. Progress has been made in improving the quality and output of forest products, reducing the need for lumber imports.

Technical and elementary school education is being expanded. Serious health problems are being attacked through malaria and yaws eradication programs. The availability of trained personnel in all fields is being increased by providing training in Thailand for substantial numbers of Lao.

Major Problems

Communist Pathet Lao gains in the autumn of 1957, including specifically the securing of two Cabinet positions, the assimilation of Pathet troops into the Royal Lao Army, and infiltration by its agents into all provinces, constitute a most serious threat to the integrity and independence of the country.

The 25,000-man military force and 3,000 civil police are far beyond Laos' ability to support. Total government revenue from domestic sources is insufficient fully to finance civilian requirements, leaving no resources to meet military costs. Moreover, support of these forces creates serious inflationary pressures which can be controlled only through a level of imports far in excess of Laos' \$1 to \$3 million of export earnings. Nevertheless, sizeable military forces must be maintained so long as the Pathet Lao problem is unresolved and police alone are not capable of assuring internal security.

Despite considerable improvement, inadequate transportation and communication facilities handicap efforts to maintain security, control imports and collect taxes, and restrict the internal distribution of goods.

Deficiencies in government administration, both in policy making and operations, as manifested in the delay in adopting sound monetary policies, has resulted in uneconomic use of foreign exchange resources and some dissipation of aid funds.

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Country: LAOS

ECONOMIC ASSISTANCE - Continued

Extreme lack of trained manpower and known natural resources and the low level of agricultural production result in one of the lowest living standards in the world, and constitute serious obstacles to economic progress.

Proposed FY 1959 Program

As in earlier years, the FY 1959 program is designed mainly to support the required military and police forces, improve transportation facilities, and provide the government with indispensable technical and material assistance in its efforts to improve rural living conditions.

The \$31.8 million combined total of economic and technical assistance proposed for FY 1959 is about the same as the amount programmed for FY 1958, but is almost 30 percent below the \$44.5 million provided in FY 1957. This drastic reduction in aid presupposes that agreement will be reached on a monetary reform, including effective devaluation of the Lao currency, by the close of FY 1958, permitting FY 1959 requirements for budgetary support to be met with fewer aid dollars.

Defense Support: Of the \$30 million proposed for Defense Support, \$22.9 million will be used to generate the local currency required for overall budgetary support, assuming effective devaluation of the kip. These requirements include \$18 million to finance in full the costs of the armed forces and \$6.9 million to meet the local currency costs of certain projects.

The additional \$5.1 million will be used to finance the dollar costs of equipment, supplies and services required for projects considered essential to the defense effort. The proposed major uses are: About \$1.0 million for further equipment and training to strengthen the 3,000-man civil police force; \$0.6 million to continue Civic Action and Operation Brotherhood activities; and \$2.3 million for road maintenance and new road construction. The dollar funds will be supplemented by \$5.7 million equivalent in local currency, of which more than half will be needed for support of the police.

Technical Cooperation: The \$1.8 million program proposed for FY 1959 is directed mainly toward helping Laos develop the technical competence needed to increase and diversify agricultural production, and to improve government operations and essential public services.

Specifically, the \$1.8 million of Technical Cooperation funds, and the equivalent of \$1.2 million to be provided for local currency costs, will be allocated as follows: About one-fourth for agricultural extension, crop improvement, and livestock and poultry development; another fourth for rural health improvement and assistance to the Ministry of Health; and the remaining funds for improvement of village organization and facilities, a survey of mining possibilities, conservation and development of forest resources, and for technical advice and training abroad to improve operations of the government ministries.

PROJECT ASSISTANCE BY FIELD OF ACTIVITY

(\$ in thousands)

FISCAL YEAR	TOTAL COST	AGRICULTURE AND NATURAL RESOURCES	INDUSTRY AND MINING	TRANSPORTATION	LABOR	HEALTH AND SANITATION	EDUCATION	PUBLIC ADMINISTRATION	COMMUNITY DEVELOP., SOCIAL WELFARE & HOUSING	GENERAL AND MISCELLANEOUS
<u>ACTUAL FY 1957</u>										
Defense Support	4,494	181	376	2,190		-	-	697	208	842
Technical Cooperation	1,484	96	15	121		297	185	268	195	307
Total	5,978	277	391	2,311		297	185	965	403	1,149
<u>ESTIMATE FY 1958</u>										
Defense Support	4,200	-	-	2,675		-	-	465	575	485
Technical Cooperation	1,700	105	260	60		10	50	-	145	1,070
Total	5,900	105	260	2,735		10	50	465	720	1,555
<u>PROPOSED FY 1959</u>										
Defense Support	5,090	-	-	2,360		-	620	1,120	570	420
Technical Cooperation	1,800	265	110	-		205	-	100	170	950
Total	6,890	265	110	2,360		205	620	1,220	740	1,370

Country: LAOS

ECONOMIC ASSISTANCE

DISTRIBUTION OF FY 1959 PROJECT ASSISTANCE

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TABLE I

(In thousands of dollars and equivalent)

Function: DEFENSE SUPPORT Projects	DIRECT U.S. DOLLAR COST - Proposed							Local Currency Cost - Proposed	
	Total	U.S. Technicians	Non-Contract Participants	Contracts	Commodities	Other Costs	Contributions to Cooperative Services	MSP includ. Counterpart	P. L. 480 Administered by ICA
<u>Transportation</u>	<u>2,360</u>	-	-	<u>1,910</u>	<u>450</u>	-		<u>850</u>	
Reopening and Maintenance of National Roads	2,360	-	-	1,910	450	-		850	
<u>Education</u>	<u>620</u>	<u>10</u>	<u>55</u>	<u>500</u>	<u>45</u>	<u>10</u>		<u>55</u>	
Rural Education	620	10	55	500	45	10		55	
<u>Public Administration</u>	<u>1,120</u>	<u>45</u>	<u>105</u>	<u>25</u>	<u>935</u>	<u>10</u>		<u>3,035</u>	
Civil Police Administration	1,035	45	90	25	870	5		3,000	
Extension of Customs Service	85	-	15	-	65	5		35	
<u>Community Development, Social Welfare and Housing</u>	<u>570</u>	-	-	-	<u>570</u>	-		<u>1,030</u>	
Civic Action	270	-	-	-	270	-		730	
Operation Brotherhood	300	-	-	-	300	-		300	
<u>General and Miscellaneous</u>	<u>420</u>	-	-	-	<u>405</u>	<u>15</u>		<u>730</u>	
Technical Support	420	-	-	-	405	15		730	
TOTAL - Defense Support	5,090	55	160	2,435	2,405	35		5,700	

Country: LAOS

ECONOMIC ASSISTANCE

DISTRIBUTION OF FY 1959 PROJECT ASSISTANCE

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TABLE I

(In thousands of dollars and equivalent)

Function: TECHNICAL COOPERATION Projects	DIRECT U.S. DOLLAR COST - Proposed							Local Currency Cost - Proposed	
	Total	U.S. Technicians	Non-Contract Participants	Contracts	Commodities	Other Costs	Contributions to Cooperative Services	MSP includ. Counterpart	P. L. 480 Administered by ICA
<u>Agriculture and Natural Resources</u>	<u>265</u>	<u>75</u>	<u>30</u>	-	<u>145</u>	<u>15</u>		<u>515</u>	
Extension Service Development	65	30	10	-	20	5		45	
Major Crops Improvement	85	15	10	-	55	5		220	
Livestock and Poultry Development	85	30	5	-	45	5		150	
Conservation and Development of Forest Resources	30	-	5	-	25	-		100	
<u>Industry and Mining</u>	<u>110</u>	-	-	<u>100</u>	<u>10</u>	-		-	
Mining and Minerals Survey	110	-	-	100	10	-		-	
<u>Health and Sanitation</u>	<u>205</u>	-	<u>40</u>	-	<u>165</u>	-		<u>505</u>	
Rural Health Improvement	195	-	40	-	155	-		5	
Malaria Eradication	-	-	-	-	-	-		500	
Assistance to Ministry of Health	10	-	-	-	10	-		-	
<u>Public Administration</u>	<u>100</u>	<u>10</u>	<u>45</u>	-	<u>40</u>	<u>5</u>		<u>85</u>	
Development and Improvement of Public Administration	45	-	25	-	20	-		5	
Lao National Census	55	10	20	-	20	5		80	
<u>Community Development, Social Welfare and Housing</u>	<u>170</u>	<u>30</u>	<u>15</u>	<u>25</u>	<u>95</u>	<u>5</u>		<u>105</u>	
Village Improvement	90	-	15	-	75	-		90	
Xieng Khouang Development	35	-	-	25	10	-		15	
Village Development Field Service	45	30	-	-	10	5		-	
<u>General and Miscellaneous</u>	<u>950</u>	<u>420</u>	-	<u>340</u>	<u>160</u>	<u>30</u>		-	
Technical Support	950	420	-	340	160	30		-	
TOTAL - Technical Cooperation	1,800	535	130	465	615	55		1,210	
GRAND TOTAL	6,890	590	290	2,900	3,020	90		6,910	

Country: LAOS

ECONOMIC ASSISTANCE
COMPOSITION OF NON-PROJECT ASSISTANCE

TABLE II

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(In thousands of dollars)

Commodities and Other	PROGRAM		
	Actual FY 1957	Estimate FY 1958	Proposed FY 1959
<u>Surplus Agricultural Commodities</u>	-	-	-
<u>Food, Feed and Fertilizer</u>	-	<u>100</u>	<u>100</u>
Sugar	-	100	100
<u>Fuel</u>	<u>800</u>	<u>2,000</u>	<u>2,460</u>
Petroleum and Petroleum Products	800	2,000	2,460
<u>Raw Materials and Semifinished Products</u>	<u>3,928</u>	<u>1,265</u>	<u>1,665</u>
Fabricated Basic Textiles	1,728	200	300
Iron and Steel Mill Materials	1,200	-	-
Chemicals and Related Products	400	565	815
Nonmetallic Minerals	300	200	200
Pulp and Paper	300	200	250
Other	-	100	100
<u>Machinery and Vehicles</u>	<u>2,300</u>	<u>1,285</u>	<u>1,385</u>
Aircraft Engines and Parts	300	-	-
Electrical Apparatus	300	285	285
Generators and Motors	-	200	250
Machinery and Equipment	200	500	550
Motor Vehicles, Engines and Spare Parts	1,500	300	300
<u>Miscellaneous and Unclassified</u>	<u>700</u>	<u>1,150</u>	<u>1,300</u>
Miscellaneous Iron and Steel Materials	-	200	200
Rubber and Rubber Products	200	200	200
Miscellaneous Industrial Commodities	-	150	150
Other	500	600	750
Total Commodity Program	<u>7,728</u>	<u>5,800</u>	<u>6,910</u>
<u>Cash Grants</u>	<u>30,752</u>	<u>20,000</u>	<u>18,000</u>
<u>Other</u>	-	-	-
TOTAL NON-PROJECT ASSISTANCE	<u>38,480</u>	<u>25,800</u>	<u>24,910</u>

Country: LAOS

LOCAL CURRENCY - Narrative

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Availabilities: U.S.-generated local currencies available for ICA programming in Laos are: (a) Counterpart equivalent in value to (1) cash grants made to the Lao Government and (2) the sales proceeds of goods imported for commercial use under the Defense Support program, except surplus agricultural commodities; and (b) MSP U.S.-owned local currency derived from the sale of surplus agricultural commodities to Laos under Section 402.

Local currency cash balances available from these sources (in millions of dollar equivalent computed on the basis of data presented in Table IV) at the end of the following fiscal years are: 1957 (actual), 2.1; 1958 (estimated), 2.2; 1959 (estimated), 2.0.

Planned Uses: Local currencies administered by ICA in Laos are used for: (a) support of the military and civil police forces, and (b) the local costs of projects benefitting the civilian sector of the economy. Cash grants to the Lao Government provide the necessary support for the military budget. In general, the local currency costs of the civil police and other projects are defrayed from counterpart and Section 402 sales proceeds.

Local currency commitments and obligations, in millions of dollar equivalent, for the fiscal years 1957 through 1959 are as follows: Military budget support - 30.8, 20.0, 18.0; Economic purposes (including the civil police) - 7.7, 5.8, 6.9. Specific activities financed with these funds are shown in Table V.

Relationship to MSP Dollar Appropriations: The economic assistance proposed for Laos in FY 1959, as in earlier years, is based on anticipated local currency requirements for continued support of the military and civil police forces, and other essential activities. Military support costs in FY 1959 are estimated at the equivalent of \$18 million, assuming a monetary reform which, in effect, will devalue the Lao currency. An additional \$6.9 million will be required to replenish the pipeline of saleable commodity imports to generate local currency for support of the civil police and other essential projects.

Of the \$24.9 million equivalent in counterpart to be generated under the FY 1959 aid program, approximately \$12.4 million equivalent will be withdrawn during that year for all purposes and \$9 million equivalent will be utilized for military support during the first half of FY 1960. The remaining \$3.5 million will be expended for non-military purposes during the balance of FY 1960.

Special Factors Affecting Utilization: A basic problem in Laos is the government's inability to mobilize sufficient internal resources to support its military and civil police forces and, at the same time, provide for minimum essential economic development. The local currency costs of these activities are supported by U.S. aid. The size and urgency of the local currency requirements are such that they cannot be met in time by sales proceeds derived from commodity imports. Consequently, it has been necessary to resort to cash grants to provide for these requirements as they arise, with the understanding that the dollar grants will be used eventually to finance required imports.

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

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

Country: LAOS

STATUS OF LOCAL CURRENCY FUNDS

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TABLE IV

(In thousands of dollar equivalent)

Type of Programs Generating Local Currencies and its Utilization	ACTUAL FY 1957			ESTIMATE FY 1958		PROPOSED FY 1959	
	Cumulative Through 7/1/56	Net Change	Cumulative Through 6/30/57	Net Change	Cumulative Through 6/30/58	Net Change	Cumulative Through 6/30/59
<u>MSP U.S.-OWNED LOCAL CURRENCIES</u>							
Potential Generation from U.S. Dollar Program . .	370	-	370	-	370	-	370
Deposits	-	89	89	281	370	-	370
Obligations	-	-	-	-	-	-	-
Expenditures	-	-	-	-	-	-	-
<u>COUNTERPART</u>							
Potential Generation from U.S. Dollar Program . .	81,668	38,480	120,148	25,800	145,948	24,910	170,858
Deposits	58,416	39,969	98,385	32,789	131,174	28,830	160,004
Commitments	81,668	38,480	120,148	25,800	145,948	24,910	170,858
Expenditures	55,682	40,640	96,322	33,000	129,322	29,000	158,322
<u>P.L. 480 TITLE I, L.C. ADMINISTERED BY ICA</u>							
Potential Generation from U.S. Dollar Program . .							
Deposits							
Obligations							
Expenditures							
<u>OTHER LOCAL CURRENCY</u>							
Potential Generation from U.S. Dollar Program . .							
Deposits							
Commitments							
Expenditures							

Country: LAOS

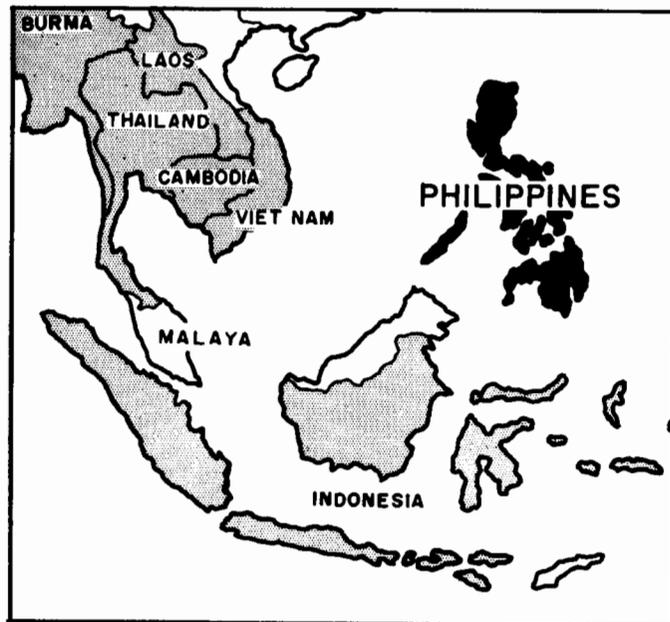
**SUMMARY OF LOCAL CURRENCY PROGRAM ADMINISTERED BY ICA
BY PURPOSE AND FIELD OF ACTIVITY**
Obligations or Commitments by Fiscal Year
(In thousands of dollar equivalent)

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TABLE V

PURPOSE AND ACTIVITY	FY 1957			FY 1958			FY 1959		
	MSP Source	P.L. 480 Title I Adm. by ICA	Other Sources	MSP Source	P.L. 480 Title I Adm. by ICA	Other Sources	MSP Source	P.L. 480 Title I Adm. by ICA	Other Sources
MILITARY PURPOSES									
Projects	-			-			-		
Budget Support	30,752			20,000			18,000		
Military Procurement	-			-			-		
Total Military Purposes	30,752			20,000			18,000		
ECONOMIC PURPOSES									
<u>Project Assistance by Field of Activity</u>									
Agriculture	595			185			515		
Industry and Mining	148			100			-		
Transportation	2,105			400			850		
Labor	-			-			-		
Health and Sanitation	282			410			505		
Education	271			200			55		
Public Administration	3,725			3,000			3,120		
Community Development, Social Welfare and Housing	90			1,105			1,135		
General and Miscellaneous	512			400			730		
Total	7,728			5,800			6,910		
Budget Support (Not Elsewhere Classified) ..	-			-			-		
Total Economic Purposes	7,728			5,800			6,910		
Procurement for Third Country	XXX			XXX			XXX		
TOTAL ALL PURPOSES	38,480			25,800			24,910		

PHILIPPINES



ECONOMIC TRENDS

	Unit	Calendar Years			
		1954	1955	1956	1957 Est.
GROSS NATIONAL PRODUCT					
Total GNP (In 1955 Prices)	\$ Millions	4,080	4,340	4,580	4,840
Per Capita GNP	Dollars	194	193	199	205
PRODUCTION					
Agricul. Prod. Index ^a	1935-39=100	143	144	150	156
Per Capita Index	"	101	99	102	104
Rice	1,000 M.T.	3,200	3,270	3,360	3,410
Manufacturing Index	1952=100	127	143	164	180
FOREIGN TRADE					
Total Exports (f.o.b.)	\$ Millions	396	390	438	480
Coconuts & products	"	164	152	176	185
Sugar, centrifugal	"	106	107	101	101
Total Imports (f.o.b.)	"	487	548	506	620
Trade Balance	"	-91	-158	-68	-140
FOREIGN EXCHANGE RESERVES (end of year)	\$ Millions	272	209	225	175
COST OF LIVING INDEX (Manila)	1953=100	99	98	100	101

BASIC DATA

Population	24 million
Annual Growth	2.3 percent
Agricultural Land	19% of area
Agri. Land per Capita	0.6 acres
Literacy Rate	65 percent

	PHILIPPINES	U.S.
Life Expectancy (Years)	35	70
Inhabitants per Physician	12,000	760
Road Miles per 1,000 sq.mi.	165	1,020
Electric Power per Capita... (KWH per year)	70	4,070

CENTRAL GOVERNMENT FINANCES

Country Fiscal Year Ending - June 30	- \$ Millions -		
	1956	1957 (Budget)	1958 (Budget)
Total Expenditures	485	566	586
Revenues, excl. receipts of U.S. Grant Aid	425	474	535
Deficit or Surplus before U.S. Grant Aid	-60	-92	-51
Budgetary Receipts from U.S. Grant Aid	12	28	36
Budgetary Receipts from U.S. Loans	n.a.	n.a.	n.a.
DEFENSE EXPENDITURES			
Total Defense Expenditures	75	81	92
As percent of Total Gov't Expenditures	15%	14%	16%
As percent of Gross National Product	2%	2%	n.a.
TOTAL DEBT (gross)			
Total Debt	551	559	n.a.
As percent of GNP	12%	11%	-
Foreign Debt	61	n.a.	-

n.a. - Not Available

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

Country PHILIPPINES

MUTUAL SECURITY PROGRAM

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U.S. Interests:

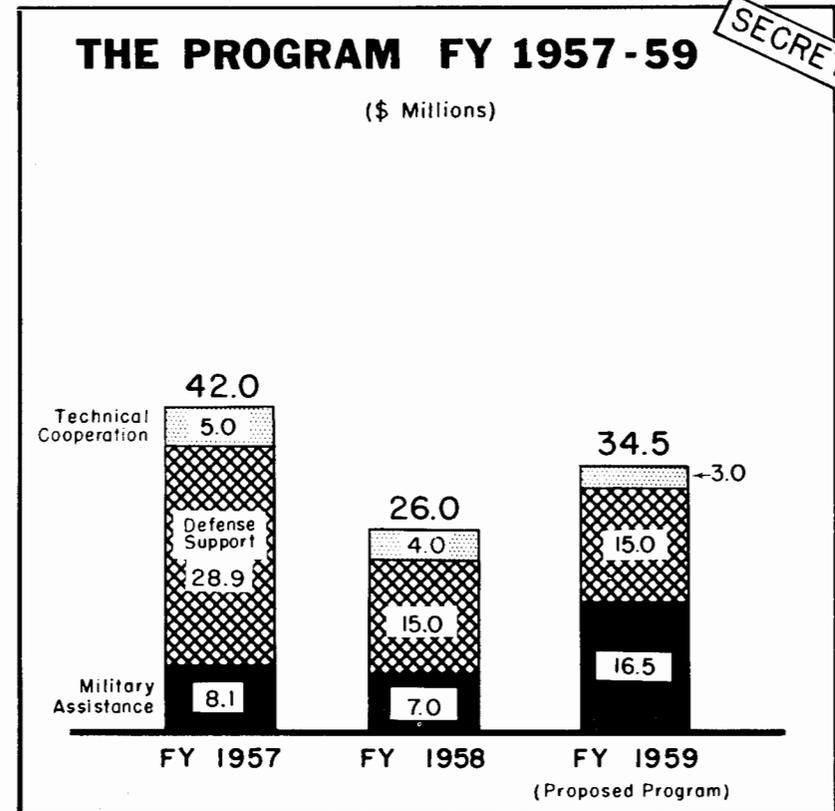
The Philippines lies at the southern end of our Western Pacific line of defense and is in a strategic location, commanding China to the north, Southeast Asia to the west, and Indonesia to the south. It is closely allied with the United States not only by historic ties of friendship, but also by a Mutual Defense Treaty and a Military Bases Agreement. The Philippine Government has also signed a Mutual Defense Assistance Agreement.

The Philippines maintains armed forces capable of preserving internal security. These forces are also being developed in a manner which will permit them to make a contribution to the external defense of the country. Through the Bases Agreement, an important system of air and naval bases has been made available to the United States. **The Philippines is one of our most dependable allies in SEATO.** The Philippines has already organized and participated in several SEATO military and psychological warfare exercises.

Politically, the Philippines is a vigorous young democracy which, in its relatively brief period of independence, has already succeeded in suppressing a strong internal Communist revolt. The country has remained outspokenly anti-Communist ever since. Its people recently gave proof of their political maturity by holding national elections that were honest and orderly, and that rejected several prominent candidates espousing excessive nationalism and neutralism. **The Philippines is perhaps the best example in Southeast Asia of a country which is trying to harness the force of patriotic nationalism for the solution of its own economic and social problems, rather than concentrating on anti-foreign propaganda campaigns of the "Asian nationalist" school.**

The Philippines is the principal world supplier of coconut products, abaca, and refractory chromite. Half of its 1956 foreign trade of about \$1 billion was with the United States. With substantial U.S. assistance the country has attained a relatively high national income, but there is still a great disparity in income between the small wealthy class and the farmers and urban workers. The country is currently facing inflationary pressures and foreign exchange stringencies. Government policy is favorable to private enterprise. Although economic nationalism is growing, U.S. business, with private direct investments estimated at about \$300 million, is generally treated equitably, in accordance with an agreement which requires that U.S. and Philippine investors be accorded equal treatment until 1974. The Philippines has signed an Investment Guaranty Agreement with the U.S.

The Philippines does not maintain diplomatic relations with the U.S.S.R. and there is virtually no trade between the Philippines and that country, or any other members of the Soviet bloc.



Obligations and Expenditures \$ in thousands			
MILITARY ASSISTANCE	PROGRAMMED	DEL./EXP.	UNLIQUIDATED
Cumulative 6/30/57	150,422	130,961	19,461
Estimate F.Y. 1958	7,012	10,780	XXX
Cumulative 6/30/58	157,434	141,741	15,693
ECONOMIC ASSISTANCE	OBLIGATIONS	EXPENDITURES	UNLIQUIDATED
Cumulative 6/30/57	169,014	132,061	36,953
Estimate F.Y. 1958	19,000	30,125	XXX
Cumulative 6/30/58	188,014	162,186	25,828

Philippines

SECRET
MILITARY ASSISTANCE

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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			
Country Total	\$8,073	\$7,012	-	\$16,513	\$10,780	\$141,741	\$15,693
Aircraft, Components, Spares & Related Equip.	\$ 23	\$2,579	-	\$ 7,439	\$ 1,544	\$ 19,855	\$ 1,932
F-86F	-	-	30	\$ 4,962	-	30	-
H-19	-	-	-	-	-	5	-
SA-16A	-	-	-	-	-	4	-
T-28	-	22	-	-	-	-	22
T-33	-	1	-	-	-	6	1
T-6G	-	-	-	-	-	8	-
Ships and Harbor Craft, Components and Spares	\$1,576	\$1,724	-	\$ 1,100	\$ 1,262	\$ 19,661	\$ 2,150
Coast Guard Patrol Boat (CGPB)	-	4	-	-	-	7	4
Patrol Escort 180' (PCE) (overhaul)	3	-	2	\$ 700	2	4	1
Coastal Minesweeper (MSG)	-	-	-	-	-	2	-
Submarine Chaser (PC) (overhaul)	1	-	2	\$ 400	2	6	-
Motor Gun Boat (PGM)	-	-	-	-	-	6	-
Tank Landing Ship (LST) (overhaul)	-	-	-	-	-	5	-
Barge (BCL) (overhaul)	-	1	-	-	-	-	1
Harbor Tug Boat (YTL) (overhaul)	-	2	-	-	-	-	2
Tanks, Other Vehicles, Weapons, Comp. & Spares	\$ 853	\$ 2	-	\$ 447	\$ 1,192	\$ 33,840	\$ 764
Truck, 1/4 Ton, 4x4 (all models)	-	-	168	\$ 314	-	2,075	1,460
Truck, 3/4 Ton, 4x4, Cargo (all models)	-	-	-	-	-	328	3
Truck, 2 1/2 Ton, 6x6, Cargo (all models)	-	-	-	-	-	1,257	-
Truck, 4-5-6 Ton, 6x6, Wrecker	-	-	-	-	-	53	1
Truck, Fire Crash O-10	2	-	-	-	-	4	2
Howitzer, 105mm, M2 A1, w/carriage or mount	-	-	-	-	-	40	-
Mortar, 4.2" w/mount (all models)	-	-	-	-	-	54	-
Rifle, 75mm, Recoilless	-	-	-	-	-	71	-
Ammunition	-	\$ 247	-	\$ 766	\$ 3,788	\$ 26,240	\$ 1,734
Cartridge, Cal..30 (all types) (M Rds)	-	1,500	3,166	\$ 253	1,543	32,439	-
Cartridge, 40mm (all types) (M Rds)	-	16	33	\$ 200	-	65	16
Cartridge, HE (HEAT) 75mm Rifle (M Rds)	-	-	-	-	-	26	-
Cartridge, HE, M1, w/f, 105mm How M2 (M Rds)	-	-	-	-	-	332	-
Cartridge, HE, 60mm Mortar (M Rds)	-	-	24	\$ 192	-	363	-
Cartridge, HE, 81mm Mortar (M Rds)	-	5	-	-	-	169	5
Cartridge, 20mm (all types) (M Rds)	-	-	33	\$ 46	-	283	-
Electronics & Comm. Equipment, Comp. & Spares	\$ 3,920	\$ 810	-	\$ 4,332	\$ 554	\$ 16,210	\$ 5,508
AN/ARN-21 Class V Kit	-	-	9	\$ 90	-	-	-
AN/TRC-4 (AN/TRC-12) Radio Relay Set	-	-	-	-	-	5	-
AN/FPS-6 Height Finder Radar	2	-	2	\$ 336	-	-	2
AN/FPS-20 Radar	-	-	2	\$ 900	-	-	-
Other Materiel	\$ 517	\$ 563	-	\$ 1,558	\$ 1,799	\$ 17,640	\$ 2,762
Construction	\$ 86	-	-	\$ 50	\$ 64	\$ 69	\$ 17
Training	\$1,004	\$ 909	-	\$ 821	\$ 341	\$ 5,584	\$ 623
All Other	\$ 94	\$ 178	-	-	\$ 236	\$ 2,642	\$ 203

SECRET

Philippines

SECRET MILITARY ASSISTANCE

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unauthorized individuals. All
other material is unclassified.

Objectives of Military Assistance: Continued assistance in organizing, training, and equipping the Philippine military forces to enable them to maintain internal security, to increase their ability to defend against external attack, and to enable them to contribute to the defensive potential of SEATO.

Major Combat Forces:

Strategic Objectives

3 Divisions
31 Vessels
5 Air Squadrons

MAP Supported

3 Divisions
30 Vessels
5 Air Squadrons

Active Military Strength: 48,010

MAP Accomplishments: The timely delivery of MAP equipment made it possible for the Armed Forces of the Philippines to accomplish their mission of restoration and maintenance of internal peace and order by reduction of the HMB (communist) movement from a strong organized force of 10,000 armed men capable of overthrowing the government to disorganized scattered groups of dissidents capable only of staging infrequent nuisance raids and ambushes. Now that the HUK menace is overcome, emphasis in the MAP is shifting to reorganization of the Philippine army from a lightly armed force organized to combat guerillas into a more modern fighting force. MAP support has made it possible to increase the authorized regular forces from 32,000 in 1949 to approximately 48,010 and in addition to train an average of 2,350 new reservists each six months since 1955. MAP is now providing jet pilot training for personnel of the Philippine Air Force and had commenced modernization of their fighter wing with jet equipment. The air defense capability of the country is also being improved by the provision of radar equipment.

Appraisal of Forces:

Army: Considered adequate and effective to accomplish the mission of internal security. However, the development of an acceptable degree of combat readiness sufficient to defend effectively against external attack by an organized military force will require continued substantial support from external sources.

Navy: Performs functions similar to the U.S. Coast Guard and is adequate for this purpose. The operating forces are gradually improving as a result of participating in SEATO and other joint exercises.

PROGRAMS (In Thousands Dollars)	FY 1957	FY 1958	Proposed FY 1959
Country Programs	8,073	7,012	16,513
Portion Special Materiel Program	(4,482)	(4,154)	(14,531)
Total	(12,555)	(11,166)	(31,044)

Air Force: Can fulfill its primary mission of assisting the Army in maintaining internal security. The attainment of an acceptable defensive posture will require additional material support from external sources.

Country Contribution: .2% of total population in armed forces;
14% of total budget for military;
2% of GNP for military;
provision of base sites for US forces;
political and military support of SEATO efforts.

Proposed FY 1959 Program Provides:

Army: Training ammunition, communications equipment and POL

Navy: Ship overhaul, ammunition and training aids

Air Force: 1 Squadron F-86s, support equipment, vehicles, weapons, ammunition, electronic and communications equipment.

Miscellaneous Data: US excess stocks delivered at no charge through 30 June 1958: \$23.1 million (Est). Military sales through 30 June 1957: \$1.1 million.

MAAG Strength:	US Mil	US Civ	Local	Total
1957	64	7	8	79
1958	61	7	8	76

SECRET

Country: PHILIPPINES

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

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(In thousands of dollars)

MAJOR COST COMPONENT	ACTUAL FY 1957				ESTIMATE FY 1958				PROPOSED FY 1959		
	Total	DS	Tech. Coop.	Other	Total	DS	Tech. Coop.	Other	Total	DS	Tech. Coop.
PROJECT ASSISTANCE											
Technicians	1,721	-	1,721		1,645	-	1,645		1,250	-	1,250
Participants	1,113	-	1,113		1,207	-	1,207		1,030	-	1,030
Contractual Services	568	-	568		300	-	300		520	-	520
Supplies and Equipment	12,693	11,100	1,593		6,848	6,000	848		2,700	2,500	200
Contrib. to Coop. Services	-	-	-		-	-	-		-	-	-
Other Costs	-	-	-		-	-	-		-	-	-
Total Project Assistance	16,095	11,100	4,995		10,000	6,000	4,000		5,500	2,500	3,000
NON-PROJECT ASSISTANCE											
Agric. Commodities Total	<u>17,000</u>	<u>17,000</u>	-		<u>9,000</u>	<u>9,000</u>	-		<u>12,500</u>	<u>12,500</u>	-
Surplus	17,000	17,000	-		9,000	9,000	-		12,500	12,500	-
Other	-	-	-		-	-	-		-	-	-
Industrial Commodities Total	<u>813</u>	<u>813</u>	-		-	-	-		-	-	-
Raw Materials and Fuels	-	-	-		-	-	-		-	-	-
Machinery and Equipment	813	813	-		-	-	-		-	-	-
Other Indus. Commodities	-	-	-		-	-	-		-	-	-
Cash Transactions	-	-	-		-	-	-		-	-	-
Other	-	-	-		-	-	-		-	-	-
Total Non-Project Assistance	17,813	17,813	-		9,000	9,000	-		12,500	12,500	-
TOTAL COUNTRY PROGRAMS	33,908	28,913	4,995		19,000	15,000	4,000		18,000	15,000	3,000
NUMBER OF PEOPLE											
Technicians (On duty close of year)	<u>169</u>	-	<u>169</u>		<u>165</u>	-	<u>165</u>		<u>94</u>	-	<u>94</u>
U.S. Employed	129	-	129		103	-	103		64	-	64
Contract	40	-	40		62	-	62		30	-	30
Participants (Programmed during year)	<u>349</u>	-	<u>349</u>		<u>318</u>	-	<u>318</u>		<u>284</u>	-	<u>284</u>
Non-Contract	335	-	335		306	-	306		270	-	270
Contract	14	-	14		12	-	12		14	-	14

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Country PHILIPPINES

ECONOMIC ASSISTANCE

Objectives of Economic Assistance

- To maintain political and economic stability by helping to improve rural living standards, increase the Philippine economy's capability for utilizing existing natural and human resources, upgrade the effectiveness of government operations, and expand entrepreneurial, managerial and technical skills.
- To support the combat effectiveness of Philippine armed forces and increase the security of U. S. military bases, through assistance in the construction of military facilities.

Accomplishments of Economic Assistance

- Helped speed industrial development, especially through assistance provided to the Industrial Development Center. Over 200 new, small and medium-size, privately-owned industrial plants have been established, which earn or save \$58 million of foreign exchange annually and provide 67,000 new jobs in a country where nearly one-fourth of the labor force is unemployed.
- Assisted in improving rural economic conditions and maintaining political stability in rural areas, by helping to increase and diversify agricultural production, carry out land reforms, and establish a rural credit and cooperative system.
- Contributed to the improvement of public health through the establishment of 1,250 rural health units serving 98 percent of the rural population; helped eradicate malaria in two-thirds of the nation; and facilitated the construction of 10,000 sanitary wells to provide potable drinking water.
- Trained over 1,000 community development workers now employed in over 5,000 barrios on over 2,000 self-help projects.
- Helped to locate and develop techniques for extracting strategic minerals, which will provide increasing amounts of foreign exchange, raw materials for Philippine industry, and strategic imports for the United States.
- Assisted, through the provision of technical advice and equipment, in the construction of 2,000 miles of highways, 5,000 miles of feeder roads, and 250 bridges which have expanded and speeded the movement of farm produce to market, permitted better communication between the government and the people, facilitated the movement of troops, and thereby helped maintain political stability.

Summary of Program \$ in thousands

Function	Actual F.Y. 1957	Estimate F.Y. 1958	Proposed F.Y. 1959
Defense Support	28,913	15,000	15,000
Technical Cooperation	4,995	4,000	3,000
Total	33,908	19,000	18,000

- Assisted in financing the development of a complex of air bases, training facilities, aircraft early warning sites, and other military facilities essential for the defense of the Philippines and the United States.

Major Problems

Despite these accomplishments, the Philippines is still confronted with many of the obstacles which normally characterize an underdeveloped economy. In addition, it currently is facing a serious deterioration in overall economic conditions.

Present domestic production cannot adequately support the population, which is increasing at the rate of nearly 2.5 percent a year.

Foreign exchange earnings are inadequate to finance the level of imports required to meet the expanding needs of the growing population. This problem is intensified by excessive reliance on a few agricultural exports which are subject to wide price fluctuation in world markets, changing trade patterns, and increasing restrictions on trade with the United States. The result has been a chronic deficit in the Philippine balance of trade which has been financed, to an increasing extent, from reserves. By early 1958 foreign exchange reserves had declined by almost a \$100 million from the 1956 year-end level.

Government revenues are not adequate to meet both military construction and public welfare needs due to an inadequate tax base, unequal distribution of income, and inefficiencies in tax collection. A deficit of \$43 million is estimated for the FY 1958 operating budget, (excluding capital outlay) compared to one that was approximately in balance in FY 1957.

Severe shortages exist in managerial and technical skills needed to increase production and provide employment for a rapidly expanding labor force, which is already unemployed or underemployed to a substantial degree.

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Country: PHILIPPINES

ECONOMIC ASSISTANCE - Continued

Institutional and cultural rigidities persist which are not well adapted to modern technology and the means of production necessary for further economic expansion.

Proposed FY 1959 Program

The FY 1959 program would help the Philippines to continue with further elements of a long-range military construction program and to make a more effective effort in solving some of its most pressing economic and social problems. Although the proposed program should help in the more effective use of existing resources, it does not provide the capital assistance essential for any significant expansion of production. Inquiries have already been directed to the Development Loan Fund in an effort to meet this need. It is expected that the considerable interest already exhibited in loans for investment projects will be reflected in substantial additional applications in the near future.

Defense Support: Of the \$15 million proposed for FY 1959, \$12.5 million will be used to finance imports of surplus agricultural commodities. The peso proceeds realized from the sale of these commodities will be used as follows: \$9.5 million to meet the local costs of constructing certain military training camps and air defense facilities, and \$3 million to support continuing community development activities in rural areas. The latter program is designed to train the rural population in such self-help activities as the construction of feeder roads, and to encourage the development of local self-government.

The additional \$2.5 million requested for Defense Support would provide the imported supplies and equipment needed to (a) complete a number of potable water supply systems and other basic public works projects, such as the improvement and expansion of harbor facilities and road networks, (b) develop strategic mineral deposits, and (c) improve industrial research facilities.

Technical Cooperation: The \$3 million proposed for FY 1959 represents a 25 percent reduction below the level of assistance planned for FY 1958. It also reflects about a 38 percent decrease in the number of U.S.-employed technicians on duty during FY 1959. Concurrently with this reduction in funds and personnel, made possible by the completion or phasing down of numerous activities as achievement of their objectives approaches, U. S. assistance will be concentrated on accelerating industrial production and diversifying agricultural output.

Provision of broad services through the Industrial Development Center will continue to help private industry, particularly small and medium-size plants, to diversify and expand production and reduce unit costs. Emphasis also will be placed on the development of cooperatives and rural credit, crop diversification, and extension activities and land reforms. Although funding in the fields of public administration, education, labor and public works will be continued on a reduced scale, a major effort will be made to improve the institutional climate for economic development.

PROJECT ASSISTANCE BY FIELD OF ACTIVITY

(\$ in thousands)

FISCAL YEAR	TOTAL COST	AGRICULTURE AND NATURAL RESOURCES	INDUSTRY AND MINING	TRANSPORTATION	LABOR	HEALTH AND SANITATION	EDUCATION	PUBLIC ADMINISTRATION	COMMUNITY DEVELOP., SOCIAL WELFARE & HOUSING	GENERAL AND MISCELLANEOUS
<u>ACTUAL FY 1957</u>										
Defense Support	11,100	1,965	-	6,617	-	2,518	-	-	-	-
Technical Cooperation	4,995	1,394	803	211	119	445	903	725	104	291
Total	16,095	3,359	803	6,828	119	2,963	903	725	104	291
<u>ESTIMATE FY 1958</u>										
Defense Support	6,000	1,200	200	2,075	-	2,075	-	-	450	-
Technical Cooperation	4,000	857	655	222	98	609	700	581	90	188
Total	10,000	2,057	855	2,297	98	2,684	700	581	540	188
<u>PROPOSED FY 1959</u>										
Defense Support	2,500	400	500	400	-	725	-	125	350	-
Technical Cooperation	3,000	610	775	185	105	215	590	265	105	150
Total	5,500	1,010	1,275	585	105	940	590	390	455	150

Country: PHILIPPINES

ECONOMIC ASSISTANCE

DISTRIBUTION OF FY 1959 PROJECT ASSISTANCE

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TABLE I

(In thousands of dollars and equivalent)

Function: DEFENSE SUPPORT Projects	DIRECT U.S. DOLLAR COST - Proposed							Local Currency Cost - Proposed	
	Total	U.S. Technicians	Non-Contract Participants	Contracts	Commodities	Other Costs	Contributions to Cooperative Services	MSP includ. Counterpart	P. L. 480 Administered by ICA
<u>Agriculture and Natural Resources</u>	<u>400</u>				<u>400</u>			-	
Water Resources	100				100			-	
Irrigation Services	300				300			-	
<u>Industry and Mining</u>	<u>500</u>				<u>500</u>			-	
Strategic Minerals	100				100			-	
Industrial Research	400				400			-	
<u>Transportation</u>	<u>400</u>				<u>400</u>			<u>4,000</u>	
Highway Improvement	400				400			2,000	
Port Facilities	-				-			2,000	
<u>Health and Sanitation</u>	<u>725</u>				<u>725</u>			-	
Water Supply	575				575			-	
Technical Support	150				150			-	
<u>Public Administration</u>	<u>125</u>				<u>125</u>			-	
Police Improvement	125				125			-	
<u>Community Development, Social Welfare and Housing</u>	<u>350</u>				<u>350</u>			<u>3,000</u>	
Community Development	350				350			3,000	
TOTAL - Defense Support	<u>2,500</u>				<u>2,500</u>			<u>7,000</u>	

Country: PHILIPPINES

ECONOMIC ASSISTANCE

DISTRIBUTION OF FY 1959 PROJECT ASSISTANCE

TABLE I

Page 1 of 2

(In thousands of dollars and equivalent)

Function: TECHNICAL COOPERATION Projects	DIRECT U.S. DOLLAR COST - Proposed						Local Currency Cost - Proposed		
	Total	U.S. Technicians	Non-Contract Participants	Contracts	Commodities	Other Costs	Contributions to Cooperative Services	MSP includ. Counterpart	P. L. 480 Administered by ICA
<u>Agriculture and Natural Resources</u>	<u>610</u>	<u>258</u>	<u>112</u>	<u>200</u>	<u>40</u>			<u>510</u>	
Agricultural Extension	63	50	8	-	5			-	
College of Agriculture and Central Experiment Station	165	-	-	150	15			100	
Water Resources	54	47	7	-	-			100	
Soil Conservation	26	13	8	-	5			-	
Irrigation Services	64	45	19	-	-			60	
Crop Development and Diversification	41	16	15	-	10			-	
Agricultural Economics	23	18	5	-	-			-	
Land Tenure and Development	26	13	13	-	-			-	
Agricultural Credit and Cooperatives	92	22	20	50	-			-	
Forest Management	27	12	10	-	5			-	
Technical Support	29	22	7	-	-			250	
<u>Industry and Mining</u>	<u>775</u>	<u>173</u>	<u>372</u>	<u>220</u>	<u>10</u>			<u>1,145</u>	
Non-Metallic Minerals Survey	40	35	5	-	-			-	
Strategic Minerals Survey	77	50	27	-	-			275	
Communications Development	10	-	10	-	-			-	
Industrial Development Center	438	73	305	50	10			600	
Industrial Research	190	-	20	170	-			270	
Technical Support	20	15	5	-	-			-	
<u>Transportation</u>	<u>185</u>	<u>150</u>	<u>35</u>	-	-			<u>145</u>	
Highway Improvement	131	120	11	-	-			115	
Port Facilities and Harbor Improvement	15	12	3	-	-			20	
Technical Support	39	18	21	-	-			10	
<u>Labor</u>	<u>105</u>	<u>56</u>	<u>44</u>	-	<u>5</u>			<u>115</u>	
Labor Education	35	14	21	-	-			-	
Labor Administration and Manpower Utilization	48	28	20	-	-			-	
Technical Support	22	14	3	-	5			115	

Country: PHILIPPINES

ECONOMIC ASSISTANCE

DISTRIBUTION OF FY 1959 PROJECT ASSISTANCE

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TABLE I
Page 2 of 2

(In thousands of dollars and equivalent)

Function: TECHNICAL COOPERATION Projects	DIRECT U.S. DOLLAR COST - Proposed						Local Currency Cost - Proposed		
	Total	U.S. Technicians	Non-Contract Participants	Contracts	Commodities	Other Costs	Contributions to Cooperative Services	MSP includ. Counter-part	P. L. 480 Adminis-tered by ICA
<u>Health and Sanitation</u>	<u>215</u>	<u>111</u>	<u>104</u>	-	-			<u>535</u>	
Water Supply	26	23	3	-	-			100	
Technical Support	189	88	101	-	-			435	
<u>Education</u>	<u>590</u>	<u>162</u>	<u>193</u>	<u>100</u>	<u>135</u>			<u>1,965</u>	
Vocational Industrial Training	255	50	39	100	66			250	
Vocational Agricultural Education	101	35	27	-	39			200	
University of the Philippines	90	40	50	-	-			-	
Community Education	120	23	67	-	30			-	
Technical Support	24	14	10	-	-			1,515	
<u>Public Administration</u>	<u>265</u>	<u>175</u>	<u>85</u>	-	<u>5</u>			<u>335</u>	
Police Improvement	36	18	18	-	-			-	
Civil Service Improvement	15	12	3	-	-			-	
Modernization of Budgeting and Accounting	48	26	17	-	5			-	
Revenue Administration	42	26	16	-	-			-	
National Media Production Center	41	41	-	-	-			-	
Statistics Improvement	29	18	11	-	-			-	
Technical Support	54	34	20	-	-			335	
<u>Community Development, Social Welfare and Housing</u>	<u>105</u>	<u>55</u>	<u>50</u>	-	-			<u>75</u>	
Community Development	105	55	50	-	-			75	
<u>General and Miscellaneous</u>	<u>150</u>	<u>110</u>	<u>35</u>	-	<u>5</u>			<u>175</u>	
Training in Atomic Energy	35	-	35	-	-			-	
Technical Support	115	110	-	-	5			175	
TOTAL - Technical Cooperation	3,000	1,250	1,030	520	200			5,000	
GRAND TOTAL	5,500	1,250	1,030	520	2,700			12,000	

Country: PHILIPPINES

ECONOMIC ASSISTANCE
COMPOSITION OF NON-PROJECT ASSISTANCE

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TABLE II

(In thousands of dollars)

Commodities and Other	Actual FY 1957	PROGRAM	
		Estimate FY 1958	Proposed FY 1959
<u>Surplus Agricultural Commodities</u>	<u>17,000</u>	<u>9,000</u>	<u>12,500</u>
Coarse Grains	1,050	-	-
Raw Cotton	3,000	5,000	9,000
Dairy Products	12,950	4,000	3,500
<u>Machinery and Vehicles</u>	<u>813</u>	-	-
Machinery and Equipment	813	-	-
Total Commodity Program	<u>17,813</u>	<u>9,000</u>	<u>12,500</u>
<u>Cash Grants</u>	-	-	-
<u>Other</u>	-	-	-
TOTAL NON-PROJECT ASSISTANCE	<u>17,813</u>	<u>9,000</u>	<u>12,500</u>

Country: PHILIPPINES

LOCAL CURRENCY - Narrative

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Availabilities: U.S.-generated local currencies available for ICA programming in the Philippines are: (a) Counterpart equivalent in value to the cost of all goods and services supplied under the Economic Assistance programs, except U.S. technician and participant costs and surplus agricultural commodity sales; (b) MSP U.S.-owned local currency derived from Section 402 sales of surplus agricultural commodities to the Philippines; and (c) P.L. 480, Title I, Section 104(g) local currency, also accruing from sales of surplus agricultural commodities.

Local currency cash balances from these sources (in millions of U.S. dollar equivalent computed on the basis of data presented in Table IV) at the end of the following fiscal years are: 1957 (actual), 20.1; 1958 (estimated), 29.6; 1959 (estimated), 25.3.

Planned Uses: Section 402 local currency is scheduled to finance military construction and community development projects. Counterpart funds are to be used to help support other economic projects. P.L. 480, Title I, Section 104(g) local currency will be used for industrial development loans. Local currency commitments and obligations, in millions of dollar equivalent, for the fiscal years 1957 through 1959 are as follows: Military construction - 7.0, 8.1, 9.5; Economic projects - 21.3, 17.2, 12.0.

Relationship to MSP Dollar Appropriations: The Economic Assistance programs for the Philippines have two components serving different purposes. One component provides the necessary imported supplies and equipment for certain basic public works projects, and the goods and services for Technical Cooperation activities. Although counterpart is deposited on the above basis for the aid furnished, the generation of counterpart is

not the objective, and local currency can not be substituted for the dollars required for payments abroad. The other component of the program finances the importation of surplus agricultural commodities in order to provide the major portion of the local currency required for military construction and community development projects. Local currency available from prior years' programs is taken into account in determining the level of dollar aid needed to assure uninterrupted continuation of these activities.

Special Factors Affecting Utilization: Political uncertainties in the Philippines and the government's indecision as to the strategic value of the military construction program have resulted in some accumulation of Section 402 local currency. However, the concept of this program has now been changed, the FY 1955-58 funding plan has been revised to reflect this change, and the program is now moving forward more rapidly. Although not technically obligated, the Section 402 cash balance on June 30, 1958, will have been entirely committed by intergovernmental agreement for specific military construction purposes. About \$5 million of Section 402 local currency still to be deposited also will have been committed for these purposes, and the remaining \$3 million will be required during FY 1959 for community development activities.

Counterpart cash balances at the end of FY 1958, and counterpart still to be generated, will have been programmed for public works and other projects to which the Philippine Government attaches high priority. Although expenditures on these projects have been low because of the long-lead time required for the procurement of necessary capital equipment, implementation of these activities is expected to be accelerated with the formation of the newly elected government.

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

SALES AGREEMENT BY FISCAL YEAR		Foreign Currency Reserved for U.S. Uses	Foreign Currency Administered by Ex-Im Bank (Cooley Amend.)	FOREIGN CURRENCY TO BE ADMINISTERED BY MSP AGENCIES				
Fiscal Year in Which Sales Agreement Signed	Total Value of Sales			Sec. 104c	Sec. 104d	Sec. 104e	Sec. 104g	Total Administered by MSP Agencies
FY 1955 Actual	-	-	-				-	-
FY 1956 Actual	-	-	-				-	-
FY 1957 Actual	10,300	3,000	-	2,100 ^{a/}			5,200	7,300
FY 1958 Estimate	-	-	-				-	-
FY 1959 Estimate	8,500	2,000	2,000				4,500	4,500
TOTAL	18,800	5,000	2,000	2,100			9,700	11,800

a/ To be administered by DOD for Philippine Military Forces construction projects.

Country: PHILIPPINES

STATUS OF LOCAL CURRENCY FUNDS

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

TABLE IV

(In thousands of dollar equivalent)

Type of Programs Generating Local Currencies and its Utilization	ACTUAL FY 1957			ESTIMATE FY 1958		PROPOSED FY 1959	
	Cumulative Through 7/1/56	Net Change	Cumulative Through 6/30/57	Net Change	Cumulative Through 6/30/58	Net Change	Cumulative Through 6/30/59
MSP U.S.-OWNED LOCAL CURRENCIES							
Potential Generation from U.S. Dollar Program . .	26,679	17,000	43,679	9,000	52,679	12,500	65,179
Deposits	8,423	19,507	27,930	16,500	44,430	12,850	57,280
Obligations	8,065	18,347	26,412	9,000	35,412	12,500	47,912
Expenditures	1,074	11,943	13,017	21,000	34,017	13,503	47,520
COUNTERPART							
Potential Generation from U.S. Dollar Program . .	93,032	13,372	106,404	6,793	113,197	3,440	116,637
Deposits	71,177	9,979	81,156	16,770	97,926	13,110	111,036
Commitments	71,177	9,979	81,156	9,000	90,156	9,000	99,156
Expenditures	63,154	12,822	75,976	10,000	85,976	10,533	96,509
P.L. 480 TITLE I, L.C. ADMINISTERED BY ICA							
Potential Generation from U.S. Dollar Program . .	-	7,300	7,300	-	7,300	4,500	11,800
Deposits	-	-	-	7,300	7,300	-	7,300
Obligations	-	-	-	7,300	7,300	-	7,300
Expenditures	-	-	-	-	-	6,300	6,300
OTHER LOCAL CURRENCY							
Potential Generation from U.S. Dollar Program . .							
Deposits							
Commitments							
Expenditures							

Country: PHILIPPINES

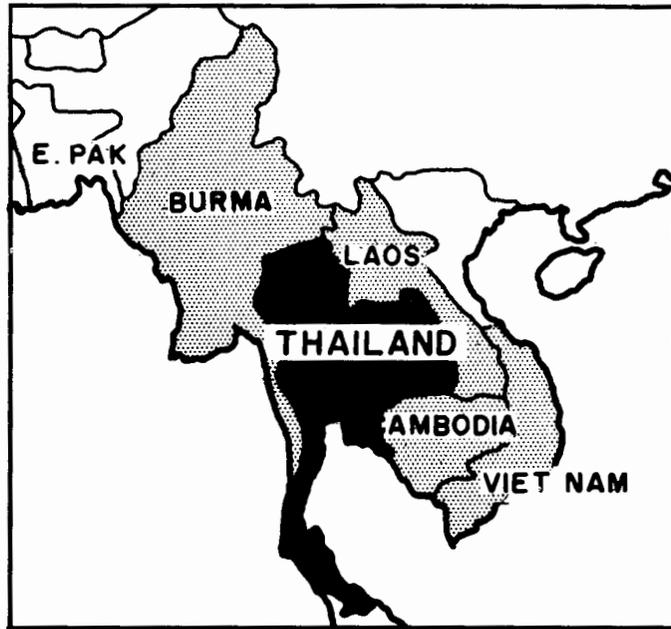
**SUMMARY OF LOCAL CURRENCY PROGRAM ADMINISTERED BY ICA
BY PURPOSE AND FIELD OF ACTIVITY
Obligations or Commitments by Fiscal Year
(In thousands of dollar equivalent)**

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

TABLE V

PURPOSE AND ACTIVITY	FY 1957			FY 1958			FY 1959		
	MSP Source	P.L. 480 Title I Adm. by ICA	Other Sources	MSP Source	P.L. 480 Title I Adm. by ICA	Other Sources	MSP Source	P.L. 480 Title I Adm. by ICA	Other Sources
MILITARY PURPOSES									
Projects	7,000			6,000	2,100		9,500		
Budget Support	-			-	-		-		
Military Procurement	-			-	-		-		
Total Military Purposes	7,000			6,000	2,100		9,500		
ECONOMIC PURPOSES									
Project Assistance by Field of Activity									
Agriculture	2,025			1,381	-		510		
Industry and Mining	14,194			815	5,200		1,145		
Transportation	1,379			2,057	-		4,145		
Labor	52			70	-		115		
Health and Sanitation	322			689	-		535		
Education	390			2,687	-		1,965		
Public Administration	273			427	-		335		
Community Development, Social Welfare and Housing	1,397			3,092	-		3,075		
General and Miscellaneous	1,294			782	-		175		
Total	21,326			12,000	5,200		12,000		
Budget Support (Not Elsewhere Classified) . .	-			-	-		-		
Total Economic Purposes	21,326			12,000	5,200		12,000		
Procurement for Third Country	XXX			XXX	-		XXX		
TOTAL ALL PURPOSES	28,326			18,000	7,300		21,500		

THAILAND



ECONOMIC TRENDS

	Unit	Calendar Years			
		1954	1955	1956	1957 ^{Est.}
GROSS NATIONAL PRODUCT					
Total GNP (In 1955 Prices)	\$ Millions	1,740	1,890	1,980	1,960
Per Capita GNP	Dollars	87	93	96	93
PRODUCTION					
Agricul. Prod. Index ^a	1935-39=100	155	193	215	199
Per Capita Index	"	111	135	147	134
Rice, Rough	1,000 M.T.	5,710	7,330	8,320	7,480
Tin ore (metal content)	"	10	11	13	12
FOREIGN TRADE					
Total Exports (f.o.b.)	\$ Millions	283	335	345	360
Rice	"	146	148	139	175
Rubber	"	44	84	74	73
Total Imports (c.i.f.)	"	312	334	365	365
Trade Balance	"	-29	1	-20	-5
FOREIGN EXCHANGE RESERVES^b					
(end of year)	\$ Millions	273	298	311	326
COST OF LIVING INDEX (Bangkok) 1953=100					
		100	105	111	117

BASIC DATA

Population	21 million
Annual Growth	2 percent
Agricultural Land	15% of area
Agri. Land per Capita	0.9 acres
Literacy Rate	54 percent

	THAILAND	U.S.
Life Expectancy (Years)	40 ^E	70
Inhabitants per Physician	8,100	760
Road Miles per 1,000 sq.mi.	30	1,020
Electric Power per Capita... (KWH per year)	11	4,070

CENTRAL GOVERNMENT FINANCES

Country Fiscal Year Ending - December 31	- \$ Millions -		
	1955	1956	1957 ^P
Total Expenditures	268	284	301
Revenues, excl. receipts of U.S. Grant Aid	246	260	279
Deficit or Surplus before U.S. Grant Aid	-22	-24	-22
Budgetary Receipts from U.S. Grant Aid	11	13	13
Budgetary Receipts from U.S. Loans	-	-	4
DEFENSE EXPENDITURES			
Total Defense Expenditures	72	83	83
As percent of Total Gov't Expenditures	27%	29%	28%
As percent of Gross National Product	4%	4%	4%
TOTAL DEBT (gross)			
Total Debt	318	351	378
As percent of GNP	17%	17%	19%
Foreign Debt	28	36	51

n.a. - Not Available

E - Estimate

P - Preliminary

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

b - Central Bank only.

Country THAILAND

MUTUAL SECURITY PROGRAM

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

U.S. Interests

A stable, friendly Thailand is essential to prevent Communist domination of Southeast Asia. Communist control of Thailand would open the way for aggression against Malaya and Indonesia. Thailand is the hub of U.S. security efforts in Southeast Asia.

Communist eagerness to subvert Thailand is shown by increasing Chinese Communist propaganda within Thailand, and by economic aid offers last year from Communist China and the U.S.S.R. A Thai shift to a neutralist foreign policy would greatly advance Communist aims in Thailand and neighboring countries.

The new regime which came to power in September 1957 has reinvigorated the anti-Communist policy of its predecessor, and continues to support collective defense measures and cooperation with the United States in Korea and SEATO. Thailand participates enthusiastically in SEATO-sponsored military training exercises intended to strengthen SEATO as a deterrent to Communist aggression. Thailand has signed a U.S. Mutual Defense Assistance Agreement. The Thai armed forces can maintain internal security and offer limited resistance to Communist aggression. Airfields under construction in Thailand help increase SEATO's potential.

The set-back to neutralist and leftist elements in the recent parliamentary election shows that the Thai are favorable to close association with the Free World. Provided their demands for social and economic progress are met, they can be expected to continue supporting present Thai Government policies. At the same time, continued U.S. interest in Thailand, as manifested in economic and military assistance, is essential to enable the Government to justify to its people the risks and costs undertaken for collective defense purposes.

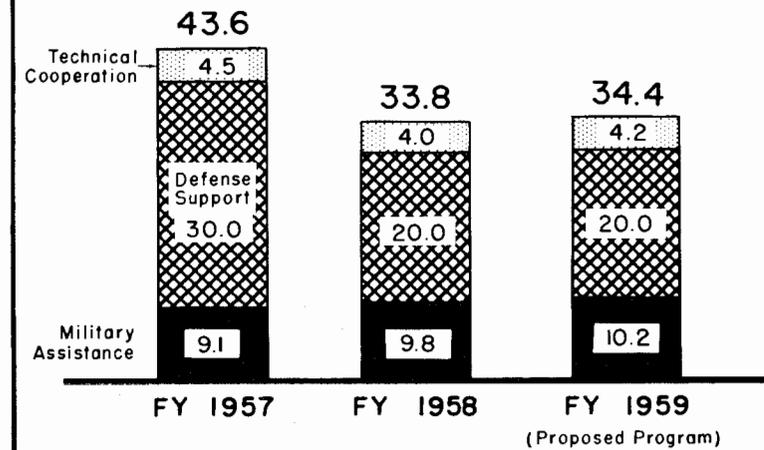
Thailand has played a constructive role in support of Free World interests in international organizations, which is particularly useful because of Thailand's influence in the Asian-African group.

Thailand is a source of U.S. requirements for strategic materials, especially tin and rubber. Substantial Thai exports of rice are important to the economic viability of a free Southeast Asia. Thailand has signed an Investment Guaranty Agreement with the U.S.

THE PROGRAM FY 1957-59

(\$ Millions)

SECRET



Obligations and Expenditures \$ in thousands			
MILITARY ASSISTANCE	PROGRAMMED	DEL./EXP.	UNLIQUIDATED
Cumulative 6/30/57	235,452	209,907	25,545
Estimate F.Y. 1958	9,827	15,659	XXX
Cumulative 6/30/58	245,279	225,566	19,713
ECONOMIC ASSISTANCE	OBLIGATIONS	EXPENDITURES	UNLIQUIDATED
Cumulative 6/30/57	145,104	92,039	53,065
Estimate F.Y. 1958	24,000	30,914	XXX
Cumulative 6/30/58	169,104	122,953	46,151

Thailand

SECRET
MILITARY ASSISTANCE

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

Major Components by Category (all values in thousands of dollars)	Annual Programs				Del./Exp. F.Y. 1950-58 Programs		
	Quantity and Value		Proposed F.Y. 1959		Estimate F.Y. 1958	Cumulative June 30, 1958	F.Y. 1959 and Later
	F.Y. 1957	F.Y. 1958	Quantity	Value			
Country Total	\$9,032	\$9,827	-	\$10,178	\$15,659	\$225,566	\$19,713
Aircraft, Components, Spares & Related Equip.	\$ 252	-	-	\$ 132	\$ 2,891	\$ 44,146	\$ 1,021
F-8F	-	-	-	-	-	-	207
F-84G	-	-	-	-	-	-	31
SB2C	-	-	-	-	-	6	-
T-6G	-	-	-	-	75	75	-
T-33	-	-	1	\$ 132	-	6	-
Ships and Harbor Craft, Components & Spares	\$ 314	\$1,812	-	-	\$ 187	\$ 16,967	\$ 1,780
Ocean Escort (DE) (Including Activation)	-	1	-	-	-	-	1
Landing Craft Medium (LCM)	-	-	-	-	-	16	-
Submarine Chaser (PC)	-	-	-	-	-	3	-
Tanks, Other Vehicles, Weapons, Comp. & Spares	\$1,682	\$ 568	-	\$ 811	\$ 3,583	\$ 58,449	\$ 4,711
Tank, Light, M24, M41	-	-	-	-	-	183	-
Trailer, 1-1 1/2 Ton, 2 Wheel, Cargo	-	-	-	-	8	1,269	-
Truck, 1/4 Ton, 4x4 (all models)	20	-	22	\$ 40	-	2,059	20
Truck, 3/4 Ton, 4x4, Cargo (all models)	-	-	-	-	-	851	-
Truck, 1 1/2 Ton, Personnel, 6x6 Cargo	65	-	22	\$ 13	-	-	65
Truck, 2 1/2 Ton, 6x6, Cargo (all models)	10	2	-	-	102	1,251	315
Truck, 4-5-6 Ton, 6x6, Wrecker	-	-	1	\$ 24	11	67	-
Gun, Machine, Cal..30 (all models)	32	20	108	\$ 26	-	1,215	52
Ammunition	\$ 801	\$ 317	-	\$ 2,172	\$ 857	\$ 61,517	\$ 335
Grenade, Hand (all types)	-	-	71,000	\$ 72	-	-	-
Cartridge, Cal..30 (all types) (M Rds)	291	440	224	\$ 27	7	82,492	548
Cartridge, HE, 75mm, How (all types) (M Rds)	-	-	-	-	4	125	-
Shell, 5"/38 (M Rds)	-	-	6	\$ 319	-	-	-
Cartridge, HE, M1, w/f, 105mm How (M Rds)	-	-	-	-	6	321	-
Cartridge, 20mm (all types) (M Rds)	-	194	-	-	-	437	194
Cartridge, 40mm (all types) (M Rds)	14	-	5	\$ 30	-	497	14
Cartridge, HE, 155mm How (all types) (M Rds)	-	16	10	\$ 480	-	-	16
Electronics & Comm. Equipment, Comp. & Spares	\$ 506	\$2,962	-	\$ 1,361	\$ 1,093	\$ 13,695	\$ 3,726
AN/VRC-3 (AN/PRC-10 w/AM-598/U) Radio	-	-	-	-	3	84	-
SCR-399 (AN/GRC-38) Radio	1	24	20	\$ 248	13	46	24
SCR-508 (AN/GRC-3) Radio	6	-	-	-	12	141	25
SCR-528 (AN/GRC-4) Radio	26	11	-	-	37	317	5
SCR-536 (AN/PRC-6) Radio	51	35	-	-	55	1,869	31
SCR-694 (AN/GRC-9) Radio	16	34	9	\$ 2	8	463	39
AN/TRT-3 Radio	-	-	3	\$ 102	-	-	-
AN/TRC-12 Radio	-	-	15	\$ 116	-	-	-
Other Materiel	\$1,964	\$ 772	-	\$ 827	\$ 3,116	\$ 17,760	\$ 6,342
Construction	\$ 279	\$ 913	-	\$ 2,779	\$ 1,088	\$ 1,714	\$ 677
Training	\$2,252	\$2,382	-	\$ 2,096	\$ 2,409	\$ 9,862	\$ 1,007
All Other	\$1,002	\$ 101	-	-	\$ 435	\$ 1,456	\$ 113

SECRET

Thailand

SECRET MILITARY ASSISTANCE

Shaded areas are Security classified
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other material is unclassified.

Objectives of Military Assistance: Continued assistance in organizing, training and equipping the Thai military forces essential to the maintenance of internal security; to enable Thailand to resist external aggression and to contribute to collective defense efforts under SEATO.

Major Combat Forces:

Strategic Objectives

3 Divisions, 1 RCT
5 Marine Bns.
37 Naval Vessels
6 Air Squadrons

MAP Supported

3 Divisions, 1 RCT
5 Marine Bns.
28 Naval Vessels
6 Air Squadrons

Active Military Strength: 178,140

MAP Accomplishments: Since the beginning of the MAP the Thai defense establishment has been reorganized and modernized. Personnel strengths have increased and weapons and equipment have been standardized. Since the beginning of MAP the Royal Thai Army has been increased in strength. Conversion of the 10 RCTs to the new force structure of 3 1/3 divisions has almost been completed from an organizational standpoint, and all units supplied with their major items of equipment. MAP supports 52,000 of the Army strength. Navy strength is 18,000 and Air Force is 20,000.

Appraisal of Forces:

Army: Considered capable of meeting possible threats to internal security, including any guerrilla forces or insurrection that could be organized and supported locally. The capability exists for deterring and retarding limited external aggression.

Navy: Effectiveness of the Thai Navy in carrying out its assigned missions has improved. The effectiveness of the Marine Corps has increased slightly in the last year.

Air Force: Capable of meeting its requirements for assisting in maintaining internal security. The Air Force has also demonstrated the ability to cooperate with other SEATO forces.

PROGRAMS (In Thousands Dollars)	FY 1957	FY 1958	Proposed FY 1959
Country Programs	9,052	9,827	10,178
Portion Special Materiel Program	(6,258)	(6,057)	(20,574)
Total	(15,310)	(15,884)	(30,752)

Country Contribution: .6% of total population in armed forces
28% of total 1957 budget for military
4% of GNP for military

Proposed FY 1959 Program Provides:

Army: Training ammunition, communications equipment, replacement of attrition equipment. construction of defense training center.

Navy: Training ammunition, maintenance equipment, initial equipment for one Marine battalion, and communications and electronic equipment.

Air Force: Replacement aircraft (one T-33), training ammunition, special purpose vehicles, communications and electronics equipment, base maintenance equipment, and improvement of existing airfields.

Miscellaneous Data: US excess stocks delivered at no charge through 30 June 1958: \$15.6 million (Est). Military sales through 30 June 1957: \$1.1 million.

<u>MAAG Strength:</u>	<u>US Mil</u>	<u>US Civ</u>	<u>Local</u>	<u>Total</u>
1957	262	2	20	284
1958	251	2	24	277

SECRET

Country: THAILAND

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

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

(In thousands of dollars)

MAJOR COST COMPONENT	ACTUAL FY 1957				ESTIMATE FY 1958				PROPOSED FY 1959		
	Total	DS	Tech. Coop.	Other	Total	DS	Tech. Coop.	Other	Total	DS	Tech. Coop.
PROJECT ASSISTANCE											
Technicians	1,300	310	990		1,395	200	1,195		1,580	440	1,140
Participants	1,581	199	1,382		1,440	200	1,240		1,300	130	1,170
Contractual Services	5,557	4,397	1,160		2,000	1,200	800		6,105	4,950	1,155
Supplies and Equipment	21,062	20,094	968		3,445	2,680	765		1,535	800	735
Contrib. to Coop. Services	-	-	-		-	-	-		-	-	-
Other Costs	-	-	-		-	-	-		-	-	-
Total Project Assistance	29,500	25,000	4,500		8,280	4,280	4,000		10,520	6,320	4,200
NON-PROJECT ASSISTANCE											
Agric. Commodities Total											
Surplus	-	-	-		-	-	-		-	-	-
Other	-	-	-		-	-	-		-	-	-
Industrial Commodities Total	5,000	5,000	-		15,720	15,720	-		13,680	13,680	-
Raw Materials and Fuels	3,196	3,196	-		13,000	13,000	-		12,000	12,000	-
Machinery and Equipment	1,604	1,604	-		2,720	2,720	-		1,680	1,680	-
Other Indus. Commodities	200	200	-		-	-	-		-	-	-
Cash Transactions	-	-	-		-	-	-		-	-	-
Other	-	-	-		-	-	-		-	-	-
Total Non-Project Assistance	5,000	5,000	-		15,720	15,720	-		13,680	13,680	-
TOTAL COUNTRY PROGRAMS	34,500	30,000	4,500		24,000	20,000	4,000		24,200	20,000	4,200
NUMBER OF PEOPLE											
Technicians (On duty close of year)	<u>358</u>	<u>234</u>	<u>124</u>		<u>375</u>	<u>249</u>	<u>126</u>		<u>346</u>	<u>235</u>	<u>111</u>
U.S. Employed	110	27	83		102	20	82		102	30	72
Contract	248	207	41		273	229	44		244	205	39
Participants (Programmed during year)	<u>401</u>	<u>49</u>	<u>352</u>		<u>281</u>	<u>20</u>	<u>261</u>		<u>308</u>	<u>20</u>	<u>288</u>
Non-Contract	355	49	306		245	20	225		272	20	252
Contract	46	-	46		36	-	36		36	-	36

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Country THAILAND

ECONOMIC ASSISTANCE

Objectives of Economic Assistance

- To help maintain Thailand's pro-Western political alignment, by demonstrating U. S. interest in the country's security and well-being.
- To enhance the mobility of Thai military and internal security forces, and promote economic development, through construction of key highways and aid to civil aviation.
- To strengthen internal security through improvement of the Thai National Police and construction of essential military facilities.
- To help alleviate the economic problems arising from Thailand's reliance on the production of rice, by promoting agricultural diversification and private industry.
- To improve public administration and public services, through technical assistance to selected educational institutions and government agencies.

Accomplishments of Economic Assistance

U. S. economic and technical assistance programs have been material factors in maintaining Thai support of U. S. objectives in the United Nations and SEATO, and probably contributed to the defeat of anti-U.S. candidates from the Bangkok area in the recent elections.

U. S. influence and aid since 1950 have helped the Thai Government more than double defense expenditures, establish a border patrol, and take other counter-subversive actions. During the same period, expenditures for public service activities initiated with U. S. assistance were doubled, and budgetary outlays for economic development were increased even more.

Among the more notable accomplishments of specific economic aid projects are the following:

- Malaria, which once killed 40,000 persons annually, has been virtually eradicated.
- The strategic "Friendship Highway," now almost completed, will link Bangkok with the relatively isolated, economically depressed and politically vulnerable Northeast.
- Rail and air services have been substantially improved, and a 33-mile extension of the Thai Railway to the Mekong River has helped to facilitate the movement of goods into Laos.

Summary of Program \$ in thousands

Function	Actual F.Y. 1957	Estimate F.Y. 1958	Proposed F.Y. 1959
Defense Support	30,000	20,000	20,000
Technical Cooperation	4,500	4,000	4,200
Total	34,500	24,000	24,200

- Over 1,200 Thai have been brought to the U. S. for training in various professional and technical fields, and about 900 have already returned to apply their newly gained knowledge to the practical problems of their country.
- The technical proficiency developed by the Thai through training locally by U. S. technicians, and study abroad, has helped Thailand become an important training center for nationals of other countries in the region, especially Cambodia and Laos.
- The Thai educational system has been substantially improved, particularly vocational education and teacher training.
- New crops and improved strains of livestock have been introduced to help point the way toward practical agricultural diversification.

Major Problems

In order to counter internal and external pressures to alter its alignment with the West, the Thai Government must be able to show that this policy has been advantageous to its people. Internal critics continue to clamor that increased defense outlays and collective security arrangements with the West inhibit the attainment of Thai aspirations for economic and social progress. These critics also press for closer economic relations with, and acceptance of aid from, the Soviet bloc.

The maintenance of a strong defense consistent with U. S. objectives strains the Thai budget, particularly when coupled with the need to promote political stability by improving public services and accelerating economic development. Resultant budget deficits, which have continued to rise in recent years, accentuate inflationary pressures.

Though significant gains have been made, Thailand's economy continues to be handicapped by reliance on a single agricultural crop; lack of adequate basic facilities such as highways, communications and power; inadequate educational and other government

Country: THAILAND

ECONOMIC ASSISTANCE - Continued

institutions; a low rate of domestic savings and limited means for increasing domestic investment in productive enterprise; and a relatively unattractive climate for foreign private investment.

Despite United States economic assistance and other external financing (e.g., \$120 million in external loans, mostly from the IBRD), the rate of economic growth in Thailand is still inadequate to meet both the demands of its people for better living standards and the requirements of an adequate defense posture.

Proposed FY 1959 Program

The economic assistance proposed for FY 1959 will (a) support a limited number of continuing projects designed to increase the effectiveness of the Thai military forces, strengthen internal security, and contribute to economic growth; (b) provide additional financing to meet the local costs of military facilities construction; and (c) improve technical and managerial skills in a wide variety of fields.

Both the magnitude and types of assistance proposed for FY 1959 will help demonstrate to the Thai people the practical advantages of supporting their Government's policy of political alignment with the West. However, additional assistance from other external sources, as well as efficient utilization of Thailand's own resources, will be required for any substantial expansion of the economy. Some supplemental assistance is already being sought from the Development Loan Fund.

Defense Support: The \$20 million proposed for FY 1959 will be used principally to finance (a) continued construction of a strategic east-west highway in northern Thailand and the primary highway between Bangkok and Saraburi; (b) police training activities initiated in prior years; (c) further improvement of aeronautical ground services; and (d) ground water exploration to aid the semi-arid, politically sensitive Northeast.

Of the \$20 million total, \$6.3 million will be applied to the dollar costs of equipment and services required for these and other defense support projects begun in prior years, and \$13.7 million will be used to finance saleable commodity imports that will provide local currency to meet the internal costs of military facilities construction, and of projects contributing to both defense and economic objectives.

Technical Cooperation: Of the \$4.2 million proposed for FY 1959, more than a third will be devoted to teacher training and improving vocational and technical education. An additional third will be used to help improve medical education and develop skills in public health and public administration. The remaining funds will be applied toward improving agricultural extension and credit and marketing practices, further financing of advisory services in power development and mining, training in the uses of nuclear energy, and the promotion of local private enterprise.

PROJECT ASSISTANCE BY FIELD OF ACTIVITY

(\$ in thousands)

FISCAL YEAR	TOTAL COST	AGRICULTURE AND NATURAL RESOURCES	INDUSTRY AND MINING	TRANSPORTATION	LABOR	HEALTH AND SANITATION	EDUCATION	PUBLIC ADMINISTRATION	COMMUNITY DEVELOP., SOCIAL WELFARE & HOUSING	GENERAL AND MISCELLANEOUS
<u>ACTUAL FY 1957</u>										
Defense Support	25,000	290	5,549	18,202	-	251	-	137	-	571
Technical Cooperation	4,500	836	288	932	49	569	1,186	202	34	404
Total	29,500	1,126	5,837	19,134	49	820	1,186	339	34	975
<u>ESTIMATE FY 1958</u>										
Defense Support	4,280	-	-	3,080	-	-	-	880	-	320
Technical Cooperation	4,000	585	150	385	5	510	1,045	885	15	420
Total	8,280	585	150	3,465	5	510	1,045	1,765	15	740
<u>PROPOSED FY 1959</u>										
Defense Support	6,320	-	-	4,770	-	-	-	650	-	900
Technical Cooperation	4,200	540	375	295	-	615	1,410	635	15	315
Total	10,520	540	375	5,065	-	615	1,410	1,285	15	1,215

Country: THAILAND

ECONOMIC ASSISTANCE

DISTRIBUTION OF FY 1959 PROJECT ASSISTANCE

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TABLE I

(In thousands of dollars and equivalent)

Function: DEFENSE SUPPORT Projects	DIRECT U.S. DOLLAR COST - Proposed							Local Currency Cost - Proposed	
	Total	U.S. Technicians	Non-Contract Participants	Contracts	Commodities	Other Costs	Contributions to Cooperative Services	MSP includ. Counterpart	P. L. 480 Administered by ICA
<u>Industry and Mining</u>	-	-	-	-	-	-	-	<u>700</u>	<u>1,000</u>
Mae Moh Thermal Power	-	-	-	-	-	-	-	700	-
Industrial Development Loan Fund	-	-	-	-	-	-	-	-	1,000
<u>Transportation</u>	<u>4,770</u>	<u>90</u>	<u>30</u>	<u>4,650</u>	-	-	-	<u>7,310</u>	-
General Highway Improvement	4,250	-	-	4,250	-	-	-	7,110	-
Highway Department Operations	520	90	30	400	-	-	-	200	-
<u>Health and Sanitation</u>	-	-	-	-	-	-	-	<u>270</u>	-
Malaria Eradication	-	-	-	-	-	-	-	270	-
<u>Public Administration</u>	<u>650</u>	<u>350</u>	<u>100</u>	-	<u>200</u>	-	-	<u>290</u>	-
Civil Police Administration	650	350	100	-	200	-	-	290	-
<u>General and Miscellaneous</u>	<u>900</u>	-	-	<u>300</u>	<u>600</u>	-	-	<u>400</u>	-
Ground Water Exploration	900	-	-	300	600	-	-	400	-
Total, Defense Support	6,320	440	130	4,950	800	-	-	8,970	1,000

Country: THAILAND

ECONOMIC ASSISTANCE

DISTRIBUTION OF FY 1959 PROJECT ASSISTANCE

TABLE I

Page 1 of 2

(In thousands of dollars and equivalent)

Function: TECHNICAL COOPERATION Projects	DIRECT U.S. DOLLAR COST - Proposed						Local Currency Cost - Proposed		
	Total	U.S. Technicians	Non-Contract Participants	Contracts	Commodities	Other Costs	Contributions to Cooperative Services	MSP incl. Counterpart	P. L. 480 Administered by ICA
<u>Agriculture and Natural Resources</u>	<u>540</u>	<u>275</u>	<u>170</u>	-	<u>95</u>			<u>615</u>	
Agricultural Extension and Research	220	105	85	-	30			200	
Improvement of Kasetsart University	-	-	-	-	-			115	
Agricultural Development N.E. Thailand	110	60	25	-	25			25	
Livestock Industry Development	50	40	10	-	-			45	
Agricultural Credit and Marketing	120	40	40	-	40			200	
Technical Support	40	30	10	-	-			30	
<u>Industry and Mining</u>	<u>375</u>	<u>165</u>	<u>100</u>	<u>100</u>	<u>10</u>			<u>165</u>	
Mining Development	70	60	5	-	5			50	
Power Services and Training	200	30	70	100	-			75	
Industrial Technical Advisory Services	75	45	25	-	5			30	
Industrial Development Program Administration	30	30	-	-	-			10	
<u>Transportation</u>	<u>295</u>	<u>155</u>	<u>35</u>	<u>105</u>	-			<u>550</u>	
Aeronautical Ground Services Improvement	120	95	25	-	-			500	
Meteorological Services Improvement	25	15	10	-	-			20	
Improvement of Thai Airways	105	-	-	105	-			-	
Technical Support	45	45	-	-	-			30	
<u>Health and Sanitation</u>	<u>615</u>	<u>140</u>	<u>190</u>	-	<u>285</u>			<u>730</u>	
Rural Health	60	50	10	-	-			100	
Medical Education	525	60	180	-	285			600	
Technical Support	30	30	-	-	-			30	
<u>Education</u>	<u>1,410</u>	<u>150</u>	<u>470</u>	<u>510</u>	<u>280</u>			<u>1,000</u>	
Bangkok Technical Institute	300	-	-	270	30			200	
Vocational Education	230	45	85	-	100			200	
Provincial Teacher Training	595	60	385	-	150			500	
University Teacher Training	100	-	-	100	-			30	
Improvement of Engineering Department, Chulalongkorn University	140	-	-	140	-			50	
Technical Support	45	45	-	-	-			20	

Country: THAILAND

ECONOMIC ASSISTANCE

DISTRIBUTION OF FY 1959 PROJECT ASSISTANCE

(In thousands of dollars and equivalent)

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TABLE I

Page 2 of 2

Function: TECHNICAL COOPERATION Projects	DIRECT U.S. DOLLAR COST - Proposed							Local Currency Cost - Proposed	
	Total	U.S. Technicians	Non-Contract Participants	Contracts	Commodities	Other Costs	Contributions to Cooperative Services	MSP includ. Counterpart	P. L. 480 Adminis-tered by ICA
<u>Public Administration</u>	<u>635</u>	<u>30</u>	<u>165</u>	<u>440</u>	-			<u>410</u>	
Modernization of Govt. Fiscal Management	70	-	70	-	-			50	
Bangkok City Planning	20	-	20	-	-			70	
Public Administration Institute at Thammasat University	340	-	-	340	-			200	
Training in Fiscal and Budgetary Practices	25	-	25	-	-			20	
Government Statistical Service Improvement	150	-	50	100	-			45	
Technical Support	30	30	-	-	-			25	
<u>Community Development, Social Welfare and Housing</u>	<u>15</u>	<u>15</u>	-	-	-			<u>10</u>	
Community Development	15	15	-	-	-			10	
<u>General and Miscellaneous</u>	<u>315</u>	<u>210</u>	<u>40</u>	-	<u>65</u>			<u>430</u>	
Program Information	80	60	5	-	15			100	
Atomic Energy Training	25	-	25	-	-			10	
Ground Water Exploration	30	30	-	-	-			20	
Technical Support	180	120	10	-	50			300	
Total, Technical Cooperation	4,200	1,140	1,170	1,155	735			3,910	
GRAND TOTAL	10,520	1,580	1,300	6,105	1,535			12,880	1,000

Country: THAILAND

ECONOMIC ASSISTANCE
COMPOSITION OF NON-PROJECT ASSISTANCE

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TABLE II

(In thousands of dollars)

Commodities and Other	PROGRAM		
	Actual FY 1957	Estimate FY 1958	Proposed FY 1959
<u>Surplus Agricultural Commodities</u>	-	-	-
<u>Fuel</u>	<u>1,500</u>	<u>8,000</u>	<u>8,000</u>
Petroleum and Petroleum Products	1,500	8,000	8,000
<u>Raw Materials and Semifinished Products</u>	<u>1,696</u>	<u>5,000</u>	<u>4,000</u>
Iron and Steel Mill Materials	800	5,000	4,000
Chemicals and Related Products	400	-	-
Miscellaneous Fiber Products	496	-	-
<u>Machinery and Vehicles</u>	<u>1,604</u>	<u>2,720</u>	<u>1,680</u>
Machinery and Equipment	142	-	-
Motor Vehicles, Engines and Spare Parts	1,460	2,720	1,680
Railroad Transportation Equipment	2	-	-
<u>Miscellaneous and Unclassified</u>	<u>200</u>	-	-
Rubber and Rubber Products	200	-	-
Total Commodity Program	<u>5,000</u>	<u>15,720</u>	<u>13,680</u>
<u>Cash Grants</u>	-	-	-
<u>Other</u>	-	-	-
TOTAL NON-PROJECT ASSISTANCE	<u><u>5,000</u></u>	<u><u>15,720</u></u>	<u><u>13,680</u></u>

Country: THAILAND

LOCAL CURRENCY - Narrative

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Availabilities: Local currencies available for ICA programming in Thailand are: (a) Counterpart equivalent in value to the cost of goods supplied under the defense support program, except for items made available for non-revenue producing projects; and (b) P.L. 480, Title I, Section 104(g) local currency, which accrues from the sale of U.S. surplus agricultural commodities to Thailand. In addition, the Thai Government deposits annually in the counterpart account \$3 million equivalent for Technical Cooperation purposes. This deposit more than offsets the value of commodities supplied under the Technical Cooperation program and provides a major portion of the local currency costs thereof.

Local currency cash balances from these sources (in millions of dollar equivalent computed on the basis of data presented in Table IV) at the end of the following fiscal years are: 1957 (actual), 21.9; 1958 (estimated), 3.7; 1959 (estimated), 0.6.

Planned Uses: Counterpart funds are used principally to meet the local costs of military construction and economic projects. Pursuant to the provisions of Section 104(g), P.L. 480 local currency is to be used, on a loan basis, for an industrial development loan fund and for other economic development purposes. **Planned local currency commitments and obligations, in millions of dollar equivalent, for the fiscal years 1957 through 1959 are as follows:** Military purposes - 2.5, 13.9, 9.0; Economic projects - 27.8, 17.4, 13.8.

The high FY 1957 commitment total for economic projects reflects commitment activity during the 18-month period ending December 31, 1957, in order to shift local currency programming from a Thai fiscal year to a U.S. fiscal year basis. Activities for which local currency funds are to be used are set forth in Table V.

Relationship to MSP Appropriations: The FY 1959 aid request reflects the amount of new financing for local currency generation which, together with the prior year's uncommitted carryover, is needed to meet planned commitments for military, Defense Support and Technical Cooperation program operations. The uncommitted counterpart balance of \$12.2 million equivalent at the end of FY 1958 is not sufficient to meet planned commitments of \$21.9 million in FY 1959. Dollar aid funds are therefore required in that fiscal year to finance additional local currency generation for the planned level of commitments, and to provide the necessary pipeline for military requirements anticipated in early FY 1960.

Special Factors Affecting Utilization: Planned local currency expenditures for FY 1959 aggregate about \$23 million equivalent. As indicated in Table IV, a substantial acceleration in the utilization of local currency is expected to occur in FY 1958 and FY 1959, as compared to the annual rate for FY 1957. This reflects the significant improvement anticipated in the implementation of defense support and military construction projects. As a result, the estimated cash balance at the end of FY 1959 will be equivalent to less than one month's expenditures.

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

SALES AGREEMENT BY FISCAL YEAR		Foreign Currency Reserved for U.S. Uses	Foreign Currency Administered by Ex-Im Bank (Cooley Amend.)	FOREIGN CURRENCY TO BE ADMINISTERED BY MSP AGENCIES				
Fiscal Year in Which Sales Agreement Signed	Total Value of Sales			Sec. 104c	Sec. 104d	Sec. 104e	Sec. 104g	Total Administered by MSP Agencies
FY 1955 Actual	2,000	1,200	-				800	800
FY 1956 Actual	-	-	-				-	-
FY 1957 Actual	2,600	1,350	-				1,250	1,250
FY 1958 Estimate	2,000	500	500				1,000	1,000
FY 1959 Estimate	2,500	875	625				1,000	1,000
TOTAL	9,100	3,925	1,125				4,050	4,050

Country: THAILAND

STATUS OF LOCAL CURRENCY FUNDS

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TABLE IV

(In thousands of dollar equivalent)

Type of Programs Generating Local Currencies and its Utilization	ACTUAL FY 1957			ESTIMATE FY 1958		PROPOSED FY 1959	
	Cumulative Through 7/1/56	Net Change	Cumulative Through 6/30/57	Net Change	Cumulative Through 6/30/58	Net Change	Cumulative Through 6/30/59
<u>MSP U.S.-OWNED LOCAL CURRENCIES</u>							
Potential Generation from U.S. Dollar Program . .							
Deposits							
Obligations							
Expenditures							
<u>COUNTERPART</u>							
Potential Generation from U.S. Dollar Program . .	68,930	7,850	76,780	18,570	95,350	16,530	111,880
Deposits	32,532	27,234	59,766	13,813	73,579	19,000	92,579
Commitments	23,650	30,320	53,970	29,180	83,150	21,830	104,980
Expenditures	23,646	15,971	39,617	30,300	69,917	22,080	91,997
<u>P.L. 480 TITLE I, L.C. ADMINISTERED BY ICA</u>							
Potential Generation from U.S. Dollar Program . .	800	1,250	2,050	1,000	3,050	1,000	4,050
Deposits	800	-	800	1,250	2,050	1,000	3,050
Obligations	-	-	-	2,050	2,050	1,000	3,050
Expenditures	-	-	-	2,050	2,050	1,000	3,050
<u>OTHER LOCAL CURRENCY</u>							
Potential Generation from U.S. Dollar Program . .							
Deposits							
Commitments							
Expenditures							

Country: THAILAND

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

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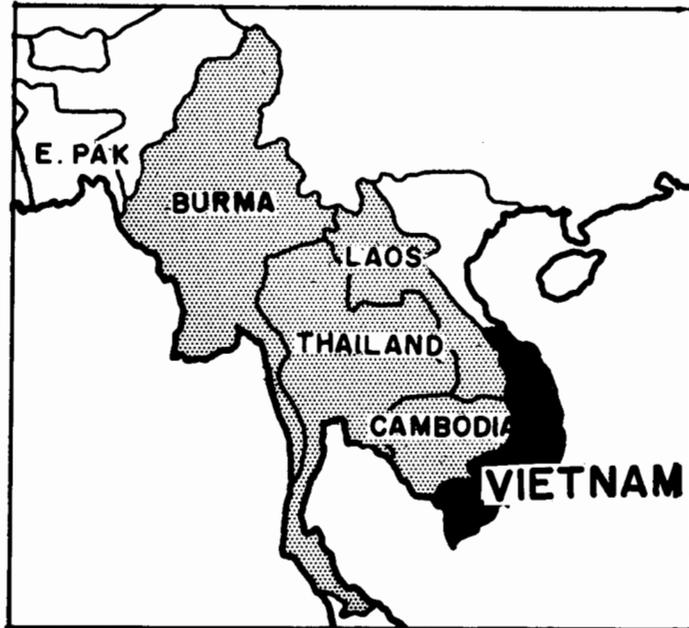
TABLE V

PURPOSE AND ACTIVITY	FY 1957			FY 1958			FY 1959		
	MSP Source	P.L. 480 Title I Adm. by ICA	Other Sources	MSP Source	P.L. 480 Title I Adm. by ICA	Other Sources	MSP Source	P.L. 480 Title I Adm. by ICA	Other Sources
MILITARY PURPOSES									
Projects	2,457			13,585	-		8,950	-	
Budget Support	-			-	-		-	-	
Military Procurement	16			275	-		-	-	
Total Military Purposes	2,473			13,860	-		8,950	-	
ECONOMIC PURPOSES									
Project Assistance by Field of Activity									
Agriculture	3,034			1,075	-		615	-	
Industry and Mining	807			1,190	2,050		865	1,000	
Transportation	18,264			7,995	-		7,860	-	
Labor	-			-	-		-	-	
Health and Sanitation	1,679			1,720	-		1,000	-	
Education	872			1,480	-		1,000	-	
Public Administration	200			935	-		700	-	
Community Development, Social Welfare and Housing	-			10	-		10	-	
General and Miscellaneous	2,991 ^{a/}			915	-		830	-	
Total	27,847			15,320	2,050		12,880	1,000	
Budget Support (Not Elsewhere Classified) . .	-			-	-		-	-	
Total Economic Purposes	27,847			15,320	2,050		12,880	1,000	
Procurement for Third Country	XXX			XXX	-		XXX	-	
TOTAL ALL PURPOSES	30,320			29,180	2,050		21,830	1,000	

^{a/} Includes \$2,390 thousand for participants' international travel costs, medical fees, and local currency support costs of U.S. employed technicians and contract service personnel. For FY 1958 and FY 1959, these costs are distributed among appropriate fields of activity.

VIETNAM

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ECONOMIC TRENDS

	Unit	Calendar Years			
		1954	1955	1956	1957 Est.
GROSS NATIONAL PRODUCT					
Total GNP (In 1955 Prices)	\$ Millions	n.a.	2,060	2,100	2,150
Per Capita GNP	Dollars	-	171	173	174
PRODUCTION					
Rice ^a	1,000 M.T.	2,090	2,250	2,450	2,270
Rubber	"	51	54	59	61
Electric Power (Saigon)	Million KWH	190	216	234	234
FOREIGN TRADE					
Total Exports (f.o.b.)	\$ Millions	99	69	45	62
Rice	"	22	9	0.4	17
Rubber	"	24	40	37	37
Total Imports (c.i.f.)	"	289	263	218	270
Trade Balance	"	-190	-194	-173	-208
FOREIGN EXCHANGE RESERVES (end of year)	\$ Millions	30	136	141	145
COST OF LIVING INDEX (Saigon) 1953=100		113	124	139	133

BASIC DATA

Population	12 million	
Annual Growth	1.5 percent	
Agricultural Land	14% of area	
Agri. Land per Capita	0.9 acres	
Literacy Rate	20 percent	
	<u>VIETNAM</u>	<u>U.S.</u>
Life Expectancy (Years)	35 ^E	70
Inhabitants per Physician	38,000	760
Road Miles per 1,000 sq.mi.	110	1,020
Electric Power per Capita (KWH per year)	19	4,070

CENTRAL GOVERNMENT FINANCES

Country Fiscal Year Ending - December 31	- \$ Millions -		
	1955	1956 (Budget)	1957 (Budget)
Total Expenditures	374	461	483
Revenues, excl. receipts of U.S. Grant Aid	201	204	253
Deficit or Surplus before U.S. Grant Aid	-173	-257	-230
Budgetary Receipts from U.S. Grant Aid	145	219	216
Budgetary Receipts from U.S. Loans	-	25	25
DEFENSE EXPENDITURES			
Total Defense Expenditures	195	199	189
As percent of Total Gov't Expenditures	52%	43%	39%
As percent of Gross National Product	9%	8%	8%
TOTAL DEBT (gross)			
As percent of GNP	n.a.	n.a.	n.a.
Foreign Debt	-	25	50

n.a. - Not Available
E - Estimate

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

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Country VIETNAM

MUTUAL SECURITY PROGRAM

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U.S. Interests:

The Republic of Vietnam remains one of the most likely targets of Communist aggression and subversion in Southeast Asia. The existence in North Vietnam of a militarily powerful Communist regime, backed by adjacent Communist China and firmly committed to supporting bloc policy, heightens these dangers.

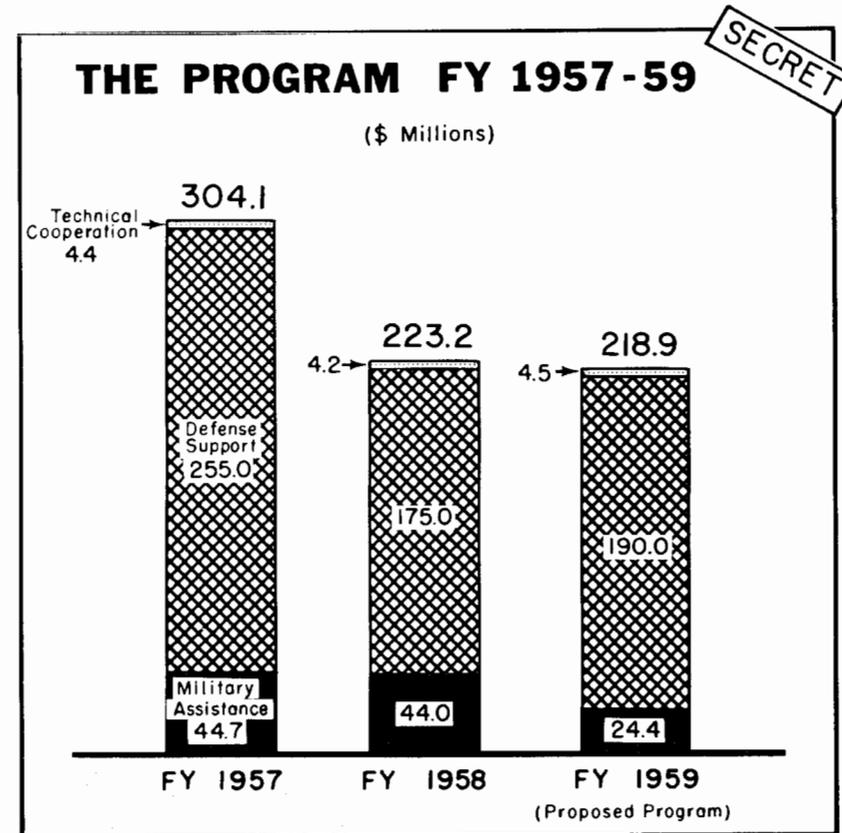
The struggle between the Communist regime in the north and the Government of Vietnam for the support of the Vietnamese people symbolizes the general conflict between the Free World and the Sino-Soviet bloc in Southeast Asia, significantly affects the balance of power in the Far East, and serves to influence trends and attitudes in the rest of Southeast Asia.

The Protocol to the Southeast Asia Defense Treaty designates the free territory of Vietnam, as well as Cambodia and Laos, as areas which, if attacked, would be under the protection of that treaty. U. S. interests clearly require that Vietnam maintain a stable and free government and remain outside the Communist orbit. To this end, the U. S. must continue to help Vietnam finance its large military expenditures while, at the same time, encouraging a degree of economic progress which will maintain political stability and also permit Vietnam gradually to assume an increasing share of its own defense costs. Vietnam has signed a Mutual Defense Assistance Agreement.

A free Republic of Vietnam making progress with U. S. aid toward the solution of its internal military, political and economic problems, is developing into a comparatively strong champion of the Free World in Southeast Asia. The political stability and progress already achieved by South Vietnam serve to increase its acceptance among the uncommitted nations of Asia, and to influence the outlook of the leaders in that area, thus diminishing the power of attraction of the Communist regime in North Vietnam.

Exports from South Vietnam currently pay for slightly less than one-fourth of its imports, the balance being covered by large-scale foreign military and economic aid, primarily from the U. S. Foreign aid covers about roughly half of the Vietnamese Government's expenditures for military and civilian purposes. Vietnam has signed an Investment Guaranty Agreement with the U.S.

Communist China, the U.S.S.R., and a number of the European satellites have made substantial grants of assistance to the Communist regime in the north.



Obligations and Expenditures \$ in thousands

	PROGRAMMED	DEL./EXP.	UNLIQUIDATED
MILITARY ASSISTANCE			
Cumulative 6/30/57	310,973	262,973	48,000
Estimate F.Y. 1958	43,952	45,197	XXX
Cumulative 6/30/58	354,925	308,170	46,755
ECONOMIC ASSISTANCE			
Cumulative 6/30/57	783,898	573,188	210,710
Estimate F.Y. 1958	179,200	201,660	XXX
Cumulative 6/30/58	963,098	774,848	188,250

Viet Nam

SECRET
MILITARY ASSISTANCE

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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			
Country Total	\$24,655	\$23,952	-	\$24,439	\$45,197	\$308,170	\$46,755
Aircraft, Components, Spares & Related Equip.	-	-	-	-	\$ 1,109	\$ 13,464	\$ 145
F-60	-	-	-	-	18	18	-
C-47	-	-	-	-	-	34	-
P-57	-	-	-	-	-	69	1
Ships and Harbor Craft, Components and Spares	\$ 937	\$ 7,860	-	\$ 1,007	\$ 1,564	\$ 36,293	\$ 7,960
Coastal Minesweeper (MSC)	-	3	-	-	-	-	3
Landing Craft Utility (LCU)	-	-	-	-	-	7	-
Landing Craft Medium (LCM)	-	-	-	-	-	57	-
Landing Ship Medium (LSM) (Overhaul)	-	-	2	\$ 300	-	-	-
Landing Craft (LSIL)	-	-	-	-	-	5	-
Landing Craft (LSIL) (Overhaul)	2	-	2	\$ 170	2	2	-
Submarine Chaser (PC)	-	-	-	-	-	5	-
Submarine Chaser (PC) (Overhaul)	3	-	1	\$ 200	3	3	-
Tanks, Other Vehicles, Weapons, Comp. & Spares	\$ 5,090	\$ 1,701	-	\$ 3,191	\$ 3,013	\$ 95,979	\$ 6,269
Truck, 1/4 Ton, 4x4 (all models)	-	-	-	-	125	4,494	-
Truck, 2 1/2 Ton, 6x6, Cargo (all models)	-	-	-	-	234	6,353	-
Truck, tractor, 4-5-6 Ton, 6x6	-	-	66	\$ 1,186	-	-	-
Truck, 4-5-6 Ton, 6x6, Wrecker	38	-	-	-	-	141	-
Howitzer, 105mm, M2 A1, w/carriage or mount	-	-	-	-	-	180	-
Howitzer, 155mm, M1, w/carriage	-	-	-	-	-	18	-
Launcher, Rocket, 3.5" M20 Series	38	-	1,585	\$ 114	50	1,696	-
Carbine, Cal..30 (all models)	-	-	-	-	128	44,210	-
Rifle, U. S., Cal..30, M1 Series	-	-	-	-	6	76,048	-
Ammunition	\$11,890	\$16,458	-	\$ 3,540	\$15,296	\$ 87,045	\$13,546
Cartridge, Cal..30 (all types) (M Rds)	21,333	79,685	34	\$ 2,714	67,409	270,728	18,976
Cartridge, Cal..50 (all types) (M Rds)	-	-	-	-	8,509	10,109	1,145
Cartridge, HE (HEAT) 57mm, Rifle (M Rds)	36	24	19	-	24	113	-
Cartridge, HE, M1, w/f, 105mm How (M Rds)	-	29	-	-	16	531	13
Cartridge, HE, 155mm How (all types) (M Rds) (Procured by Complete Rds)	-	8	10	\$ 240	-	25	37
Cartridge, HE, 60mm Mortar (M Rds)	85	89	-	-	85	537	89
Cartridge, HE, 81mm Mortar (M Rds)	411	111	-	-	348	693	178
Cartridge, 20mm (all types) (M Rds)	-	-	-	-	-	773	-
Electronics & Comm. Equipment, Comp. & Spares	\$ 4,756	\$ 2,041	-	\$ 933	\$ 3,534	\$ 25,763	\$ 2,357
TT-7-FG Teletypewriter	-	-	149	\$ 330	-	-	-
AN/TRC-3 Radio Terminal	16	-	38	\$ 189	16	18	-
AN/PRC-9 Radio	-	-	300	\$ 93	-	-	-
Other Materiel	\$13,734	\$ 9,700	-	\$10,203	\$12,534	\$ 31,513	\$13,673
Construction	\$ 288	\$ 100	-	\$ 153	\$ 292	\$ 306	\$ 135
Training	\$ 6,922	\$ 4,997	-	\$ 5,412	\$ 7,252	\$ 15,218	\$ 1,769
All Other	\$ 1,038	\$ 1,095	-	-	\$ 603	\$ 2,589	\$ 901

SECRET

Viet Nam

SECRET MILITARY ASSISTANCE

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Objectives of Military Assistance: Continued assistance in organizing, training and equipping armed forces in order to insure the maintenance of internal security and provide limited initial resistance to attack by the North Viet-Nam Communists (Viet-Minh). Limited initial resistance as it applies to Viet-Nam is defined as resistance to Communist aggression by defending or delaying in such manner as to preserve and maintain the integrity of the government and its armed forces for the period of time required to invoke the UN Charter and/or the Southeast Asia Collective Defense Treaty and to commit collective security forces to support or reinforce indigenous forces in defense of the country.

Major Combat Forces:

Strategic Objectives

10 Divisions, 1 Abn Group
2 Marine Bns.
18 Naval Vessels
5 Air Squadrons

MAP Supported

10 Divisions, 1 Abn Group
2 Marine Bns.
17 Naval Vessels
5 Air Squadrons

Active Military Strength: 137,100

MAP Accomplishments: From the inception of MAP aid for Indochina in late 1950, until the signing of the Geneva Accords in July 1954, the US delivered about \$1.1 billion in military supplies to Indochina. Following cessation of hostilities, the Vietnamese armed forces have been reorganized and reduced to a level of 137,100 men. During this reorganization period these forces were the key factor in the reestablishment of internal security and the strengthening of a central anti-communist government.

Appraisal of Forces:

Army: Capable of maintaining general internal security. In event of a full-scale North Viet-Nam Communist invasion across the 17th parallel, it is estimated the South Viet-Nam forces could defend essential key areas for from 30 to 40 days after which time outside military help would be required.

Navy: Professional competency of the Viet-Nam Navy continues to show improvement. The attainment of an acceptable degree of combat readiness will depend on continued assistance from external sources both as regards training and material aid.

Air Force: Has a limited capability to assist the Army with air transport, liaison, and reconnaissance, air evacuation, and air-ground support in the maintenance of internal security and retarding any North Viet-Nam Communists surface aggression.

PROGRAMS (In Thousands Dollars)	FY 1957	FY 1958	Proposed FY 1959
Country Programs	44,655	43,952	24,439
Portion Special Materiel Program	(30,695)	(19,828)	(12,463)
Total	(75,350)	(63,780)	(36,902)

Country Contribution: 1% of total population in armed forces; 39% of total budget for military; 8% of GNP for military; willingness to make an aggressive and so far successful effort to establish and maintain internal security.

Proposed FY 1959 Program Provides:

Army: Trucks, tires and tubes, ammunition, communication and training equipment, gasoline and lubricants, medical equipment and supplies, engineer equipment and spare parts.

Navy: Ship overhaul, ammunition, and spare parts.

Air Force: Consumables, hand tools, and diesel fuel.

Miscellaneous Data: US excess stocks delivered at no charge through 30 June 1958: \$22.5 million (Est). Military sales through 30 June 1957: \$0.

<u>MAAG Strength:</u>	<u>US Mil</u>	<u>US Civ</u>	<u>Local</u>	<u>Total</u>
1957	514	0	105	619
1958	736	0	115	851

SECRET

Country: VIETNAM

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

*Shaded areas are Security classified
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(In thousands of dollars)

MAJOR COST COMPONENT	ACTUAL FY 1957				ESTIMATE FY 1958				PROPOSED FY 1959		
	Total	DS	Tech. Coop.	Other	Total	DS	Tech. Coop.	Other	Total	DS	Tech. Coop.
PROJECT ASSISTANCE											
Technicians	2,031	1,698	333		2,630	1,895	735		2,175	1,680	495
Participants	998	378	620		1,330	595	735		1,950	890	1,060
Contractual Services	7,322	5,871	1,451		7,260	5,865	1,395		9,005	7,325	1,680
Supplies and Equipment	38,567	36,527	2,040		15,495	14,160	1,335		20,210	18,965	1,245
Contrib. to Coop. Services	-	-	-		-	-	-		-	-	-
Other Costs	21	21	-		1,985	1,985	-		1,160	1,160	20
Total Project Assistance	48,939	44,495	4,444		28,700	24,500	4,200		34,500	30,000	4,500
NON-PROJECT ASSISTANCE											
Agric. Commodities Total	50,523	50,523			28,450	28,450			19,200	19,200	
Surplus	43,051	43,051			20,000	20,000			8,500	8,500	
Other	7,472	7,472			8,450	8,450			10,700	10,700	
Industrial Commodities Total	159,976	159,976			122,050	122,050			140,800	140,800	
Raw Materials and Fuels	108,631	108,631			86,020	86,020			95,285	95,285	
Machinery and Equipment	32,285	32,285			25,500	25,500			29,400	29,400	
Other Indus. Commodities	19,060	19,060			10,530	10,530			16,115	16,115	
Cash Transactions	-	-			-	-			-	-	
Other	-	-			-	-			-	-	
Total Non-Project Assistance	210,499	210,499			150,500	150,500			160,000	160,000	
TOTAL COUNTRY PROGRAMS	259,438	254,994	4,444		179,200	175,000	4,200		194,500	190,000	4,500
NUMBER OF PEOPLE											
Technicians (On duty close of year)	287	236	51		506	422	84		403	327	76
U.S. Employed	139	116	23		167	134	33		138	107	31
Contract	148	120	28		339	288	51		265	220	45
Participants (Programmed during year)	296	88	208		339	104	235		410	150	260
Non-Contract	276	88	188		311	104	207		360	130	230
Contract	20	-	20		28	-	28		50	20	30

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Country VIETNAM

ECONOMIC ASSISTANCE

Objectives of Economic Assistance

- To help Vietnam maintain its independence by providing the necessary budget support for the military and internal security forces.
- To improve the mobility and effective operation of these forces by constructing highways, airports and communication facilities, and by providing equipment for the civil police.
- To bring about economic and political stability and counteract inflation, by financing a flow of imports required to maintain living standards and meet commercial and industrial needs.
- To alleviate a severe shortage of trained technical, professional and managerial personnel, by providing local training and financing study abroad.
- To lay a foundation for economic growth which will help meet the needs of an increasing population, permit a gradual decrease in dependence on large U. S. aid grants, and afford that tangible evidence of progress which is essential in the unabating competition with the Communist regime in the north for the loyalty and allegiance of the Vietnamese people.

Accomplishments of Economic Assistance

A strong centralized government, greatly assisted by U. S. aid, has been established and is now exercising full control over most of its territory. A good start has been made in rehabilitating war-damaged facilities.

The Vietnamese Army has established a large measure of internal security and now constitutes a significant deterrent to external aggression. With the help of U. S. military advisers, the over all budgetary cost of maintaining the 150,000-man military force has been substantially reduced.

With the aid of American technicians and necessary supplies, 660,000 civilian refugees from North Vietnam have been settled on large tracts of abandoned but fertile land, and thereby absorbed into the economy as productive citizens. This resettlement has made a significant contribution to the recovery of agricultural production, which has risen by about 20 percent since 1953.

Substantial economic stability has been achieved through the U.S.-financed commercial import program and the anti-inflationary

Summary of Program \$ in thousands			
Function	Actual F.Y. 1957	Estimate F.Y. 1958	Proposed F.Y. 1959
Defense Support	254,994	175,000	190,000
Technical Cooperation	4,444	4,200	4,500
Total	259,438	179,200	194,500

measures taken by the Vietnamese Government. The cost of living, which rose as much as 24 percent during the two chaotic years of 1954 and 1955, stands now only 7 percent above the 1955 level and, in fact, has shown a declining trend in 1957. For the present, at least, the threat of serious inflation has been averted.

A rise in government revenues, attributable in part to urgent recommendations by the U. S. for heavier taxation, has played a significant role in combatting inflation. Revenues are up 25 percent since 1954, largely the consequence of sharply higher levies on imports.

The new levies on imports have raised their piaster cost to a more realistic level, encouraging local production and eliminating windfall profits. The additional revenue also has enabled the Vietnamese Government to raise by 50 percent its contribution to the military budget, thus helping make possible a reduction in the U. S. contribution from \$153 million in 1957 to the \$133 million proposed for FY 1959.

Major Problems

Military forces required for Vietnamese security remain far beyond Vietnam's capacity to support unaided. To finance the monetary cost of these forces without disruptive inflation and a drastic cut in living standards, Vietnam will continue to require a large volume of U.S.-financed imports.

Despite the considerable recovery from war-inflicted damage, Vietnam is not moving ahead with public and private investment rapidly enough to meet the economic and political challenge posed by the Communist threat. Propaganda, beamed to South Vietnam by radio, incessantly stresses the economic development taking place in the north. U. S. intelligence reports indicate that Soviet bloc aid in capital equipment and technicians approximates \$125 million per year. Together with the drastic

Country: VIETNAM

ECONOMIC ASSISTANCE - Continued

queeze on personal consumption in the north, this aid is making possible a rate of development, particularly in industry, probably exceeding that taking place in the south.

Efforts toward economic progress in South Vietnam are greatly hampered by the lack of significant mineral and industrial resources. Almost all such resources in Vietnam are located in the north and are now completely inaccessible.

Acts of terrorism, promoted by the Communist regime in the north, also inhibit economic development. During the past year such acts have increased in frequency. The sense of insecurity engendered by terrorism has adversely affected the climate within which important political and economic decisions are made by the Vietnamese Government, and has led to a preoccupation with military and security matters which delays precise plans and decisions required for economic progress.

Shortages of technical skills and trained manpower remain a serious bottleneck throughout the economy. In addition, the newly independent Government of South Vietnam lacks administrative experience, having taken over abruptly from the French with virtually no preparation.

Proposed FY 1959 Program

The economic aid proposed for FY 1959 will continue support for the military budget, finance imports needed to maintain production and living standards, and encourage projects directly increasing the efficiency of the military and security forces. The proposed program also will make possible a modest investment in the development of skills, institutions and basic facilities, as a necessary foundation for economic development. To engender significant progress toward self-support, however, Vietnam will require external aid beyond the level of economic assistance now proposed. Presumably much of this aid will be sought from the Development Loan Fund, because Vietnam's limited capacity to repay in dollars and continuing risks of conflict with the adjacent Communist regime inhibit investment by other foreign lenders.

Defense Support (\$190 million)

Non-project Aid: \$160 million of Defense Support funds will be required in FY 1959 to supplement Vietnam's own foreign exchange earnings in financing imports necessary to maintain living standards and industrial production, and to offset the inflationary impact of continued large expenditures on military forces. This level of non-project aid will meet approximately

74 percent of Vietnam's commercial import requirements for consumer goods, raw materials, and equipment necessary for the maintenance of existing productive capacity. Vietnam, itself, is expected to finance an additional \$40 million of such imports, compared to \$23 million in 1957.

Of the local currency to be generated by the sale of U.S.-financed imports through commercial channels, the equivalent of \$150 million will be used directly to help finance the Vietnamese Army in 1959. The U. S. also will contribute to the military budget an additional \$3 million in local currency derived from anticipated sales of tobacco under P.L. 480. It is currently assumed that increased taxes on imports will enable the Vietnamese to raise their contribution to the military budget to almost \$37 million in 1959, compared with \$26 million in 1957.

The remaining \$30 million of local currency derived from non-project funds will be devoted to helping meet the local costs of projects included within the U. S. aid program.

Project Aid: About two-thirds of the \$30 million proposed for project aid in FY 1959 is required for activities which will contribute directly to the attainment of security objectives, while also serving important economic purposes.

Around \$15 million will be needed to continue the program of repair and modernization of highways and bridges, in particular, the coastal or major north-south highway link carrying the bulk of military and civilian traffic in Vietnam. Construction work will include both repair of the roadbed and reconstruction of 12,000 meters of bridges. An additional \$400,000 will be used for runway and other construction at Vietnam's five principal airports.

Over \$4 million is required to continue the re-equipment of Vietnamese police services, including the Civil Guard and the municipal police. Both organizations play a leading role in coping with acts of terrorism within Vietnam, which recently have become more frequent.

About \$1 million will be needed to finance imports of equipment and to furnish advisers for the resettlement of 8,000 families on 25,000 hectares of fertile land. Those to be moved include demobilized soldiers and farmers now living in overpopulated coastal farm areas. These efforts will increase and diversify agricultural production and contribute to security in strategic frontier areas.

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Country: VIETNAM

ECONOMIC ASSISTANCE - Continued

Of the remaining project funds, a substantial part will finance activities designed to benefit the mass of the people directly, so as to strengthen popular support of the government and counteract Communist propaganda. Such projects will:

- help provincial governors in Vietnam provide relatively small but essential public services, including assistance for farm-to-market roads, docks, small canals and minor irrigation systems already in process through local self-help programs;
- develop vocational education in the polytechnic schools of Vietnam, by introducing courses of study, shop-teaching techniques, and other means essential to create an effective vocational teacher and trade-training program;
- construct a 500-bed teaching hospital within the Medical Center being established in South Vietnam, to fill the vacuum left by the loss of training facilities previously available in the north, which now provide the Communist regime with a significant propaganda advantage in the field of public health.

Technical Cooperation (\$4.5 million)

The funds proposed for Technical Cooperation are to be used to help improve government operations through the development of technical and administrative competence; to assist in developing

basic technical skills in agriculture, nursing, sanitation, and teacher training; and to develop institutions at the village level, such as agricultural credit and extension services, which will improve rural living conditions and increase and diversify local production.

The \$4.5 million proposed for these purposes will finance continuing projects as follows:

- \$1.4 million for advisory services in agricultural education and extension, credit, cooperatives, and production research;
- \$0.2 million for local and overseas training in water supply development;
- \$0.6 million to improve nursing training;
- \$0.4 million to provide technical advisors on textbook and curriculum development, and on teaching methods; and
- \$1.9 million to establish centers for training in administrative methods and techniques.

The equivalent of \$5.5 million in local currency generated from the sale of imports financed with FY 1959 economic aid funds will be applied toward the local costs of these projects.

PROJECT ASSISTANCE BY FIELD OF ACTIVITY

(\$ in thousands)

FISCAL YEAR	TOTAL COST	AGRICULTURE AND NATURAL RESOURCES	INDUSTRY AND MINING	TRANSPORTATION	LABOR	HEALTH AND SANITATION	EDUCATION	PUBLIC ADMINISTRATION	COMMUNITY DEVELOP., SOCIAL WELFARE & HOUSING	GENERAL AND MISCELLANEOUS
<u>ACTUAL FY 1957</u>										
Defense Support	44,495	4,237	8,880	18,804		3,521	571	5,787		2,695
Technical Cooperation	4,444	577	-	-		948	1,392	1,527		-
Total	48,939	4,814	8,880	18,804		4,469	1,963	7,314		2,695
<u>ESTIMATE FY 1958</u>										
Defense Support	24,500	1,020	320	14,270		1,910	1,015	1,735		4,230
Technical Cooperation	4,200	1,580	90	-		260	445	1,825		-
Total	28,700	2,600	410	14,270		2,170	1,460	3,560		4,230
<u>PROPOSED FY 1959</u>										
Defense Support	30,000	1,410	690	15,880		2,975	830	4,880		3,335
Technical Cooperation	4,500	1,370	195	-		590	400	1,945		-
Total	34,500	2,780	885	15,880		3,565	1,230	6,825		3,335

Country: VIETNAM

ECONOMIC ASSISTANCE
DISTRIBUTION OF FY 1959 PROJECT ASSISTANCE

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TABLE I
Page 1 of 2

(In thousands of dollars and equivalent)

Function: DEFENSE SUPPORT Projects	DIRECT U.S. DOLLAR COST - Proposed							Local Currency Cost - Proposed	
	Total	U.S. Technicians	Non-Contract Participants	Contracts	Commodities	Other Costs	Contributions to Cooperative Services	MSP includ. Counterpart	P. L. 480 Administered by ICA
<u>Agriculture and Natural Resources</u>	<u>1,410</u>	<u>90</u>	<u>70</u>	-	<u>1,250</u>	-	-	<u>5,195</u>	
Administration of Agrarian Reform	25	15	10	-	-	-	-	515	
Land Development	930	45	35	-	850	-	-	4,110	
General Livestock Development	455	30	25	-	400	-	-	570	
<u>Industry and Mining</u>	<u>690</u>	<u>15</u>	<u>140</u>	<u>535</u>	-	-	-	<u>215</u>	
Telecommunications Development	60	15	45	-	-	-	-	-	
Electric Power Development	230	-	20	210	-	-	-	55	
Industrial Development Center	400	-	75	325	-	-	-	160	
<u>Transportation</u>	<u>15,880</u>	<u>165</u>	<u>220</u>	<u>6,560</u>	<u>8,935</u>	-	-	<u>15,285</u>	
Highways and Bridges	15,315	45	100	6,500	8,670	-	-	10,985	
Vietnam Railway System	30	15	15	-	-	-	-	-	
Waterways of Vietnam	180	15	-	-	165	-	-	2,300	
Improvement and Expansion of Aeronautical Ground Facilities	355	90	105	60	100	-	-	2,000	
<u>Health and Sanitation</u>	<u>2,975</u>	<u>60</u>	<u>110</u>	-	<u>2,805</u>	-	-	<u>1,315</u>	
Malaria Eradication Program	-	-	-	-	-	-	-	655	
Health Services Development	1,010	45	110	-	855	-	-	285	
Medical and Allied Education	1,965	15	-	-	1,950	-	-	375	
<u>Education</u>	<u>830</u>	<u>120</u>	<u>230</u>	-	<u>480</u>	-	-	<u>1,110</u>	
Technical Vocational Education	405	75	120	-	210	-	-	100	
Elementary Education	185	15	35	-	135	-	-	1,010	
Secondary Education	240	30	75	-	135	-	-	-	

Country: VIETNAM

ECONOMIC ASSISTANCE

DISTRIBUTION OF FY 1959 PROJECT ASSISTANCE

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TABLE I

Page 2 of 2

(In thousands of dollars and equivalent)

Function: DEFENSE SUPPORT Projects	DIRECT U.S. DOLLAR COST - Proposed							Local Currency Cost - Proposed	
	Total	U.S. Technicians	Non-Contract Participants	Contracts	Commodities	Other Costs	Contributions to Cooperative Services	MSP includ. Counterpart	P. L. 480 Administered by ICA
<u>Public Administration</u>	<u>4,880</u>	<u>90</u>	<u>35</u>	<u>80</u>	<u>4,675</u>	-		<u>1,140</u>	
Civil Service Improvement	60	15	30	-	15	-		25	
Civil Police Administration Program	4,200	-	-	-	4,200	-		85	
Development Services for Provincial Administration	620	75	5	80	460	-		1,030	
<u>General and Miscellaneous</u>	<u>3,335</u>	<u>1,140</u>	<u>85</u>	<u>150</u>	<u>820</u>	<u>1,140^{a/}</u>		<u>270</u>	
Development of Government Information Facilities	130	45	35	-	50	-		60	
National Radio Network	205	30	50	-	125	-		60	
General Program Administration	3,000	1,065	-	150	645	1,140		150	
Total Defense Support	30,000	1,680	890	7,325	18,965	1,140		24,530	

^{a/} Funds provided for purchase of piastres to meet local currency costs of technical support.

Country: VIETNAM

ECONOMIC ASSISTANCE

DISTRIBUTION OF FY 1959 PROJECT ASSISTANCE

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(In thousands of dollars and equivalent)

Function: TECHNICAL COOPERATION Projects	DIRECT U.S. DOLLAR COST - Proposed							Local Currency Cost - Proposed	
	Total	U.S. Technicians	Non-Contract Participants	Contracts	Commodities	Other Costs	Contributions to Cooperative Services	MSP includ. Counterpart	P. L. 480 Administered by ICA
<u>Agriculture and Natural Resources</u>	<u>1,370</u>	<u>195</u>	<u>235</u>	<u>80</u>	<u>860</u>	-		<u>3,410</u>	
Agricultural Extension	140	45	30	-	65	-		490	
National Agricultural College and General Training	85	30	50	-	5	-		170	
Agricultural Credit and Cooperatives	490	30	40	-	420	-		500	
Agricultural Economics and Statistics	45	15	20	-	10	-		85	
General Crop Development	145	30	60	-	55	-		230	
General Fisheries Development	150	15	15	-	120	-		485	
Water Control for Agricultural Production	255	15	20	80	140	-		1,400	
Natural Resources Data Survey	60	15	-	-	45	-		50	
<u>Industry and Mining</u>	<u>195</u>	<u>30</u>	<u>35</u>	<u>100</u>	<u>30</u>	-		-	
Rural Urban Water Supply Development	195	30	35	100	30	-		-	
<u>Labor</u>	-	-	-	-	-	-		<u>30</u>	
Labor Ministry Organization	-	-	-	-	-	-		30	
<u>Health and Sanitation</u>	<u>590</u>	<u>60</u>	<u>310</u>	<u>200</u>	<u>20</u>	-		<u>145</u>	
Medical Education	590	60	310	200	20	-		145	
<u>Education</u>	<u>400</u>	<u>120</u>	<u>195</u>	-	<u>85</u>	-		<u>200</u>	
Teacher Training and Higher Education	300	75	175	-	50	-		50	
Textbook Development and Special Services	100	45	20	-	35	-		150	
<u>Public Administration</u>	<u>1,945</u>	<u>90</u>	<u>285</u>	<u>1,300</u>	<u>250</u>	<u>20</u>		<u>1,685</u>	
In-Service Training	150	-	50	-	100	-		145	
Accounting and Auditing	200	30	50	-	100	20		85	
Government Supply System	45	45	-	-	-	-		-	
National Institute of Administration	1,300	-	-	1,300	-	-		770	
Participants and Scholarship Students	150	-	150	-	-	-		-	
National Institute of Statistics	100	15	35	-	50	-		685	
Total Technical Cooperation	4,500	495	1,060	1,680	1,245	20		5,470	
GRAND TOTAL	34,500	2,175	1,950	9,005	20,210	1,160		30,000	

Country: VIETNAM

ECONOMIC ASSISTANCE
COMPOSITION OF NON-PROJECT ASSISTANCE

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TABLE II
Page 1 of 2

(In thousands of dollars)

Commodities and Other	PROGRAM		
	Actual FY 1957	Estimate FY 1958	Proposed FY 1959
<u>Surplus Agricultural Commodities</u>	<u>43,051</u>	<u>20,000</u>	<u>8,500</u>
Bread Grains	4,100	1,900	2,000
Dairy Products	8,925	7,600	6,000
Fats and Oils	26	500	500
Sales to other countries for benefit of this country	30,000	10,000	-
<u>Food, Feed and Fertilizer</u>	<u>7,472</u>	<u>8,450</u>	<u>10,700</u>
Fertilizer	2,851	1,650	4,000
Seeds other than Oil Seeds	225	50	-
Sugar	3,900	6,300	6,000
Other	496	450	700
<u>Fuel</u>	<u>16,398</u>	<u>16,075</u>	<u>15,000</u>
Coal and Related Fuels	1,038	400	1,000
Petroleum and Petroleum Products	15,360	15,675	14,000
<u>Raw Materials and Semifinished Products</u>	<u>92,233</u>	<u>69,945</u>	<u>80,285</u>
Fabricated Basic Textiles	45,925	45,635	52,260
Iron and Steel Mill Materials	11,337	5,910	6,775
Chemicals and Related Products	17,574	8,000	9,315
Miscellaneous Fibre Products	539	250	255
Non-Ferrous Metals	2,166	700	845
Nonmetallic Minerals	7,489	4,500	5,165
Pulp and Paper	4,561	4,000	4,570
Leather and Leather Products	1,457	600	675
Lumber and Lumber Products	357	50	85
Other	828	300	340

Country: VIETNAM

ECONOMIC ASSISTANCE
COMPOSITION OF NON-PROJECT ASSISTANCE

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TABLE II
Page 2 of 2

(In thousands of dollars)

Commodities and Other	PROGRAM		
	Actual FY 1957	Estimate FY 1958	Proposed FY 1959
<u>Machinery and Vehicles</u>	<u>32,285</u>	<u>25,500</u>	<u>29,400</u>
Aircraft Engines and Parts	-	100	115
Electrical Apparatus	4,829	4,000	4,615
Generators and Motors	3,265	1,600	1,850
Machinery and Equipment	10,848	5,900	6,795
Motor Vehicles, Engines and Spare Parts	13,343	13,900	16,025
<u>Miscellaneous and Unclassified</u>	<u>19,060</u>	<u>10,530</u>	<u>16,115</u>
Scientific and Professional Instruments	879	500	570
Miscellaneous Iron and Steel Manufactures	9,150	1,500	5,720
Rubber and Rubber Products	5,500	4,000	4,605
Miscellaneous Inedible Animal and Vegetable Products	-	30	35
Miscellaneous Industrial Commodities	3,484	3,000	3,455
Other	47	1,500	1,730
Total Commodity Program	<u>210,499</u>	<u>150,500</u>	<u>160,000</u>
<u>Cash Grants</u>	-	-	-
<u>Other</u>	-	-	-
TOTAL NON-PROJECT ASSISTANCE	<u>210,499</u>	<u>150,500</u>	<u>160,000</u>

Country: VIETNAM

LOCAL CURRENCY - Narrative

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Availabilities: U.S.-generated local currencies available for ICA programming in Vietnam are: (a) Counterpart equivalent in value to the sales proceeds of commodities imported for commercial use under the Defense Support program, except surplus agricultural commodities; (b) MSP U.S.-owned local currency derived from the sale of surplus agricultural commodities to Vietnam under Section 402; and (c) P.L. 480, Title I, Section 104(c) local currency, likewise accruing from sales of surplus agricultural commodities.

Local currency cash balances from these sources (in millions of dollar equivalent computed on the basis of data presented in Table IV) at the end of the following fiscal years are: 1957 (actual), 41.8; 1958 (estimated), 54.4; 1959 (estimated), 58.1.

Planned Uses: In Vietnam, all Section 402 local currency and the major portion of counterpart funds are used to help support the military budget. These funds are supplemented by P.L. 480 sales proceeds allocated for military budget support under Section 104(c). The balance of the counterpart is used to meet part of the local cost of economic projects, as indicated in Table V. Local currency commitments and obligations, in millions of dollar equivalent, for the fiscal years 1957 through 1959 are as follows: Military budget support - 160.8, 133.0, 133.0; Economic projects - 35.9, 26.3, 30.0.

Relationship to MSP Dollar Appropriations: About 20 percent of the economic and technical assistance proposed for Vietnam in FY 1959 will directly finance the dollar cost of imported supplies, equipment and services required for specific projects. Some 80 percent of the proposed total assistance will be used

to finance the commercial import program. This program, which necessarily requires financing in dollars, serves a dual purpose. Its magnitude is determined largely by the need for imports to meet production and consumption requirements, and thereby counteract the otherwise inflationary effects of extraordinarily large military expenditures and outlays for investment necessary to maintain economic and political stability. The local currency generated by these aid-financed imports provides the U.S. contribution to the military budget and the major share of the local costs of economic projects.

Special Factors Affecting Utilization: Although not technically obligated, all of the \$54.4 million local currency cash balance on June 30, 1958 will have been committed by inter-governmental agreement for military budget support or for specific projects. In addition, of the \$89.6 million still to be generated at the end of FY 1958, \$59.8 million will have been similarly committed. The remaining \$29.8 million, equivalent to about two-months local currency expenditures, represents uncommitted funds which provide a reasonable reserve to assure coverage of contingencies that may arise in view of Vietnam's vulnerability to subversive activity.

The lag in use of local currency availabilities during FY 1957 resulted from an extensive review and revision of the economic program by the U.S. Mission in Saigon and Vietnamese officials, and the consequent decision to initiate a number of large new projects in transportation and industry involving equipment procurable only on a long lead-time basis. It is anticipated that by FY 1959 local currency expenditures will closely approximate the level of deposits during that year.

(In thousands of dollars)

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

TABLE III

(Foreign Currency in thousands of dollar equivalent)

SALES AGREEMENT BY FISCAL YEAR		Foreign Currency Reserved for U.S. Uses	Foreign Currency Administered by Ex-Im Bank (Cooley Amend.)	FOREIGN CURRENCY TO BE ADMINISTERED BY MSP AGENCIES				
Fiscal Year in Which Sales Agreement Signed	Total Value of Sales			Sec. 104c	Sec. 104d	Sec. 104e	Sec. 104g	Total Administered by MSP Agencies
FY 1955 Actual	-	-	-	-				-
FY 1956 Actual	-	-	-	-				-
FY 1957 Actual	-	-	-	-				-
FY 1958 Estimate	6,000	1,500	1,500	3,000				3,000
FY 1959 Estimate	6,000	1,500	1,500	3,000				3,000
TOTAL	12,000	3,000	3,000	6,000				6,000

Country: VIETNAM

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

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

TABLE IV

Type of Programs Generating Local Currencies and its Utilization	ACTUAL FY 1957			ESTIMATE FY 1958		PROPOSED FY 1959	
	Cumulative Through 7/1/56	Net Change	Cumulative Through 6/30/57	Net Change	Cumulative Through 6/30/58	Net Change	Cumulative Through 6/30/59
<u>MSP U.S.-OWNED LOCAL CURRENCIES</u>							
Potential Generation from U.S. Dollar Program ..	17,801	13,051	30,852	10,000	40,852	8,500	49,352
Deposits	5,126	14,012	19,138	15,000	34,138	8,000	42,138
Obligations	-	7,057	7,057	10,000	17,057	8,500	25,557
Expenditures	-	7,057	7,057	10,000	17,057	8,500	25,557
<u>COUNTERPART</u>							
Potential Generation from U.S. Dollar Program ..	439,071	200,884	639,955	140,500	780,455	151,500	931,955
Deposits	310,094 ^{a/}	212,852	522,946 ^{a/}	176,600	699,546	156,000	855,546
Commitments	438,536	189,616	628,152	148,300	776,452	151,500	927,952
Expenditures	294,828 ^{a/}	198,405	493,233 ^{a/}	170,000	663,233	152,000	815,233
<u>P.L. 480 TITLE I</u>							
Potential Generation from U.S. Dollar Program ..	-	-	-	3,000	3,000	3,000	6,000
Deposits	-	-	-	1,000	1,000	3,000	4,000
Obligations	-	-	-	1,000	1,000	3,000	4,000
Expenditures	-	-	-	-	-	2,800	2,800
<u>OTHER LOCAL CURRENCY</u>							
Potential Generation from U.S. Dollar Program ..							
Deposits							
Commitments							
Expenditures							

^{a/} Excludes customs duties derived from aid-financed imports deposited by intergovernmental agreement initially to the special account and for release to the Government of Vietnam for financing its contributions to the military budget.

Country: VIETNAM

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

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other material is unclassified.*

TABLE V

PURPOSE AND ACTIVITY	FY 1957			FY 1958			FY 1959		
	MSP Source	P.L. 480 Title I Adm. by ICA	Other Sources	MSP Source	P.L. 480 Title I Adm. by ICA	Other Sources	MSP Source	P.L. 480 Title I Adm. by ICA	Other Sources
MILITARY PURPOSES									
Projects	-			-	-		-	-	
Budget Support	160,824			132,000	1,000		130,000	3,000	
Military Procurement	-			-	-		-	-	
Total Military Purposes	160,824			132,000	1,000		130,000	3,000	
ECONOMIC PURPOSES									
Project Assistance by Field of Activity									
Agriculture	10,566			10,765	-		8,605	-	
Industry and Mining	4,657			380	-		215	-	
Transportation	9,603			9,400	-		15,285	-	
Labor	240			30	-		30	-	
Health and Sanitation	1,754			1,430	-		1,460	-	
Education	3,418			2,290	-		1,310	-	
Public Administration	995			1,680	-		2,825	-	
Community Development, Social Welfare and Housing	571			-	-		-	-	
General and Miscellaneous	4,045			325	-		270	-	
Total	35,849			26,300	-		30,000	-	
Budget Support (Not Elsewhere Classified) ..	-			-	-		-	-	
Total Economic Purposes	35,849			26,300	-		30,000	-	
Procurement for Third Country	XXX			XXX	-		XXX	-	
TOTAL ALL PURPOSES	196,673			158,300	1,000		160,000	3,000	

Country FAR EAST (Regional and Undistributed)

ECONOMIC ASSISTANCE

Summary of Program \$ in thousands			
Function	Actual F.Y. 1957	Estimate F.Y. 1958	Proposed F.Y. 1959
Defense Support	(3,400 ^{a/})		
Technical Cooperation	266	750	500
Total	266	750	500

Proposed FY 1959 Regional TC Program

It is proposed to program \$500,000 of Technical Cooperation funds in FY 1959 to finance the costs of regional projects and other activities which cannot appropriately be charged to continuing country programs.

It is anticipated that financial support will again be required for the Tokyo International Training Center, which trains Asian nationals in Japan in accordance with ICA's policy of engaging in third-country training activities wherever necessary to help attain the U.S. policy objectives. Assistance is also contemplated for the Hawaii Training Center, in which Asian participants are trained in technical subjects related to tropical situations. Funds also have been programmed to (a) defray the costs of an Industrial Safety and Labor Standards display, (b) permit the Far East countries to participate in the activities of the Technical Aids Center, and (c) continue to receive the benefits of the U.S. Book Exchange facilities.

As in the past, it is also expected that funds will be required for short term activities such as Rural Youth Leaders Workshops for participants from more than one country. Funds set aside for regional activities also have been used in past years to finance visits to the United States of study groups sponsored by the United Nations Economic Commission for Asia and the Far East (ECAFE). It is expected that comparable requirements will arise in FY 1959.

a/ Allocation to Department of Defense for construction of dependent housing for ICA personnel in Korea. This amount in total included as part of Korea country statements.

Obligations and Expenditures			
Economic Assistance	Obliga- tions	Expendi- tures	Unliqui- dated
Cumulative 6/30/57	7,540	7,711	-171
Estimate FY 1958	750	145	XXX
Cumulative 6/30/58	8,290	7,856	434

Country: FAR EAST (Regional and Undistributed)

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

(In thousands of dollars)

MAJOR COST COMPONENT	ACTUAL FY 1957				ESTIMATE FY 1958				PROPOSED FY 1959		
	Total	Def Sup	Tech. Coop.	Other	Total	Def Sup	Tech. Coop.	Other	Total	Def Sup	Tech. Coop.
PROJECT ASSISTANCE											
Technicians	57		57		65		65		50		50
Participants					50		50				
Contractual Services	421	300	121		75		75		125		125
Supplies and Equipment	1,739	1,700	39		15		15		20		20
Contrib. to Coop. Services											
Other Costs	1,449	1,400	49		545		545		305		305
Total Project Assistance	3,666	3,400 ^{a/}	266		750		750		500		500
NON-PROJECT ASSISTANCE											
Agric. Commodities Total											
Surplus											
Other											
Industrial Commodities Total											
Raw Materials and Fuels											
Machinery and Equipment											
Other Indus. Commodities											
Cash Transactions											
Other											
Total Non-Project Assistance											
TOTAL COUNTRY PROGRAMS	266	(3,400 ^{a/})	266		750		750		500		500
NUMBER OF PEOPLE											
Technicians (On duty close of year)	3		3		3		3		3		3
U.S. Employed	3		3		3		3		3		3
Contract											
Participants (Programmed during year)					20		20				
Non-Contract					20		20				
Contract											

^{a/} Allocation to Department of Defense for construction of dependent housing for ICA personnel in Korea. Total included Korea, country statement.

Country: FAR EAST (Regional and Undistributed)

ECONOMIC ASSISTANCE - Continued

ECONOMIC ASSISTANCE - PROJECT ASSISTANCE BY FIELD OF ACTIVITY

(In thousands of dollars)

Function and Fiscal Year	Total Cost	Agriculture and Natural Resources	Industry and Mining	Transportation	Labor	Health and Sanitation	Education	Public Administration	Community Develop., Social Welfare & Housing	General and Miscellaneous
ACTUAL FY 1957										
Defense Support	3,400 ^{a/}									3,400 ^{a/}
Development Assistance	266	15	21							230
Technical Cooperation										
Other Programs										
Total	3,666	15	21							3,630
ESTIMATE FY 1958										
Defense Support										
Special Assistance	750	15	20		10					705
Technical Cooperation										
Other Programs (or DA)										
Total	750	15	20		10					705
PROPOSED FY 1959										
Defense Support										
Special Assistance	500	15			20					465
Technical Cooperation										
Total	500	15			20					465

a/ Allocation to Department of Defense for construction of dependent housing for ICA personnel in Korea.

Country: FAR EAST (Regional and Undistributed)

ECONOMIC ASSISTANCE

TABLE I

DISTRIBUTION OF FY 1959 PROJECT ASSISTANCE

(In thousands of dollars and equivalent)

Function: TECHNICAL COOPERATION Projects	DIRECT U.S. DOLLAR COST - Proposed							Local Currency Cost - Proposed	
	Total	U.S. Technicians	Non-Contract Participants	Contracts	Commodities	Other Costs	Contributions to Cooperative Services	MSP includ. Counterpart	P. L. 480 Administered by ICA
<u>Agriculture and Natural Resources - Total</u>	15	10				5			
Rural Youth Leaders Workshops	15	10				5			
<u>Labor - Total</u>	20	10			5	5			
Display of Industrial Safety and Labor Standards	20	10			5	5			
<u>General and Miscellaneous - Total</u>	465	30		125	15	295			
Hawaii Training Center	75			75					
Tokyo International Training Center	180	30		50	15	135			
U.S. Book Exchange	50					25			
Technical Aids Center	25					135			
Other	135								
Total Technical Cooperation	500	50		125	20	305			

PRESIDENT'S FUND FOR ASIAN ECONOMIC DEVELOPMENT

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

Background

The Mutual Security Act of 1955 established, under Section 418, the President's Fund for Asian Economic Development for which \$100 million was appropriated to remain available for obligation during the three fiscal years ending June 30, 1958. The legislation, designed to foster regional cooperation in the economic growth of Free Asia, directed that preference be given to projects and programs which would contribute to promoting greater economic strength in the region as a whole or in a group or groups of countries in the area. The Mutual Security Act of 1956 repealed Section 418 but made provision under Section 201 for the appropriated funds to continue available under the provisions of and for the purposes set forth in the original Section 418. Section 201 was repealed by the Mutual Security Act of 1957, but the authority was continued by Section 543(d) of that Act.

The Asian Economic Development Fund was designed to be a catalyst to encourage greater mutual self-help and cooperation among the Asian countries in order to contribute both to the development of the individual countries and to the region as a whole. Increased exchange of experience, goods and technical skills contribute to more productive use of the resources of the area. Asian economic cooperation would also tend to promote increased political cooperation among the countries themselves as well as with the U.S. and other Free World countries.

Experience with the Fund

There is very little experience in Asia with economic cooperation or with regional approaches to common problems. The economies of most of the Asian countries have generally developed along parallel rather than complementary lines. Political relations between certain of the countries continue to be strained. Many of the governments are relatively new and they are preoccupied with pressing internal problems. Intense nationalism has tended to inhibit looking beyond their own borders for areas in which individual countries could work out with their neighbors mutually beneficial arrangements in the economic field. Political, religious and language differences among the countries further complicate the promotion of regional economic development. In such situations, it has proved more difficult than originally anticipated to work with these countries as groups. The requirement that 50% of the fund be used on a loan basis has also created difficulties, since this added a further complicated negotiating problem.

For all these reasons, it has taken time to work out projects in this field, but real progress has been made. Most important is

- a/ \$4,893 thousand in estimated obligations for Malaria Eradication are incorporated in Malaria program presentation.
- b/ \$4,091 thousand in estimated obligations and expenditures for Indonesia and Ceylon are reflected in country programs.
- c/ Not included in estimated FY 1958 obligation figures.

Summary of Program \$ in thousands			
Function	Actual F.Y. 1957	Estimate F.Y. 1958	Proposed F.Y. 1959
Other	1,973	81,277 ^{a/}	
Total	1,973	81,277	

President's Fund for Asian Economic Development
as of February 1, 1958

(In millions)

<u>Projects and Programs Financed</u>			
Asian Nuclear Center Survey		0.2	
SEA Telecommunications Survey		1.9	
Afghan-Pakistan Transit Survey		0.1	
Nepal Roads		5.0	
Malaria Eradication Program ^{a/}		4.9	
Indonesia & Ceylon Country Programs ^{b/}		4.1	
Subtotal			16.2
<u>Pending Projects</u>			
Nepal Telecommunications		1.3	
SEATO Skilled Labor Project		2.0	
Afghan-Pakistan Transit Construction		26.4	
India-Japan Iron Ore		20.0	
SEA Telecommunications Construction		25.0	
Regional Training		1.5	
Subtotal			76.2
<u>Unprogrammed Balance</u>			
Subtotal		7.6	7.6 ^{c/}
TOTAL			<u>100.0</u>

Obligations and Expenditures \$ in thousands			
ECONOMIC ASSISTANCE	OBLIGATIONS	EXPENDITURES	UNLIQUIDATED
Cumulative 6/30/57	2,144 ^{b/}	339 ^{b/}	1,805
Estimate F.Y. 1958	81,277	2,000	XXX
Cumulative 6/30/58	83,421	2,339	81,082

the fact that the existence of the fund has contributed greatly to imaginative thinking in Asia about the possibility of regional cooperation. New ground has been broken in relations between certain countries in large part as a result of the existence of this fund. Projects which hold a promise of substantial contribution to the development of Asia have been planned for financing.

Certain projects upon which the United States and the countries concerned have been working for some time may not reach the point of obligation by June 30, 1958, when the authorization for the fund expires. The Executive Branch is not asking for new authorizing language to continue this fund but will ask for reappropriation of those unobligated balances remaining on June 30th which are necessary to finance projects which have reasonable promise of materializing early in FY 1959. If programming and negotiations proceed satisfactorily this may account for the full balance of the fund.

With the experience gained in the administration of the fund and with the increasing awareness on the part of the Asian countries of the possibilities inherent in economic cooperation among them, it is expected that in the future greater emphasis can be placed successfully on promoting regional cooperation through the administration of the Mutual Security Program.

Current Status of the Fund

As of February 1, 1958, \$16.2 million of the Asian Development Fund had been used to finance specific projects and programs. Certain bilateral programs were financed in Indonesia and Ceylon. In addition, surveys were undertaken for the Afghanistan-Pakistan transit project, the Southeast Asia telecommunications project, and the then proposed Asian Nuclear Center. Funds have also been allotted for the Nepal roads project, a \$5 million program for the construction of roads in Nepal which will connect with Indian roads and rail heads at the border. Finally about \$5 million was utilized to fund part of the Asian portion of the Malaria Eradication Program authorized pursuant to Section 420 of the Mutual Security Act of 1957.

Until recently, \$20 million was tentatively earmarked for the U.S. contribution for an Asian Nuclear Center. Although there was general support for a center from the Asian countries concerned, most of them were unwilling to commit themselves to contributing to its operating costs. Such a commitment was a condition of the U.S. offer. Under the circumstances, the U.S. announced at the November 1957 meeting of the Colombo Plan that the offer was being reconsidered. Consideration is now being given to the possibility

of financing a more modest center, but no funds are being reserved for it at this time.

Against the balance of \$83.8 million, projects in the advanced stage include the aforementioned transit and telecommunications projects, a regional iron ore project, a telecommunications project in Nepal, a SEATO skilled labor program and other training projects. These are described below. Still other projects currently under review include a highway linking Viet Nam and Laos, a minerals survey of the Mekong basins, and a SEATO engineering school. The estimated costs of all these projects would substantially exceed the resources of the fund.

Major Pending Projects

Afghanistan/Pakistan Transportation: \$26.4 million. This project would provide an efficient and economical transportation route from the Port of Karachi to Kabul in Afghanistan. It will involve principally the improvement of rail facilities in Pakistan, the extension of the Pakistan railroad across the Afghanistan border, and the construction of roads in Afghanistan. It is intended that agreement of the two countries to proceed with this project will be accompanied by a Transit Agreement to facilitate the movement of Afghanistan imports through Pakistan, including transit-in-bond privileges.

The implementation of this project and the related Transit Agreement would be a major step forward in the improvement of relations between Afghanistan and Pakistan. It would also improve the economic position of Afghanistan and lessen her dependence on transportation routes through the Soviet Union. The preliminary engineering survey of this project has been received and has been sent to the governments. It is anticipated that final agreement can be concluded in the next few months, although the necessary conditions to obligation may not be met before June 30, 1958.

Southeast Asia Telecommunications: \$25 million. The improvement and expansion of the communications facilities of Viet Nam, Laos and Thailand is important to their future economic development and to their security. It is likewise a significant means of accomplishing a greater degree of political and economic cooperation among the countries concerned.

A detailed plan for the rehabilitation of existing facilities, and the engineering and construction of expanded facilities, based upon field surveys, is scheduled to be delivered by the engineering survey contractor in February 1958. This plan will provide a basis for negotiating an agreement with the three Asian

countries concerned. This project has experienced a number of unexpected delays, however, and it is not certain that final agreement on its implementation can be reached before June 30, 1958.

India/Japan Iron Ore: \$20 million. Considerable progress is being made by Japanese and Indian representatives toward reaching agreement on a project for the development of Indian iron ore resources and the export of ore to Japan. An engineering survey on the transportation and port requirements for the project has been completed.

Both the Indian and Japanese Governments are endeavoring to reach the agreements necessary for U.S. assistance from the Asian Fund for the transportation and port improvements which are vital to the project. The development of Indian ore for export to Japan has been under discussion for several years and would be of significant economic benefit to both countries and would represent important progress in the development of greater regional cooperation in the area. It is probable that this project will reach the obligation stage by June 30 or early in the next fiscal year.

Nepal Telecommunications: \$1.3 million. Like the Nepal Road project for which funds have already been obligated, this project is designed to facilitate communications within Nepal and with

India, including a link with the Port of Calcutta through which most of Nepal's trade flows. It is anticipated that agreements on this project and the obligation of funds will be completed before the end of the fiscal year.

SEATO Skilled Labor: \$2 million. In order to attack the bottlenecks of skilled labor shortages impeding the ability of SEATO Asian members to carry out their commitments under SEATO, the U.S. has indicated it is prepared to make funds available to assist in financing projects worked out by three Asian countries within the SEATO framework. Project proposals involving upgrading vocational education schools in Thailand and establishing on-the-job training programs in the Philippines and possibly in Pakistan are under study. It is expected that funds for such projects will be obligated before the end of the fiscal year.

Training: \$1.5 million is expected to be used for an English language training and research project covering Thailand, Laos, Cambodia and Viet Nam.