[redacted]

PD-ACE-047

MUTUAL SECURITY PROGRAM

FISCAL YEAR 1959
ESTIMATES

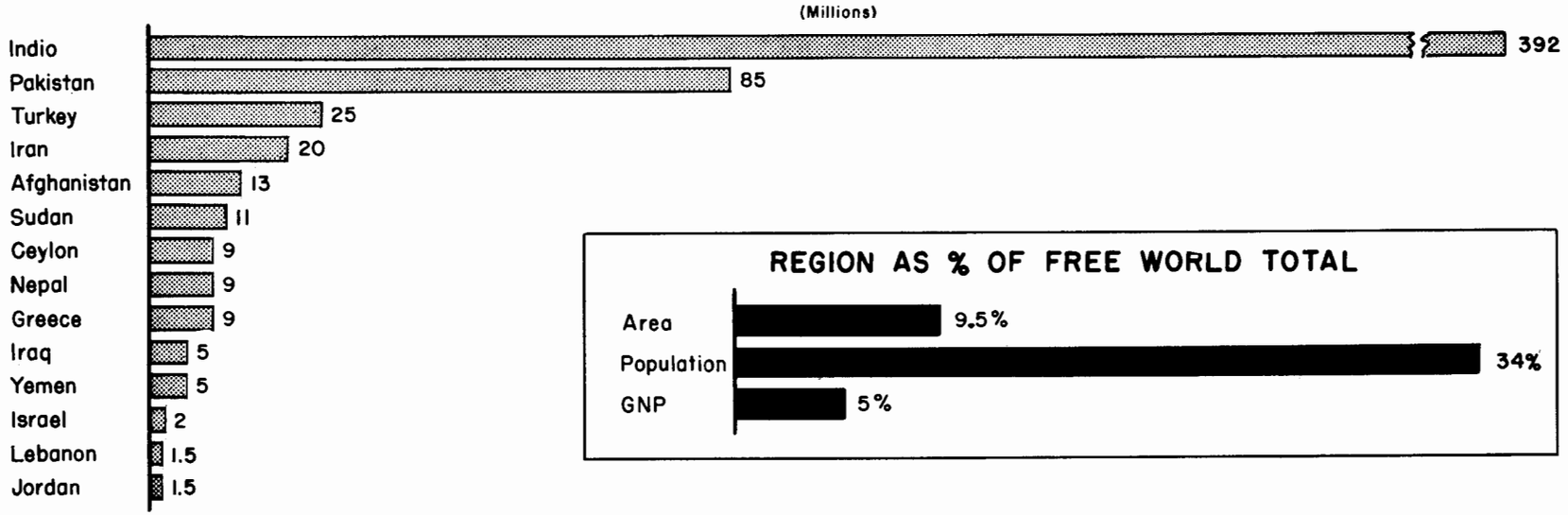
BEST AVAILABLE

NEAR EAST AND SOUTH ASIA

DECLASSIFIED 3/10/81
BY SMUCKER PPC/PB
AUTHORITY: EO 12 [illegible]
Regulations

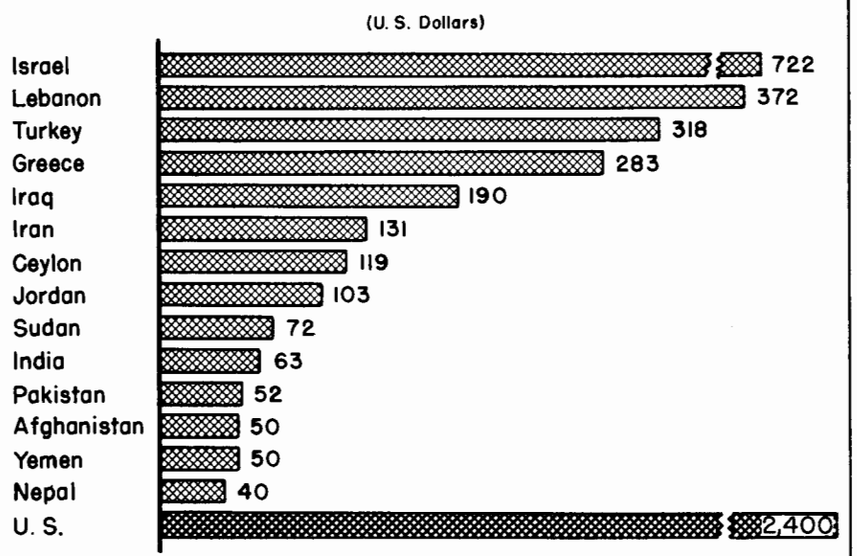
NEAR EAST and SOUTH ASIA-ECONOMIC DATA

POPULATION (1957 estimates)



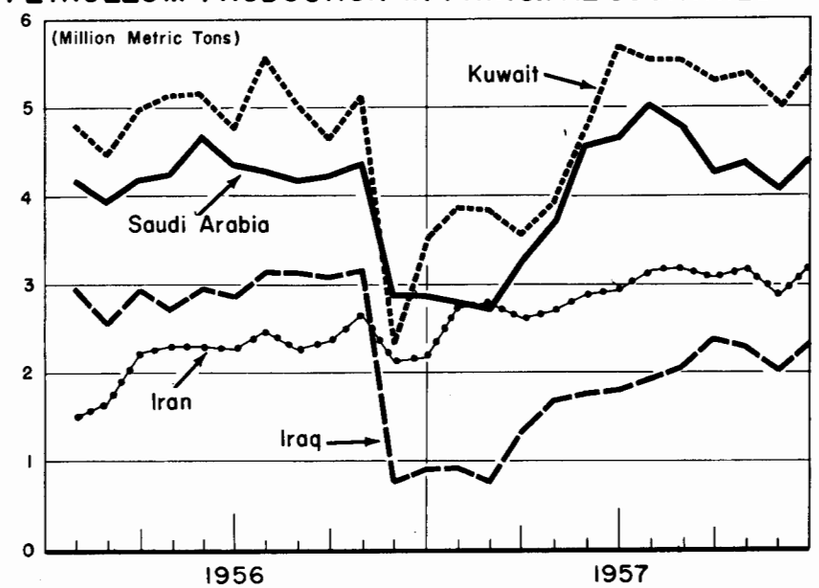
REGION AS % OF FREE WORLD TOTAL

GNP PER CAPITA (ICA estimates for 1957, in 1955 prices)



Note: Data not adjusted for inequalities in purchasing power or dollar equivalents.

PETROLEUM PRODUCTION IN PRINCIPAL COUNTRIES



MUTUAL SECURITY PROGRAM

TABLE OF CONTENTS

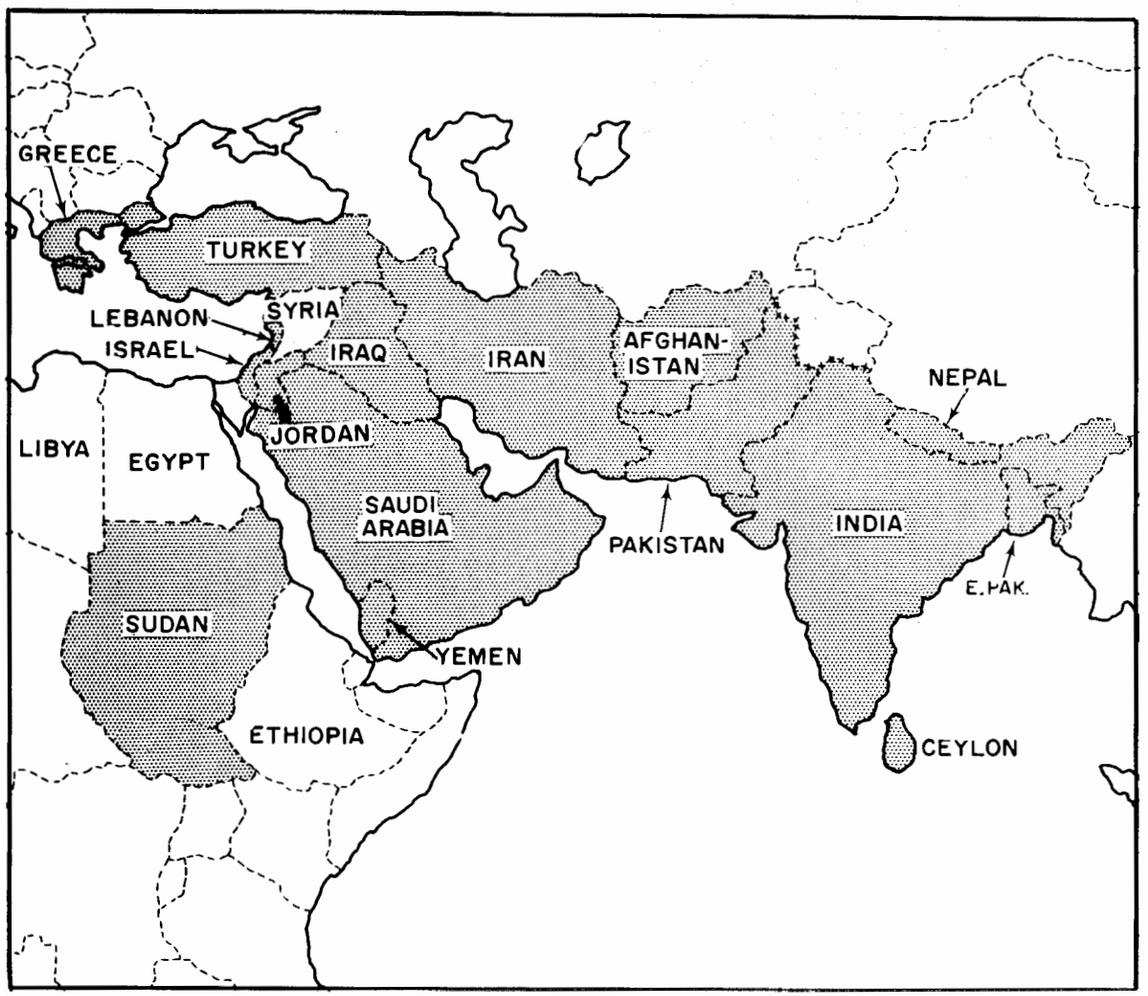
NEAR EAST AND SOUTH ASIA

	Page No.
Map of Near East and South Asia	1
Near East & South Asia by Function (Chart)	2
Summary of MSP by Function	3
Program by Country (Chart)	4
Military Assistance by Country	5
Military Assistance Program (Chart)	6
Military Assistance by Country	7
Programs for Economic Assistance (Chart)	8
Economic Assistance Programs by Country	9
Program by Function - Project & Non-Project Assistance	10
Project Assistance by Field of Activity	11
Afghanistan	13
Ceylon	23
Egypt	33
Greece	41
India	53
Iran	65
Iraq	77
Israel	85
Jordon	95
Lebanon	105
Nepal	117
Pakistan	123
Saudi Arabia	137
Sudan	143
Turkey	149
Yemen	163
Palestine Refugees	169
Regional and Undistributed	173

February 20, 1958

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

NEAR EAST and SOUTH ASIA

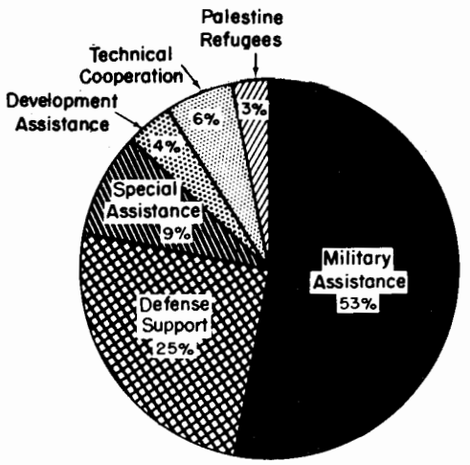


FY 1959 PROGRAM

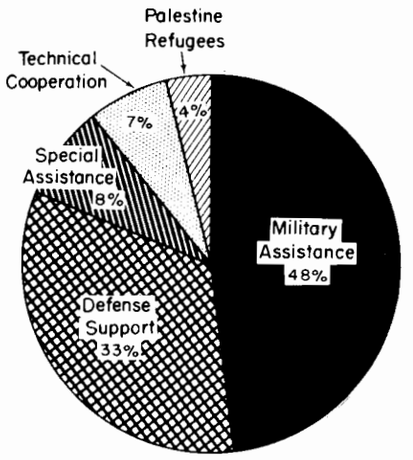
Country	Type of Assistance (Millions of Dollars)			
	Military Assist.	Defense Support	Tech. Coop.	Special Assist. & Other
Afghanistan	—	—	3.0	5.0*
Ceylon	—	—	1.6	—
Greece	36.9	15.0	0.8	—
India	—	—	7.3	—
Iran	50.9	23.0	6.0	—
Iraq	14.1	—	2.5	0.5*
Israel	—	—	1.6	10.0*
Jordan	—	—	1.8	25.0*
Lebanon	6.2	—	1.8	—
Nepal	—	—	1.3	1.5*
Pakistan	50.9	82.0	5.9	—
Saudi Arabia	12.5	—	—	—
Sudan	—	—	1.1	6.0*
Turkey	108.2	75.0	4.5	—
Yemen	—	—	0.5	—
Palestine Ref.	—	—	—	25.0 a/
Reg. & Undist.	—	—	2.3	—
Total	279.6	195.0	41.7	73.0

*Special Assistance a/ Other

NEAR EAST AND SOUTH ASIA - PROGRAM BY FUNCTION



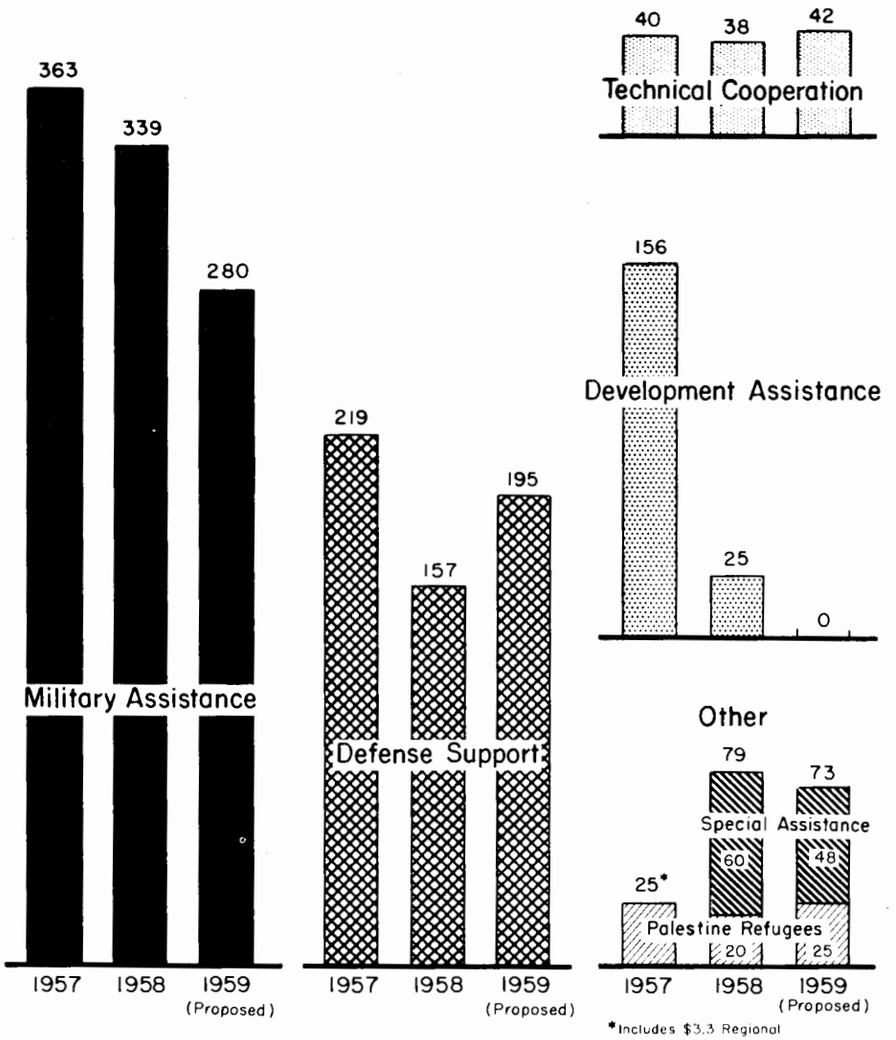
FY 1958 Total - $638 million



FY 1959 Total - $589 million

TREND BY FUNCTION

($ Millions)



*Includes $3.3 Regional and Undistributed

Country: NEAR EAST AND SOUTH ASIA 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	362,733	339,202	279,584
ECONOMIC ASSISTANCE			
Defense Support	219,432	156,590	195,000
Development Assistance	156,138	25,000	
Technical Cooperation	40,075	37,550	41,650 a/
Special Assistance		59,545	48,000
Other Programs b/	24,750 c/	19,872	25,000
Total Economic Assistance	440,395	298,557	309,650
TOTAL ALL PROGRAMS	803,128	637,759	589,234

ESTIMATED OBLIGATIONS AND EXPENDITURES

(In thousands of dollars)

	Programmed	Del./Exp.	Unliquidated		Obligations	Expenditures	Unliquidated
MILITARY ASSISTANCE				ECONOMIC ASSISTANCE			
Cumulative 6/30/57	2,515,546	1,870,653	644,893	Cumulative 6/30/57	3,251,798	2,668,049	583,749
Estimate FY 1958	339,202	451,473	XXX	Estimate FY 1958	298,557	418,705	XXX
Cumulative 6/30/58	2,854,748	2,322,126	532,622	Cumulative 6/30/58	3,550,355	3,086,754	463,601

a/ Excludes $400 provided from Africa Regional Projects funds for joint projects.

b/ UNRWA Palestine Refugees.

FY 1957	FY 1958	FY 1959
21,500	19,872	25,000

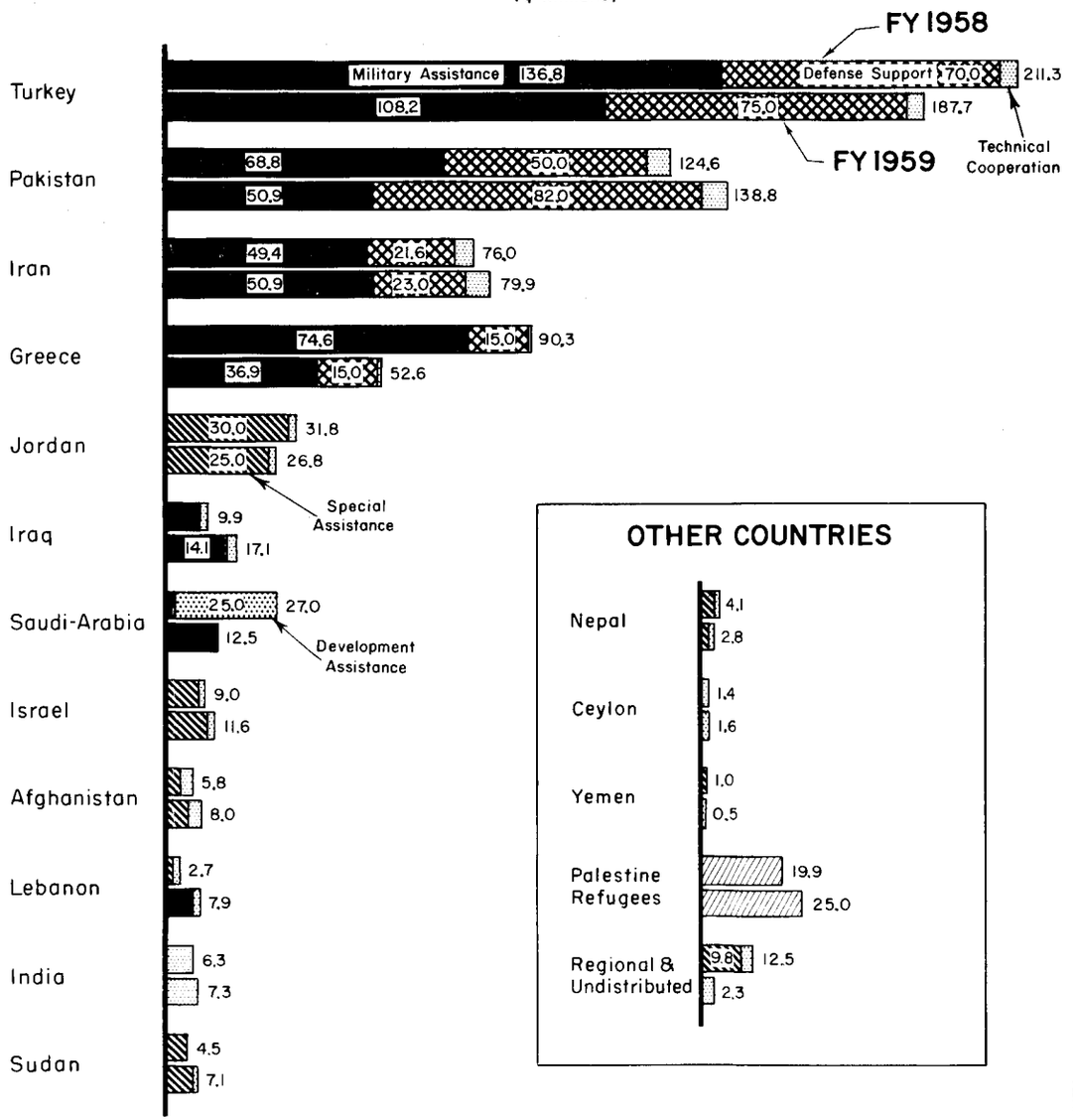
c/ Includes $3,250 for UNEF.

NEAR EAST AND SOUTH ASIA PROGRAM BY COUNTRY

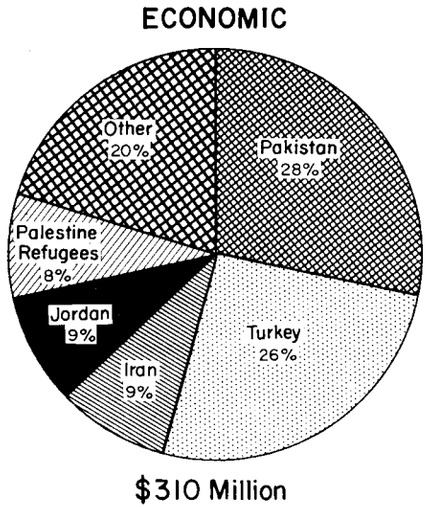
SECRET

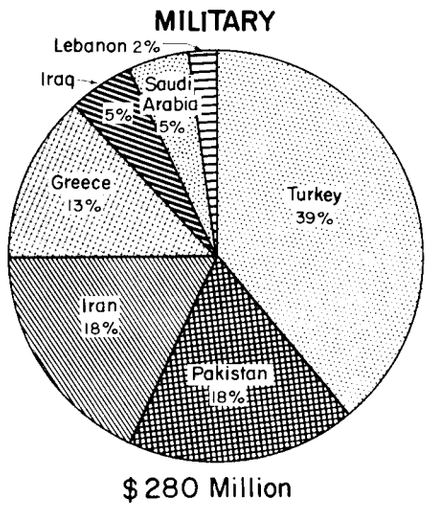
COMPARISON OF FY 1958 AND 1959 PROGRAMS

($ Millions)



FY 1959 PROGRAM





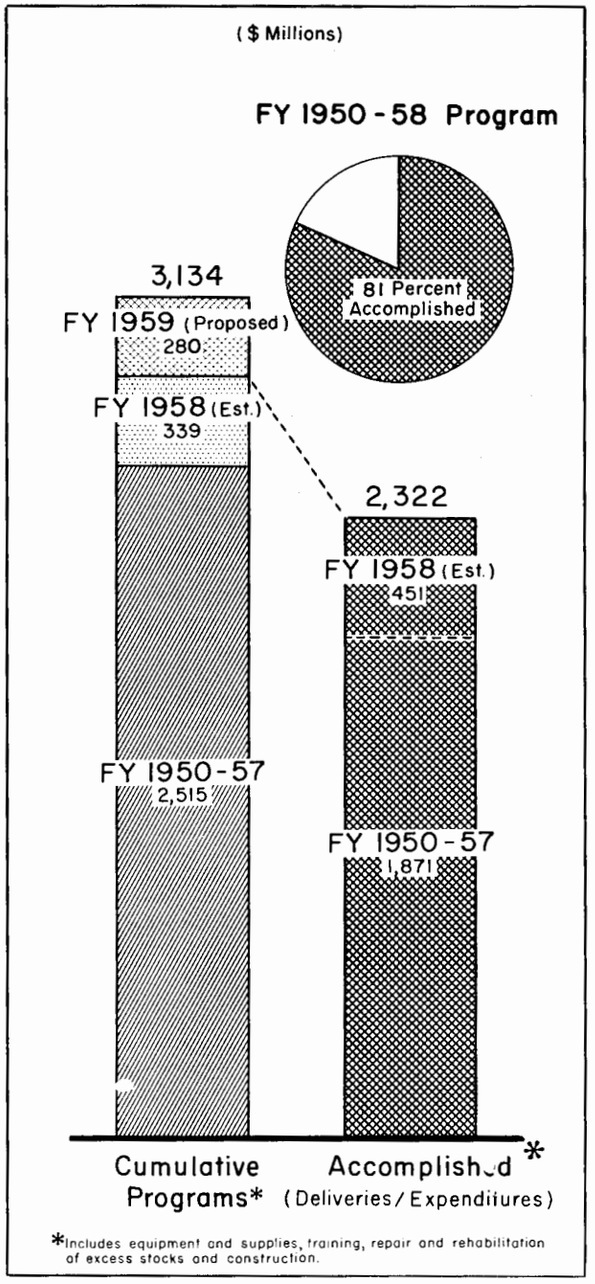
SECRET

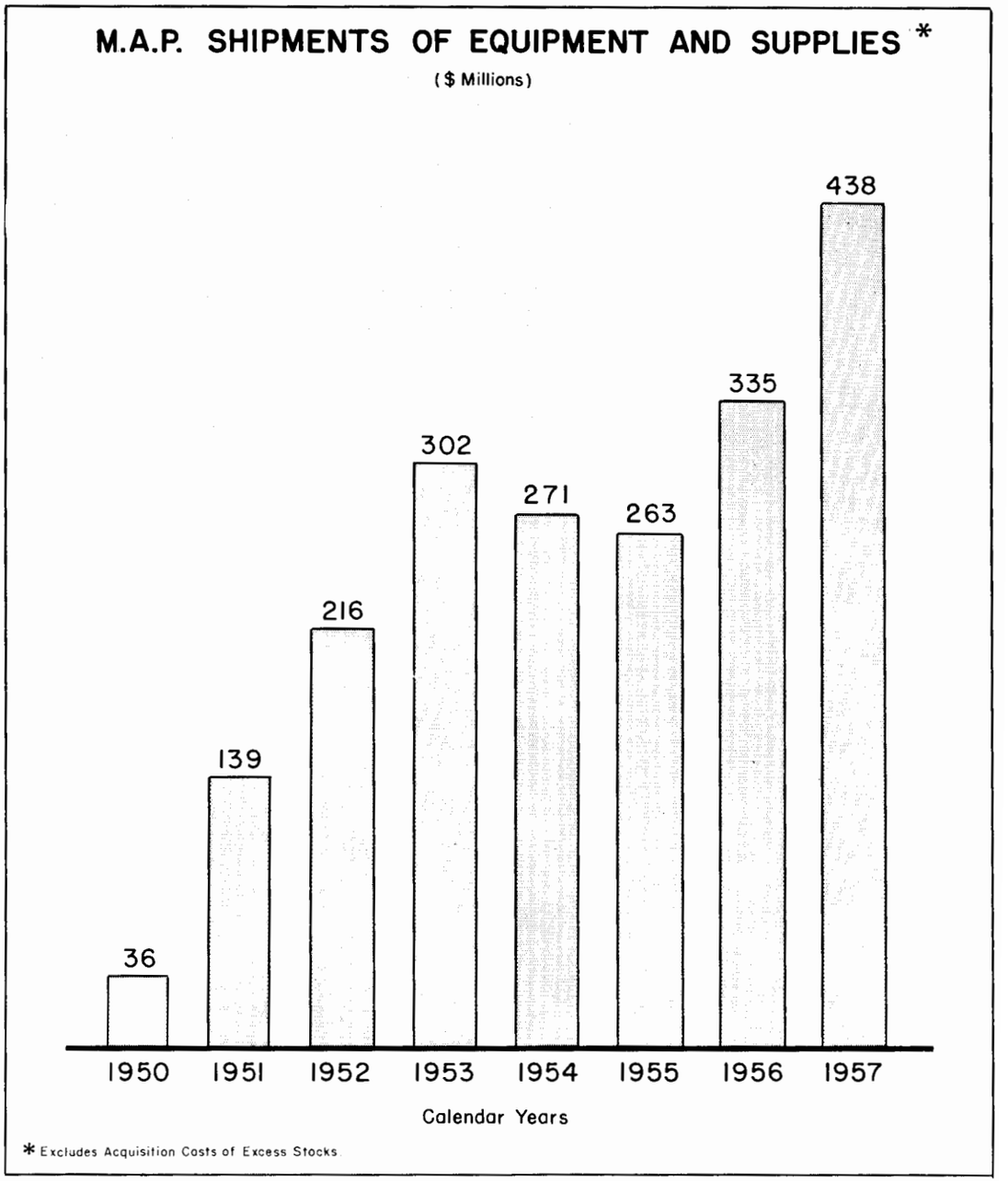
Shaded areas are Security classified and must not be divulged to unauthorized individuals. All other material is unclassified.

MILITARY ASSISTANCE

(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			
NEAR EAST	$362,733	$339,202		$279,584	$451,473	$2,322,126	$532,622
Greece	28,055	74,562	NOT APPLICABLE	36,858	97,055	650,803	108,515
Iran	36,352	49,400		50,868	54,522	197,267	66,418
Iraq	29,717	7,720		14,095	19,730	43,079	9,520
Jordan	9,371	-		-	9,371	9,371	-
Lebanon	3,233	-		6,176	1,281	3,232	1
Pakistan	94,907	68,760		50,855	78,020	234,110	109,921
Saudi Arabia	10,223	1,986		12,485	7,861	7,861	4,348
Turkey	150,875	136,774		108,247	183,633	1,176,403	233,899

NEAR EAST AND SOUTH ASIA – MILITARY ASSISTANCE PROGRAM





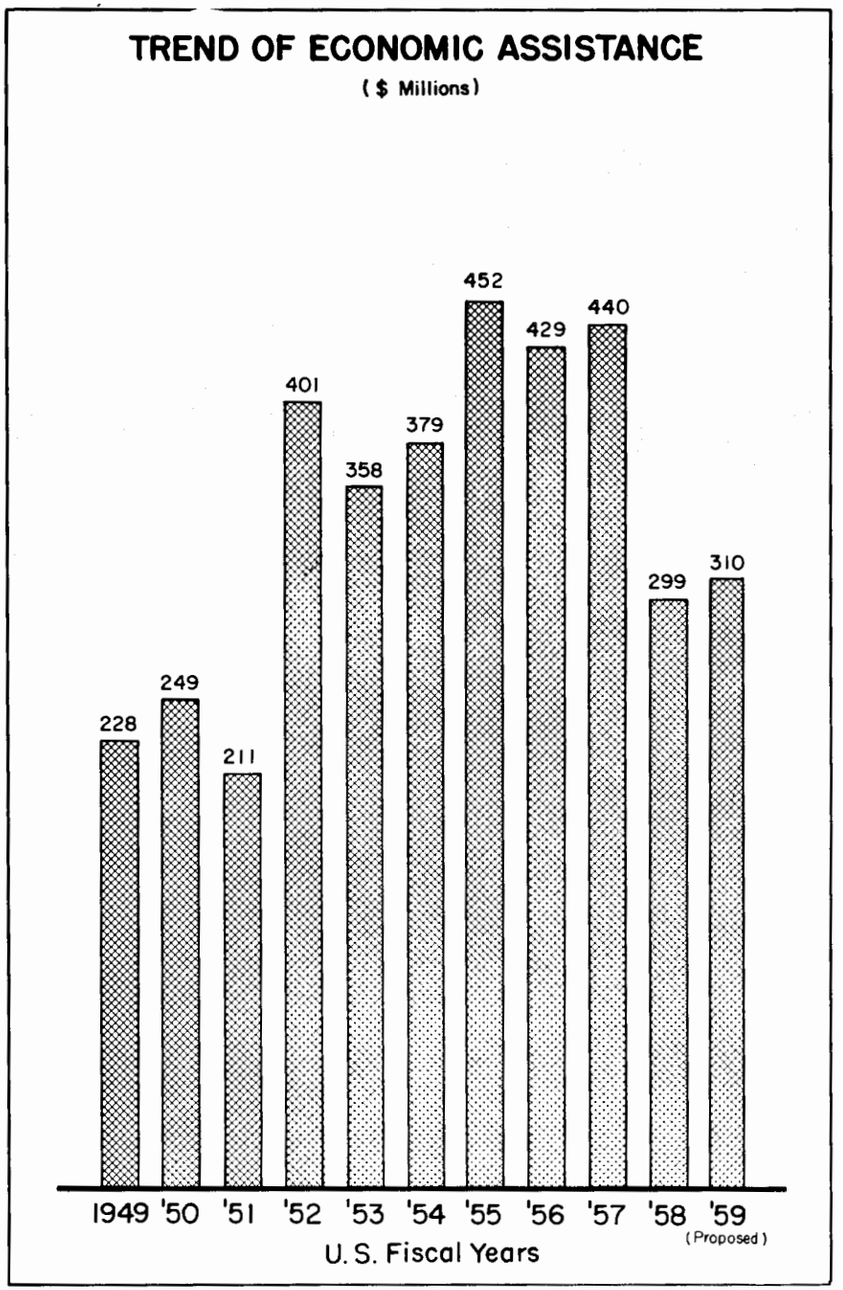
MILITARY ASSISTANCE PROGRAMS
(All Values in Thousands of Dollars)

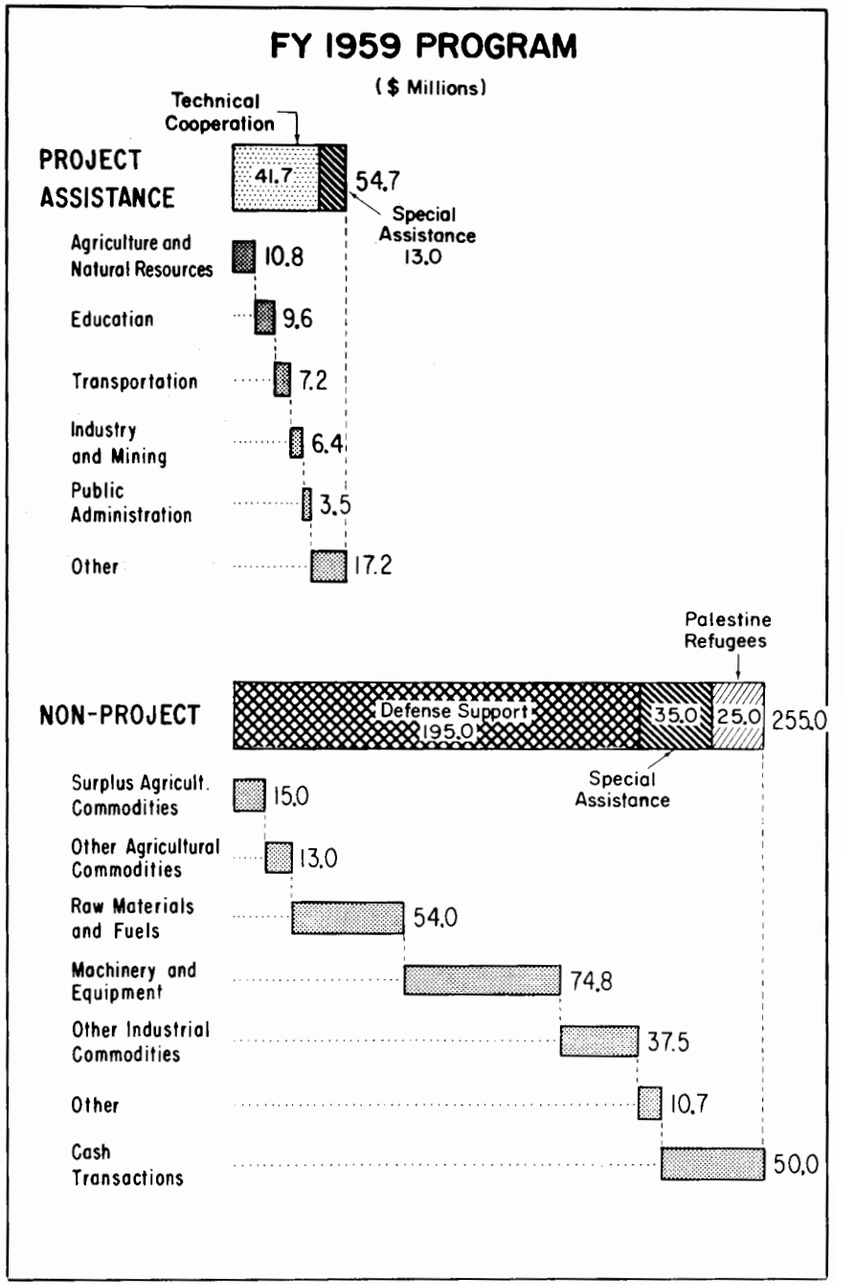
Shaded areas are Security classified and must not be divulged to unauthorized individuals. All other material is unclassified.

NEAR EAST

Country	FY 1957 Country Program	FY 1957 Special Materiel Program	FY 1957 Estimated Total	FY 1958 Country Program	FY 1958 Special Materiel Program	FY 1958 Estimated Total	FY 1959 Country Program	FY 1959 Special Materiel Program	FY 1959 Estimated Total
Near East & South Asia	$362,733	($68,778)	($431,511)	$339,202	($158,165)	($497,367)	$279,584	($168,377)	($447,961)
Greece	28,055	(13,573)	(41,628)	74,562	(45,573)	(120,135)	36,858	(83,382)	(120,240)
Iran	36,352	(6,518)	(42,870)	49,400	(8,130)	(57,530)	50,868	(6,097)	(56,965)
Iraq	29,717	(1,173)	(30,890)	7,720	(2,270)	(9,990)	14,095	(8,874)	(22,969)
Jordan	9,371	(600)	(9,971)	-	(800)	(800)	-	(4,600)	(4,600)
Lebanon	3,233	(130)	(3,363)	-	(100)	(100)	6,176	(2,000)	(8,176)
Pakistan	94,907	(14,754)	(109,661)	68,760	(13,496)	(82,256)	50,855	(12,413)	(63,268)
Saudi Arabia	10,223	(-)	(10,223)	1,986	(700)	(2,686)	12,485	(422)	(12,907)
Turkey	150,875	(32,030)	(182,905)	136,774	(87,096)	(223,870)	108,247	(50,589)	(158,836)

NEAR EAST AND SOUTH ASIA - PROGRAMS FOR ECONOMIC ASSISTANCE





NEAR EAST AND SOUTH ASIA REGIONAL

SUMMARY OF ECONOMIC ASSISTANCE PROGRAMS

By Function and Country

(In thousands of dollars)

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

Country	Defense Support			Development Assistance			Technical Cooperation			Special Assistance			Other			Total		
	FY 1957	FY 1958	FY 1959	FY 1957	FY 1958	FY 1959	FY 1957	FY 1958	FY 1959	FY 1957	FY 1958	FY 1959	FY 1957	FY 1958	FY 1959	FY 1957	FY 1958	FY 1959
Afghanistan				11,407			2,984	2,850	3,000		2,950	5,000				14,391	5,800	8,000
Ceylon				5,000			1,083	1,400	1,550							6,083	1,400	1,550
Egypt							686									686		
Greece	24,999	15,000	15,000				745	700	750							25,744	15,700	15,750
India				62,500			6,222	6,300	7,300							68,722	6,300	7,300
Iran	44,999	21,590	23,000				6,557	5,000	6,000							51,556	26,590	29,000
Iraq				1,373			2,267	2,200	2,500			500				3,640	2,200	3,000
Israel				25,000			1,847	1,500	1,600		7,500	10,000				26,847	9,000	11,600
Jordan				20,000			1,200	1,750	1,750		30,000	25,000				21,200	31,750	26,750
Lebanon				10,000			2,100	1,650	1,750		1,000					12,100	2,650	1,750
Nepal				3,089			1,258	1,190	1,250		2,875	1,500				4,347	4,065	2,750
Pakistan	92,684	50,000	82,000				5,989	5,800	5,900							98,673	55,800	87,900
Saudi Arabia				22	25,000											22	25,000	
Sudan									1,100		4,520	6,000					4,520	7,100
Turkey	55,500	70,000	75,000				3,346	4,500	4,500							58,846	74,500	79,500
Yemen									450		950						950	450
Palestine Refugees													21,500	19,872	25,000	21,500	19,872	25,000
Regional Projects	1,250			17,747			3,791	2,710	2,250		9,750		3,250			26,038	12,460	2,250
Total Programs	219,432	156,590	195,000	156,138	25,000		40,075	37,550	41,650		59,545	48,000	24,750	19,872	25,000	440,395	298,557	309,650

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	Defense Support	Dev. Assist.	Tech. Coop.	Other	Total	Defense Support	Dev. Assist.	Spec. Assist.	Tech. Coop.	Other	Total	Defense Support	Spec. Assist.	Tech. Coop.	Other
PROJECT ASSISTANCE																
Technicians	14,171	397	209	13,565		15,862			667	15,195		17,607		372	17,235	
Participants	4,500	103	65	4,332		5,199			212	4,987		5,360		34	5,326	
Contractual Services	36,671	15,186	9,224	12,261		47,618	6,500	25,000	6,201	9,917		14,352		3,400	10,952	
Supplies and Equipment	73,972	22,629	45,340	6,003		12,417			8,905	3,512		11,539		7,877	3,662	
Contrib. to Coop. Services	568		338	230		474			270	204		296		25	271	
Other Costs	4,847	8	1,155	3,684		9,775			6,040	3,735		5,496		1,292	4,204	
Total Project Assistance	134,729	38,323	56,331	40,075		91,345	6,500	25,000	22,295	37,550		54,650		13,000	41,650	
NON-PROJECT ASSISTANCE																
Agric. Commodities Total	108,914	61,685	47,229			36,000	28,500		7,500			28,000	18,000	10,000		
Surplus	91,078	43,849	47,229			25,000	17,500		7,500			15,000	5,000	10,000		
Other	17,836	17,836				11,000	11,000					13,000	13,000			
Industrial Commodities Total	138,869	111,369	27,500			112,000	112,000					166,300	166,300			
Raw Materials and Fuels	65,805	46,160	19,645			45,300	45,300					54,000	54,000			
Machinery and Equipment	54,632	46,777	7,855			47,200	47,200					74,800	74,800			
Other Indus. Commodities	18,432	18,432				19,500	19,500					37,500	37,500			
Cash Transactions	49,750		25,000		24,750	49,622			29,750		19,872	50,000		25,000		25,000
Other	8,133	8,055	78			9,590	9,590					10,700	10,700			
Total Non-Project Assistance	305,666	181,109	99,807		24,750	207,212	150,090		37,250		19,872	255,000	195,000	35,000		25,000
TOTAL COUNTRY PROGRAMS	440,395	219,432	156,138	40,075	24,750	298,557	156,590	25,000	59,545	37,550	19,872	309,650	195,000	48,000	41,650	25,000
NUMBER OF PEOPLE																
Technicians (On duty close of year)	1,485	104	36	1,345		1,950	151	5	216	1,578		2,028	97	238	1,678	15a/
U.S. Employed	888		10	878		1,024			32	992		1,120		17	1,103	
Contract	597	104	26	467		926	151	5	184	586		908	97	221	575	15
Participants (Programmed during year)	1,937	40	13	1,884		2,123			43	2,080		2,104		8	2,096	
Non-Contract	1,316	40	13	1,263		1,402			43	1,359		1,392		8	1,384	
Contract	621			621		721				721		712			712	

a/ Financed from prior-year Development Assistance funds.

Country: NEAR EAST AND SOUTH ASIA REGIONAL

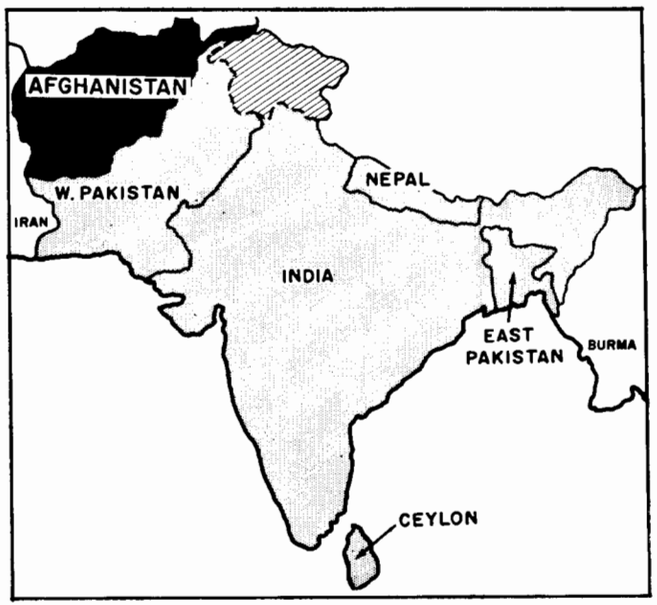
ECONOMIC ASSISTANCE

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	38,323	1,447	22,609	11,751		252	1,704		500	60
Development Assistance	56,331	3,472	10,850	27,205		7,866	1,914	1,371	2,000	1,653
Technical Cooperation	40,075	7,794	5,731	2,555	313	3,082	6,228	3,099	1,506	9,767
Other Programs										
Total	134,729	12,713	39,190	41,511	313	11,200	9,846	4,470	4,006	11,480
ESTIMATE FY 1958										
Defense Support	6,500			6,500						
Special Assistance	22,295	3,242	2,564	6,638		113	2,232	1,000	505	6,001
Technical Cooperation	37,550	8,469	5,723	2,796	606	2,638	5,548	2,215	1,199	8,356
Development Assistance	25,000			25,000						
Total	91,345	11,711	8,287	40,934	606	2,751	7,780	3,215	1,704	14,357
PROPOSED FY 1959										
Defense Support										
Special Assistance	13,000	1,550	801	4,374			2,500	500		3,275
Technical Cooperation	41,650	9,274	5,625	2,835	852	2,863	7,072	3,017	1,458	8,654
Total	54,650	10,824	6,426	7,209	852	2,863	9,572	3,517	1,458	11,929

AFGHANISTAN



ECONOMIC TRENDS

	Unit	Calendar Years 1954	1955	1956	1957Est.
GROSS NATIONAL PRODUCT*					
Total GNP *(In 1955 Prices)*.	$ Millions	n.a.	625	630	n.a.
Per Capita GNP	Dollars	n.a.	50	50	n.a.
PRODUCTION					
Wheat	1,000 MT	2,018	2,168	2,100	n.a.
Karakul skins	Millions	1.7	2.0	1.8	n.a.
Rice	1,000 MT	279	316	274	n.a.
FOREIGN TRADE					
Total Exports (f.o.b)	$ Millions	Not Available			
Total Imports (c.i.f).....					
Trade Balance					
FOREIGN EXCHANGE RESERVES.... (end of year)	$ Millions	56	57	52	n.a.
COST OF LIVING INDEX	Dec. 1955=100	n.a.	100	120	177 (Oct.)

BASIC DATA

Population	12.7 million
Annual Growth	1 percent
Agricultural Land	4% in crops
Agri. Land per Capita	0.5 acres
Literacy Rate	5 percent

	AFGHANISTAN	U.S.
Life Expectancy *(Years)*.....	20	70
Inhabitants per Physician ..	60,000	760
Road Miles per 1,000 sq.mi..	25	1,020
Electric Power per Capita... (KWH per year)	2	4,070

CENTRAL GOVERNMENT FINANCES *

Country Fiscal Year Ending - March 20	- $ Millions - 1955	1956 (Budget)	1957 (Budget)
Total Expenditures.....	49.0	62.0	63.7
Revenues, excl. receipts of U.S. Grant Aid....	45.9	47.1	44.6
Deficit or Surplus before U.S. Grant Aid....	-3.1	-14.9	-19.1
Budgetary Receipts from U.S. Grant Aid.....	-	-	-
Budgetary Receipts from U.S. Loans.....	2.0	6.0	9.0
DEFENSE EXPENDITURES			
Total Defense Expenditures.....	19.9	25.1	28.5
As percent of Total Gov't Expenditures.....	41%	40%	45%
As percent of Gross National Product.....	n.a.	4%	n.a.
TOTAL DEBT (gross).....	n.a.	73.0	n.a.
As percent of GNP.....		12%	
Foreign Debt.....		40.9	

n.a. - Not Available

*Converted into dollars at the rate of 21 afghanis per US dollar.

Country AFGHANISTAN

MUTUAL SECURITY PROGRAM

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

SECRET

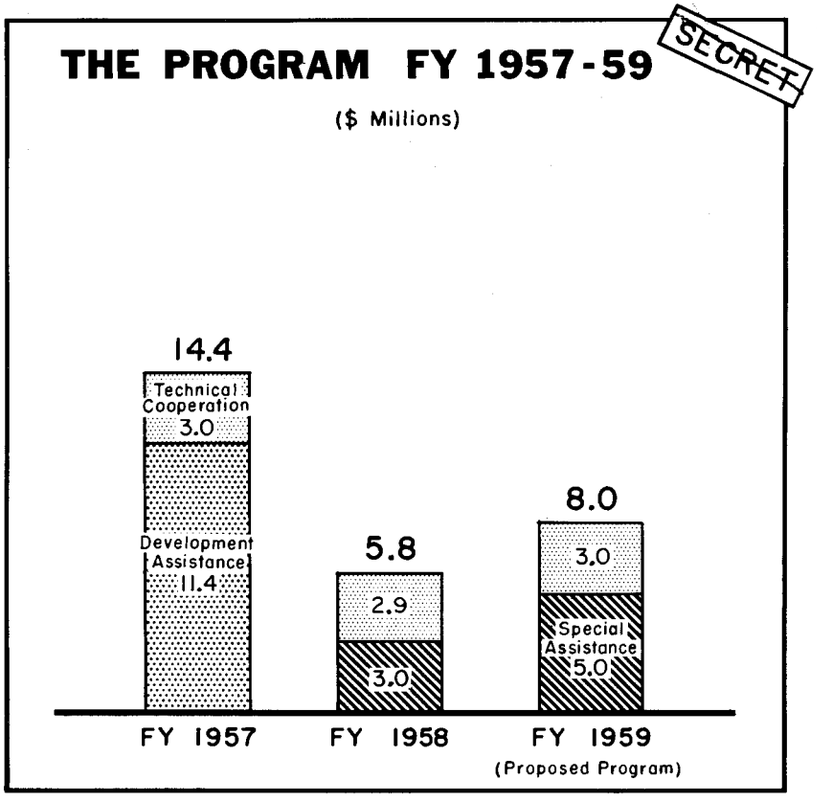
U.S. Interests: Strategically, Afghanistan is important in that it shares a border of more than 1,000 miles with the USSR, and is a salient protruding deep into the "northern tier" of members of the Baghdad Pact. It also sits athwart the major land routes through which the Indo-Pakistan subcontinent periodically has been invaded. Afghanistan has little positive contribution to make to free world defense efforts. However, it is of great potential value to the Soviet Union in the latter's attempts to extend its domination and counter free world security efforts centered in the Baghdad Pact.

Primary United States interests in Afghanistan are strategic and political. However, selected economic undertakings have been major tools by which those interests have been pursued. At present, the United States is the major free world nation best capable of assisting Afghanistan materially in its efforts to resist Soviet political influence and economic domination.

Politically, Afghanistan is one of the uncommitted nations of Asia and has thus far maintained considerable flexibility in its foreign policy. It would be a serious blow to United States interests if Afghanistan became more closely aligned with the USSR. That this analysis is shared by the USSR is attested by the recent massive diplomatic, economic and cultural programs which it has launched in its efforts to destroy Afghanistan's free world relationships. A Soviet-dominated Afghanistan would constitute a base from which strong pressures could be exerted against Iran and Pakistan. Even India, separated from Afghanistan by West Pakistan, would face new pressures.

Afghanistan is not an important present market or producer of strategic materials. However, its capacity to resist Soviet inroads is directly dependent upon its economic health and growth. Should Afghanistan prove unable through economic association with the free world to achieve such progress, the free world would have suffered a defeat recognizable throughout Asia.

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



Obligations and Expenditures $ in thousands			
MILITARY ASSISTANCE	PROGRAMMED	DEL./EXP.	UNLIQUIDATED
Cumulative 6/30/57			
Estimate F.Y. 1958			XXX
Cumulative 6/30/58			
ECONOMIC ASSISTANCE	OBLIGATIONS	EXPENDITURES	UNLIQUIDATED
Cumulative 6/30/57	39,366	10,116	29,250
Estimate F.Y. 1958	5,800	9,500	XXX
Cumulative 6/30/58	45,166	19,616	25,550

Country: AFGHANISTAN

ECONOMIC ASSISTANCE

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

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

(In thousands of dollars)

MAJOR COST COMPONENT	ACTUAL FY 1957				ESTIMATE FY 1958				PROPOSED FY 1959		
	Total	Dev Asst	Tech. Coop.	Other	Total	Sp Asst	Tech. Coop.	Other	Total	Sp Asst	Tech. Coop.
PROJECT ASSISTANCE											
Technicians	742	134	608		746		746		872		872
Participants	382	30	352		340		340		573		573
Contractual Services	2,904	1,887	1,017		1,836	950	886		3,315	2,450	865
Supplies and Equipment	8,984	8,494	490		2,515	2,000	515		2,840	2,550	290
Contrib. to Coop. Services											
Other Costs	1,379	862	517		363		363		400		400
Total Project Assistance	14,391	11,407	2,984		5,800	2,950	2,850		8,000	5,000	3,000
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	14,391	11,407	2,984		5,800	2,950	2,850		8,000	5,000	3,000
NUMBER OF PEOPLE											
Technicians (On duty close of year)	124	20	104		303	114	189		329	138	191
U.S. Employed	47		47		66		66		69		69
Contract	77	20	57		237	114	123		260	138	122
Participants (Programmed during year)	128	5	123		114		114		111		111
Non-Contract	107	5	102		106		106		111		111
Contract	21		21		8		8				

GPO 934793

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

Country AFGHANISTAN

ECONOMIC ASSISTANCE

Objectives

- Assist Afghanistan: to improve its technical and administrative competance, fundamental and vocational education, internal transportation facilities, and transportation links between Afghanistan and Pakistan.
- To increase production of energy from coal, petroleum and hydro-electric power.
- To make its investment in Helmand Valley development economically productive.
- To increase agricultural production, especially of exportable produce.
- To develop small consumer industries through the stimulation of enterprise capital.
- By these activities maintain and expand U.S. prestige and influence in fields where there is a direct impact on the population, i.e. agricultural extension, education and transportation.

Accomplishments

Establishment of the first Afghan internal and international scheduled air transportation system, initiation of the reorganization of the primary and secondary school systems; establishment of English as the preferred foreign language of instruction; specialized training of about 100 Afghans annually in the U.S. and of about 600 Afghans each year in their own schools; establishment of reliable records of the flow of the Helmand River - thus reducing the uncertainty about Afghan and Iranian water availabilities and facilitating determination of riparian rights; establishment of two research and extension training centers; improvement of administration in several critical Afghan official entities; prevention of famine in three different years through the emergency importation of U.S. surplus wheat; initiation of Afghan map production through an aerial survey; substantial progress toward a congenial atmosphere for American private enterprise, already involving three important private American firms working in Afghanistan; signature in FY 1957 of a U.S./Afghan investment guarantee agreement; achievement of improved Pakistan-Afghanistan relations enabling progress in planning of a regional transit agreement; maintenance of a friendly and cooperative attitude toward the U.S. and strong, if covert, official-level Afghan affirmations of pro-American and pro-western identification in the face of greatly increased Soviet pressure; and marked success in neutralizing the impact of intensified Soviet programs. Particularly encouraging is the possibility of linking Afghanistan's economy to the free world by improved transportation links through Pakistan, for which financing from the Asian Economic Development Fund is now being negotiated.

Summary of Program $ in thousands

Function	Actual F.Y. 1957	Estimate F.Y. 1958	Proposed F.Y. 1959
Defense Support			
Development Assistance	11,407		
Special Assistance		2,950	5,000
Technical Cooperation	2,984	2,850	3,000
Other Programs			
Total	14,391	5,800	8,000

Major Problems: The low degree of literacy, compounded by the nearly total lack of Afghan administrative and technical competence, adversely affects the implementation of all developmental undertakings. U.S. program emphasis is to train Afghans themselves to assume a maximum of implementing responsibility.

The Soviet bloc offensive represents a real problem in Afghanistan, where there are estimated to be more than 450 Soviet nationals currently on duty. U.S. operations in Afghanistan have to gear their efforts to meet this competition with the most efficient techniques and the most advantageous impact. In 1955 Russia established a $100 million line of credit against which the Afghans can draw as projects materialize.

It is probable that assistance to Afghanistan will have to be on a grant basis. The precarious Afghan economy has appeared to be moving toward insolvency because of excessive foreign and internal borrowings. The Afghan Government, however, has recently given evidence of an understanding of the danger incurring additional foreign liabilities which it cannot meet.

The Afghans prefer free world assistance but the many unsatisfied needs of the economy will continue to encourage bargaining with and competition between the Soviet bloc and the free world.

Proposed FY 1959 Program

Assistance proposed for Afghanistan for FY 1959 totals $8 million, of which $3 million is for technical cooperation and the balance of $5 million for special assistance.

Special Assistance: Further financing for school buildings and for instructional equipment, especially for Kabul University $1.5 million, is proposed. An additional two years of contract services with an American highway engineering firm is proposed to assist the Afghan Ministry of Public Works in building up an efficient central

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

highway organization ($450,000). Further funding of selected unfinished portions of the Helmand Valley Project, as recommended by the Tudor Engineering Company following their field survey in 1956, will require the balance of proposed Special Assistance.

Technical Cooperation: The proposed $3 million Technical Cooperation program will continue emphasis on education, agriculture and transportation. The Teachers College of Columbia University, through a contract, will continue preparing Afghans for the teaching profession and will provide teachers of English for several of the secondary schools and for some of the colleges of Kabul University. Also under contract, Wyoming University will continue to provide about 25 American instructors of applied agricultural and mechanical arts both for the secondary level and for the newly established Agriculture and Engineering Faculty of Kabut University. In the field of transportation, staff advisers for both air and ground transportation will assist contractors funded from special assistance to help the Afghans establish a modern civil aviation administration and an effective highway construction and maintenance organization. The extension program will expand cautiously in the Helmand Valley and Kabul areas, where U.S. efforts are concentrated, to make fuller use of newly available land and water resources for greater food production. Smaller technical assistance projects will continue in the fields of public administration, small industries, mining and civil aviation. About 110 Afghans would be trained abroad for active roles in their developmental program

ECONOMIC ASSISTANCE – PROJECT ASSISTANCE BY FIELD OF ACTIVITY

(In thousands of dollars)

Function and Fiscal Year	Total Cost	Agriculture and Natural Resources	Industry and Mining	Transportation	Labor	Health and Sanitation	Education	Public Administration	Community Develop., Social Welfare & Housing	General and Miscellaneous
ACTUAL FY 1957										
Defense Support										
Development Assistance	11,407	2,200	1,650	4,597			1,600	360		1,000 a/
Technical Cooperation	2,984	554	223	208		4	814	300	150	731
Other Programs										
Total	14,391	2,754	1,873	4,805		4	2,414	660	150	1,731
ESTIMATE FY 1958										
Defense Support										
Special Assistance	2,950	50		250		100				2,550 a/
Technical Cooperation	2,850	435	165	324			995	102		829
Other Programs (or DA)										
Total	5,800	485	165	574		100	995	102		3,379
PROPOSED FY 1959										
Defense Support										
Special Assistance	5,000	50		450			1,500			3,000 a/
Technical Cooperation	3,000	397	123	492			1,105	114		769
Total	8,000	447	123	942			2,605	114		3,769

a/ Includes Helmand Valley Multipurpose Project.

Country: AFGHANISTAN

ECONOMIC ASSISTANCE

TABLE I

DISTRIBUTION OF FY 1959 PROJECT ASSISTANCE

(In thousands of dollars and equivalent)

Functions and Projects	DIRECT U.S. DOLLAR COST - Proposed							Local Currency Cost - Proposed	
	Total	U.S. Technicians	Non-Contract Participants	Contracts	Commodities	Other Costs	Contributions to Cooperative Services	MSP includ. Counterpart	P. L. 480 Administered by ICA
TECHNICAL COOPERATION									
Agriculture and Natural Resources - Total	397	165	64	90	40	38			
National Agriculture Development	352	150	52	90	30	30			
Canal Operation and Maintenance	12		6			6			
Helmand Surface and Ground Water Investigation	33	15	6		10	2			
Industry and Mining - Total	123	62	40		10	11			
Mineral Resources and Coal Production	58	20	28		5	5			
Architectural and Engineering Services	30	27				3			
Industrial District - Kandahar	35	15	12		5	3			
Transportation - Total	492	303	104		5	80			2,000
National Roads Improvement and Maintenance	82	30	32			20			
Air Transportation Development	330	240	60			30			2,000
Transit	50	18			5	27			
Motor Vehicle Transportation	30	15	12			3			
Education - Total	1,105	45	244	675	45	96			
Afghan Institute of Technology	154		24	105	10	15			
Vocational Agriculture Education	73		18	45	5	5			
Institute of Education	460	45	80	285	10	40			
Faculty of Agriculture and Engineering	297		62	195	10	30			
Kabul University Administration	121		60	45	10	6			
Public Administration - Total	114	15	96			3			
Civil Police Administration	54	15	36			3			
National Fiscal Administration	30		30						
National Public Administration	30		30						
General and Miscellaneous - Total	769	282	25	100	190	172			
Audio-Visual Services	34	15	7		10	2			
Technical Support	552	237			155	160			
Helmand Valley Authority Development Operations	183	30	18	100	25	10			
Total Technical Cooperation	3,000	872	573	865	290	400			2,000

Country: AFGHANISTAN

ECONOMIC ASSISTANCE

DISTRIBUTION OF FY 1959 PROJECT ASSISTANCE

(In thousands of dollars and equivalent)

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

TABLE I

Functions and Projects	DIRECT U.S. DOLLAR COST - Proposed							Local Currency Cost - Proposed	
	Total	U.S. Technicians	Non-Contract Participants	Contracts	Commodities	Other Costs	Contributions to Cooperative Services	MSP includ. Counterpart	P. L. 480 Administered by ICA
SPECIAL ASSISTANCE									
Agriculture and Natural Resources - Total	50				50				
National Agriculture Development	50				50				
Transportation - Total	450			450					
National Roads Improvement and Maintenance	450			450					
Education - Total	1,500				1,500				
Educational Facilities	1,500				1,500				
General and Miscellaneous - Total	3,000			2,000	1,000				2,000
Helmand Valley Development	3,000			2,000	1,000				2,000
Total Special Assistance	5,000			2,450	2,550				2,000
TOTAL - ALL PROJECTS	8,000	872	573	3,315	2,840	400			4,000

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

Local currencies now available for programming in Afghanistan were generated by the sale of wheat under MSP. FY 1958 sales under Title II of P.L. 480 will also generate local currency. In neither instance was the desire for the local currency proceeds the underlying reason for U.S. action; rather, Afghan need for wheat was due to natural emergencies which threatened to create famine in certain areas of the country.

It is doubtful whether the net effect of this local currency availability will permit any significantly greater level of activity than Afghanistan could otherwise undertake, given the total availability of resources and the general shortage of foreign exchange. **However, its availability probably creates a certain psychological benefit to the U.S., as well as a real gain in the effectiveness of operations on projects, to the extent that such funds can be expended by the U.S., or with effective U.S. control, on projects already funded in large part by the U.S.**

U.S. owned local currency, the equivalent of $1.2 million, stemming from MSP surplus sales transactions funded in FY 1954 could not be used promptly because of a delay in final deposit and lack of agreement on use. At present substantial agreement exists and the funds should be obligated in FY 1958 and largely expended before the end of FY 1959. On current estimates, the $4 million of local currency to be generated by the P.L. 480 Title II program will be deposited before the end of FY 1958 **and the use proposed will provide support for the two developmental projects to which the U.S. has already made its most significant contribution - the Helmand Valley and Air Transportation Development.** Future releases can be projected only in illustrative terms and depend on final negotiations with the Government.

Local currencies available for programming in Afghanistan are supplemental to and not substitutable for regular MSP dollar appropriations.

TABLE III

(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)

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: AFGHANISTAN

STATUS OF LOCAL CURRENCY FUNDS
(Administered by MSP Agencies)

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 . .	1,172		1,172		1,172		1,172
Deposits	779	393	1,172		1,172		1,172
Obligations				1,172	1,172		1,172
Expenditures				172	172	800	972
COUNTERPART							
Potential Generation from U.S. Dollar Program . .							
Deposits							
Commitments							
Expenditures							
P.L. 480 TITLE I							
Potential Generation from U.S. Dollar Program . .							
Deposits							
Obligations							
Expenditures							
OTHER LOCAL CURRENCY a/							
Potential Generation from U.S. Dollar Program . .				4,000	4,000		4,000
Deposits				4,000	4,000		4,000
Commitments						4,000	4,000
Expenditures						2,000	2,000

a/ P.L. 480 Title II

Country: AFGHANISTAN

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

TABLE V

SUMMARY OF LOCAL CURRENCY PROGRAM ADMINISTERED BY MSP AGENCIES BY PURPOSE AND FIELD OF ACTIVITY

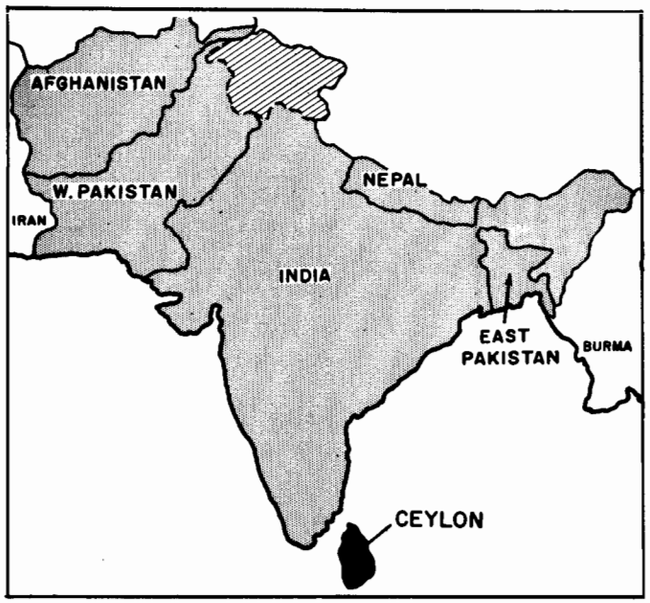
Obligations or Commitments by Fiscal Year

(In thousands of dollar equivalent)

PURPOSE AND ACTIVITY	FY 1957			FY 1958			FY 1959		
	MSP Source	P.L. 480 Title I Source	Other Sources	MSP Source	P.L. 480 Title I Source	Other Sources	MSP Source	P.L. 480 Title I Source	Other Sources
MILITARY PURPOSES									
Projects									
Budget Support									
Military Procurement									
Total Military Purposes									
ECONOMIC PURPOSES									
Project Assistance by Field of Activity									
Agriculture				500					
Industry and Mining									
Transportation									2,000
Labor									
Health and Sanitation				200					
Education				372					
Public Administration									
Community Development, Social Welfare and Housing									
General and Miscellaneous				100					2,000 a/
Total				1,172					4,000
Budget Support (Not Elsewhere Classified)									
Total Economic Purposes									
Procurement for Third Country	XXX			XXX			XXX		
TOTAL ALL PURPOSES				1,172					4,000

a/ Helmand Valley Development

CEYLON



ECONOMIC TRENDS

	Unit	Calendar Years 1954	1955	1956	1957 Est.
GROSS NATIONAL PRODUCT					
Total GNP *(In 1955 Prices)*.	$ Millions	1,050	1,150	1,080	1,080
Per Capita GNP	Dollars	125	133	123	119
PRODUCTION					
Agricul. Prod. Index[a]	1935-39=100	n.a.	153	148	148
Rubber	1,000 MT	95	95	97	92
Rice, milled	"	475	465	370	401
Tea	"	166	172	170	172
FOREIGN TRADE					
Total Exports (f.o.b)	$ Millions	380	407	364	370
Tea	"	236	251	219	228
Rubber	"	60	74	62	62
Total Imports (c.i.f)	"	293	307	342	390
Trade Balance	"	87	100	22	-20
FOREIGN EXCHANGE RESERVES .... (end of year)	$ Millions	197	251	255	220
COST OF LIVING INDEX	1953=100	99	99	99	101

BASIC DATA

Population	9.1 million
Annual Growth	2.8 percent
Agricultural Land	20% of area
Agri. Land per Capita	0.4 acre
Literacy Rate	70 percent

	CEYLON	U.S.
Life Expectancy *(Years)*	60	70
Inhabitants per Physician ..	5,300	760
Road Miles per 1,000 sq.mi..	750	1,020
Electric Power per Capita... (KWH per year)	50	4,070

CENTRAL GOVERNMENT FINANCES

- $ Millions -

Country Fiscal Year Ending - September 30	1955	1956 (Budget)	1957 (Budget)
Total Expenditures	197.5	224.4	250.8
Revenues, excl. receipts of U.S. Grant Aid	220.2	231.4	227.2
Deficit or Surplus before U.S. Grant Aid	22.7	7.0	-23.6
Budgetary Receipts from U.S. Grant Aid	-	-	2.0
Budgetary Receipts from U.S. Loans	-	-	-
DEFENSE EXPENDITURES			
Total Defense Expenditures	11.2	12.9	15.2
As percent of Total Gov't Expenditures	6%	6%	6%
As percent of Gross National Product	1%	1%	1%
TOTAL DEBT (gross)	229.8	243.9	264.3
As percent of GNP	20%	23%	24%
Foreign Debt	43.1	44.4	52.2

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

Country CEYLON

MUTUAL SECURITY PROGRAM

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

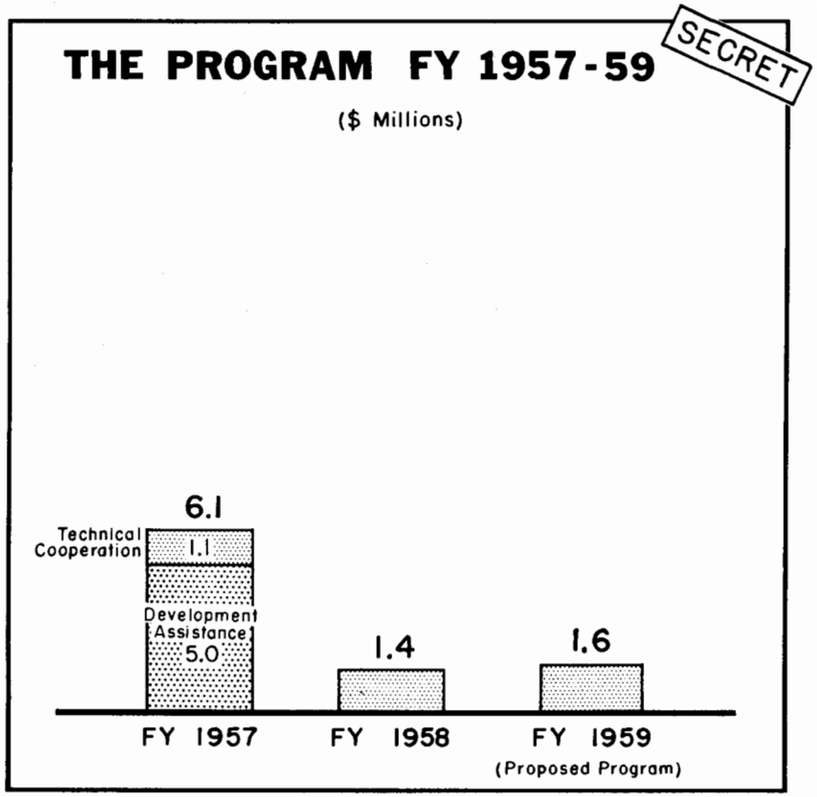
U.S. Interests: The continued political and economic evolution of Ceylon as a free and independent democratic state associated and identified with the Free World is important to our basic interests. **Ceylon is also important to the United States because of: (1) its strategic location off southeastern India as a crossroads in sea and air transport; (2) its association with the Colombo Plan and Commonwealth countries, as well as with the Afro-Asian bloc; (3) the relay via Ceylon of Voice of America broadcasts to South Asia; (4) the availability of Ceylonese bunkering facilities to United States Naval units; and (5) its position as a major rubber producer.**

Prime Minister Bandaranaike came into power at the head of a left-of-center government in April 1956 on a platform of "democratic socialism" domestically and non-alignment in foreign affairs. **The stability of the Bandaranaike regime has been affected adversely from time to time by dissension and rivalries within the Cabinet, recurring tensions between Tamil and Sinhalese racial groups, serious labor unrest, the activities of pro-Communists within and outside the Government, and extensive and increasing Soviet bloc initiative in a variety of fields. On the whole, however, Bandaranaike has shown remarkable skill in adjusting to these pressures.**

Under the Bandaranaike Government, United States-Ceylonese relations have been cordial. **Ceylon has, however, like a number of her South Asian "neutral" neighbors, been reluctant to support the United States in clear-cut East-West issues.**

Because of heavy Ceylonese dependence on tea, rubber and coconuts, the balance of payments position of the country has characteristically fluctuated widely from one period to another. Economic progress is further handicapped by such deterrents as shortage of capital, a high rate of population increase, and a tendency to resort to socialist methods.

It is in the U.S. interest to promote the continuance of a non-Communist Government in Ceylon, willing and able to resist Communist blandishments or pressures from within and without and to arrest, if not reverse, the present leftward trend in Ceylonese domestic and foreign affairs.



Obligations and Expenditures $ in thousands			
MILITARY ASSISTANCE	PROGRAMMED	DEL./EXP.	UNLIQUIDATED
Cumulative 6/30/57			
Estimate F.Y. 1958			XXX
Cumulative 6/30/58			
ECONOMIC ASSISTANCE	OBLIGATIONS	EXPENDITURES	UNLIQUIDATED
Cumulative 6/30/57	11,074	2,621	8,453
Estimate F.Y. 1958	1,400	3,794	XXX
Cumulative 6/30/58	12,474	6,415	6,059

Country: CEYLON

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	Dev Asst	Tech. Coop.	Other	Total	DS, DA or SA	Tech. Coop.	Other	Total	DS or SA	Tech. Coop.
PROJECT ASSISTANCE											
Technicians	179		179		496		496		537		537
Participants	141		141		136		136		149		149
Contractual Services	861	314	547		380		380		434		434
Supplies and Equipment	2,629	2,445	184		324		324		365		365
Contrib. to Coop. Services											
Other Costs	32		32		64		64		65		65
Total Project Assistance	3,842	2,759	1,083		1,400		1,400		1,550		1,550
NON-PROJECT ASSISTANCE											
Agric. Commodities Total	2,240	2,240									
Surplus	2,240	2,240									
Other											
Industrial Commodities Total											
Raw Materials and Fuels											
Machinery and Equipment											
Other Indus. Commodities											
Cash Transactions											
Other Gamma Globulin	1	1									
Total Non-Project Assistance	2,241	2,241									
TOTAL COUNTRY PROGRAMS	6,083	5,000	1,083		1,400		1,400		1,550		1,550
NUMBER OF PEOPLE											
Technicians (On duty close of year)	14		14		52		52		55		55
U.S. Employed	13		13		29		29		32		32
Contract	1		1		23		23		23		23
Participants (Programmed during year)	25		25		26		26		29		29
Non-Contract	25		25		26		26		29		29
Contract											

GPO 934793

Country CEYLON

ECONOMIC ASSISTANCE

Objectives

- To assist Ceylon in improving the low level of technical skills and managerial ability in agriculture, transportation, industry and technical education, enabling the Ceylonese to increase domestic food production and industrial productivity.
- To encourage improvement in economic development planning, and more effective allocation of capital resources.

Accomplishments

The Ceylon program, initiated with funds made available from FY 1956 appropriations has laid a sound basis for the future. Including aid planned for FY 1958, the U.S. will have made available $3.5 million to Ceylon for Technical Assistance and $9 million for Development Assistance. Projects in irrigation and land development, agricultural extension research and education, and a physical resources survey were initiated to help Ceylon combat the problem of low domestic food production. To help overcome Ceylon's lack of technical and managerial skills the U.S. is providing both technical assistance via a contract with Texas A & M for consulting and teaching staffs and materials to the University of Ceylon for improvement of its facilities for agricultural and engineering training and upgrading standards for science education. Colombo, an important hub in commerce and industry, has urgently needed improved and expanded rail transport facilities. The U.S. has agreed to provide twenty-five diesel power coaches; contracts for fifteen coaches have already been let and it is expected that contracts for ten more will soon be consummated. The U.S. is also providing assistance to the Government of Ceylon for its road construction program. U.S. contract employees are currently advising the Public Works Department on the operation and maintenance of heavy road construction equipment which recently arrived in Ceylon.

Major Problems: The present population of Ceylon, now over 9 million and growing about 2.8% per annum, lives mainly in the more arable southwest. Ceylon will probably have about ten million people by 1960 and nearly 16 million by 1980.

Ceylon's economy depends mainly on the foreign exchange earnings of export crops to finance essential food imports. Two-thirds of Ceylon's agricultural land is devoted to the production of tea, rubber and coconut products for export. These exports constitute over one-third of Ceylon's GNP. Approximately 40% of Ceylonese consumption items are imported. Industrial production is largely tied to processing the major agricultural products for export. The estimated 1957 trade deficit of

Summary of Program $ in thousands

Function	Actual F.Y. 1957	Estimate F.Y. 1958	Proposed F.Y. 1959
Defense Support			
Development Assistance	5,000		
Special Assistance			
Technical Cooperation	1,083	1,400	1,550
Other Programs			
Total	6,083	1,400	1,550

approximately $20 million compares with a surplus of $22 million for 1956. The deficit is largely the result of the failure of export prices to keep pace with rising imports and rising import prices. Imports of consumer goods have increased but imports of capital goods have risen much more rapidly. This expansion of imports took place against a background of falling tea prices not offset by increased output or exports. Declining coconut production and exports following the 1955-56 drought have also contributed to the deficit.

The average standard of living is relatively better than in nearby countries and in the past the rate of growth was sufficient to meet local anticipations. Long term prospects are less favorable. The unemployed and under-employed in Ceylon were estimated at over one-half million people in 1953 and steadily increasing. Unsettled conditions in Ceylon have led to considerable labor strife brought about by politically oriented unions.

Low food production in the country is a major problem. Only one-fourth of the potentially arable land is now in production and Ceylon has to find ways and means of developing and using the considerable water resources it possesses. Additionally, the Ceylonese farmer must learn newer and more productive methods to help increase present inadequate yields. The speed of industrial development is tied to the rate at which power can be developed and investment financing found. Hydroelectric potential is being expanded as rapidly as possible. However, since the withdrawal of the British, the recent nationalization of the bus companies and the talk of further nationalization of industry, Ceylon has not seemed attractive to private investors and in 1956 there was a net flight of capital from Ceylon of almost $11 million.

Human factors are an additional limitation on the pace of economic development. Although the population is generally literate and politically alert, there is a severe shortage of skilled personnel, particularly in engineering trades and

middle grade supervisory levels. The cultural prejudices of the people and certain inadequacies in the education system, such as a limited science education curriculum in the secondary schools, have contributed to these shortages.

The new Government of Ceylon established a National Planning Council, which recently published its first interim report on the problems relating to the development of Ceylon. This listed four basic objectives as requiring the government's specific attention, namely: to expand output, incomes and standard of living, to reduce unemployment, to reduce instability of the economy, to secure a better distribution of personal incomes and reduce regional inequalities in development. In this framework the Technical Cooperation program can make an important contribution in assisting Ceylon's progress to improved use of its resources.

Proposed FY 1959 Program

Technical Cooperation: $1.55 million is proposed for Technical Cooperation in FY 1959. Emphasis will continue to be placed on assistance in priority sectors of the economy for which the Government of Ceylon needs and desires help, and for which the U.S. has the necessary technical resources. The projects proposed are specifically directed toward increasing food production through agricultural extension, education and training, water resources planning, and irrigation and land development. A highway development project closely related to food production emphasizes the opening of cultivatable areas in the sparsely inhabited Dry Zone and the maintenance of recently constructed roads in the Dry Zone. Industrial production is also being encouraged by providing additional technical assistance to the Ceylon Institute of Scientific and Industrial Research, aiding the CISIR in its program of expanding consulting and advisory services to industry. An attack on the low level of technical and managerial skills is proposed through education projects at the university and secondary school levels. Associated with these are other projects providing assistance in the field of public health.

ECONOMIC ASSISTANCE – PROJECT ASSISTANCE BY FIELD OF ACTIVITY

(In thousands of dollars)

Function and Fiscal Year	Total Cost	Agriculture and Natural Resources	Industry and Mining	Transportation	Labor	Health and Sanitation	Education	Public Administration	Community Develop., Social Welfare & Housing	General and Miscellaneous
ACTUAL FY 1957										
Defense Support										
Development Assistance	2,759	1,250	56	1,000		139	314			
Technical Cooperation	1,083	312	265	73		83	121	24		205
Other Programs										
Total	3,842	1,562	321	1,073		222	435	24		205
ESTIMATE FY 1958										
Defense Support										
Special Assistance										
Technical Cooperation	1,400	356	463	181		140	50			210
Other Programs (or DA)										
Total	1,400	356	463	181		140	50			210
PROPOSED FY 1959										
Defense Support										
Special Assistance										
Technical Cooperation	1,550	525	246	172		132	325			150
Total	1,550	525	246	172		132	325			150

Country: CEYLON

ECONOMIC ASSISTANCE

TABLE I

DISTRIBUTION OF FY 1959 PROJECT ASSISTANCE

(In thousands of dollars and equivalent)

Technical Cooperation	DIRECT U.S. DOLLAR COST - Proposed							Local Currency Cost - Proposed	
	Total	U.S. Technicions	Non-Contract Participants	Contracts	Commodities	Other Costs	Contributions ta Cooperative Services	MSP includ. Counterpart	P. L. 480 Administered by ICA
Agriculture and Natural Resources - Total	525	272	48	80	125				
Agricultural Extension Rearch and Education	196	106	30		60				
Irrigation and Land Development	144	16	18	80	30				
Water Resources Planning	185	150			35				
Industry and Mining - Total	246	36		150	60				
Mineral Explorations	18	18							
Industrial Development and Productivity	228	18		150	60				
Transportation - Total	172	108	15	29	20				
Highway Development	154	90	15	29	20				
Colombo Airport Survey	18	18							
Health and Sanitation - Total	132	36	66		30				
Public Health Administration, Training and Education	132	36	66		30				
Education - Total	325	30	20	175	100				
Science Education	150	30	20		100				
University of Ceylon	175			175					
Technical Support - Total	150	55			30	65			
Total Technical Cooperation	1,550	537	149	434	365	65			

Country: CEYLON

TABLE II

ECONOMIC ASSISTANCE

COMPOSITION OF NON-PROJECT ASSISTANCE

(In thousands of dollars)

Commodities and Other	PROGRAM		
	Actual FY 1957	Estimate FY 1958	Proposed FY 1959
Surplus Agricultural Commodities	2,240		
Wheat Flour	2,240		
Other	1		
Gamma Globulin	1		
Total Non-Project Assistance	2,241		

CEYLON

A total of $2,240,000 in Ceylonese rupees has been generated as a result of the Sec. 402 financed sale of wheat flour to Ceylon in FY 1957. This was the only local currency generating element of the MSP dollar aid program, and the proceeds are expected to be fully obligated and expended before FY 1959. A PL 480 Title II program of emergency relief in FY 1958, to be carried out by sales of flour, will also generate local currency proceeds, which will be expended as deposits become available. There have been no continuing programs of agricultural surplus sales such as are provided by PL 480 Title I. MSP activity proposed for FY 1959 will not generate local currency.

Existing local currency will be used for economic purposes by the Government of Ceylon. The Ceylonese rupees generated by Sec. 402 sales are being used for grants to the Government of Ceylon for projects in its economic development program which are of joint interest to the U.S. and Ceylon. The activities are primarily designed to meet Ceylon's key problems of low agricultural and industrial production and to help raise the low level of technical and managerial skills. The local currency support is being extended to four different projects: to help to improve the Colombo rail system; for malaria eradication; for the University of Ceylon; and for a hydroelectric survey and training project. The Title II P.L. 480 emergency program proceeds will be used for flood relief and rehabilitation and are also expected to be fully expended by the end of FY 1959.

The need for local currency has not been the governing factor in determining the appropriate character and size of economic programs in Ceylon. The local currencies have been a useful element in the pattern of the program and their use has helped to associate the U.S. with specific activities in the government's economic program. They serve to underscore the U.S. encouragement to Ceylon to make the best use of its own resources by concentrating priorities on key problems. To the extent that future growth requirements of Ceylon cannot be met from domestic resources but will depend on heavy imports of capital goods, there is an implicit requirement for additional foreign exchange which Ceylon may not be able to meet from its own earnings.

TABLE III

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

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

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

Revised 3/24/58

Country: CEYLON

STATUS OF LOCAL CURRENCY FUNDS
(Administered by MSP Agencies)

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 . .		2,240	2,240		2,240		2,240
Deposits				2,240	2,240		2,240
Obligations				2,240	2,240		2,240
Expenditures				2,240	2,240		2,240
COUNTERPART							
Potential Generation from U.S. Dollar Program . .							
Deposits							
Commitments							
Expenditures							
P.L. 480 TITLE I							
Potential Generation from U.S. Dollar Program . .							
Deposits							
Obligations							
Expenditures							
OTHER LOCAL CURRENCY a/							
Potential Generation from U.S. Dollar Program . .				1,550	1,550		1,550
Deposits				1,000	1,000	550	1,550
Commitments				1,000	1,000	550	1,550
Expenditures				500	500	1,050	1,550

a/ PL 480 Title II

Country: CEYLON

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

TABLE V

PURPOSE AND ACTIVITY	FY 1957			FY 1958			FY 1959		
	MSP Source	P.L. 480 Title I Source	Other Sources	MSP Source	P.L. 480 Title I Source	Other Sources	MSP Source	P.L. 480 Title I Source	Other Sources
MILITARY PURPOSES									
Projects									
Budget Support									
Military Procurement									
Total Military Purposes									
ECONOMIC PURPOSES									
Project Assistance by Field of Activity									
Agriculture									
Industry and Mining				90					
Transportation				1,540					
Labor									
Health and Sanitation				250					
Education				360					
Public Administration									
Community Development, Social Welfare and Housing									
General and Miscellaneous									
Total				2,240					
Budget Support (Not Elsewhere Classified) a/						1,000			550
Total Economic Purposes				2,240		1,000			550
Procurement for Third Country	XXX			XXX			XXX		
TOTAL ALL PURPOSES				2,240		1,000			550

a/ Flood Relief Rehabilitation

Country EGYPT

MUTUAL SECURITY PROGRAM

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

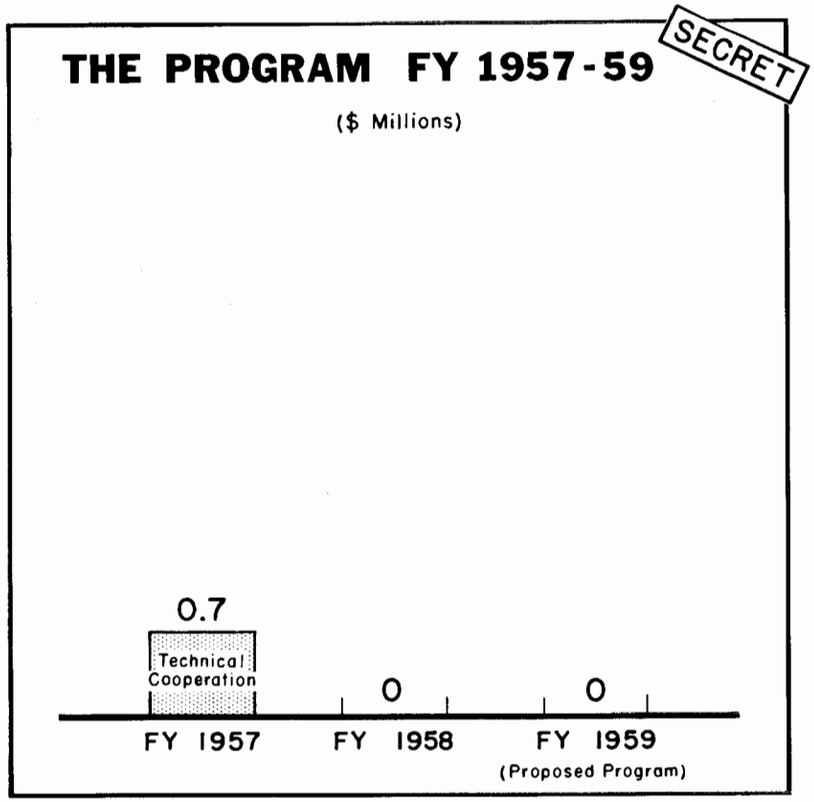
U.S. Interests: One of the most important and largest of the Arab states, Egypt occupies a key position between Africa and the Near East and sits astride two important waterways--the Suez Canal and the Nile River. These factors plus Egypt's relatively advanced political development and the area-wide appeal of Nasser's nationalist policies make Egypt a key state in the Arab and Afro-Asian world and of consequent importance to the United States and the Free World.

During the past several years Egypt has facilitated Communist penetration of the country through a pro-Soviet attitude, arms purchases from the Soviet bloc, and recognition of Communist China. Recently, however, the Egyptian Government has shown signs of concern at the extent of Soviet influence in the area. Moderation of the official virulently anti-US campaign, willingness to negotiate a financial settlement with France and England and interest in solving the problem of compensation of the Suez Canal Company stockholders may indicate an Egyptain desire for a more balanced position between the East and the West. It is still too early, however, to reach a determination of this, and much depends upon future Egyptain actions.

Should Egypt move at least to a genuinely neutral position, a basis for renewal of US aid to Egypt might exist. Aside from Egypt's political importance, the US has substantial investments in Egypt, particularly in the petroleum field. These totaled $72 million in 1955. The US in 1955 sold Egypt $79,000,000 worth of merchandise and imported $25,000,000 from Egypt. Since then, however, trade has greatly diminished because of the political situation.

To remove one of the barriers to more normal relations between Egypt and the Free World it is important that Egypt facilitate an equitable permanent arrangement regarding the Suez Canal, including satisfactory compensation to the Universal Suez Canal Company, nondiscriminatory treatment of and cooperation with users of the Canal and efficient administration and development of the waterway.

It is equally important for area stability that Egypt cease its attempts to dictate the policies and subvert the governments of neighboring countries.



Obligations and Expenditures $ in thousands			
MILITARY ASSISTANCE	PROGRAMMED	DEL./EXP.	UNLIQUIDATED
Cumulative 6/30/57			
Estimate F.Y. 1958			XXX
Cumulative 6/30/58			
ECONOMIC ASSISTANCE	OBLIGATIONS	EXPENDITURES	UNLIQUIDATED
Cumulative 6/30/57	61,678	39,229	22,449
Estimate F.Y. 1958		9,363	XXX
Cumulative 6/30/58	61,678	48,592	13,086

PREVIOUS PAGE BLANK

Country: EGYPT

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	395		395								
Participants	6		6								
Contractual Services											
Supplies and Equipment											
Contrib. to Coop. Services											
Other Costs	285		285								
Total Project Assistance	686		686								
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	686		686								
NUMBER OF PEOPLE											
Technicians (On duty close of year)	11 a/		11								
U.S. Employed	11		11								
Contract											
Participants (Programmed during year)											
Non-Contract											
Contract											

a/ Includes evacuated personnel on TDY at other missions.

GPO 934793

Country EGYPT

ECONOMIC ASSISTANCE

Objectives of Technical Cooperation

- To the time that Egypt turned to the Soviet Union for military assistance, the non-military aid program was directed toward assisting Egypt.

- To obtain the optimum use of limited land and water resources.

- To expand industry and improve essential public services, and develop mechanisms to facilitate practical application of Egyptian technical skills.

Accomplishments of Technical Cooperation

Program operations demonstrated the practicability of U.S. techniques in improving the productivity of arid western desert land, in reclaiming new lands and in preventing deterioration of land presently under cultivation. American agricultural extension methods have, in some measure, been adopted. Demonstrations of low-cost housing construction offered guidance and set precedents that will be applicable to the resettlement problem which Egypt will some day have to meet. Improvements in public health services and educational methods resulted from the guidance of American technicians in these two fields. Development Assistance helped to finance highway, railroad, airport, and waterways equipment which enabled Egypt to improve its transportation system more rapidly than would otherwise have been possible.

Major Problems: U.S. MSP assistance to Egypt began in FY 1952. In FY 1956 Development Assistance funds proposed for the program in Egypt were reserved, together with other funds, to make up the $54.6 million proposed as a grant for the High Aswan Dam. No agreement was reached that fiscal year and consequently, the FY 1956 program was limited to $2.6 million in technical assistance funds.

Summary of Program $ in thousands			
Function	Actual F.Y. 1957	Estimate F.Y. 1958	Proposed F.Y. 1959
Technical Cooperation	686		

When the Government of Egypt nationalized the Suez Canal Company in July 1956, the programming of FY 1957 funds was suspended. The bilateral agreements of prior fiscal years were not terminated, and therefore some machinery and commodities, largely those financed under the FY 1955 Development Assistance program, continued to be shipped to Egypt. With the initiation of French-British-Israeli Military operations against Egypt all but a few administrative employees left Cairo. They have not returned. No funds were programmed for FY 1958.

At the present time, the machinery and commodities financed under the FY 1955 Development Assistance program still continue to be shipped to Egypt. In the fall of 1957 the U.S. made a deposit of $600,000 to the joint account of the Egyptian American Rural Improvement Service (EARIS), a program of rural rehabilitation being carried out in two Egyptian provinces. This money was part of the $10 million the U.S. obligated in 1953 for contributions to a seven year EARIS program. Subsidiary project agreements provided for periodic deposits to the EARIS account from the funds contributed by the two governments. This agreement has never been terminated and the latest U.S. deposit of $600,000, matching an earlier Egyptian contribution, was made in fulfillment of this outstanding obligation and because funds in the Joint Account were nearly exhausted.

Under present circumstances no program is proposed for FY 1959.

PROJECT ASSISTANCE BY FIELD OF ACTIVITY

($ in thousands)

FISCAL YEAR	TOTAL COST	AGRICULTURE AND NATURAL RESOURCES	INDUSTRY AND MINING	TRANSPORTATION	LABOR	HEALTH AND SANITATION	EDUCATION	PUBLIC ADMINISTRATION	COMMUNITY DEVELOP., SOCIAL WELFARE & HOUSING	GENERAL AND MISCELLANEOUS
ACTUAL FY 1957 Technical Cooperation	686	132	22	21		48	104		74	285
ESTIMATE FY 1958 Technical Cooperation										
PROPOSED FY 1959 Technical Cooperation										

EGYPT

The FY 1955 Development Assistance Program gave rise to a small amount of counterpart and to a larger amount of proceeds from the sale of surplus agricultural commodities under Section 402 of the Mutual Security Act. In addition, during FY 1956 sales of commodities under Title I P.L. 480 resulted in availabilities of local currency for U.S. uses and for loans to the Egyptian Government for economic development.

Prior to the suspension of ICA program operations in Egypt, slightly more than one-half of the U.S.-owned local currency generated by Section 402 sales was released on a grant basis for transportation projects in Egypt, principally highway construction. All of the MSP generated local currency funds were earmarked for economic development purposes, in support of the same dollar highway project under the FY 1955 development assistance program.

Of counterpart due, none has been deposited by the Egyptian Government to date.

The $2.8 million balance of the Section 402 local currency, all of the $2.1 million of Egyptian counterpart, and all of the $13 million Title I P.L. 480 proceeds remain available pending policy decision with respect to future activities in Egypt.

TABLE III

(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)

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	19,600	6,000					13,600	13,600
TOTAL	19,600	6,000					13,600	13,600

Country: EGYPT

STATUS OF LOCAL CURRENCY FUNDS

(Administered by MSP Agencies)

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	5,247		5,247		5,247		5,247
Deposits	5,228		5,228		5,228		5,228
Obligations	2,320	431	2,751		2,751		2,751
Expenditures	2,320	431	2,751		2,751		2,751
COUNTERPART							
Potential Generation from U.S. Dollar Program	2,105		2,105		2,105		2,105
Deposits							
Commitments							
Expenditures							
P.L. 480 TITLE I							
Potential Generation from U.S. Dollar Program	13,600		13,600		13,600		13,600
Deposits	1,449	11,717	13,166		13,166		13,166
Obligations							
Expenditures							
OTHER LOCAL CURRENCY							
Potential Generation from U.S. Dollar Program							
Deposits							
Commitments							
Expenditures							

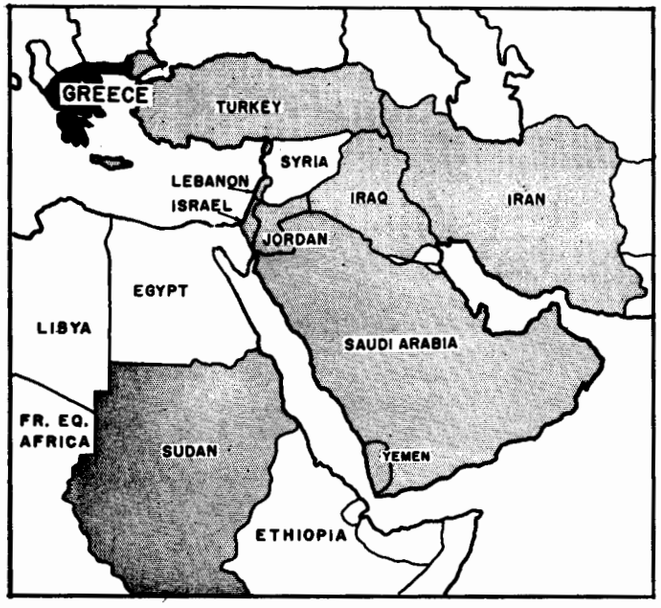
Country: EGYPT

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

TABLE V

PURPOSE AND ACTIVITY	FY 1957			FY 1958			FY 1959		
	MSP Source	P.L. 480 Title I Source	Other Sources	MSP Source	P.L. 480 Title I Source	Other Sources	MSP Source	P.L. 480 Title I Source	Other Sources
MILITARY PURPOSES									
Projects									
Budget Support									
Military Procurement									
Total Military Purposes									
ECONOMIC PURPOSES									
Project Assistance by Field of Activity									
Agriculture									
Industry and Mining									
Transportation	431								
Labor									
Health and Sanitation									
Education									
Public Administration									
Community Development, Social Welfare and Housing									
General and Miscellaneous									
Total	431								
Budget Support (Not Elsewhere Classified)									
Total Economic Purposes									
Procurement for Third Country	XXX			XXX			XXX		
TOTAL ALL PURPOSES	431								

GREECE



ECONOMIC TRENDS

	Unit	Calendar Years 1954	1955	1956	1957Est.
GROSS NATIONAL PRODUCT					
Total GNP *(In 1955 Prices)*.	$ Millions	2,020	2,150	2,270	2,430
Per Capita GNP	Dollars	243	255	267	283
PRODUCTION					
Agricul. Prod. Index[a].....	1952-56=100	99	105	109	120
Tobacco	1,000 MT	67	97	82	90
Wheat	"	1,220	1,335	1,245	1,600
Industrial Prod. Index ...	1953=100	123	132	150	200
FOREIGN TRADE					
Total Exports (f.o.b).....	$ Millions	152	183	190	235
Tobacco	"	61	77	65	75
Currants and raisins	"	27	29	30	35
Total Imports (c.i.f).....	"	330	382	464	515
Trade Balance	"	-178	-199	-274	-280
FOREIGN EXCHANGE RESERVES... (end of year)	$ Millions	199	210	218	205
COST OF LIVING INDEX	1953=100	115	122	126	129

BASIC DATA

Population	8.6 million
Annual Growth	1.25 percent
Agricultural Land	27% of area
Agri. Land per Capita	1 acre
Literacy Rate	77 percent

	GREECE	U.S.
Life Expectancy *(Years)*.....	68	70
Inhabitants per Physician ..	900	760
Road Miles per 1,000 sq.mi..	430	1,020
Electric Power per Capita... (KWH per year)	200	4,070

CENTRAL GOVERNMENT FINANCES

Country Fiscal Year	- $ Millions - 1955[b]	1956[c]	1957[d]
Total Expenditures.....	383	654	464
Revenues, excl. receipts of U.S. Grant Aid....	314	569	405
Deficit or Surplus before U.S. Grant Aid....	-69	-85	-59
Budgetary Receipts from U.S. Grant Aid.....	32	36	21
Budgetary Receipts from U.S. Loans.....	5	10	26
DEFENSE EXPENDITURES			
Total Defense Expenditures (Calendar years).	123	130(12 mos)	136
As percent of Gross National Product.....	5.7%	5.4%	5.1%
As percent of Total Gov't Expenditures[e]...	31%	30%	29%
TOTAL DEBT (gross) (As of December 31)	172	177	215
As percent of GNP.....	8.0%	7.3%	8.1%
Foreign Debt.....	65	83	119

n.a. - Not Available a - Crops harvested in crop-year beginning in year stated.
b - July 1, 1954 - June 30, 1955. c - July 1, 1955 - December 31, 1956.
d - January 1, 1957 - December 31, 1957. e - Computed from fiscal year data.

Country GREECE

MUTUAL SECURITY PROGRAM

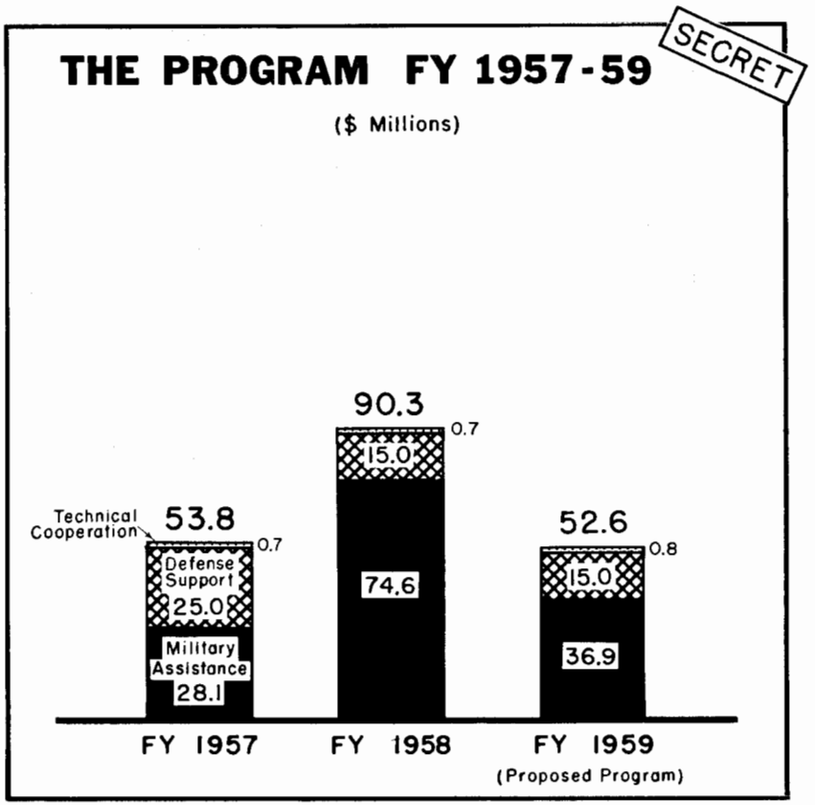
Shaded areas are Security classified and must not be divulged to unauthorized individuals. All other material is unclassified.

U.S. Interests: A strong, independent and stable Greece is important to the United States because of its strategic location in the Eastern Mediterranean, its role in the NATO defense structure and its ties to Yugoslavia through the Balkan Pact. Our bases in Greece are especially important as support for our vital bases in Turkey and the NATO and Balkan Pact interests.

Greek foreign policy since World War II has been based on close ties with the U.S. and opposition to Soviet Communism. Greece continues loyal to its NATO alliance in spite of some occasional public wavering because of frustration over Cyprus. Improved Greek-Turkish relations are important to preserve Free World unity and defenses in the area. This requires an early and peaceful settlement of the Cyprus question, acceptable to those directly concerned --Greece, the United Kingdom and Turkey--and to the people of Cyprus. Greece has given general support to American Middle East policies, but its attitude on Middle East questions is influenced by suspicions of Turkey, stemming largely from the Cyprus issue, and by its concern for the continued peaceful existence in the Middle East of Greek communities and Orthodox Churches.

Greece is one of the poorest countries of free Europe. The U.S. is assisting Greece to continue to improve the effectiveness of its armed forces and has concluded a Mutual Defense Assistance Agreement with Greece. We are also assisting to build an economy which can support a reasonable development program and at the same time assume a larger share of the cost of maintaining the Greek defense establishment at NATO force levels. Greece has signed an Investment Guaranty Agreement with the U.S.

By Greek standards there has been unusual political stability under Nationalist governments since 1952. The Communist party is illegal and Communism is not now an imminent threat to political stability. However, the Cyprus question and a growing Soviet campaign of friendship and trade promotion have assisted continuing Communist efforts to legitimize the party and have contributed to some neutralist tendencies in public opinion.



Obligations and Expenditures $ in thousands

MILITARY ASSISTANCE	PROGRAMMED	DEL./EXP.	UNLIQUIDATED
Cumulative 6/30/57	684,756	553,748	131,008
Estimate F.Y. 1958	74,562	97,055	XXX
Cumulative 6/30/58	759,318	650,803	108,515
ECONOMIC ASSISTANCE	**OBLIGATIONS**	**EXPENDITURES**	**UNLIQUIDATED**
Cumulative 6/30/57	894,668	891,829	2,839
Estimate F.Y. 1958	15,700	14,844	XXX
Cumulative 6/30/58	910,368	906,673	3,695

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

Greece

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	$28,055	$74,562	-	$36,858	$97,055	$650,803	$108,515
Aircraft, Components, Spares & Related Equip.	$ 26	-	-	$ 3,864	$51,618	$155,077	$ 19,942
F-84G	-	-	-	-	234	234	-
H-19	-	-	16	$ 2,141	4	4	-
RF-84F	-	-	2	$ 797	3	23	-
Ships and Harbor Craft, Components and Spares	$ 3,065	$25,685	-	-	$ 9,315	$ 48,676	$ 28,380
Destroyer (DD) (Modernization)	-	2	-	-	-	2	-
Destroyer (DD) (Activation)	-	4	-	-	-	-	4
Destroyer (DD) (Loan)	-	-	-	-	-	2	-
Landing Craft Medium (LCM)	4	2	-	-	4	10	2
Landing Craft Vehicle, Personnel (LCVP)	-	8	-	-	-	10	8
Landing Ship Medium (LSM) (Incl. Activation)	-	4	-	-	-	-	4
Ocean Escort (DE)	-	-	-	-	-	4	-
Coastal Minesweeper (MSC)	-	-	-	-	-	14	-
Net Tender (AN)	1	-	-	-	-	-	1
Submarine (SS)	-	-	-	-	1	2	-
Tanks, Other Vehicles, Weapons, Comp. & Spares	$ 8,308	$27,661	-	$ 9,442	$11,356	$177,952	$ 30,434
Tank, Medium, M26, M46, M47, M48 Series	44	55	-	-	44	66	55
Carriage, Motor, 76mm, Gun, M-18	-	-	-	-	-	127	-
Carrier, Personnel, HT, M3 (Car.,HT, M2, M9)	-	-	-	-	-	71	(27)
Tractor, HS, 18 Ton, M4 Series	10	47	-	-	26	26	47
Truck, 2 1/2 Ton, 6x6, Cargo (all models)	78	795	-	-	8	3,453	873
Truck, 4-5-6 Ton, 6x6, Cargo (PM)	-	-	-	-	32	339	-
Truck, 4-5-6 Ton, 6x6, Wrecker	-	4	-	-	30	229	4
Truck, Tractor, 4-5-6 Ton, 6x6 (all models)	-	-	160	$ 165	-	-	-
Howitzer, 105mm, M2A1, w/carriage or mount	-	170	-	-	18	204	170
Rifle, 106mm, w/mount	524	12	6	$ 2	524	552	12
Rifle, U.S., Cal..30, M1 Series	422	124,427	-	-	1,365	67,345	123,273
Ammunition	$ 9,702	$ 8,863	-	$ 7,545	$13,359	$155,451	$ 6,157
Cartridge, 105mm How, HE (M Rds)	-	-	-	-	-	580	-
Cartridge, 8" How, HE (M Rds)	-	25	-	-	24	24	1
Cartridge, Cal..30 (all types) (M Rds)	28,100	6	-	-	499	88,420	6
Cartridge, 40mm (all types) (M Rds)	-	-	169	$ 997	-	869	-
Cartridge, Fix., HE,w/f, PD, 90mm Gun (M Rds)	-	1	9	$ 324	-	-	7
Electronics & Comm. Equipment, Comp. & Spares	$ 1,685	$ 4,424	-	$ 3,686	$ 4,925	$ 36,367	$ 11,625
SCR-300 (AN/PRC-10) Radio Set	25	465	885	$ 451	490	2,426	-
Other Materiel	$ 3,689	$ 5,157	-	$11,023	$ 4,364	$ 63,319	$ 9,902
Construction	-	-	-	-	-	-	-
Training	$ 1,081	$ 1,264	-	$ 1,298	$ 756	$ 7,068	$ 731
All Other	$ 499	$ 1,508	-	-	$ 1,362	$ 6,893	$ 1,344

( ) Indicate negative figure.

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

Greece

Objectives of Military Assistance: **Maintenance of internal security and organization, training, equipping and maintenance of the military forces required by NATO-approved defense plans; provision of assistance in a manner which will assure that it contributes to the development of Greek forces capable of effective integrated action generally in consonance with the strategic concept for defense of the NATO area.**

Major Combat Forces:

Strategic Objectives	MAP Supported
11 Divs, 13 Regts, 1 Armored Brig.	11 Divs, 13 Regts,
3 Honest John/Little John Bns.	1 Armored Brig.
1 Lacrosse Bn, 1 Hawk Bn,	3 H.J/L.J. Bns.
1 Nike Bn.	1 Lacrosse Bn, 1 Hawk Bn
64 Naval Vessels	1 Nike Bn
11 Air Squadrons	44 Naval Vessels
	11 Air Squadrons

Active Military Strength: 166,890

MAP Accomplishments: MAP has provided most of the equipment and much of the training for the Greek Armed Forces. Our early support, beginning in 1947 when the United States took over from the British in this area, included all the supplies and equipment necessary to defeat the guerrilla forces which were then a grave threat to the Government. Greek adherence to NATO early in 1952 and the establishment of objectives for the defense of the NATO area accompanied by MAP assistance has produced an effective M-Day force of 5 1/3 divisions, plus 7 12/3 other divisions which can be rapidly mobilized. Modernization of the Royal Hellenic Navy and Air Force through the provision of destroyers, submarines and jet fighter aircraft.

Appraisal of Forces:

Army: Capable of insuring internal security; fully mobilized it could, with some outside assistance, provide limited defense of its borders against a Satellite attack. Against an all-out Soviet-Satellite attack, it could provide relatively brief delaying action on the mainland.

Navy: Can support its NATO commitment but is capable of providing only limited wartime logistical support for the Greek Army and Air Force.

Air Force: Can effectively support action for the maintenance of internal security, but can provide only limited support in its emergency NATO role, due to the proximity of its airfields to Soviet Satellite states.

PROGRAMS (In Thousands Dollars)	FY 1957	FY 1958	Proposed FY 1959
Country Programs	28,055	74,562	36,858
Portion Special Materiel Program	(13,573)	(45,573)	(83,382)
Total	(41,628)	(120,135)	(120,240)

Factors reducing the effectiveness of forces are: Limited experience in the operation and maintenance of the recently completed aircraft control and warning system for air defense; limited ability to provide logistical support by sea, due to poor condition of ships, from southern supply base to Army forces in Northern Greece; insufficient industrial capacity, natural resources, technical skills and foreign exchange capability to provide military equipment in significant quantities; and, lack of anti-tank capability against modern armor.

Country Contribution: A force of over 166,890 men; annual defense expenditures of $136 million for support and training; active support of NATO; 2.1% of total population in the Armed Forces; indigenous production of a part of the country's ammunition requirements; 29% of total Greek budget for the military; 5.1% of GNP for military. The Greek effort is at or near its maximum because of political pressure for economic development.

Proposed FY 1959 Program Provides:

Army: Modernization, maintenance, and training support, major items being helicopters, heavy special-purpose vehicles and artillery.

Navy: Destroyers for completion of present force goals and LSMs to improve coastwide amphibious lift plus maintenance and training items.

Air Force: Modernization, maintenance and training, major item being ground handling equipment, communications and electronic equipment.

Continuation of military communications network raw materials for ammunition manufacture and part of the Armed Forces POL requirement.

Miscellaneous Data: US excess stocks delivered at no charge through 30 June 1958: $49 million (Est). Military Sales through 30 June 1957: $319 thousand.

MAAG Strength	US Mil	US Civ	Local	Total
1957	199	12	120	331
1958	153	12	112	277

Country: GREECE

ECONOMIC ASSISTANCE

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

(In thousands of dollars)

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

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	240		240		375		375		385		385
Participants	330		330		170		170		220		220
Contractual Services					6		6		30		30
Supplies and Equipment	108		108		84		84		65		65
Contrib. to Coop. Services											
Other Costs	67		67		65		65		50		50
Total Project Assistance	745		745		700		700		750		750
NON-PROJECT ASSISTANCE											
Agric. Commodities Total	24,999	24,999			10,000	10,000			5,000	5,000	
Surplus	24,999	24,999			10,000 a/	10,000 a/			5,000	5,000	
Other											
Industrial Commodities Total					5,000	5,000			10,000	10,000	
Raw Materials and Fuels											
Machinery and Equipment											
Other Indus. Commodities					5,000	5,000			10,000	10,000	
Cash Transactions											
Other											
Total Non-Project Assistance	24,999	24,999			15,000	15,000			15,000	15,000	
TOTAL COUNTRY PROGRAMS	25,744	24,999	745		15,700	15,000	700		15,750	15,000	750
NUMBER OF PEOPLE											
Technicians (On duty close of year)	21		21		28		28		28		28
U.S. Employed	21		21		27		27		27		27
Contract					1		1		1		1
Participants (Programmed during year)	77		77		56		56		65		65
Non-Contract	77		77		56		56		65		65
Contract											

a/ Of which $5 million worth of U.S.-owned European currencies derived from Sec. 402 triangular transactions will be used to purchase essential industrial commodities.

GPO 934793

Country GREECE

ECONOMIC ASSISTANCE

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

Objectives

- To increase Greek capacity to maintain and improve the quality of its present defense effort without sacrificing the volume of investment needed to maintain the rate of increase of national output achieved in the past five years.

- To accomplish this without endangering financial stability.

- To raise the level of technical and managerial skills.

- To encourage the Greek Government persistently to attack institutional barriers to continued successful economic development.

Accomplishments

The gross national product increased one-third in real terms from 1952 to 1956; the volume of consumption rose 30%, Government current expenditures expanded about 20%, private investment increased by one-third, and hard currency reserves rose from a level sufficient to finance 40 days' imports to one sufficient to finance five months' imports. From 1951 to 1956 the balance of payments deficit (before U.S. aid) fell from $250 million to about $75 million.

The past 18 months have witnessed a significant increase in general economic activity, a higher level of private and public investment, a doubling of the volume of savings deposits, a reduction of the Greek Government's current account budget deficit to negligible proportions, and continued price stability. On the other hand the external payments deficit has grown larger during this period.

The Defense Support program carried out in the past three fiscal years has provided sufficient resources to permit the Greek economy to achieve the growth pattern and financial stability just described, despite defense expenditure equivalent to about 5% of the national product. Under these circumstances the Greek Government has been able to proceed slowly with a program of qualitative improvement of its defense establishment.

The Technical Cooperation program has helped initiate, and has supported Greek efforts to create the institutions necessary for continued economic growth. These include establishment and staff training of the extension and marketing services of the Ministry of Agriculture and the enlargement as well as staff training of the vocational school system.

Summary of Program $ in thousands

Function	Actual F.Y. 1957	Estimate F.Y. 1958	Proposed F.Y. 1959
Defense Support	24,999	15,000	15,000
Technical Cooperation	745	700	750
Total	25,744	15,700	15,750

Major Problems: Persistent long-term barriers to substantial economic and social improvement include the uneconomic size of a substantial part of the land holdings as presently utilized; the waste of land and water resources; the lack of attention paid to wiser use of the employed labor force resulting from fear of measures which might increase short-term unemployment; and the inadequate functioning of the capital market. The heritage of inflation also continues to inhibit investors from placing their funds into socially (as well as privately) productive activities. The U.S. continues to meet most of the Greek food import requirements through MSP and P.L. 480 financed sales. Thus, an exceptionally large harvest of major food crops, as in 1957, though it reduces the requirement for imports, does not free export earnings for other payments. In fact higher agricultural sector incomes will bring about a larger volume of consumer goods imports even though there have not been compensating increases in value of tobacco, cotton and fruit exports. Greece's external deficit increased in 1957, despite significantly larger net invisible earnings. Higher private and public investment over the past three years has not yet produced new export items or cut out any major imports although it has involved rising direct and indirect import costs and there has been a reduction of $15 million in hard currency reserves in the 12 months ending October 1957.

To maintain into 1959 the 1957 volume of investment, continue a defense program at the 1957 level, and avoid the re-emergence of inflationary pressure, without requiring a further depletion of hard currency reserves, it is necessary to continue the Defense Support program at the FY 1958 level. This assumes that Greek requirements for U.S. surplus agricultural commodities in FY 1959 will be met by a combination of MSP financing and P.L. 480, Title I sales to offset an anticipated smaller wheat harvest in 1958. It also assumes that the Greek Government will continue to be able to keep its current budget at or close to balance. Current revenues have increased in the past 18 months as a result of improved administration of direct tax collections, and the higher level of economic activity. Current defense and civil expenditures, on the other hand, have not risen much. Since there is little reason

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

to expect a change of trend either on the revenue or expenditure sides, the Greek Government, assisted by the provision of local currency derived from the Defense Support and P.L. 480 programs, can limit public domestic borrowing to the finance of crucial development projects. Thus it should be possible to control any tendency toward inflation. Greece has indicated its interest in access to the Development Loan Fund for greater capital development.

Proposed FY 1959 Program

Defense Support: $15 million is proposed to finance the import of essential foodstuffs and other commodities to provide the resources needed to enable Greece to continue to carry out a defense program at the FY 1957 level. It is the minimum amount that can be considered feasible in the light of mutual U.S. and Greek objectives, and assumes continued P.L. 480, Title I authority and sale of surplus agricultural commodities to Greece. These programs taken together should provide the marginal external resources to permit continued essential Government activity without burdening the State with intolerable deficits, or the economy with inflationary price rises. Defense Support aid generated local currency will cover about one-ninth of the total defense budget. A portion of the local currency generated by the sale of commodities under P.L. 480 is lent to the Greek Government to finance its development program.

Technical Cooperation: $750,000 is proposed to finance the following major activities: continuation of the long-term agricultural extension and marketing projects, largely to provide training in the U.S. for Ministry technicians actively engaged in programs designed to raise farmer productivity and encourage expansion of export facilities; continuation of assistance to the free trade union education program; expansion of a program to raise the quality of the vocational school teacher training programs; initiation of a coordinated program of technical advice for Greek small industries which lack access to recent scientific, technological or management developments; continuation of the training program for Greek nuclear energy specialists; and continuation of the public safety advisory mission which was established early in FY 1958.

PROJECT ASSISTANCE BY FIELD OF ACTIVITY

($ in thousands)

FISCAL YEAR	TOTAL COST	AGRICULTURE AND NATURAL RESOURCES	INDUSTRY AND MINING	TRANSPORTATION	LABOR	HEALTH AND SANITATION	EDUCATION	PUBLIC ADMINISTRATION	COMMUNITY DEVELOP., SOCIAL WELFARE & HOUSING	GENERAL AND MISCELLANEOUS
ACTUAL FY 1957										
Technical Cooperation	745	339	24	13	61	74		14	11	209
ESTIMATE FY 1958										
Technical Cooperation	700	215	40	21	76		20	149	14	165
PROPOSED FY 1959										
Technical Cooperation	750	195	95	15	98		20	155		172

Country: GREECE

ECONOMIC ASSISTANCE

TABLE I

DISTRIBUTION OF FY 1959 PROJECT ASSISTANCE

(In thousands of dollars and equivalent)

Functions and Projects	DIRECT U.S. DOLLAR COST - Proposed							Local Currency Cost - Proposed	
	Total	U.S. Technicians	Non-Contract Participants	Contracts	Commodities	Other Costs	Contributions to Cooperative Services	MSP includ. Counterpart	P. L. 480 Administered by ICA
TECHNICAL COOPERATION									
Agriculture and Natural Resources - Total	195	120	75						
Agricultural Extension, Training & Research	50	20	30						
Production and Marketing	65	40	25						
Agricultural Credit	80	60	20						
Industry and Mining - Total	95	60		30	5				
Small Industry Industrial Engineering Advs.	40	40							
Org. of Bureau of Tests and Standards	25	20			5				
School of Business Administration	30			30					
Transportation - Total	15	15							
Installation of VOR Equipment and Training	15	15							
Labor - Total	98	28	70						
Labor, Manpower, Wage & Hour Statistician	13	13							
Labor and Trade Union Leadership	40	15	25						
Training of Apprenticeship Trainers	30		30						
Labor Ministry Inspectors Training Program	15		15						
Education - Total	20	20							
Vocational Training	20	20							
Public Administration - Total	155	65	30		60				
Public Safety Advisory Mission	155	65	30		60				
General and Miscellaneous - Total	172	77	45			50			
Training in Nuclear Energy	45		45						
Technical Support	127	77				50			
Total Technical Cooperation	750	385	220	30	65	50			

Country: GREECE

ECONOMIC ASSISTANCE

TABLE I

DISTRIBUTION OF FY 1959 PROJECT ASSISTANCE

(In thousands of dollars and equivalent)

Functions and Projects	DIRECT U.S. DOLLAR COST - Proposed							Local Currency Cost - Proposed	
	Total	U.S. Technicians	Non-Contract Participants	Contracts	Commodities	Other Costs	Contributions to Cooperative Services	MSP includ. Counterpart	P. L. 480 Administered by ICA
LOCAL CURRENCY									
Agriculture									
Agricultural Community Works									3,500
Industry									
Economic Develop. - Finance Organization									3,000
Transportation									
Roads Improvement									6,000
Education									
Vocational Training - School System									1,000
Community Development									
Workers Housing - Autonomous Organization									4,000
General and Miscellaneous									1,000
Labor									
Apprenticeship Training									1,000
Total Local Currency									19,500
GRAND TOTAL	750	385	220	30	65	50			19,500

Country: GREECE

ECONOMIC ASSISTANCE

COMPOSITION OF NON-PROJECT ASSISTANCE

(In thousands of dollars)

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

TABLE II

Commodities and Other	PROGRAM		
	Actual FY 1957	Estimate FY 1958	Proposed FY 1959
Surplus Agricultural Commodities - Total	24,999	5,000	5,000
Bread Grains	19,500		5,000
Coarse Grains	4,000	4,200	
Fats and Oils	1,499	800	
Deduct sales to this country for benefit of other countries			
Add sales to other countries for benefit of this country		5,000	
Net imports for benefit of this country	24,999	10,000	5,000
Miscellaneous and Unclassified		5,000	10,000
Total Non-Project Assistance Programs	24,999	15,000	15,000

LOCAL CURRENCY - Narrative

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

Local currency available for programming for Greece arises as counterpart from MSP aid or as the proceeds of sales of surplus agricultural commodities under Section 402 or the P.L. 480, Title I programs. The MSP-U.S. owned local currency proceeds and the P.L. 480 local currencies administered by ICA are closely programmed. Expenditures of such local currencies follow rapidly after obligation and no significant amounts are expected to remain unexpended at the end of FY 1959. There have been special problems affecting possible use of Greek counterpart.

U.S.-financed imports of surplus agricultural commodities and other goods add resources which permit the Greek Government to maintain a defense program of a size required by NATO goals, and to pursue a necessary development program. Accordingly, the determination of the required level of such imports is governed by factors other than local currency availability. Local currency has been released for the defense budget and for the economic development program in order to identify the U.S. with both purposes in the eyes of the Greek public. The Greek Government makes its budgetary decisions in terms of total resources available. It is therefore greatly concerned that the amount of local currency released should be consistent with the levels of activity projected as feasible in terms of total resources.

Although certain procedural difficulties prevented a release of P.L. 480 generated local currency during the first eight months of CY 1957, these were solved to the mutual satisfaction of the U.S. and the Greek Government. Therefore, the total volume of these funds being released to the Greek Government in FY 1958, as shown in the following tables, includes some which would otherwise have been released during FY 1957. The illustrative program of $19.5 million projected for obligation and expenditure in FY 1959 is subject to final negotiation with the Government of Greece.

Almost 70% of the Greek counterpart had been fully committed and expended before FY 1958. However, the limitations imposed by the total availability of resources and the constant concern to avoid increasing potential inflationary pressures had dictated restraint in using accumulated counterpart. In excess of $200 million equivalent accumulated as a result of aid extended in 1948-1951 have been deliberately frozen since that time. Despite the liquidation of $114 million in FY 1958 under the terms of Section 105 of the Mutual Security Appropriation Act, it is expected that approximately $140 million of Greek counterpart will remain uncommitted at the end of FY 1959.

Balance of payments considerations closely reflecting requirements for domestic use which exceed domestic production play a key role in determining Greek requirements for U.S.-financed imports. The Greek Government is deeply concerned that the momentum of development expenditures be maintained; consequently any significant reduction in the total amount of external assistance would probably be offset by reductions in the non-development sectors of the budget, including defense.

(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	14,300	2,630						
FY 1956 Actual	6,100	1,800				7,470	4,200	11,670
FY 1957 Actual	25,800	7,800					4,300	4,300
FY 1958 Estimate	19,800	5,940	2,970				18,000	18,000
FY 1959 Estimate	26,000	8,100	3,900				10,890	10,890
							14,000	14,000
TOTAL	92,000	26,270	6,870			7,470	51,390	58,860

Country: GREECE

STATUS OF LOCAL CURRENCY FUNDS
(Administered by MSP Agencies)

(In thousands of dollar equivalent)

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

TABLE IV

Type of Programs Generating Local Currencies and its Utilization	ACTUAL FY 1957			ESTIMATE FY 1958		PROPOSED FY 1959	
	Cumulative Through 7/1/56	Net Change	Cumulative Through 6/30/57	Net Change	Cumulative Through 6/30/58	Net Change	Cumulative Through 6/30/59
MSP U.S.-OWNED LOCAL CURRENCIES							
Potential Generation from U.S. Dollar Program	47,334	24,999	72,333	5,000	77,333	5,000	82,333
Deposits	34,298	29,055	63,353	13,000	76,353	5,500	81,853
Obligations	22,367	30,400	52,767	13,000	65,767	16,000	81,767
Expenditures	22,367	30,400	52,767	13,000	65,767	16,000	81,767
COUNTERPART							
Potential Generation from U.S. Dollar Program	769,523	500	770,023	9,350	779,373	9,470	788,843
Deposits	768,796	1,227	770,023	2,500	772,523	12,000	784,523
Commitments	522,368	10,600	532,968	115,000 a/	647,968		647,968
Expenditures	522,368	10,600	532,968	115,000	647,968		647,968
P.L. 480 TITLE I							
Potential Generation from U.S. Dollar Program	15,970	18,000	33,970	10,890	44,860	14,000	58,860
Deposits	10,061	22,655	32,716	10,890	43,606	14,000	57,606
Obligations	6,146		6,146	31,000	37,146	19,500	56,646
Expenditures	6,146		6,146	31,000	37,146	19,500	56,646
OTHER LOCAL CURRENCY							
Potential Generation from U.S. Dollar Program							
Deposits							
Commitments							
Expenditures							

a/ Includes $114 million advances liquidated under Section 105 of the 1958 Mutual Security Appropriations Act.

Country: GREECE

SUMMARY OF LOCAL CURRENCY PROGRAM ADMINISTERED BY MSP AGENCIES BY PURPOSE AND FIELD OF ACTIVITY

Obligations or Commitments by Fiscal Year

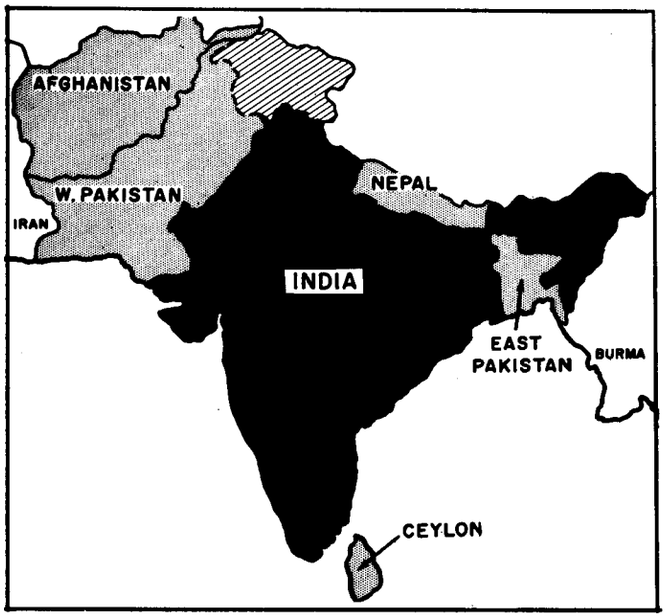
(In thousands of dollar equivalent)

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

TABLE V

PURPOSE AND ACTIVITY	FY 1957			FY 1958			FY 1959		
	MSP Source	P.L. 480 Title I Source	Other Sources	MSP Source	P.L. 480 Title I Source	Other Sources	MSP Source	P.L. 480 Title I Source	Other Sources
MILITARY PURPOSES									
Projects									
Budget Support	38,000			14,000			16,000		
Military Procurement									
Total Military Purposes	38,000			14,000			16,000		
ECONOMIC PURPOSES									
Project Assistance by Field of Activity									
Agriculture	3,000				5,000			3,500	
Industry and Mining					7,000			3,000	
Transportation					8,000			6,000	
Labor					1,000			1,000	
Health and Sanitation									
Education					1,000			1,000	
Public Administration									
Community Development, Social Welfare and Housing					4,000			4,000	
General and Miscellaneous					5,000			1,000	
Total	3,000				31,000			19,500	
Budget Support (Not Elsewhere Classified)									
Total Economic Purposes					31,000			19,500	
Liquidation of Advance Accounts under Section 105	XXX			114,000 XXX			XXX		
TOTAL ALL PURPOSES	41,000			128,000	31,000		16,000	19,500	

INDIA



ECONOMIC TRENDS

	Unit	Calendar Years 1954	1955	1956	1957Est.
GROSS NATIONAL PRODUCT					
Total GNP *(In 1955 Prices)*.	$ Millions	22,600	22,900	23,600	24,600
Per Capita GNP	Dollars	60	60	61	63
PRODUCTION					
Agricul. Prod. Index[a]	1935-39=100	130	128	135	132
Rice (rough)	Million MT	38	41	43	40
Cotton	1,000 MT	958	871	887	933
Manufacturing production .	1953=100	107	116	126	135
FOREIGN TRADE					
Total Exports (f.o.b)	$ Millions	1,182	1,276	1,269	1,290
Jute manufactures	"	255	265	236	245
Tea	"	274	247	295	280
Total Imports (c.i.f)	"	1,297	1,413	1,711	2,100
Trade Balance	"	-115	-137	-442	-810
FOREIGN EXCHANGE RESERVES .... (end of year)	$ Millions	1,782	1,791	1,360	847
COST OF LIVING INDEX	1953=100	95	90	99	105

BASIC DATA

Population	392 million
Annual Growth	1.3 percent
Agricultural Land	45% of area
Agri. Land per Capita	1 acre
Literacy Rate	20 percent

	INDIA	U.S.
Life Expectancy *(Years)*	32	70
Inhabitants per Physician ..	5,700	760
Road Miles per 1,000 sq.mi..	210	1,020
Electric Power per Capita... (KWH per year)	25	4,070

CENTRAL GOVERNMENT FINANCES

- $ Millions -

Country Fiscal Year Ending - March 31	1956	1957 (Budget)	1958 (Budget)
Total Expenditures	2,199	2,659	3,282
Revenues, excl. receipts of U.S. Grant Aid	1,345	1,589	1,938
Deficit or Surplus before U.S. Grant Aid	-854	-1,070	-1,344
Budgetary Receipts from U.S. Grant Aid	57	14	30
Budgetary Receipts from U.S. Loans	3	47	151
DEFENSE EXPENDITURES			
Total Defense Expenditures	440	513	611
As percent of Total Gov't Expenditures	20%	19%	19%
As percent of Gross National Product	1.9%	1.9%	2.1%
TOTAL DEBT (gross)	6,734	7,720	9,086
As percent of GNP	29%	29%	31%
Foreign Debt	282	340	557

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

Country INDIA

MUTUAL SECURITY PROGRAM

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

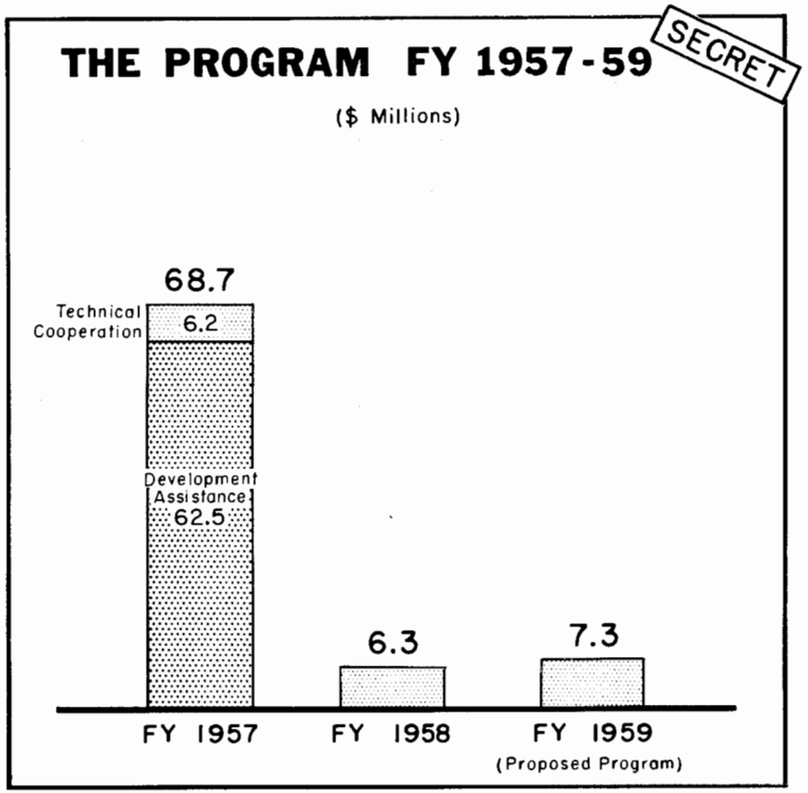
U.S. Interests: India's size, geographical position athwart the lines of communication between Europe and the Far East, its huge manpower potential, and extensive natural resources make it of vital importance. **In the event of war it is essential that its vast resources be a source of strength to the free world or at least that they should not be marshalled against us.**

All of India's energies and resources are now being devoted to the task of realizing its vast economic potential and providing its people with an increased standard of living. Communist China is engaged in a similar effort organized on the totalitarian economic and political principles of communism and supported by extensive financial and technical aid of the Soviet Union. The progress of these two huge experiments in economic development is being watched by all the countries of the Asian-African area. The success of the Indian experiment is of the greatest importance to the United States.

The Indian **sub-continent** is also the object of an extensive and highly organized economic, political and propaganda offensive by the Soviet bloc. It is of the utmost importance to the United States that this offensive not achieve its objective of turning India from its basic free world orientation, and that India maintain its democratic institutions under a stable government.

The influence of India in world affairs is growing as its government continues to play a leading role in United Nations affairs and to assert its leadership among the Asian-African bloc. Although the government continues to maintain a policy of nonalignment in world affairs, basically India is democratically oriented and supports the ideals and principles for which the free world stands. We are, therefore, vitally concerned that India's identification with and contributions to the free world be continued and strengthened.

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



Obligations and Expenditures $ in thousands			
MILITARY ASSISTANCE	PROGRAMMED	DEL./EXP.	UNLIQUIDATED
Cumulative 6/30/57			
Estimate F.Y. 1958			XXX
Cumulative 6/30/58			
ECONOMIC ASSISTANCE	OBLIGATIONS	EXPENDITURES	UNLIQUIDATED
Cumulative 6/30/57	399,720	264,496	135,224
Estimate F.Y. 1958	6,300	80,299	XXX
Cumulative 6/30/58	406,020	344,795	61,225

Country: INDIA

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	Dev Asst	Tech. Coop.	Other	Total	DS, DA or SA	Tech. Coop.	Other	Total	DS or SA	Tech. Coop.
PROJECT ASSISTANCE											
Technicians	2,107		2,107		2,300		2,300		2,568		2,568
Participants	530		530		900		900		1,230		1,230
Contractual Services	1,163		1,163		1,300		1,300		2,256		2,256
Supplies and Equipment	26,692	25,011	1,681		1,200		1,200		841		841
Contrib. to Coop. Services											
Other Costs	741		741		600		600		405		405
Total Project Assistance	31,233	25,011	6,222		6,300		6,300		7,300		7,300
NON-PROJECT ASSISTANCE											
Agric. Commodities Total	29,989	29,989									
Surplus	29,989	29,989									
Other											
Industrial Commodities Total	7,500	7,500									
Raw Materials and Fuels											
Machinery and Equipment	7,500	7,500									
Other Indus. Commodities											
Cash Transactions											
Other											
Total Non-Project Assistance	37,489	37,489									
TOTAL COUNTRY PROGRAMS	68,722	62,500	6,222		6,300		6,300		7,300		7,300
NUMBER OF PEOPLE											
Technicians (On duty close of year)	232		232		224		224		265		265
U.S. Employed	135		135		139		139		147		147
Contract	97		97		85		85		118		118
Participants (Programmed during year)	182		182		275		275		355		355
Non-Contract	107		107		175		175		230		230
Contract	75		75		100		100		125		125

GPO 934793

Country INDIA

ECONOMIC ASSISTANCE

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

Objectives

- To assist India's effort to satisfy the economic aspirations of its people and establish a basis for further development by helping:
- To increase agricultural and industrial production to feed and supply the growing population;
- To expand basic services, such as transportation and power;
- To develop Indian skills needed to carry out the development program;
- To promote the economic and social development of rural India.

Accomplishments

Steady progress in economic development has been made by India since March 1956 at the expense of a $1 billion reduction in foreign exchange reserves. This rate of loss is beyond all Indian expectations and exceeds the total remaining reserve. The rapid pace of private sector investment accounts in part for India's present precarious financial position. The future pace of private sector investment will depend largely on the availability of additional foreign exchange resources. The Indian Government continued planned expansion of basic services, such as transportation, power, education, and health, as prerequisites of balanced economic development. U.S. assistance contributed technical aid and financed import needs for the railroads, private cement industry, and the malaria control program. Agriculture, dominating the economy, has benefited from demonstration of fertilizer use, supply of improved seed, and training of extension workers.

Major Problems: Now that national independence is accepted as won, the focus of political discussion in India has shifted to economic issues. The Congress Party recently campaigned on the promise of the Second Plan. It will be the main issue in the election of 1962, leaving only a short time to demonstrate the economic progress achievable under democratic institutions. The implicit economic competition with Communist China may also be decisive for the political course of other free Asian nations.

India has mounted a frontal attack on its real problems: general poverty, unemployment and underemployment, ignorance, ill health and low productivity. Population is increasing by 5 million a year. India's investment program for the five year period ending March 1961 contemplates public and private expenditure of $15 billion, to increase gross national product by 25%, create 8 million new non-agricultural jobs and establish the industrial base for further development. Total outlay represents per capita

Summary of Program $ in thousands

Function	Actual F.Y. 1957	Estimate F.Y. 1958	Proposed F.Y. 1959
Defense Support			
Development Assistance	62,500		
Special Assistance			
Technical Cooperation	6,222	6,300	7,300
Other Programs			
Total	68,722	6,300	7,300

expenditure of only about eight dollars per year; plan goals are modest in the light of India's needs. Whether or not objectives require an over-ambitious commitment of India's resources, the present Indian Government is committed to substantial achievement. It now needs capital assistance and help in improving the skills of its people. Substantial economic progress was made from 1951 to 1956 under the first Five Year Plan, when the national product rose about 10% per capita. Maintenance of forward pace since 1956 has been more costly but accelerated progress is possible if the financial means are available.

In the fall of 1957, the Government of India began a thorough reexamination of its Second Five Year Plan. This reappraisal was forced by the precipitous fall in foreign exchange reserves in excess of anticipations and the failure to obtain desired commitments of additional foreign assistance. This review is directed to reducing the requirements for foreign exchange for development uses. These efforts are continuing; thus, a precise estimate of India's revised foreign exchange gap is not practical at this moment.

At the same time India undertook to explore possible additional assistance from foreign sources to cover the hardcore of the plan, coal, steel, ports, railways and certain power development. The hardcore represents India's estimate of the minimum capital projects which should be completed in the remaining years of the Plan. India is currently discussing new loans and credits with the IBRD, West Germany, France, Japan, the Colombo Plan countries and with the Soviet bloc. Several of the free world nations have been responsive to this approach, and India is continuing such convertions with them. On its part, the U.S. has informed the Government of India of our willingness to extend loans in the amount of $225 million from the Export-Import Bank and the Development Loan Fund.

Deliveries under FY 1957 sales of agricultural surpluses under PL 480 are expected to be virtually completed this fiscal year.

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

They have already proved their value in meeting increased consumption requirements and in offsetting inflationary pressures. The U.S. is also prepared to provide foodgrains to assist India in meeting deficits in the spring and summer of 1958. It is assumed that U.S. agricultural surpluses will continue to be available under PL 480 to meet the food gap. This assistance should be of major help to India in dealing with immediate financial and food problems. India must still find additional foreign exchange to meet its requirements in the remaining period of the Second Five Year Plan. The extent of such potential requirements cannot be determined until India's Plan revisions and financial actions, and the extent of other free world assistance are more specifically known.

The Second Five Year Plan is an early stage in what must be a continuous Indian effort over a long period of time to reach economic levels permitting adequate, continuing, self-sustained growth. **Continued progress at a rate capable of producing a significant impact on the domestic economic situation, at the same time keeping pace with the expanding population and work force, and permitting some increase in the general standard of living as a sign of progress toward popular goals, will depend largely on availability of substantial amounts of foreign exchange above Indian earnings. Failure to obtain external resources from the free world would increase pressure on India to seek Soviet support or to resort to internal totalitarian methods of ensuring development. Should India's development program fail to yield significant indications of progress, India's democratic institutions could be endangered and divisive forces strengthened. These results might be exploited by the Communists for their own ends, ultimately jeopardizing the national independence of India's 400 million people. Existing unresolved political and economic issues between India and Pakistan (Kashmir, Indus Waters) impede full economic development of each and limit availability of their strength as a counter to Communist action.**

Proposed FY 1959 Program

India's need for capital is matched by its need for technical assistance. **The proposed technical assistance program for India is being increased moderately in FY 1959 to $7.3 million, in response to India's requests for increased technical aid.** The proposed program will continue the basic lines of activity which relate to India's own development program: to help increase agricultural production by expanding and strengthening agricultural research, education, extension, and institutions; develop education leadership to meet the needs of the development effort: increase industrial **production and productivity by improving technical education, research and industrial management.**

ECONOMIC ASSISTANCE – PROJECT ASSISTANCE BY FIELD OF ACTIVITY

(In thousands of dollars)

Function and Fiscal Year	Total Cost	Agriculture and Natural Resources	Industry and Mining	Transportation	Labor	Health and Sanitation	Education	Public Administration	Community Develop., Social Welfare & Housing	General and Miscellaneous
ACTUAL FY 1957										
Defense Support										
Development Assistance	25,011		500	15,000		7,500		11	2,000	
Technical Cooperation	6,222	2,130	1,461	183	55	604	753	95	226	715
Other Programs										
Total	31,233	2,130	1,961	15,183	55	8,104	753	106	2,226	715
ESTIMATE FY 1958										
Defense Support										
Special Assistance										
Technical Cooperation	6,300	2,398	1,100	44	72	502	550	80	123	1,431 a/
Other Programs (or DA)										
Total	6,300	2,398	1,100	44	72	502	550	80	123	1,431
PROPOSED FY 1959										
Defense Support										
Special Assistance										
Technical Cooperation	7,300	2,498	1,278	90	435	712	938	17	65	1,267 a/
Total	7,300	2,498	1,278	90	435	712	938	17	65	1,267

a/ Included in Technical Support for completion of Development Assistance projects.

Country: INDIA

ECONOMIC ASSISTANCE

TABLE I

DISTRIBUTION OF FY 1959 PROJECT ASSISTANCE

(In thousands of dollars and equivalent)

Functions and Projects	DIRECT U.S. DOLLAR COST - Proposed							Local Currency Cost - Proposed	
	Total	U.S. Technicians	Non-Contract Participants	Contracts	Commodities	Other Costs	Contributions to Cooperative Services	MSP includ. Counterpart	P. L. 480 Administered by ICA
TECHNICAL COOPERATION									
Agriculture and Natural Resources - Total	2,498	649	275	1,246	314	14			
Determination of Soil Fertility and Fertilizer Use	236	161	10		63	2			
Expansion and Modernization of Marine and Inland Fisheries	131	60	55		15	1			
Agricultural and Home Science Extension and Training	108	51	50		2	5			
Training in Agriculture Machinery Utilization	15	15							
Agri. Education and Research	1,026	15	5	1,006					
Modern Storage of Food Grains	15	15							
Livestock Improvement	196	105	20		70	1			
Agri. Info. Prod. and Training	46	45				1			
Agricultural Economics Research	16	15				1			
Crop Production and Development	81	42	25		13	1			
Farmers Organization	77		75		1	1			
Dairy Development	80	45	35						
Calcutta Milk Processing Demonstration	30	30							
Cooperative Production Credit	31	30				1			
Program Development Advisor	20	20							
U.P. Agricultural University	390			240	150				
Industry and Mining - Total	1,278	300	510	350	118				
Rihand Valley Development	45	45							
Minerals Survey and Development	361	141	75	75	70				
Industrial Research and Tech. Service Organization	3	3							
Technical Service in Water Resources and Power Development	163	72	60	25	6				
Marketing Conference & Study Tour	10		10						
National Productivity Council	575	15	285	250	25				
Banking and Investment	40		40						
Assistance to Steel Industry	25		25						
Investment Center	56	24	15		17				

Country: INDIA

ECONOMIC ASSISTANCE

TABLE I

DISTRIBUTION OF FY 1959 PROJECT ASSISTANCE

(In thousands of dollars and equivalent)

Functions and Projects	DIRECT U.S. DOLLAR COST - Proposed							Local Currency Cost - Proposed	
	Total	U.S. Technicians	Non-Contract Participants	Contracts	Commodities	Other Costs	Contributions to Cooperative Services	MSP includ. Counterpart	P. L. 480 Administered by ICA
TECHNICAL COOPERATION - Continued									
Transportation - Total	90	15	35	40					
Railway Rehabilitation	10		10						
Aviation Ground Facilities	80	15	25	40					
Labor - Total	435	165	125		125	20			
Trades Training	105	90	15						
National Safety	28	3	15		5	5			
Trade Union Services	136	36	75		15	10			
Labor Productivity Education	53	33	10		5	5			
Apprenticeship Training	113	3	10		100				
Health and Sanitation - Total	712	504	135		73				
National Water Supply and Sanitation Program	73	60	10		3				
Assistance to Medical Colleges and Allied Institutions	639	444	125		70				
Education - Total	938	123	65	620	130				
Home Science Education	305			265	40				
Assistance to the Extension Training Program for Secondary Schools	205			175	30				
Educational Administration	25	15	10						
School Building Improvement	22	12	10						
Rural Institutes	38	18	15		5				
Basic Education	33	18	10		5				
Adult Education	25	15	10						
Central Institute of Education	230			180	50				
Audio-Visual Education	55	45	10						
Public Administration - Total	17	12	5						
Economic Planning	17	12	5						

Country: INDIA

ECONOMIC ASSISTANCE

DISTRIBUTION OF FY 1959 PROJECT ASSISTANCE

(In thousands of dollars and equivalent)

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

TABLE I

Functions and Projects	DIRECT U.S. DOLLAR COST - Proposed							Local Currency Cost - Proposed	
	Total	U.S. Technicians	Non-Contract Participants	Contracts	Commodities	Other Costs	Contributions to Cooperative Services	MSP includ. Counterpart	P. L. 480 Administered by ICA
TECHNICAL COOPERATION - Continued									
Community Development - Total	65	15	50						
Community Development	65	15	50						
General and Miscellaneous - Total	1,267	785	30		81	371			
Technical Support	1,237	785			81	371			
Nuclear Engineering	30		30						
Total Technical Cooperation	7,300	2,568	1,230	2,256	841	405			
LOCAL CURRENCY									
Industry - Total									88,000
Electrical Power Development a/									88,000
Transportation - Total								17,405	50,000
Railway Rehabilitation a/								17,405	50,000
Total Local Currency								17,405	138,000
GRAND TOTAL	7,300	2,568	1,230	2,256	841	405		17,405	138,000

a/ Subject to negotiation with Indian Government.

Country: INDIA

ECONOMIC ASSISTANCE

TABLE II

COMPOSITION OF NON-PROJECT ASSISTANCE

(In thousands of dollars)

Commodities and Other	PROGRAM		
	Actual FY 1957	Estimate FY 1958	Proposed FY 1959
Surplus Agricultural Commodities - Total	29,989		
Bread Grains	16,399		
Cotton	13,590		
Machinery and Vehicles	7,500		
Total Non-Project Assistance Program	37,489		

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

U.S. owned local currency in India results from sales of surplus agricultural commodities under Title I PL 480 and Section 402. MSP assistance has been extended in the past few years largely on a loan or sale basis; thus no MSP counterpart is now available for programming. PL 480 sales to meet Indian food requirements now constitute the sole projected continuing source of local currency.

All local currencies will be used for economic development purposes. Although the anticipated amounts are large, programming these balances gives the U.S. only a marginal additional capacity to influence India's resource allocation, primarily because the funds do not represent new resources available to the economy.

The crucial effect of U.S. aid, i.e. the transfer of additional resources and the anti-inflationary impact, occurs at the time the surplus agricultural commodities are imported and sold. The release of local currency from time to time, within the levels of activity which the resources available to India permit, may provide opportunities for wider publicity for the U.S. aid effort. While this is beneficial, the U.S. effort in India is likely to be judged finally by the additional foreign exchange it provided to India and not on the basis of availability of local currency which accompanied the import program.

In keeping with India's attempt to establish priorities for its development program to accomodate to its deteriorating financial position, local currency is expected to be used for essential development projects and programs. Future releases can be projected only in illustrative terms and depend for final details on negotiations with India. There has been a delay in releasing funds for approved programs pending agreement on the conditions governing their administration. However, almost two-thirds of the anticipated deposits of PL 480 Title I proceeds administered by ICA are expected to be obligated before the end of FY 1958. It is anticipated that by the end of FY 1959 all but $110 million of the potential availability of sales proceeds will have been deposited and $51 million of deposits would carry over for subsequent obligations. The expenditure of U.S. owned local currencies from past Mutual Security programs is in practice virtually simultaneous with obligation and almost three-quarters of the total potential generation of $67 million is expected to be expended by the end of FY 1959.

India's rate of economic progress in the future will be governed largely by the availability of foreign exchange and local currency cannot substitute for the foreign exchange required to finance development imports or food imports. PL 480 sales have been a valuable anti-inflationary force and a useful and necessary complement to the dollar development assistance extended by the U.S. to India. They conserve India's own foreign exchange, and as such, constitute the equivalent of foreign exchange assistance. Through PL 480 sales supplying genuine import needs, it is possible to cover a portion of the balance of payments deficit resulting from the implementation of the development program. It is the net addition to the country's resources which results from such aid which permits implementation of the development program under relatively stable financial conditions.

TABLE III

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

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

SALES AGREEMENT BY FISCAL YEAR		Foreign Currency Reserved for U.S. Uses	Foreign Currency Administered by Ex-Im Bank (Cooley Amend.)	FOREIGN CURRENCY TO BE ADMINISTERED BY MSP AGENCIES				
Fiscal Year in Which Sales Agreement Signed	Total Value of Sales			Sec. 104c	Sec. 104d	Sec. 104e	Sec. 104g	Total Administered by MSP Agencies
FY 1955 Actual								
FY 1956 Actual								
FY 1957 Actual	360,100	67,000			5,000	54,000	234,100	293,100
FY 1958 Estimate	48,500	9,675	12,125				26,700	26,700
FY 1959 Estimate	235,000	46,750	58,750				129,500	129,500
TOTAL	643,600	123,425	70,875		5,000	54,000	390,300	449,300

Country: INDIA

STATUS OF LOCAL CURRENCY FUNDS
(Administered by MSP Agencies)

(In thousands of dollar equivalent)

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

TABLE IV

Type of Programs Generating Local Currencies and its Utilization	ACTUAL FY 1957			ESTIMATE FY 1958		PROPOSED FY 1959	
	Cumulative Through 7/1/56	Net Change	Cumulative Through 6/30/57	Net Change	Cumulative Through 6/30/58	Net Change	Cumulative Through 6/30/59
MSP U.S.-OWNED LOCAL CURRENCIES							
Potential Generation from U.S. Dollar Program	36,734	29,989	66,723		66,723		66,723
Deposits	10,545	22,509	33,054	33,669	66,723		66,723
Obligations	10,545	4,054	14,599	16,721	31,320	17,405	48,725
Expenditures	10,545		10,545	20,774	31,319	17,405	48,724
COUNTERPART							
Potential Generation from U.S. Dollar Program							
Deposits							
Commitments							
Expenditures							
P.L. 480 TITLE I							
Potential Generation from U.S. Dollar Program		293,100	293,100	26,700	319,800	129,500	449,300
Deposits		78,221	78,221	161,267	239,488	100,000	339,488
Obligations				150,000	150,000	138,000	288,000
Expenditures				55,000	55,000	120,000	175,000
OTHER LOCAL CURRENCY							
Potential Generation from U.S. Dollar Program							
Deposits							
Commitments							
Expenditures							

Country: INDIA

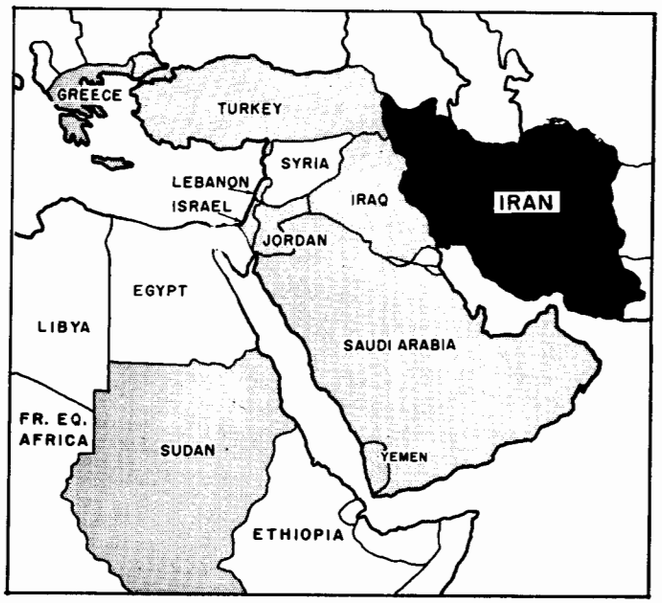
SUMMARY OF LOCAL CURRENCY PROGRAM ADMINISTERED BY MSP AGENCIES
BY PURPOSE AND FIELD OF ACTIVITY
Obligations or Commitments by Fiscal Year
(In thousands of dollar equivalent)

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

TABLE V

PURPOSE AND ACTIVITY	FY 1957			FY 1958			FY 1959		
	MSP Source	P.L. 480 Title I Source	Other Sources	MSP Source	P.L. 480 Title I Source	Other Sources	MSP Source	P.L. 480 Title I Source	Other Sources
MILITARY PURPOSES									
Projects									
Budget Support									
Military Procurement									
Total Military Purposes									
ECONOMIC PURPOSES									
Project Assistance by Field of Activity									
Agriculture					5,000				
Industry and Mining	4,054				90,000			88,000	
Transportation				16,721	35,000		17,405	50,000	
Labor									
Health and Sanitation					5,000				
Education									
Public Administration									
Community Development, Social Welfare and Housing					15,000				
General and Miscellaneous									
Total	4,054			16,721	150,000		17,405	138,000	
Budget Support (Not Elsewhere Classified)									
Total Economic Purposes	4,054			16,721	150,000		17,405	138,000	
Procurement for Third Country	XXX			XXX			XXX		
TOTAL ALL PURPOSES	4,054			16,721	150,000		17,405	138,000	

IRAN



ECONOMIC TRENDS

	Unit	Calendar Years 1954	1955	1956	1957Est.
GROSS NATIONAL PRODUCT*					
Total GNP *(In 1955 Prices)*.	$ Millions	1,980	2,170	2,420	2,650
Per Capita GNP	Dollars	103	111	121	131
PRODUCTION					
Agricul. Prod. Index[a].....	1952-54=100	n.a.	113	115	121
Wheat	1,000 MT	2,125	2,740	2,500	3,000
Rice (rough)	"	525	320	500	485
Petroleum	Million MT	3.5	17.0	26.2	35.3
FOREIGN TRADE					
Total Exports (f.o.b).....	$ Millions	215	337	486	605
Petroleum	"	90	234	381	475
Total Imports (c.i.f).....	"	230	329	338	450
Trade Balance	"	-15	8	148	155
FOREIGN EXCHANGE RESERVES.... (end of year)	$ Millions	186	205	230	225
COST OF LIVING INDEX	1953=100	118	121	130	139

BASIC DATA

Population	20 million
Annual Growth	1.5 percent
Agricultural Land	10% of area
Agri. Land per Capita	2 acres
Literacy Rate	10-15 percent

	IRAN	U.S.
Life Expectancy *(Years)*.....	n.a.	70
Inhabitants per Physician ..	6,450	760
Road Miles per 1,000 sq.mi..	20	1,020
Electric Power per Capita... (KWH per year)	30	4,070

CENTRAL GOVERNMENT FINANCES

- $ Millions -

Country Fiscal Year Ending - March 21	1956	1957	1958 (Budget)
Total Expenditures.....	311.3	411.1	534.8
Revenues, excl. receipts of U.S. Grant Aid....	231.4	319.6	418.5
Deficit or Surplus before U.S. Grant Aid....	-79.9	-91.5	-116.3
Budgetary Receipts from U.S. Grant Aid.....	28.3	43.9	39.3
Budgetary Receipts from U.S. Loans.....	42.0	12.0	32.5
DEFENSE EXPENDITURES			
Total Defense Expenditures.....	70.6	86.1	112.5
As percent of Total Gov't Expenditures.....	23%	21%	21%
As percent of Gross National Product.....	3%	3%	4%
TOTAL DEBT (gross).....	298.3	352.7	438.1
As percent of GNP.....	14%	14%	16%
Foreign Debt.....	152.4	200.1	278.7

n.a. - Not Available a - Crops harvested in crop-year beginning in year stated.
*Converted at rate of 75 rials per US dollar.

Country IRAN

MUTUAL SECURITY PROGRAM

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

U.S. Interests: Despite a common border with the Soviet Union and a long history of Soviet efforts at penetration, Iran courageously aligned itself with the west in November 1955, through adherence to the Baghdad Pact. **Soviet military threats have ceased, but the present Soviet "soft" line toward Iran actually represents more of a long-term danger.** Iranian armed forces, with substantial U.S. military assistance, have shown steady improvement. Iran has joined with the U.S. in a Mutual Defense Assistance Agreement.

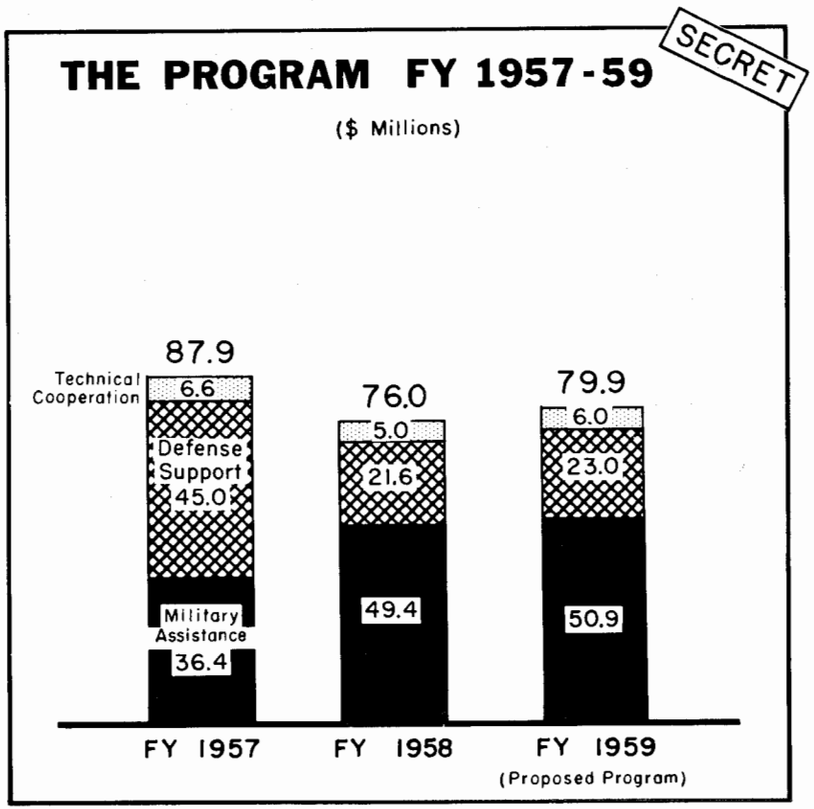
The internal security situation is now good, particularly in contrast to the nadir reached under Mosadeq. Through energetic government action the formerly strong Communist party has been virtually eliminated as a factor in Iranian political life. Opposition elements which look askance at Iran's present alignment with the west and advocate the traditional course of neutrality represent a greater danger to the government's present policies.

Iran's extensive oil resources, as well as its strategic location astride the shortest Soviet route to Middle Eastern oil and warm water ports on the Persian Gulf, make it of particular importance.

In international forums Iran has consistently ranged itself on the side of the Free World and its statesmen have proved eloquent spokesmen in support of Free World policies.

Iran is making impressive efforts to meet the rising social and economic aspirations of its people through a development program based primarily on increasing oil revenues. **To date Iran has resisted vague but generous offers of large-scale Soviet economic assistance.** In order to attract foreign investment Iran has approved a foreign investment law and signed an Investment Guaranty Agreement with the U.S. Basic petroleum legislation has been put into effect and large tracts of the country have recently been opened to bidding from foreign oil concerns.

While beset with many problems, Iran with the assistance of the U.S. and other friendly countries is attempting to utilize its resources to progress from an essentially feudal, underdeveloped state into a modern, western-type state with the capacity to plan an effective role in international affairs while responding to the social and economic needs of an awakening people.



Obligations and Expenditures $ in thousands

MILITARY ASSISTANCE	PROGRAMMED	DEL./EXP.	UNLIQUIDATED
Cumulative 6/30/57	214,285	142,745	71,540
Estimate F.Y. 1958	49,400	54,522	XXX
Cumulative 6/30/58	263,685	197,267	66,418
ECONOMIC ASSISTANCE	**OBLIGATIONS**	**EXPENDITURES**	**UNLIQUIDATED**
Cumulative 6/30/57	318,269	262,162	56,107
Estimate F.Y. 1958	26,590	36,604	XXX
Cumulative 6/30/58	344,859	298,766	46,093

MILITARY ASSISTANCE

Iran

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	$36,352	$49,400	-	$50,868	$54,522	$197,267	$66,418
Aircraft, Components, Spares & Related Equip.	-	$ 356	-	$ 11	$10,439	$ 24,045	$ 3,948
C-47	-	-	-	-	2	8	-
T-33	-	2	-	-	3	9	2
Observation and Liaison	-	-	-	-	5	5	-
Ships and Harbor Craft, Components and Spares	$ 2,999	$ 2,840	-	$ 2,240	$ 3,127	$ 5,278	$ 5,191
Coast Guard Utility Boat, 83' & 95' (CGUB)	1	-	-	-	-	2	1
Coastal Minesweeper (MSC)	1	1	1	$ 2,131	-	-	2
Landing Craft (LSIL)	-	-	-	-	1	2	-
Tanks, Other Vehicles, Weapons, Comp. & Spares	$ 6,013	$ 5,231	-	$ 7,451	$ 8,616	$ 75,885	$ 7,822
Tank, Medium 76mm Gun, M4 Series	-	-	-	-	-	96	-
Tank, Medium, M26, M46, M47, M48 Series	-	-	-	-	-	19	-
Carriage, Motor, 90mm Gun, M-36 Series	-	-	-	-	-	99	-
Vehicle, Tank Recovery, M74	-	2	6	$ 401	-	-	2
Truck, 1/4 Ton, 4x4 (all models)	461	876	98	$ 104	3,558	3,850	800
Truck, 3/4 Ton, 4x4 Cargo (all models)	102	2	-	-	3	1,176	1
Truck, 2 1/2 Ton, 6x6, Cargo (all models)	401	200	280	$ 1,598	516	1,892	156
Truck, 2 1/2 Ton, 6x6, Dump (all models)	-	-	100	$ 666	-	-	-
Truck, 4-5-6 Ton, 6x6, Cargo (PM)	6	-	1	$ 13	-	45	-
Truck, 4-5-6 Ton, 6x6 Wrecker	12	15	27	$ 490	-	84	15
Carbine, Cal..30 (all models)	-	10,000	-	-	-	-	10,000
Howitzer, 155mm, M1, w/carriage	-	6	-	-	-	74	6
Rifle, 57mm, Recoilless	382	2	-	-	2	682	-
Ammunition	$ 2,613	$13,101	-	$ 3,604	$ 4,184	$ 23,761	$12,289
Cartridge, 40mm (all types) (M Rds)	1	52	105	$ 735	1	86	52
Cartridge, Cal..50 (all types) (M Rds)	16	492	1,507	$ 548	336	1,385	331
Cartridge, 105mm, How, HE, w/f (M Rds)	-	-	24	$ 780	-	79	-
Cartridge, HE (HEAT) 57mm Rifle (M Rds)	-	116	-	-	-	158	116
Cartridge, Fix., HE,w/f,PD, 90mm Gun (M Rds)	-	-	-	-	-	38	-
Cartridge, HE, 81mm Mortar (M Rds)	-	-	-	-	-	160	-
Rocket, 2.75" FFAR HEAT	-	-	10,000	-	-	-	-
Rocket, HEAT, 3.5", M28 Series	-	-	38,600	-	-	92,000	-
Electronics & Comm. Equipment, Comp. & Spares	$ 908	$ 719	-	$ 2,828	$ 2,655	$ 14,439	$ 1,413
AN/TRT-3 Radio	-	-	3	$ 102	-	-	-
AN/ARC-34 Class V Radio	-	-	2	$ 8	-	-	-
SCR-508 (AN/GRC-3) Radio	142	-	87	$ 256	-	211	-
SCR-608 (AN/GRC-5) Radio	277	-	154	$ 400	-	424	-
Other Materiel	$ 2,146	$ 762	-	$ 4,902	$ 2,154	$ 22,982	$ 1,741
Construction	$18,855	$21,269	-	$24,594	$20,728	$ 20,728	$29,952
Training	$ 2,302	$ 4,838	-	$ 5,238	$ 1,923	$ 8,623	$ 3,768
All Other	$ 516	$ 284	-	-	$ 696	$ 1,526	$ 294

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

Iran

Objectives of Military Assistance: **Development of armed forces which have the capability: a) to maintain internal security; b) to resist external aggression by defensive delaying action.**

Major Combat Forces:

Strategic Objectives	MAP Supported
12 Divisions	12 Divisions
5 Infantry Brigades	5 Infantry Brigades
12 Vessels	10 Vessels
4 Air Squadrons	4 Air Squadrons

Active Military Strength - 167,975

MAP Accomplishments: **MAP has provided the major portion of equipment for 12 infantry divisions and 5 independent brigades, 4 air squadrons, 6 naval vessels, supporting units, an unbalanced ammunition war reserve for approximately 30 days for Army units, and maintenance support in the form of spare parts, miscellaneous equipment, and services including training ammunition. Also, funds have been provided to complete the construction of one air base and the improvement of another to make both capable of accommodating jet aircraft, and for the first two increments of an army construction program to support the reorganization and redeployment of the Iranian Army.**

Appraisal of Forces:

Army: Capable of maintaining internal security and preserving the present government in power, but extremely limited in its capability to present any effective resistance to external aggression by a major power and totally incapable of sustained combat.

Navy: Has limited ability to help maintain internal security and to suppress smuggling operations and illegal entry; no anti-submarine warfare or mine-sweeping capability.

Air Force: Can effectively support the Army in maintaining internal security, but cannot offer any effective resistance against air attack or, pending completion of construction, provide modern airfield facilities to other friendly forces suitable for jet aircraft operation.

The effectiveness of the Iranian Armed Forces is adversely affected by several factors: a) lack of trained senior officers and ineffective reserve system limiting effectiveness under conditions of modern warfare; b) high rate of illiteracy; c) lack of basic skills and technically trained manpower limiting ability to accept, use and maintain modern equipment; d) inadequate transportation and communication facilities; e) no indigenous military production facilities except for limited small arms ammunition and severely limited industrial capabilities.

PROGRAMS (In Thousands Dollars)	FY 1957	FY 1958	Proposed FY 1959
Country Programs	36,352	49,400	50,868
Portion Special Materiel Program	(6,518)	(8,130)	(6,097)
Total	(42,870)	(57,530)	(56,965)

Country Contributions:
35% of males 15 to 49 in armed forces
1% of total population in armed forces
21% of total Iranian budget for military
4% of GNP for military

Provision of a force of approximately 167,975 men, including 23,000 in the Gendarmerie; an annual military budget of over $80 million; strong active support of the Baghdad Pact for area defense.

Proposed FY 1959 Program Provides:

Army: Completion of high priority unit equipment requirements plus maintenance spare parts, and training ammunition. In addition, the Army construction provides the U.S. dollar requirement in FY 1959 ($21 million) for continuation of work related to installations for redeployment of the Army.

Navy: One MSC together with some maintenance spare parts for items previously furnished.

Air Force: Some maintenance spare parts and training ammunition for items previously furnished. The U. S. dollar requirement ($3.3 million) for completion of the Dezful Jet Airfield.

Miscellaneous Data:

U.S. excess stocks delivered (no chg) thru June 1958 Est $23.3 million; Military sales through June 1957 0.

		U.S.	U.S. Civ	Local	Total
MAAG Strength:	1957	256	9	113	378
	1958	247	11	111	369

Country: IRAN

ECONOMIC ASSISTANCE

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

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

(In thousands of dollars)

MAJOR COST COMPONENT	ACTUAL FY 1957				ESTIMATE FY 1958				PROPOSED FY 1959		
	Total	Def Sup	Tech. Coop.	Other	Total	~~Sp Asst~~ Def. Sup.	Tech. Coop.	Other	Total	~~Sp Asst~~ Def. Sup.	Tech. Coop.
PROJECT ASSISTANCE											
Technicians	3,001		3,001		3,205		3,205		3,177		3,177
Participants	525		525		430		430		415		415
Contractual Services	1,940	821	1,119		7,126	6,500	626		1,063		1,063
Supplies and Equipment	6,183	4,529	1,654		140		140		138		138
Contrib. to Coop. Services											
Other Costs	258		258		599		599		1,207		1,207
Total Project Assistance	11,907	5,350	6,557		11,500	6,500	5,000		6,000		6,000
NON-PROJECT ASSISTANCE											
Agric. Commodities Total	11,891	11,891									
Surplus											
Other (Sugar)	11,891	11,891									
Industrial Commodities Total	27,758	27,758			15,000	15,000			23,000	23,000	
Raw Materials and Fuels											
Machinery and Equipment	14,050	14,050			10,000	10,000			13,000	13,000	
Other Indus. Commodities	13,708	13,708			5,000	5,000			10,000	10,000	
Cash Transactions											
Other (Earthquake Relief)					90	90					
Total Non-Project Assistance	39,649	39,649			15,090	15,090			23,000	23,000	
TOTAL COUNTRY PROGRAMS	51,556	44,999	6,557		26,590	21,590	5,000		29,000	23,000	6,000
NUMBER OF PEOPLE											
Technicians (On duty close of year)	287		287		321	25	296		255	10	245
U.S. Employed	203		203		209		209		206		206
Contract	84		84		112	25	87		49	10	39
Participants (Programmed during year)	144		144		118		118		118		118
Non-Contract	144		144		118		118		118		118
Contract											

GPO 934793

Country IRAN

ECONOMIC ASSISTANCE

Summary of Program $ in thousands

Function	Actual F.Y. 1957	Estimate F.Y. 1958	Proposed F.Y. 1959
Defense Support	44,999	21,590	23,000
Development Assistance			
Special Assistance			
Technical Cooperation	6,557	5,000	6,000
Other Programs			
Total	51,556	26,590	29,000

Objectives

- To help sustain a rate of economic development which will provide an impoverished population with hope of social and economic progress without resort to Communism or reliance on Soviet bloc.
- To help Iranians utilize more effectively their own resources.
- To help strengthen government, technically and administratively.
- To enable Iran to support the military buildup, participate effectively in regional security arrangements, and preserve its independence.
- To help improve the life of the people, and remain financially solvent.
- To provide a tangible symbol of U.S. friendship for Iran and offset a concentrated and sustained effort by the U.S.S.R. to dominate Iran through economic penetration.

Accomplishments

U.S. economic assistance has been instrumental in retrieving Iran from the threat of imminent Communist control and economic ruin. Iran's present degree of internal stability, pro-Western orientation, membership in the Baghdad Pact, and economic reconstruction are largely attributable to the effectiveness of past assistance. As the result of U.S. assistance, greater emphasis has been placed on the role of free private enterprise in the development program. The exchange rate has been stabilized; agricultural productivity increased; important pests and diseases brought under control; schools established; and government administration improved. There is continued evidence of the acceptance of American concepts, methods, and techniques by the Iranian Government. Technical Cooperation programs have been "integrated" into the Iranian ministries, thereby putting U.S. technical assistance on an advisory rather than an operational basis.

Major Problems: The principal obstacles to progress in Iran are administrative and technical rather than financial. Income from oil, an exhaustible resource, if properly mobilized in connection with other resources, provides the means to establish a more balanced and productive economy. This would permit rising living standards and contribute toward the gradual development of free political institutions. The Technical Cooperation program, directly and through training Iranian manpower, offers a major means of increasing technical and managerial skills for implementing such a development program.

The majority of the people exist at a bare subsistence level in an underdeveloped agricultural economy. Survival of the present pro-Western regime depends directly on visible progress for these restive people. The Iranian Government, top-heavy and over-centralized, is dominated by a small number of well-to-do families. Iranian administration is ineffective and unwieldy at all levels. Continuous and active U.S. support at working levels contributes significantly to the ability of responsible officials to maintain internal political stability and deal effectively with the problems of awakening social and economic aspirations. U.S. support enables the Shah to maintain a firm position in international affairs.

Iran's ability to mobilize its human and material resources for development is limited. Physical construction projects are overemphasized at the expense of training human skills. A balanced improvement in general education and specialized vocational training to complement the capital equipment being imported from abroad is essential.

Inflation constitutes a serious threat. The substantial development program now getting under way is concentrated on long-range major projects with relatively little impact on immediate productivity. In connection with this program the government is seeking financing from the Development Loan Fund. U.S. technicians are assisting the Iranian Government to assess the problem of inflation, attempting to introduce restraint and order into Iranian budget practices, and demonstrating the need for basic fiscal reforms.

No U.S. contributions to the current civil budget account have been made from either FY 1957 or FY 1958 funds despite repeated Iranian pressure. Iranian plans for the budget year beginning in March 1958 call for increased expenditure on military requirements and civil service pay raises to offset the effects of price increases. The U.S. believes that with appropriate mobilization of domestic resources and potential foreign credit, Iran can meet

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

these budget requirements without U.S. assistance beyond continued technical advice in budgeting and fiscal fields.

The Soviet Union, in a vigorous economic offensive in Iran, has offered educators, engineers, and experts in a wide variety of fields; credit for heavy industry; oil, barter, transit and air agreements; joint Soviet-Iranian border projects. The Iranian Government has so far resisted Soviet offers but would find it difficult to explain this resistance to the Iranian people if a significant reduction in American aid and personnel were interpreted to indicate lessening of American interest in Iran.

Proposed FY 1959 Program

The proposed $23 million FY 1959 Defense Support program provides two essential components of support: $20 million is required to generate local currency for the military construction program being undertaken by the U.S. Corps of Engineers; the dollar costs are financed from military assistance. This construction is to assist in redeploying Iranian troops and to provide politically significant evidence of U.S. support. Consideration is currently being given to possible economies and improved administration by centralizing responsibility for operational aspects of this program in the Defense Department. $3 million is to finance salable imports, the ensuing local currency counterpart to be used for joint projects of particular relevance to U.S. objectives in Iran.

A period of successful demonstration is frequently necessary before an underdeveloped country such as Iran can effectively absorb an activity completely and provide adequate local funding and administration for its continuance.

The proposed $6 million Technical Cooperation program has three principal aspects: it provides current political support to existing leadership through a sizeable U.S. "presence" throughout Iran; it contributes to long-run stability by accelerating social and economic development through training, demonstration, and stimulation; and it creates favorable attitudes toward the U.S. and the west among influential public and private leaders as well as the populace. The Technical Cooperation program in FY 1959 will increase the capacity of the government to carry out its own development programs, will carry programs to the village level, will emphasize private enterprise by facilitating the sale of government plants, and will complement Baghdad Pact and other regional activities. The proposed Technical Cooperation level will permit an orderly U.S. disengagement from the level of support essential in the past, to permit an adequate development of activities desired by both the U.S. and Iran and for which the Iranian Government would be assuming increased financial and administrative responsibility.

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										
Defense Support	5,350	151	884	2,765			1,550			
Technical Cooperation	6,557	825	1,003	148	124	552	549	919	107	2,330 a/
Total	11,907	976	1,887	2,913	124	552	2,099	919	107	2,330
ESTIMATE FY 1958										
Defense Support	6,500			6,500						
Technical Cooperation	5,000	751	395	180	114	311	397	816	69	1,967 a/
Total	11,500	751	395	6,680	114	311	397	816	69	1,967
PROPOSED FY 1959										
Defense Support										
Technical Cooperation	6,000	963	287	191		400	399	1,273	143	2,344 a/
Total	6,000	963	287	191		400	399	1,273	143	2,344

a/ Includes technical support and provincial field offices costs.

Revised 3/24/58

Country: IRAN

ECONOMIC ASSISTANCE

TABLE I

DISTRIBUTION OF FY 1959 PROJECT ASSISTANCE

(In thousands of dollars and equivalent)

Technical Cooperation	DIRECT U.S. DOLLAR COST - Proposed							Local Currency Cost - Proposed	
	Total	U.S. Technicians	Non-Contract Participants	Contracts	Commodities	Other Costs	Contributions to Cooperative Services	MSP includ. Counterpart	P. L. 480 Administered by ICA
Agriculture - Total	963	633	119	150	61				
Karaj College (USU)	140			120	20				
Crown Lands	158	158							
Improvement Livestock & Animal Disease Control	81	61	15		5				
Agricultural Extension	299	249	30		20				
Forestry and Management	45	32	13						
Agricultural Engineering (USU)	50		15	30	5				
Improvement Crop Production & Pest Control	57	37	14		6				
Reclamation and Irrigation	62	46	11		5				
Agricultural Bank	71	50	21						
Public Health - Total	400	345	45		10				
Public Health	400	345	45		10				
Education - Total	399	300	57		42				
Training for Educ. Development	370	300	30		40				
Improving Teacher Education (Univ. of Tehran)	29		27		2				
Public Administration - Total	1,273	593	115	540	25				
Civil Police	197	115	57		25				
Public Statistics	39	31	8						
Inst. of Adm. Affairs (USC)	285			285					
GOI Public Administration	402	363	39						
Municipal Management	45	34	11						
Adm. Assist. to Plan Org. (GAI)	255			255					
Bank Melli Statistics	50	50							
Industry - Total	287	86	11	190					
Telecommunications	47	36	11						
Industrial Mgt. (Fry Contract)	190			190					
Capital Projects Tech. Assistance	50	50							
Transportation - Total	191	153	38						
Air Navigation	66	46	20						
Transport (RR, Ports, etc.)	125	107	18						

Country: IRAN

ECONOMIC ASSISTANCE

DISTRIBUTION OF FY 1959 PROJECT ASSISTANCE

(In thousands of dollars and equivalent)

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

TABLE I

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
Community Development, Social Welfare and Housing - Total	143			143					
Community Development	143			143					
General and Miscellaneous - Total	2,344	1,067	30	40		1,207			
Audio-Visual (Syracuse)	40			40					
Special Training Programs	30		30						
Technical Support	1,574	847				727			
Ostan Offices	700	220				480			
Total Technical Cooperation	6,000	3,177	415	1,063	138	1,207		3,000 a/	

a/ Represents counterpart to be programmed for the Iran-U.S. Joint Fund for Economic and Social Development to cover a portion of the local currency financing of TC projects.

Country: IRAN

TABLE II

ECONOMIC ASSISTANCE

COMPOSITION OF NON-PROJECT ASSISTANCE

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

(In thousands of dollars)

Commodities and Other	PROGRAM		
	Actual FY 1957	Estimate FY 1958	Proposed FY 1959
Food, Feed and Fertilizer - Total	11,891		
Sugar	11,891		
Machinery and Vehicles	14,050	10,000	13,000
Miscellaneous and Unclassified	13,708	5,000	10,000
Other (Disaster relief for earthquake victims)		90	
Total Non-Project Assistance	39,649	15,090	23,000

Country: IRAN

LOCAL CURRENCY - Narrative

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

In Iran, local currency requirements are presently the principal element in determining the requirements for the dollar program. Since Iran does not depend on regular imports to meet its basic requirements of wheat and similar agricultural surplus items, P.L. 480 sales or MSP financed sales of surpluses are only occasionally feasible and cannot normally be relied on to generate local currency to meet anticipated requirements. Counterpart generated by the Mutual Security Program has been the main contributing means of meeting local currency requirements.

At the present time, there are no uncommitted amounts of local currency originating from prior year funds and none are expected to remain uncommitted at the end of FY 1959. Expenditures also keep close pace with deposits. Although in the past there have been substantial local currency programs supporting economic activity in Iran, such support is presently limited to meeting the requirements of the military construction program and to supporting the local costs of technical cooperation activities. The determination of military requirements and the phasing of the military construction program, dollar costs of which are funded from military assistance under a U.S. commitment to Iran, govern the basic decision as to the level of local currency requirements to be met through dollar aid.

The Technical Cooperation program in Iran contributes to a volume of local currency considerably greater than the magnitude of the dollar component. In FY 1959, dollar assistance of $3.0 million is also proposed to support the Technical Cooperation program.

(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 FY 1959 Estimate	12,100	3,700		5,900 a/			2,500	8,400
TOTAL	12,100	3,700		5,900			2,500	8,400

a/ ICA/W acts as the agent of the Department of Defense in effectuating, through the USOM, the transfer of $5.9 million to the Government of Iran for military purposes. This note applies to these funds when shown in subsequent tables.

Country: IRAN

STATUS OF LOCAL CURRENCY FUNDS
(Administered by MSP Agencies)

(In thousands of dollar equivalent)

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

TABLE IV

Type of Programs Generating Local Currencies and its Utilization	ACTUAL FY 1957			ESTIMATE FY 1958		PROPOSED FY 1959	
	Cumulative Through 7/1/56	Net Change	Cumulative Through 6/30/57	Net Change	Cumulative Through 6/30/58	Net Change	Cumulative Through 6/30/59
MSP U.S.-OWNED LOCAL CURRENCIES							
Potential Generation from U.S. Dollar Program	2,677		2,677		2,677		2,677
Deposits	2,677		2,677		2,677		2,677
Obligations	2,677		2,677		2,677		2,677
Expenditures	2,677		2,677		2,677		2,677
COUNTERPART							
Potential Generation from U.S. Dollar Program	125,777	16,649	142,426	15,000	157,426	23,000	180,426
Deposits	115,421	17,191	132,612	16,000	148,612	21,000	169,612
Commitments	125,777	16,649	142,426	15,000	157,426	23,000	180,426
Expenditures	114,808	16,658	131,466	16,000	147,466	20,579	168,045
P.L. 480 TITLE I							
Potential Generation from U.S. Dollar Program	8,400		8,400		8,400		8,400
Deposits		3,048	3,048	5,352	8,400		8,400
Obligations		2,235	2,235	6,165	8,400		8,400
Expenditures		2,235	2,235	6,165	8,400		8,400
OTHER LOCAL CURRENCY							
Potential Generation from U.S. Dollar Program							
Deposits							
Commitments							
Expenditures							

Country: IRAN

SUMMARY OF LOCAL CURRENCY PROGRAM ADMINISTERED BY MSP AGENCIES BY PURPOSE AND FIELD OF ACTIVITY

Obligations or Commitments by Fiscal Year

(In thousands of dollar equivalent)

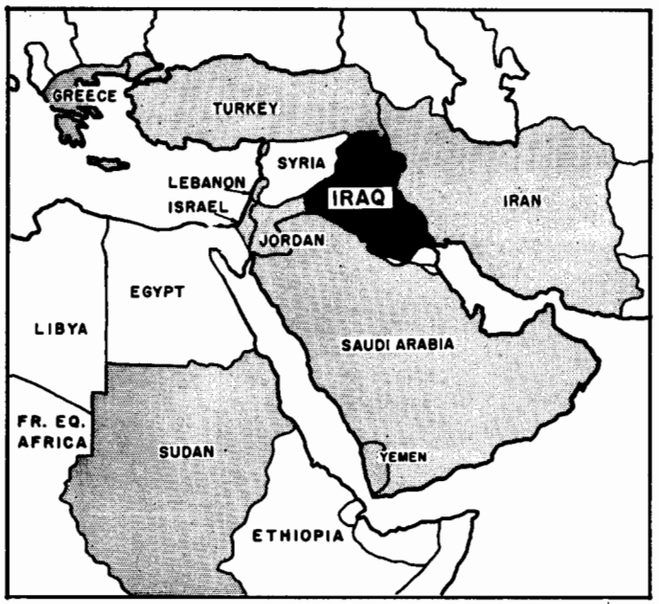
Shaded areas are Security classified and must not be divulged to unauthorized individuals. All other material is unclassified.

TABLE V

PURPOSE AND ACTIVITY	FY 1957			FY 1958			FY 1959		
	MSP Source	P.L. 480 Title I Source	Other Sources	MSP Source	P.L. 480 Title I Source	Other Sources	MSP Source	P.L. 480 Title I Source	Other Sources
MILITARY PURPOSES									
Projects	5,000			15,000			20,000		
Budget Support									
Military Procurement		2,235			3,665				
Total Military Purposes	5,000	2,235		15,000	3,665		20,000		
ECONOMIC PURPOSES									
Project Assistance by Field of Activity									
Agriculture									
Industry and Mining									
Transportation									
Labor									
Health and Sanitation									
Education									
Public Administration									
Community Development, Social Welfare and Housing									
General and Miscellaneous	11,649				2,500		3,000 a/		
Total	11,649				2,500		3,000		
Budget Support (Not Elsewhere Classified)									
Total Economic Purposes	11,649				2,500		3,000		
Procurement for Third Country	XXX			XXX			XXX		
TOTAL ALL PURPOSES	16,649	2,235		15,000	6,165		23,000		

a/ Contribution to Special Activities Account for local currency financing of TC projects.

IRAQ



ECONOMIC TRENDS

	Unit	Calendar Years 1954	1955	1956	1957Est.
GROSS NATIONAL PRODUCT					
Total GNP	$ Millions				1,000
Per Capita GNP	Dollars				190
PRODUCTION					
Agricul. Prod. Index[a]	1952-54=100	n.a.	83	100	118
Barley	1,000 MT	750	757	1,060	1,305
Wheat	"	750	453	833	1,118
Petroleum	"	30.3	32.3	31.1	21.0
FOREIGN TRADE					
Total Exports (f.o.b)	$ Millions	488	519	477	350
Petroleum	"	436	471	438	n.a.
Total Imports (c.i.f)	"	204	273	321	335
Trade Balance		284	246	156	15
FOREIGN EXCHANGE RESERVES... (end of year)	$ Millions	233	294	354	275
COST OF LIVING INDEX	1953=100	98	101	108	111

BASIC DATA

Population	5.3 million
Annual Growth	1 percent
Agricultural Land	13% of area
Agri. Land per Capita	3 acres
Literacy Rate	10 percent

	IRAQ	U.S.
Life Expectancy *(Years)*.....	n.a.	70
Inhabitants per Physician ..	5,100	760
Road Miles per 1,000 sq.mi..	25	1,020
Electric Power per Capita... (KWH per year)	100	4,070

CENTRAL GOVERNMENT FINANCES

- $ Millions -

Country Fiscal Year Ending - March 31	1956 (Budget)	1957 (Budget)	1958 (Budget)
Total Expenditures.....	258	320	335
Revenues, excl. receipts of U.S. Grant Aid....	316	329	243
Deficit or Surplus before U.S. Grant Aid....	58	9	-92
Budgetary Receipts from U.S. Grant Aid.....	-	-	-
Budgetary Receipts from U.S. Loans.....	-	-	-
DEFENSE EXPENDITURES			
Total Defense Expenditures.....	48	60	60
As percent of Total Gov't Expenditures.....	19%	19%	18%
As percent of Gross National Product.....	n.a.	n.a.	6%
TOTAL DEBT (gross).....			
As percent of GNP.....		NOT AVAILABLE	
Foreign Debt.....			

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

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

Country IRAQ

MUTUAL SECURITY PROGRAM

U.S. Interests: Iraq is the only Arab country currently participating in anti-Communist collective security arrangements. Iraq is a member of the Baghdad Pact and is strategically located on the mountain defense area in close proximity to the Soviet Union. Iraq's relations with the Free World are complicated by its dependence upon transit through the adjoining state of Syria for its oil pipelines from the northern fields to the Mediterranean. It is the world's sixth largest producer of petroleum, and the site of two fertile river basins which afford the possibility of significant future increases in settlement and production.

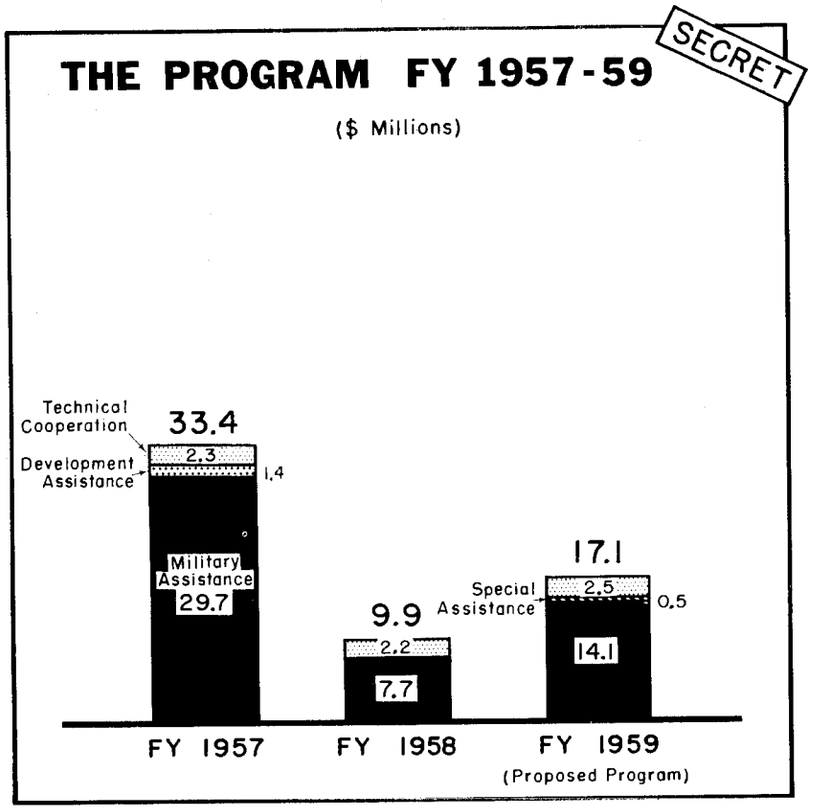
The U.S. has extended military assistance to Iraq since the conclusion of a Mutual Defense Assistance Agreement in April, 1954. The programs have been directed towards strengthening Iraq's internal security and preparing Iraq more adequately for participation in Baghdad Pact military planning. U.S. military assistance has also been instrumental in countering the propaganda impact of major shipments of Soviet equipment to Egypt and Syria.

Iraq cooperates closely with other Arab states friendly to the Western position, particularly Saudi Arabia, Jordan, and Lebanon. Iraq's political support of anti-Communist elements in Jordan has been important in maintaining the Western orientation and stability of that country.

Iraq is noteworthy among Middle Eastern states because of its wise planning and expenditure of oil revenues for large-scale national development. Since 1951 the U.S. has supplemented and demonstrated support for Iraq's own efforts by a program of technical assistance.

Iraq's Government, with a favorable internal economic situation, is relatively strong. It has declined to maintain diplomatic relations with the Soviet Union and has suppressed the internal Communist movement. On issues directly related to the struggle against international Communism, Iraq supports the U.S. Differences exist chiefly over the U.S. policy toward Israel.

U.S. trade with Iraq is moderate. The climate for private investment is relatively good compared with other states in the Middle East. U.S. private firms are playing an important role in Iraq's economic development. There is no appreciable trade with the Soviet bloc.



Obligations and Expenditures $ in thousands			
MILITARY ASSISTANCE	PROGRAMMED	DEL./EXP.	UNLIQUIDATED
Cumulative 6/30/57	44,879	23,349	21,530
Estimate F.Y. 1958	7,720	19,730	XXX
Cumulative 6/30/58	52,599	43,079	9,520
ECONOMIC ASSISTANCE	OBLIGATIONS	EXPENDITURES	UNLIQUIDATED
Cumulative 6/30/57	13,312	10,162	3,150
Estimate F.Y. 1958	2,200	3,500	XXX
Cumulative 6/30/58	15,512	13,662	1,850

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

Iraq

Objectives of Military Assistance: **Development of armed forces which have a capability to maintain internal security and provide limited resistance to external aggression. Support of Iraq's stand as the only Arab state participating in free world collective security.**

Major Combat Forces:

Strategic Objectives	MAP Supported
3 Divisions	3 Divisions
1 Armored Brigade	1 Armored Brigade
3 Air Squadrons	2 Air Squadrons

Active Military Strength - 60,040

MAP Accomplishments: For many years Iraq had looked exclusively to Great Britain for assistance in training and equipping her armed forces. In 1954, however, the United States - with the agreement of Iraq and Great Britain - undertook to supplement the military assistance being provided by the U.K. MAP equipment together with equipment obtained by Iraq from her own resources, comprises the major portion of the equipment required for two infantry divisions, and the initiation of assistance to equip a third infantry division and an armored brigade. MAP has also furnished equipment for supporting units, a 30-day war reserve of ammunition for the first two infantry divisions, and an initial year's maintenance support for these forces in the form of spare parts, miscellaneous equipment, and services including training ammunition. Jet training is being provided for 20 Iraqi pilots.

Appraisal of Forces:

Army: Short of simultaneous uprisings by the Tribes, has a capability to maintain internal security with the support of the 30,000 man national police. In the event of a strong enemy attack, the Army could offer only token resistance and is not capable of offensive action or of maintaining its forces in sustained combat.

Navy: None other than small river patrol flotilla.

Air Force: Can contribute substantially toward the preservation of internal security and has a fair capability to furnish close air support to the ground forces; lacks operational knowledge, technique, and equipment required to make such support fully effective. Although all of the existing air units, in spite of major deficiencies, have some combat potential, the overall air defense of the country is inadequate.

PROGRAMS (In Thousands Dollars)	FY 1957	FY 1958	Proposed FY 1959
Country Programs	29,717	7,720	14,095
Portion Special Materiel Program	(1,173)	(2,270)	(8,874)
Total	(30,890)	(9,990)	(22,960)

The effectiveness of the Iraqi Armed Forces is adversely affected by an inadequate source of skilled and technical manpower and a lack of local industry for the production of modern military materiel.

Country Contributions:
1% of total population in armed forces
6% of males 15-49 in armed forces
19% of total Iraqi budget for military
Provides follow-up on maintenance support of build-up equipment initially supplied by the U. S.

Provision of a force of approximately 60,000; an annual budget of $60 million; a strong support of the U.S. in the area and a firm member of the Baghdad Pact. The majority of arms and equipment in the possession of the Iraqi has been purchased by them in the past years from the United Kingdom.

Proposed FY 1959 Program Provides:

Army: Unit equipment for completion of high priority build-up requirements against existing force goals. No maintenance items are included beyond initial stock of training ammunition and concurrent spares provided with initial equipment, Iraq having agreed to provide these requirements from its own resources.

Navy: None

Air Force: Discussions are currently underway with respect to possible air force assistance to Iraq. Therefore, in FY 1959, in addition to the $14 million program already planned, $8 million for this air force assistance is included in the "Special Materiel Program" for Iraq indicated above and is discussed separately in the Special Materiel Section of the non-Regional Book.

Miscellaneous Data: U.S. excess stock del'd (no chg) thru June 1958 - Est $1.9 million; Military sales through June 1957 - $53 thousand.

MAAG Strength:		U.S.	U.S. Civ	Local	Total
	1957	14	0	6	20
	1958	16	0	6	22

Country: IRAQ

ECONOMIC ASSISTANCE

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

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

(In thousands of dollars)

MAJOR COST COMPONENT	ACTUAL FY 1957				ESTIMATE FY 1958				PROPOSED FY 1959		
	Total	Dev Asst	Tech. Coop.	Other	Total	Dev Asst	Tech. Coop.	Other	Total	Sp Asst	Tech. Coop.
PROJECT ASSISTANCE											
Technicians	1,143		1,143		1,403		1,403		1,708		1,708
Participants	262		262		325		325		282		282
Contractual Services	1,015	350	665						152		152
Supplies and Equipment	1,098	1,023	75		122		122		596	500	96
Contrib. to Coop. Services					50		50		50		50
Other Costs	122		122		300		300		212		212
Total Project Assistance	3,640	1,373	2,267		2,200		2,200		3,000	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	3,640	1,373	2,267		2,200		2,200		3,000	500	2,500
NUMBER OF PEOPLE											
Technicians (On duty close of year)	79		79		103	5	98		134	5	129
U.S. Employed	67		67		83		83		109		109
Contract	12		12		20	5	15		25	5	20
Participants (Programmed during year)	193		193		180		180		141		141
Non-Contract	193		193		180		180		141		141
Contract											

GPO 934793

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

Objectives

- To contribute to the balanced and integrated development of the economic resources and productive capacities of the country and to support and facilitate the large self-financed Iraq development effort.
- To provide engineering and planning skills in resource management, flood and water control, land irrigation and settlement.
- To assist Iraq to plan and train staff for expansion of its own facilities for vocational education and training in agriculture.
- To assist Iraq to improve the efficiency of its police forces and their ability to maintain internal security.

Accomplishments

Economic assistance to Iraq under the Mutual Security Program is devoted almost entirely to supplementary provision of skills for self-financed development effort. The measure of accomplishment must then be correlated to the over-all movement of Iraqi economic development.

During the past two years great flood control projects on the Tigris and Euphrates were completed. Through the provision of key engineers to the Development Board and the Ministry of Development, the U.S. has had an important part in the planning and execution of these large capital projects, making possible for the first time control of the devastating floods which have periodically ravaged the valley. The Samarra Works on the Tigris above Baghdad diverts surplus Tigris waters to the Wadi TharThar depression and the Ramadi Barrage on the Euphrates now channels Euphrates flood waters into Lake Habbaniyah. Work is progressing rapidly on the Dokan Dam, the Derbendi Khan Dam and the Bekme Dam - large projects which will contribute further to flood control, irrigation and reclamation, and will provide hydroelectric power for the northern part of the country.

Completion, or near completion, of the major water control projects has required acceleration in the irrigation and land settlement programs. Over $400 million has been allocated by the Development Board for use in 1958, 1959 and 1960 to carry out the related irrigation and drainage programs. A highly qualified engineer has been furnished to head the technical section of the Development Board responsible for this program, and a number of other American technicians serve on these projects.

In April, 1957, Ambassador Richards made commitments under the terms of the Middle East Resolution for a grant of $1.0 million to Iraq to provide modern police equipment, particularly for

Summary of Program $ in thousands

Function	Actual F.Y. 1957	Estimate F.Y. 1958	Proposed F.Y. 1959
Defense Support			
Development Assistance	1,373		
Special Assistance			500
Technical Cooperation	2,267	2,200	2,500
Other Programs			
Total	3,640	2,200	3,000

improved communications. Some of this equipment has already been received in Iraq and the remainder is in process of procurement. Arrangements have also been made to help Iraq develop an integrated internal security program.

Since 1953 the U.S. has been assisting Iraq to establish a modern Agricultural College, by means of a contract with the University of Arizona, which at present furnishes six professors to the faculty of the Iraqi institution. The College first opened its doors in 1950 to a class of 16 students. Present enrollment is 245. To date 85 men have been graduated and each one has immediately taken on a vital agricultural job in an Iraq Government agency.

Assistance in vocational education has provided a contract team of seven technicians from Bradley University to give guidance and leadership to the Iraqis in the creation of the Baghdad Technical Institute. The Institute offers training in all types of vocational skills. Land, buildings and equipment were all provided by the Iraqis. The Government of Iraq is now opening similar schools in Basra, Kirkuk, and Mosul, at a cost of more than four million dollars.

It is evident that U.S. technicians have played a significant part in shaping the direction of the Iraq development effort and in creating an awareness on the part of the Iraqis to the most effective means of overcoming their lack of technical skills. The most satisfactory evidence is the establishment, one by one, in Iraq, of permanent and modern training institutions, built with Iraqi funds and to be maintained on a continuing basis with a minimum of guidance and assistance from the U.S.

The 1955-1960 program outlined by the Iraq Development Board will entail the expenditure of more than $1.4 billion. The U.S. contribution represents less than one percent of the allocation by the Government of Iraq to its development program. The contribu-

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

tion to maintenance of the favorable American position in Iraq is nevertheless significant.

Major Problems: The major economic and social problems, to which the program in Iraq is primarily addressed, are:

Low Agricultural Production - Farm income and living standards are low, reflecting primitive farm practices and lack of knowledge of effective farming systems.

Inadequate Transportation Facilities - The railroad network is an inadequate narrow-gauge system and lacking modern equipment. Only dry-weather natural surface roads exist between most cities. Transportation facilities are needed to give low cost movement of agricultural products, producer durable goods and raw materials.

Poor Health Conditions - Malaria, bilharzia, tuberculosis and intestinal parasites are prevalent. Rural areas especially are far behind in health measures. Disease and malnutrition make present living conditions difficult and inhibit progress by limiting effectiveness of manpower.

Low Educational Level of the General Population - The general effectiveness of the working population is limited by low literacy, particularly among the older population, and in addition there is a shortage of trained teacher personnel in the technical and sub-professional areas. Further progress in Iraq development effort will be limited by continuation of this condition.

Lack of Technical Skills - The lack of technical skills and inadequate understanding of how best to utilize natural resources are serious impediments to effective implementation of the Iraq development program. By supplying needed technicians in key fields of activity, the U.S. is able to facilitate and make more effective the Iraq development effort.

Inadequacy of Government Management and Administration - Intensification of the development program has placed a greatly expanded load upon the governmental management and administrative structure. The government presently lacks good organizational and procedural planning and an adequate supply of trained personnel

Proposed FY 1959 Program

The program for Iraq proposed for FY 1959 consists of $2.5 million for Technical Cooperation and $0.5 million for Special Assistance. The allotment for Special Assistance is proposed to be utilized for a further contribution to the police equipment program initiated pursuant to the Richards Mission commitments of April 1957.

ECONOMIC ASSISTANCE – PROJECT ASSISTANCE BY FIELD OF ACTIVITY

(In thousands of dollars)

Function and Fiscal Year	Total Cost	Agriculture and Natural Resources	Industry and Mining	Transportation	Labor	Health and Sanitation	Education	Public Administration	Community Develop., Social Welfare & Housing	General and Miscellaneous
ACTUAL FY 1957										
Defense Support										
Development Assistance	1,373			350		23		1,000		
Technical Cooperation	2,267	675		304		244	140	327	72	505
Other Programs										
Total	3,640	675		654		267	140	1,327	72	505
ESTIMATE FY 1958										
Defense Support										
Special Assistance										
Technical Cooperation	2,200	703		12		310	287	282	156	450
Other Programs (or DA)										
Total	2,200	703		12		310	287	282	156	450
PROPOSED FY 1959										
Defense Support										
Special Assistance	500							500		
Technical Cooperation	2,500	743		12		356	252	422	173	542
Total	3,000	743		12		356	252	922	173	542

Country: IRAQ

ECONOMIC ASSISTANCE

TABLE I

DISTRIBUTION OF FY 1959 PROJECT ASSISTANCE

(In thousands of dollars and equivalent)

Functions and Projects	DIRECT U.S. DOLLAR COST - Proposed							Local Currency Cost - Proposed	
	Total	U.S. Technicians	Non-Contract Participants	Contracts	Commodities	Other Costs	Contributions to Cooperative Services	MSP includ. Counterpart	P. L. 480 Administered by ICA
TECHNICAL COOPERATION									
Agriculture and Natural Resources - Total	743	673	60		3	7			
Agriculture Consultative Services to Ministry	42	35				7			
Agricultural Extension	211	186	25						
Crop Improvement	14	13			1				
Livestock Improvement	28	23	4		1				
Agricultural Economics and Credit	12	12							
Range Improvement	18	12	6						
Agricultural Pest Control	13	12			1				
Agricultural Program Analysis	7	7							
Agricultural Marketing	12	12							
Land Economics	13	13							
Land Improvement	14	14							
Irrigation Administration and Development	222	206	16						
Miri Sirf Land Development	137	128	9						
Transportation - Total	12		12						
Highway Development	8		8						
Railway Construction and Maintenance	4		4						
Health and Sanitation - Total	356	235	85		15	21			
Health Consultative Services to Ministry	103	73	15			15			
Maternal and Child Health Demonstration and Training	33	22	7		3	1			
Village Health Services	45	45							
Basic Education - Medical	117	37	63		12	5			
Public Health Training	37	37							
Malaria Assistance	21	21							

Country: IRAQ

ECONOMIC ASSISTANCE

DISTRIBUTION OF FY 1959 PROJECT ASSISTANCE

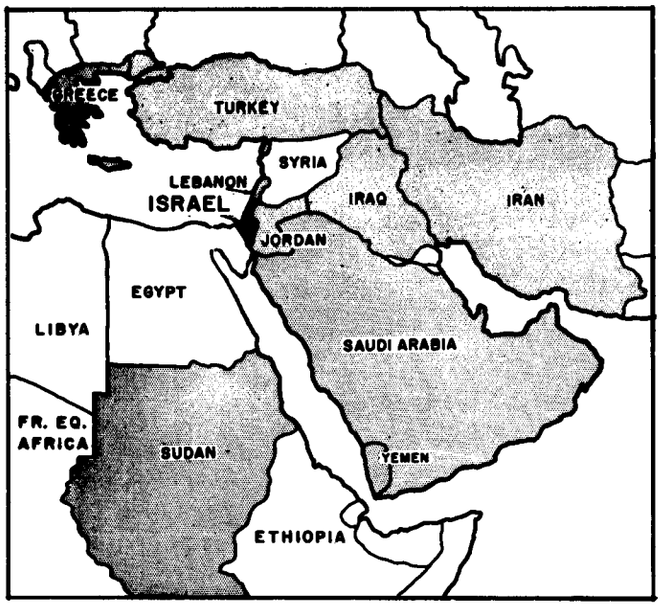
(In thousands of dollars and equivalent)

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

TABLE I

Functions and Projects	DIRECT U.S. DOLLAR COST - Proposed							Local Currency Cost - Proposed	
	Total	U.S. Technicians	Non-Contract Participants	Contracts	Commodities	Other Costs	Contributions to Cooperative Services	MSP includ. Counterpart	P. L. 480 Administered by ICA
Education - Total	252	199	40		6	7			
Education Consultative Services to Ministry	22	15			2	5			
Advisors in Technical Education	83	75	6		2				
Teacher Education	68	33	34		1				
Advisors in Agricultural Education	62	62							
Teacher Education and Audio-Visual Advisors	17	14			1	2			
Public Administration - Total	422	205	50	152	5	10			
Public Administration Advisory Services	192	141	25	12	5	9			
Civil Police Administration	90	64	25			1			
Institute of Public Administration	140			140					
Community Development - Total	173	80	35			8	50		
Community Development	123	80	35			8			
Iraqi-American Cooperative Community Welfare Service	50						50		
General and Miscellaneous - Total	542	316			67	159			
Executive Member - Development Board	31	29			1	1			
Advisors to Ministry of Development	192	189			1	2			
Technical Support	319	98			65	156			
Total Technical Cooperation	2,500	1,708	282	152	96	212	50		
SPECIAL ASSISTANCE									
Public Administration - Total	500				500				
Civil Police Administration	500				500				
Total Special Assistance	500				500				
GRAND TOTAL	3,000	1,708	282	152	596	212	50		

ISRAEL



ECONOMIC TRENDS

	Unit	Calendar Years 1954	1955	1956	1957Est.
GROSS NATIONAL PRODUCT					
Total GNP *(In 1955 Prices)*.	$ Millions	1,050	1,160	1,280	1,400
Per Capita GNP	Dollars	627	666	700	722
PRODUCTION					
Agricul. Prod. Index[a]	1952-54=100	n.a.	118	138	143
Citrus fruits	Million Boxes	9.7	12.6	14.2	13.5
Wheat	1,000 MT	34	36	79	98
Potash	"	18	18	47	85
FOREIGN TRADE					
Total Exports (f.o.b).....	$ Millions	88	90	107	135
Citrus fruits	"	34	30	32	32
Polished diamonds	"	16	20	25	25
Total Imports (c.i.f).....	"	287	325	364	400
Trade Balance	"	-199	-235	-257	-265
FOREIGN EXCHANGE RESERVES.... (end of year)	$ Millions	69	85	86	94
COST OF LIVING INDEX	1953=100	112	119	126	135

BASIC DATA

Population	1.9 million
Annual Growth	4.5 percent
Agricultural Land	21% of area
Agri. Land per Capita	0.8 acre
Literacy Rate	75 percent

	ISRAEL	U.S.
Life Expectancy *(Years)*.....	70	70
Inhabitants per Physician ..	400	760
Road Miles per 1,000 sq.mi..	200	1,020
Electric Power per Capita... (KWH per year)	745	4,070

CENTRAL GOVERNMENT FINANCES

- $ Millions -

Country Fiscal Year Ending - March 31	1956	1957	1958 (Budget)
Total Expenditures.....	392	496	506
Revenues, excl. receipts of U.S. Grant Aid....	304	350	393
Deficit or Surplus before U.S. Grant Aid....	-88	-146	-113
Budgetary Receipts from U.S. Grant Aid.....	40	6	42
Budgetary Receipts from U.S. Loans.....	7	6	21
DEFENSE EXPENDITURES			
Total Defense Expenditures.....	106	201	148
As percent of Total Gov't Expenditures.....	27%	41%	29%
As percent of Gross National Product.....	9%	14%	9%
TOTAL DEBT (gross).....	750	817	900
As percent of GNP.....	65%	58%	57%
Foreign Debt.....	472	516	580

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

Country ISRAEL

MUTUAL SECURITY PROGRAM

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

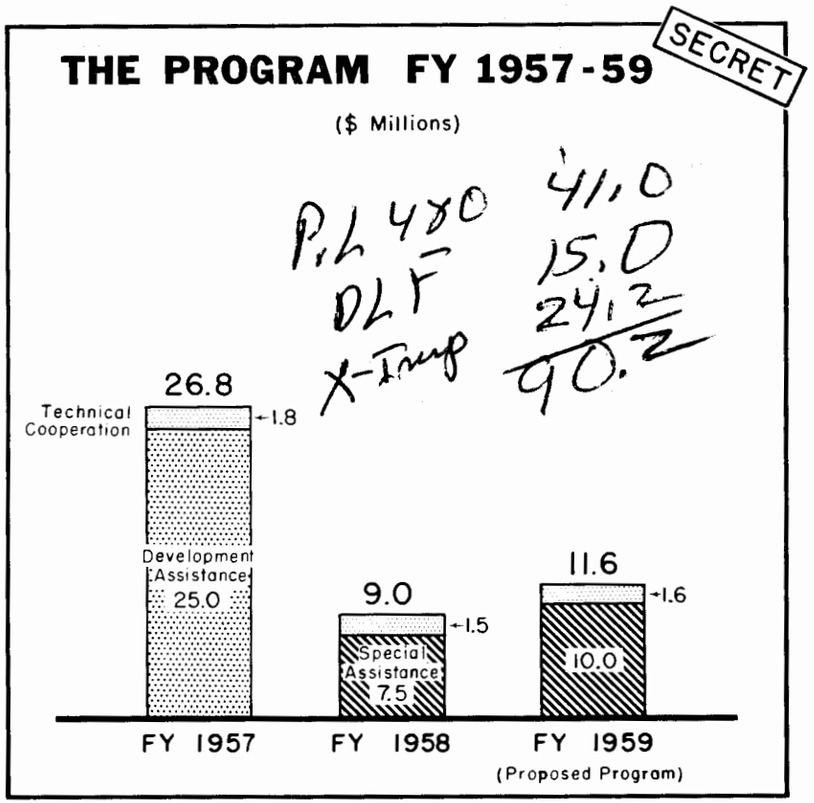
U.S. Interests: Israel lies in an area of great strategic interest. It is not threatened by direct Soviet offers or interventions in its domestic affairs but is vulnerable to Soviet encouragement of hostility toward Israel among the Arab States. It is concerned over Soviet military assistance to two of its immediate neighbors, Syria and Egypt.

Israel does not belong to any military alliance, **although it has sought extension of the NATO alliance to cover Israel. Such action is not considered to be in the U.S. interest.** However, the U. S. is a signatory, with Britian and France, of the Tripartite Declaration of 1950 expressing opposition to forceful changes of boundaries within the Middle East.

Israel enjoys relative political stability. The dominant party is the Mapai (Socialist Labor). There is an active Communist Party but it has lost much strength as a result of recent anti-Israel moves by the Soviets. The government is pro-Western in outlook and in 1957 rejected proposals by various Israel groups that it adopt a policy of neutralism in the East-West conflict.

Israel's future and U.S. interests in the area will best be served by settlement of the outstanding issues arising from the 1948 Palestine hostilities and a consequent reduction of tensions. The most important unsolved issue is that of the Palestine refugees.

It is deemed important to encourage the development of Israel's economy, looking toward a reduction of its dependence on external financial assistance. Israel does not play a major role in International trade. It has a large adverse balance of trade and is heavily dependent on external financial support. This is supplied primarily by public and private United States assistance and by reparations being paid by Western Germany. In 1956 Israel imported goods worth $364 million, of which 27% came from the United States. In the same year it exported goods worth $107 million, of which 19% went to the United States. United States direct private investment in 1955 amounted to $63 million. Israel has signed an Investment Guaranty Agreement with the U. S.



Obligations and Expenditures $ in thousands			
MILITARY ASSISTANCE	PROGRAMMED	DEL./EXP.	UNLIQUIDATED
Cumulative 6/30/57			
Estimate F.Y. 1958			XXX
Cumulative 6/30/58			
ECONOMIC ASSISTANCE	OBLIGATIONS	EXPENDITURES	UNLIQUIDATED
Cumulative 6/30/57	283,382	261,052	22,330
Estimate F.Y. 1958	9,000	25,000	XXX
Cumulative 6/30/58	292,382	286,052	6,330

Country: ISRAEL

ECONOMIC ASSISTANCE

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

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

(In thousands of dollars)

MAJOR COST COMPONENT	ACTUAL FY 1957				ESTIMATE FY 1958				PROPOSED FY 1959		
	Total	Dev Assist	Tech. Coop	Other	Total	Spec Assist	Tech. Coop.	Other	Total	Spec Assist	Tech. Coop.
PROJECT ASSISTANCE											
Technicians	360		360		356		356		420		420
Participants	145		145		180		180		139		139
Contractual Services	902		902		477		477		596		596
Supplies and Equipment	167		167		146		146		228		228
Contrib. to Coop. Services											
Other Costs	273		273		341		341		217		217
Total Project Assistance	1,847		1,847		1,500		1,500		1,600		1,600
NON-PROJECT ASSISTANCE											
Agric. Commodities Total	15,000	15,000			7,500	7,500			10,000	10,000	
Surplus	15,000	15,000			7,500	7,500			10,000	10,000	
Other											
Industrial Commodities Total	10,000	10,000									
Raw Materials and Fuels	10,000	10,000									
Machinery and Equipment											
Other Indus. Commodities											
Cash Transactions											
Other											
Total Non-Project Assistance	25,000	25,000			7,500	7,500			10,000	10,000	
TOTAL COUNTRY PROGRAMS	26,847	25,000	1,847		9,000	7,500	1,500		11,600	10,000	1,600
NUMBER OF PEOPLE											
Technicians (On duty close of year)	31		31		50		50		49		49
U.S. Employed	19		19		29		29		29		29
Contract	12		12		21		21		20		20
Participants (Programmed during year)	62		62		63		63		57		57
Non-Contract	61		61		58		58		52		52
Contract	1		1		5		5		5		5

GPO 934793

Country ISRAEL

ECONOMIC ASSISTANCE

Objectives

Assist Israel in its efforts to:
- Attain maximum viability within a reasonable period of time.
- Provide an acceptable standard of living in relation to national resources.
- Increase industrial production.
- Increase productivity.
- Intensify exploration and development of mineral resources.
- Increase agricultural production through use of the most modern techniques.
- Provide for improved transportation.

Accomplishments

Over the past few years, when population was increasing more than 5 percent per year, Israel's gross national product rose approximately 10 percent per year in real terms. U. S. financial assistance has contributed substantially to this achievement by helping to finance imports of basic equipment required in developing new industries and lines of transportation, as well as raw materials for industrial processing, and investment goods for furtherance of agricultural development programs; supporting and supplementing Israel's domestic development programs through efficient utilization of local currencies generated by the sale of the aforementioned imports; and aiding Israel to meet many of the problems of settling large numbers of refugees.

U. S. technical cooperation has assisted Israel in coordinating agricultural research and extension programs; made possible the import of beef livestock for breeding; introduced beef production on the range (herd increased from 500 to 20,000 in 2-1/2 years); initiated production of animal vaccines; provided assistance in preparation seeding and control of national pastures; helped develop peanut and sugar beet crops; assisted in control and utilization of winter flood waters, in water spreading experimentation where run-off water is utilized to create green pastures in midst of arid lands; opened up possibilities for use of flood waters for irrigating thousands of acres of desert land; resulted in improved agricultural management and overall development of water resources; initiated home economics and extension programs which have proved of exceptional significance to immigrants;contributed significantly in research for new agricultural products and in improving handling, storing and marketing of agricultural products; made a substantial contribution to Dead Sea potash production; up-grading and increasing phosphate production; provided guidance to the chemical, glass, textile and ceramics industries - all potential foreign exchange earners; assisted financially and

Summary of Program $ in thousands

Function	Actual F.Y. 1957	Estimate F.Y. 1958	Proposed F.Y. 1959
Defense Support			
Development Assistance	25,000		
Special Assistance		7,500	10,000
Technical Cooperation	1,847	1,500	1,600
Other Programs			
Total	26,847	9,000	11,600

technically toward extension and development of electric power facilities; advised selected industries in matters pertaining to productivity, marketing and designing, to help them achieve greater competitiveness in foreign markets; contributed substantially to streamlining and improving the efficiency of the railroads; made possible an expansion of preventive medicine; and made possible a country-wide acceleration of the vocational training program.

Imports of U.S. agricultural surpluses under PL 480 have helped meet current consumption needs not otherwise supportable.

Major Problems: Israel, a country poor in natural resources and surrounded by hostile neighbors, must make herculean efforts to develop its economy to overcome some of the key adverse elements of its present situation. Present rates of development and consumption are supported by a continued balance of payments deficit which have already resulted in a foreign debt of approximately $500 million.

The magnitude of the effort required to reduce future reliance on outside aid and achieve a level of current balance of payments surplus capable of supporting not repayments of any part of the foreign debt, can best be judged by considering that the present debt was generated despite the availability of a significant net inflow of foreign grants, German reparations and restitution payments. In the interim Israel not only maintains a defense establishment wholly disproportionate in its national income, with a large material requirement payable in foreign exchange, but continues to absorb heterogeneous masses of immigrants (900,000 since 1948) who must be housed, fed and generally provided for until they can provide for themselves.

Contributing elements to the solution of Israeli problems might be found among the following: develop agricultural and industrial resources to support the abnormal population growth; develop production capable of meeting international competition

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

in export markets and permitting a gradual elimination of subsidies; develop adequate incentives for greater productivity; take such steps as necessary to arrest inflationary pressures; create an economic climate which would encourage intensified domestic and foreign investment; find means of providing adequate domestic loan funds at reasonable rates of interest; impose a more stringent austerity program on personal consumption (this could have political repercussions in a country that has gradually grown accustomed to welfare state attitudes); restrict immigration to more reasonable limits; eliminate discrimination in favor of enterprises partly or wholly controlled by the Government or Histadrat, the labor union political complex.

Proposed FY 1959 Program

Special Assistance: To alleviate the pressures imposed by the anticipated balance of payments deficit, a Special Assistance program of $10 million is proposed. This will be used to pay for agricultural commodity requirements under Section 402; the local currencies generated will be used to finance industrial development projects within the Israeli Development Program. Such equipment as may be required for these projects is expected to be financed under the German Reparations Program or recently granted French and British lines of credit. To supply additional food imports a PL 480 sales program slightly lower than in FY 1958 is assumed on the basis of current estimates of consumption requirements. These magnitudes of aid are far from meeting Israeli development objectives. Israel has already approached the Development Loan Fund and may have additional activities to propose.

Technical Cooperation: The proposed FY 1959 Technical Cooperation program ($1.6 million) is essentially a continuation of the FY 1958 program, to assure that previous programs are brought to fruition. Technical Cooperation is now geared more toward industrial development, agricultural production having already improved markedly. With the need for an increasingly productive and diversified industry recognized, greater emphasis is being placed on industrial management. A concerted effort is being undertaken to secure greater coordination in the fields of agricultural education, research and extension.

ECONOMIC ASSISTANCE – PROJECT ASSISTANCE BY FIELD OF ACTIVITY

(In thousands of dollars)

Function and Fiscal Year	Total Cost	Agriculture and Natural Resources	Industry and Mining	Transportation	Labor	Health and Sanitation	Education	Public Administration	Community Develop., Social Welfare & Housing	General and Miscellaneous
ACTUAL FY 1957										
Defense Support										
Development Assistance										
Technical Cooperation	1,847	170	784	42		50	37	24	7	733
Other Programs										
Total	1,847	170	784	42		50	37	24	7	733
ESTIMATE FY 1958										
Defense Support										
Special Assistance										
Technical Cooperation	1,500	332	705	54			68			341
Other Programs (or DA)										
Total	1,500	332	705	54			68			341
PROPOSED FY 1959										
Defense Support										
Special Assistance										
Technical Cooperation	1,600	257	977	43			46			277
Total	1,600	257	977	43			46			277

Country: ISRAEL

ECONOMIC ASSISTANCE

TABLE I

DISTRIBUTION OF FY 1959 PROJECT ASSISTANCE

(In thousands of dollars and equivalent)

Functions and Projects	DIRECT U.S. DOLLAR COST - Proposed							Local Currency Cost - Proposed	
	Total	U.S. Technicians	Non-Contract Participants	Contracts	Commodities	Other Costs	Contributions to Cooperative Services	MSP includ. Counterpart	P. L. 480 Administered by ICA
TECHNICAL COOPERATION									
Agriculture and Natural Resources - Total	257	74	44	102	37				
Agriculture and Water Resources (Supervisory)	42	42							
Field and Horticultural Crops	10		8		2				
Animal Husbandry	20	12	6		2				
Research, Extension & Education	156		24	102	30				
Range, Forestry and Fisheries	29	20	6		3				
Water Resources									
Industry and Mining - Total	977	249	83	494	151				
Industry, Mining & Transportation (Supervisory)	51	51							
Development of Selected Industries	107	38	9		60				
Productivity	52	40	12						
Management Training	450		25	425					
Industrial Design	50		3	47					
Export Marketing Institute	28	15	9		4				
School of Nuclear Science and Engineering	11		11						
Industrial Development Planning	51	45	6						
Inspection, Standard & Quality Control	80				80				
Minerals Development	97	60	8	22	7				
Conservation Techniques in Oil Field Development									
Transportation - Total	43	31	12						
Transportation Development	43	31	12						
Education - Total	46	34			12				
Education (Supervisory)	34	22			12				
Vocational Training									
Teacher Training	12	12							
General and Miscellaneous - Total	277	32			28	217			
Technical Support	277	32			28	217			
Total Technical Cooperation	1,600	420	139	596	228	217			

Country: ISRAEL

ECONOMIC ASSISTANCE

DISTRIBUTION OF FY 1959 PROJECT ASSISTANCE

(In thousands of dollars and equivalent)

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

TABLE I

Functions and Projects	DIRECT U.S. DOLLAR COST - Proposed							Local Currency Cost - Proposed	
	Total	U.S. Technicions	Non-Contract Participants	Contracts	Commodities	Other Costs	Contributions to Cooperative Services	MSP includ. Counterpart	P. L. 480 Administered by ICA
LOCAL CURRENCY									
Agriculture and Natural Resources									
Irrigation and Land Development								3,000	3,000
Industry and Mining - Total								6,000	14,300
Industrial Development Bank									10,000
Power Development									3,300
Textile Industry								2,000	
Chemical Industry								1,000	
Metal Industry								3,000	
Food Processing									1,000
Transportation									
Roads Construction								1,000	1,000
Community Development									
Community Development Urban Planning									2,000
Total Local Currency								10,000	20,300
GRAND TOTAL	1,600	420	139	596	228	217		10,000	20,300

Country: ISRAEL

TABLE II

ECONOMIC ASSISTANCE

COMPOSITION OF NON-PROJECT ASSISTANCE

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

(In thousands of dollars)

Commodities and Other	PROGRAM		
	Actual FY 1957	Estimate FY 1958	Proposed FY 1959
Surplus Agricultural Commodities - Total	15,000	7,500	10,000
Bread Grains	12,500	1,850	6,000
Coarse Grains	1,400		3,000
Cotton	1,100	1,650	1,000
Soya		4,000	
Fuel - Total	4,000		
Crude Oil & Petroleum Products	4,000		
Raw Materials and Semi-finished Products - Total	6,000		
Iron and Steel Products	3,400		
Rubber and Chemicals	1,550		
Other	1,050		
Total Non-Project Assistance Program	25,000	7,500	10,000

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

Local currencies for Israel are presently generated by the sale of surplus agricultural commodities under Section 402 or under PL 480 Title I. Past programs generated $121 million of Israeli counterpart, but all of this was committed and almost completely expended before FY 1958; none is available for additional current programming.

Israel is seeking intensive agricultural and industrial development. This results not only in a heavy foreign exchange requirement, but also a requirement for local currency. The size and character of Israel's development budget are limited by the total real resources available. In managing its development activity, Israel assures that programming and use of these local currencies is prompt and efficient. To meet needs of the development budget the government has sometimes made deposits before the arrival of agreed imports and there are no appreciable accumulations of uncommitted local currencies available for programming. At the end of FY 1959 it is expected that there will be less than $1 million of unexpended obligations of MSP-US owned local currencies and not quite $5 million of unexpended PL 480 Title I local currency administered by ICA.

U. S. owned local currencies to be generated will be programmed principally to support industrial development, power, development of mineral resources, increased agricultural production and improvement of transportation facilities. The local currencies afford the U.S. opportunity to exercise influence over certain areas of Israel's development program. They help Israel effectively to absorb equipment imports financed under the German Reparations agreement and the recently approved French loan.

Israel's dynamic development program calls for foreign exchange considerably in excess of present availabilities, to secure supplies of raw materials and foodstuffs and consumer goods not yet produced locally to offset otherwise serious inflationary impacts. The estimated balance of foreign exchange availabilities and the estimated need for imports weigh most heavily in determing requirements for U. S. dollar assistance. The local currencies are useful and are taken into account but do not govern the size of the dollar program.

(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	13,000	5,600)					7,400	7,400
FY 1956 Actual	27,940	6,550)					21,390	21,390
FY 1957 Actual	10,700	2,700					8,000	8,000
FY 1958 Estimate	35,000	5,250	8,750				21,000	21,000
FY 1959 Estimate	30,000	4,500	7,500				18,000	18,000
TOTAL	116,640	24,600	16,250				75,790	75,790

Country: ISRAEL

STATUS OF LOCAL CURRENCY FUNDS

(Administered by MSP Agencies)

(In thousands of dollar equivalent)

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

TABLE IV

Type of Programs Generating Local Currencies and its Utilization	ACTUAL FY 1957			ESTIMATE FY 1958		PROPOSED FY 1959	
	Cumulative Through 7/1/56	Net Change	Cumulative Through 6/30/57	Net Change	Cumulative Through 6/30/58	Net Change	Cumulative Through 6/30/59
MSP U.S.-OWNED LOCAL CURRENCIES							
Potential Generation from U.S. Dollar Program	33,793	15,000	48,793	7,500	56,293	10,000	66,293
Deposits	18,846	15,038	33,884	21,405	55,289	10,700	65,989
Obligations	18,622	15,262	33,884	21,000	54,884	10,000	64,884
Expenditures	18,622	11,540	30,162	24,000	54,162	10,000	64,162
COUNTERPART							
Potential Generation from U.S. Dollar Program	121,260		121,260		121,260		121,260
Deposits	109,003	12,257	121,260		121,260		121,260
Commitments	117,051	3,917	120,968	292	121,260		121,260
Expenditures	108,445	12,523	120,968	292	121,260		121,260
P.L. 480 TITLE I							
Potential Generation from U.S. Dollar Program	28,790	8,000	36,790	21,000	57,790	18,000	75,790
Deposits	15,901	19,949	35,850	21,940	57,790	18,000	75,790
Obligations	15,357	13,433	28,790	26,000	54,790	20,300	75,090
Expenditures	15,357	7,431	22,788	22,944	45,732	24,500	70,232
OTHER LOCAL CURRENCY							
Potential Generation from U.S. Dollar Program							
Deposits							
Commitments							
Expenditures							

Country: ISRAEL

SUMMARY OF LOCAL CURRENCY PROGRAM ADMINISTERED BY MSP AGENCIES BY PURPOSE AND FIELD OF ACTIVITY

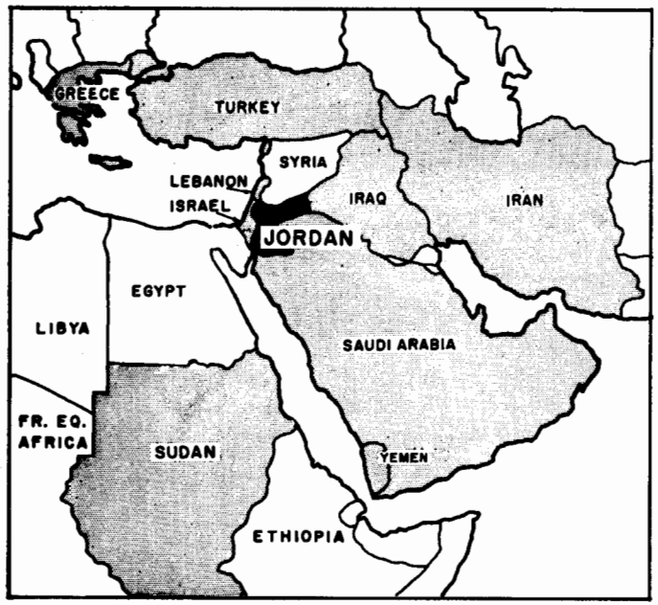
Obligations or Commitments by Fiscal Year
(In thousands of dollar equivalent)

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

TABLE V

PURPOSE AND ACTIVITY	FY 1957			FY 1958			FY 1959		
	MSP Source	P.L. 480 Title I Source	Other Sources	MSP Source	P.L. 480 Title I Source	Other Sources	MSP Source	P.L. 480 Title I Source	Other Sources
MILITARY PURPOSES									
Projects									
Budget Support									
Military Procurement									
Total Military Purposes									
ECONOMIC PURPOSES									
Project Assistance by Field of Activity									
Agriculture	7,323	9,033		11,000	6,000		3,000	3,000	
Industry and Mining	10,717			10,292	15,000		6,000	14,300	
Transportation	250	4,400			1,000		1,000	1,000	
Labor									
Health and Sanitation	889								
Education									
Public Administration									
Community Development, Social Welfare and Housing					4,000			2,000	
General and Miscellaneous									
Total	19,179	13,433		21,292	26,000		10,000	20,300	
Budget Support (Not Elsewhere Classified)									
Total Economic Purposes	19,179	13,433		21,292	26,000		10,000	20,300	
Procurement for Third Country	XXX			XXX			XXX		
TOTAL ALL PURPOSES	19,179	13,433		21,292	26,000		10,000	20,300	

JORDAN



ECONOMIC TRENDS

	Unit	Calendar Years 1954	1955	1956	1957Est.
GROSS NATIONAL PRODUCT					
Total GNP *(In 1955 Prices)*.	$ Millions	155	135	165	155
Per Capita GNP	Dollars	112	95	113	103
PRODUCTION					
Agricul. Prod. Index[a]	1952-54=100	n.a.	37	118	101
Wheat	1,000 MT	230	80	240	200
Olives	"	60	15	70	50
Phosphate Rock	"	75	164	208	350
FOREIGN TRADE					
Total Exports (f.o.b)	$ Millions	7.9	8.0	13.9	13.0
Vegetables and Fruit ...	"	2.4	2.8	5.1	4.0
Phosphate Rock	"	0.2	1.7	1.9	3.2
Total Imports (c.i.f)	"	55.6	75.8	77.9	75.0
Trade Balance	"	-47.7	-67.8	-64.0	-62.0
FOREIGN EXCHANGE RESERVES .... (end of year)	$ Millions	n.a.	58	72	97

BASIC DATA

Population	1.5 million
Annual Growth	2.4 percent
Agricultural Land	9% of area
Agri. Land per Capita	1.5 acres
Literacy Rate	15-30 percent

	JORDAN	U.S.
Life Expectancy *(Years)*.....	n.a.	70
Inhabitants per Physician ..	7,000	760
Road Miles per 1,000 sq.mi..	60	1,020
Electric Power per Capita... (KWH per year)	15	4,070

CENTRAL GOVERNMENT FINANCES

Country Fiscal Year Ending - March 31	- $ Millions - 1956	1957	1958 (Budget)
Total Expenditures.....	49.8	56.4	62.5
Revenues, excl. receipts of U.S. Grant Aid....	47.8	52.0	41.2
Deficit or Surplus before U.S. Grant Aid....	-2.0	-4.4	-21.3
Budgetary Receipts from U.S. Grant Aid.....	-	-	20.0
Budgetary Receipts from U.S. Loans.....	-	-	-
DEFENSE EXPENDITURES			
Total Defense Expenditures.....	27.2	32.8	32.5
As percent of Total Gov't Expenditures.....	55%	58%	52%
As percent of Gross National Product.....	20%	20%	21%
TOTAL DEBT (gross).....	Not Available		
As percent of GNP.....			
Foreign Debt.....			

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

Country JORDAN

MUTUAL SECURITY PROGRAM

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

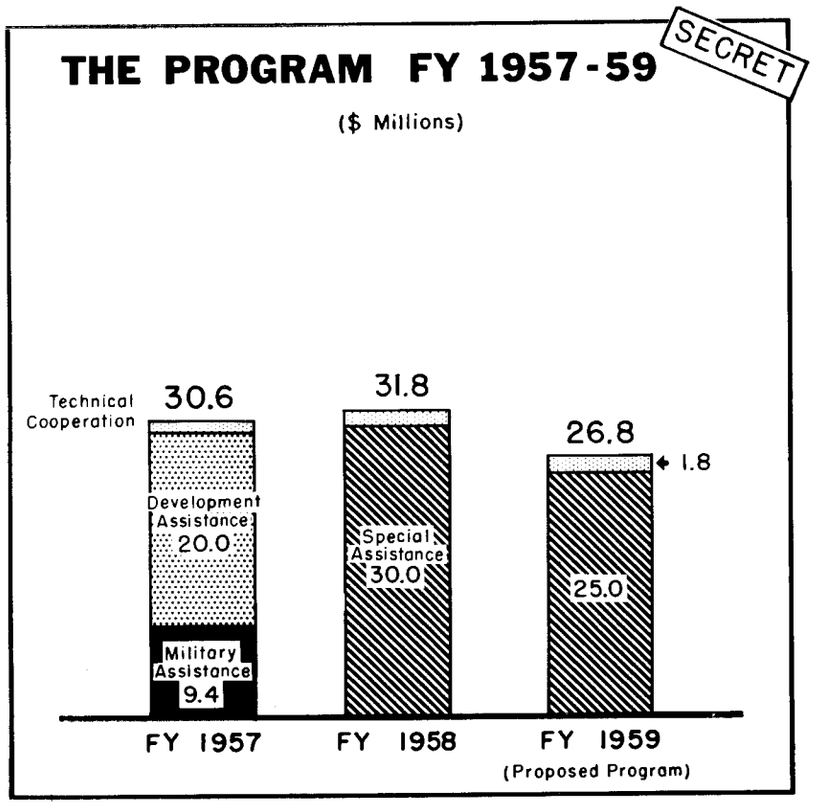
U.S. Interests: Jordan occupies an important position in an area of great strategic interest. **While it does not itself command strategic routes or resources and the United States has no interest in military bases there, its political conditions and orientation have an important bearing on political conditions throughout the area.** The independence and integrity of Jordan are therefore vital to the national interests of the United States. Jordan is not threatened directly by the Soviet Union but is under heavy pressures from Syria and Egypt.

Jordan is a member of the Arab League Collective Defense Pact, has a treaty of alliance with Iraq, and signed a joint military command agreement with Egypt and Syria in 1956. This agreement is now inoperative.

The political situation within Jordan is quiet at present, but the basic elements of stability are lacking primarily due to the presence of an estimated 500,000 Arab refugees from what is now Israel. The refugees are largely idle and provide fertile ground for subversive and extremist political agitation. The present government is pro-Western, but a large segment of the population is susceptible to the arguments of communists and pan-Arab extremists.

Jordan's primary international policy is support for Arab aspirations in the Palestine dispute and in the general field of relations with Western powers. **However, Jordan has in recent months extended support to United States positions on a number of matters such as the recent Afro-Asian Solidarity Conference in Cairo.**

Jordan is heavily dependent on external financial assistance. Jordan has welcomed investment by private foreign capital, and has signed an Investment Guaranty Agreement with the U.S. However, the general paucity of resources, the poverty of the local market and poor economic prospects have discouraged most American investors. The principal American investments in Jordan are a local airline and an oil pipeline from Saudi Arabia to Lebanon which passes through Jordan. An American firm is currently prospecting for oil in Jordan. Jordan has no economic or political ties with the Soviet Union. There is a small trade in Soviet Bloc goods.



Obligations and Expenditures $ in thousands			
MILITARY ASSISTANCE	PROGRAMMED	DEL./EXP.	UNLIQUIDATED
Cumulative 6/30/57	9,371		9,371
Estimate F.Y. 1958		9,371	XXX
Cumulative 6/30/58	9,371	9,371	
ECONOMIC ASSISTANCE	OBLIGATIONS	EXPENDITURES	UNLIQUIDATED
Cumulative 6/30/57	53,853	30,433	23,420
Estimate F.Y. 1958	31,750	26,200	XXX
Cumulative 6/30/58	85,603	56,633	28,970

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

Jordan

Major Components by Category (all values in thousands of dollars)	Annual Programs: Quantity and Value F.Y. 1957	Annual Programs: Quantity and Value F.Y. 1958	Annual Programs: Proposed F.Y. 1959 Quantity	Annual Programs: Proposed F.Y. 1959 Value	Del./Exp. F.Y. 1950-58 Programs: Estimate F.Y. 1958	Del./Exp. F.Y. 1950-58 Programs: Cumulative June 30, 1958	Del./Exp. F.Y. 1950-58 Programs: F.Y. 1959 and Later
Country Total	$9,371 a/	-	-	-	$9,371	$9,371	-
Aircraft, Components, Spares & Related Equip.	-	-	-	-	-	-	-
Ships and Harbor Craft, Components and Spares	-	-	-	-	-	-	-
Tanks, Other Vehicles, Weapons, Comp. & Spares	$5,901	-	-	-	$5,901	$5,901	-
Tank, Medium, M26, M46, M47, M48 Series	36	-	-	-	36	36	-
Carrier, Personnel, Armored-Saracen	40	-	-	-	40	40	-
Truck, 1/4 Ton, 4x4 (all models)	102	-	-	-	102	102	-
Truck, 3/4 Ton, 4x4 Ambulance	8	-	-	-	8	8	-
Tractor, HB, 18 Ton, M4 Series	18	-	-	-	18	18	-
Rifle, 106mm, w/mount	100	-	-	-	100	100	-
Gun, 155mm, M2 w/carriage	18	-	-	-	18	18	-
Ammunition	$2,310	-	-	-	$2,310	$2,310	-
Cartridge, Cal..30 (all types) (M Rds)	597	-	-	-	597	597	-
Cartridge, Cal..50 (all types) (M Rds)	292	-	-	-	292	292	-
Cartridge, 75mm, Gun, HE w/f PD (M Rds)	8,530	-	-	-	8,530	8,530	-
Cartridge, HEAT, w/f 106mm, Rifle (M Rds)	15	-	-	-	15	15	-
Cartridge, HE, w/f, 90mm Gun (M Rds)	7	-	-	-	7	7	-
Cartridge, 155mm, Gun (all types) (M Rds)	2	-	-	-	2	2	-
Electronics & Comm. Equipment, Comp. & Spares	$ 89	-	-	-	$ 89	$ 89	-
SCR-694 (AN/GRC-9) Radio	50	-	-	-	50	50	-
Other Materiel	$1,071	-	-	-	$1,071	$1,071	-
Construction	-	-	-	-	-	-	-
Training	-	-	-	-	-	-	-
All Other	-	-	-	-	-	-	-

a/ Packing, crating, handling and transportation charges approved for this country, $629 thousand, are reflected in the "Special Materiel Program".

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

Jordan

Objectives of Military Assistance:

(a) Assist in the preservation of an independent and stable Jordan friendly to the U.S.
(b) Provide the Jordan government with the capability of maintaining internal security.
(c) Provide the Jordan government with a modest capability of deterring or resisting external aggression.
(d) Provide to the area an example of the effectiveness of U.S. - Arab cooperation.

Major Combat Forces:

Strategic Objectives	MAP Supported
1 Infantry Div. 1 Armored Brigade	None

Active Military Strength: 48,647

MAP Accomplishments: The U.S., under Section 401, is providing $10 million in grant military aid. Of this amount, about half has been delivered and the remainder is programmed for delivery in early 1958.

Appraisal of Forces:

Army: Can maintain marginal internal security and offer significant delaying action to invasion; not capable of sustained offensive combat, nor of providing forces for employment outside Jordan, and could not defend West Jordan against an Israeli attack for longer than six days.

Navy: None

Air Force: Can provide limited reconnaissance and ground support for the Army, but could not challenge successfully Syrian, Israeli, or Egyptian Air Forces.

Development of more effective forces is hindered by limited manpower, low level of general and technical education, inadequate materiel reserves, lack of standardization of military materiel, and uncertain loyalty of elements of the officer corps.

Country Contributions:

3.4% of total population in the armed forces.
52% of national budget for the armed forces.

PROGRAMS (In Thousands Dollars)	FY 1957	FY 1958	Proposed FY 1959
Country Programs	9,371	-	-
Portion Special Materiel Program	(600)	(800)	(4,600)
Total	(9,971)	(800)	(4,600)

Proposed FY 1959 Program Provides: Consistent with the U.S. objectives stated above, discussions are currently underway on the subject of limited air force assistance to Jordan. It is expected that these discussions will result in a requirement to provide 12 jet aircraft to Jordan. Therefore, $4 million is included in the FY 1959 "Special Materiel Program" for this Air Force assistance for Jordan as indicated above, and is discussed in the Special Materiel Section of the Non-Regional Book.

Miscellaneous Data: U.S. excess stocks delivered (no change) through June 1958: $0. Military sales through June 1957: $266 thousand.

There are no U.S. MAAG or Mission personnel in the country.

Country: JORDAN

ECONOMIC ASSISTANCE

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

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

(In thousands of dollars)

MAJOR COST COMPONENT	ACTUAL FY 1957				ESTIMATE FY 1958				PROPOSED FY 1959		
	Total	Dev Asst	Tech. Coop.	Other	Total	Spec. Asst.	Tech. Coop.	Other	Total	Sp Asst	Tech. Coop.
PROJECT ASSISTANCE											
Technicians	745		745		750		750		800		800
Participants	196		196		225		225		225		225
Contractual Services					1,670	1,600	70		135		135
Supplies and Equipment	20		20		2,705	2,450	255		240		240
Contrib. to Coop. Services											
Other Costs	239		239		6,400	5,950a/	450		350		350
Total Project Assistance	1,200		1,200		11,750	10,000	1,750		1,750		1,750
NON-PROJECT ASSISTANCE											
Agric. Commodities Total											
Surplus											
Other											
Industrial Commodities Total											
Raw Materials and Fuels											
Machinery and Equipment											
Other Indus. Commodities											
Cash Transactions	20,000	20,000			20,000	20,000			25,000	25,000	
Other											
Total Non-Project Assistance	20,000	20,000			20,000	20,000			25,000	25,000	
TOTAL COUNTRY PROGRAMS	21,200	20,000	1,200		31,750	30,000	1,750		26,750	25,000	1,750
NUMBER OF PEOPLE											
Technicians (On duty close of year)	40	2	38		68	14	54		71	13	58
U.S. Employed	36		36		50		50		56		56
Contract	4	2	2		18	14	4		15	13	2
Participants (Programmed during year)	40		40		47		47		47		47
Non-Contract	40		40		47		47		47		47
Contract											

a/ Local currency needed to finance force account, local contracts and local procurement for economic development projects and partial support of institutions providing research, training and demonstration facilities in Jordan.

Country JORDAN

ECONOMIC ASSISTANCE

Objectives

- To help support essential governmental operations and services.
- To help develop the country's limited land, water and mineral resources.
- To help increase industrial production.
- To help improve transportation, communications, public administration and community facilities (and thereby contribute to the stability and security of Jordan).

Accomplishments

Prompt U.S. support for the present pro-Western, anti-communist Government of Jordan was instrumental and probably decisive in ousting a Government supported by disruptive elements favoring closer relations with Egypt, Syria and the Soviet bloc. At a time of acute financial and political crisis in Jordan, the U.S. made available $20 million of FY 1957 development assistance funds for budgetary support and $10 million of FY 1957 military assistance funds for essential equipment for the armed forces. These grants prevented economic chaos and collapse which would probably have led to the disintegration and dismemberment of the country.

Even during the crisis in FY 1957 there were a substantial number of specific project accomplishments under the Mutual Security Program in Jordan. Agricultural extension was expanded to provide 40 agents covering most of the agricultural areas of the country; plans were completed for a pilot plant for experimental production of potash from Dead Sea brine; the major portion of the main trunk highway from the Syrian border to the Dead Sea was completed and a number of farm-to-market roads were constructed; the first trained women nurses in Jordan were graduated from an ICA-financed school; facilities were provided to increase enrollment in two teacher training colleges and the Amman Trade School; loans to villages helped to finance construction of schools and clinics and development of domestic water supplies; and cold storage facilities were installed in the central market in Arab Jerusalem. These accomplishments will help to increase agricultural and industrial production, improve living standards and conditions, contribute to economic and political stability, and gradually reduce Jordan's dependence on foreign aid.

Major Problems: The King and Government of Jordan are pro-Western and anti-communist but they are unpopular among the Palestinian Arabs who are a majority of the population and who desire union of

Summary of Program $ in thousands

Function	Actual F.Y. 1957	Estimate F.Y. 1958	Proposed F.Y. 1959
Defense Support			
Development Assistance	20,000		
Special Assistance		30,000	25,000
Technical Cooperation	1,200	1,750	1,750
Other Programs			
Total	21,200	31,750	26,750

Jordan with Syria and Egypt and the destruction of Israel. Virulent and intensive Egyptian, Syrian and Soviet propaganda urges assassination of the King and overthrow of the Government. The immediate problems for the United States are to support and strengthen the present regime, assist in maintaining internal security and stability, and demonstrate to all the people of Jordan the advantages of a pro-Western policy.

One-third of the present inhabitants of Jordan--500,000 people--are refugees from their homes in what is now Israel. There is no possibility of sufficient agricultural and industrial production in Jordan to provide a living, or even sustenance, for them. At present the refugees in Jordan are supported by United Nations Relief and Works Agency for Palestine Refugees at an annual cost of $15 million, of which 70 percent is contributed by the U.S. By the terms of the UN resolution which created this agency, it will cease to exist on June 30, 1960. Settlement and rehabilitation of the refugees is therefore a most urgent problem.

Another problem of immediate concern is the degree of Jordanian dependence on U.S. assistance. From October 1956 until April 1957 a pro-Egyptian, pro-Syrian, pro-Soviet Government was in power in Jordan. This Government terminated the treaty of 1946 between Jordan and Great Britain and thereby lost the country's major source of foreign exchange and the principal element of stability in its budget. Egypt, Syria and Saudi Arabia agreed to provide $35 million annually for Jordan to replace British assistance. In April 1957 the King of Jordan dismissed the disloyal ministers and appointed a cabinet of pro-Western, anti-communist leaders. Egypt and Syria retaliated by withholding the aid which they had promised. This caused a financial crisis which was met by emergency grants of U.S. aid. Withdrawal of British assistance has left a large budgetary and balance of payments deficit which is now covered by aid from the U.S. and Saudi Arabia, together with small contributions by Great Britain and Iraq. **Efforts are currently being made to convince the United Kingdom and Iraq that they should assume a greater share of the aid requirements.**

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

Western Germany is also being requested to assist.

Development of Jordan's land, water and mineral resources will help to reduce the need for external aid. During FY 1958 the U.S. agreed to provide up to $10 million in the form of grants and/or loans to assist in financing mutually acceptable economic development projects as rapidly as such projects can be properly engineered and costed. The progress of these projects must be taken into account in assessing future program requirements. Even with optimum development, however, Jordan will not become a viable economy unless the greater part of the refugee population is resettled outside the country.

The more basic problems which impede the achievement of economic objectives in Jordan are over-population, lack of natural resources and technical skills, inadequate development, unemployment and under-employment, and low levels of production and consumption. An integrated program of technical assistance and economic development should gradually ameliorate these conditions and reduce Jordan's need for foreign aid. **Proposals to the Development Loan Fund may provide the means of carrying on some such activities.**

Proposed FY 1959 Program

Technical Cooperation: A $1.75 million program is proposed in order to continue to train competent teachers, technicians and public servants and to help develop and demonstrate improved techniques in agriculture, education, health and sanitation, industry, transportation, community development and public administration.

Special Assistance: **$25 million is proposed to assist the Jordan Government to maintain essential governmental operations and services in agriculture, education, health, national security, public works, welfare and other necessary governmental functions. This amount has been calculated as the minimum needed to assure Jordan's ability to meet its budget requirements.**

ECONOMIC ASSISTANCE – PROJECT ASSISTANCE BY FIELD OF ACTIVITY

(In thousands of dollars)

Function and Fiscal Year	Total Cost	Agriculture and Natural Resources	Industry and Mining	Transportation	Labor	Health and Sanitation	Education	Public Administration	Community Develop., Social Welfare & Housing	General and Miscellaneous
ACTUAL FY 1957										
Defense Support										
Development Assistance										
Technical Cooperation	1,200	161	40			118	112	32		737
Other Programs										
Total	1,200	161	40			118	112	32		737
ESTIMATE FY 1958										
Defense Support										
Special Assistance	10,000	3,000	1,000	3,000			500		500	2,000 a/
Technical Cooperation	1,750	326	121	284		258	156	44	30	531
Other Programs (or DA)										
Total	11,750	3,326	1,121	3,284		258	656	44	530	2,531
PROPOSED FY 1959										
Defense Support										
Special Assistance										
Technical Cooperation	1,750	350	55	270		250	145	75	155	450
Total	1,750	350	55	270		250	145	75	155	450

a/ Municipal Public Works

Country: JORDAN

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
Agriculture and Natural Resources - Total	350	176	36		58	80			
Agricultural Extension	160	80	18		27	35			
Agricultural Research	190	96	18		31	45			
Industry and Mining - Total	55	16	6	10	4	19			
Technical Advice and Assistance to Selected Industries	55	16	6	10	4	19			
Transportation - Total	270	176	44		46	4			
Highway Administration	270	176	44		46	4			
Health and Sanitation - Total	250	98	47		40	65			
Health Training and Education	100	32	23		10	35			
Community Health Centers	40	16	12		4	8			
Environmental Sanitation	110	50	12		26	22			
Education - Total	145	48	55		8	34			
Agricultural Education	45	16	14			15			
Industrial Education	30	16	6		8				
Training of Jordanian Nationals	70	16	35			19			
Public Administration - Total	75	50	25						
Community Development - Total	155	16	12	125		2			
Community Development	30	16	12			2			
Community Development Pilot Operation	125			125					
General and Miscellaneous - Total	450	220			84	146			
Technical Support	450	220			84	146			
Total Technical Cooperation	1,750	800	225	135	240	350			

Country: JORDAN

TABLE II

ECONOMIC ASSISTANCE

COMPOSITION OF NON-PROJECT ASSISTANCE

(In thousands of dollars)

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

Commodities and Other	PROGRAM		
	Actual FY 1957	Estimate FY 1958	Proposed FY 1959
Cash grant for budgetary support	20,000	20,000	25,000

JORDAN

Part of past MSP assistance to Jordan consisted of U.S. wheat shipments valued at $1.1 million which were financed with FY 1952 funds under PL 165 and $4.1 million of other imports financed with FY 1954 funds under PL 665. No local currency generating import programs have been funded since FY 1954, and there are no significant accumulations of local currency available for present programming or expenditure.

The local currencies deriving from these earlier transactions were put to immediate use. The proceeds of the sale of these commodities were used to help support projects which have increased the technical proficiency of Jordanians in the field of agriculture, industry, transportation, health, education and community development and for other projects which have improved and expanded the productive base in Jordan. They financed the local costs of technical assistance and economic development projects supported by the dollar aid program and were used to pay salaries of Jordanian technicians, wages of daily-paid workers, local costs of contract services and costs of locally available commodities needed to carry out approved projects.

Unfortunately, the commodity import program was accompanied by a series of difficulties encountered by importers in meeting Jordanian exchange control requirements, which made continuation of this form of local currency generation impracticable.

While local currency requirements in Jordan are large and continuing, the trade and consumption pattern does not lend itself readily to large-scale generation through sale of MSP-financed imports. Normally self-sufficient in wheat, Jordan does not afford the possibility of local currency generation through sales under Section 402 or PL 480.

The bulk of current and proposed U.S. and other assistance to Jordan provides the Jordanian Government with the balance of resources required to meet its internal operating expenses. The magnitude of this requirement has been the major determinant in establishing MSP aid levels. It has been impracticable to provide the level of budget support required through an import program channel and direct dollar transfers are effected as needed. Where economic development project requirements are involved the dollar aid determination depends on the needs of the activities to be undertaken.

TABLE III

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

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

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

Country: JORDAN

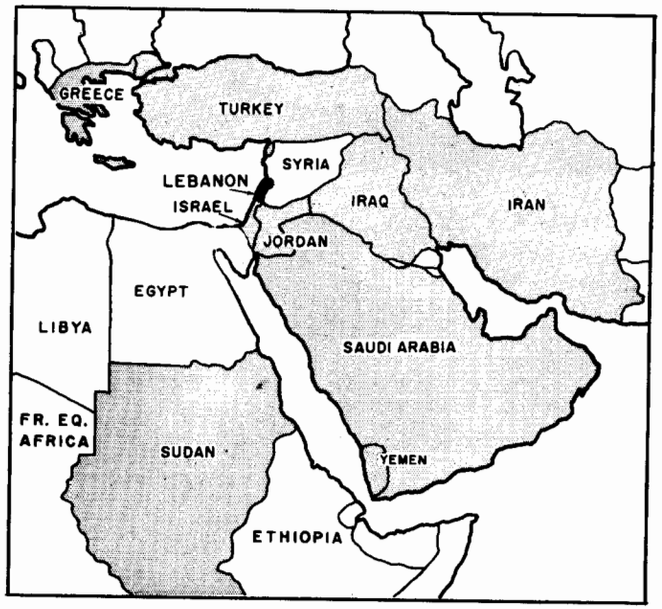
STATUS OF LOCAL CURRENCY FUNDS
(Administered by MSP Agencies)

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 . .							
Deposits							
Obligations							
Expenditures							
COUNTERPART							
Potential Generation from U.S. Dollar Program . .	5,199		5,199		5,199		5,199
Deposits	5,003	196	5,199		5,199		5,199
Commitments	5,199		5,199		5,199		5,199
Expenditures	4,478	693	5,171	28	5,199		5,199
P.L. 480 TITLE I							
Potential Generation from U.S. Dollar Program . .							
Deposits							
Obligations							
Expenditures							
OTHER LOCAL CURRENCY							
Potential Generation from U.S. Dollar Program . .							
Deposits							
Commitments							
Expenditures							

LEBANON



ECONOMIC TRENDS

	Unit	Calendar Years 1954	1955	1956	1957Est.
GROSS NATIONAL PRODUCT					
Total GNP *(In 1955 Prices)*.	$ Millions	500	510	560	550
Per Capita GNP	Dollars	362	359	386	372
PRODUCTION					
Agricul. Prod. Index[a]	1952-54=100	103	86	121	117
Citrus fruits	1,000 MT	83	90	93	93
Wheat	"	56	52	55	54
FOREIGN TRADE					
Total Exports (f.o.b)	$ Millions	29	33	40	44
Fruits	"	6	6	7	7
Total Imports (c.i.f)	"	174	218	237	242
Trade Balance	"	-145	-185	-197	-198
FOREIGN EXCHANGE RESERVES .... (end of year)	$ Millions	76	87	88	100
COST OF LIVING INDEX	1953=100	95	96	102	110

BASIC DATA

Population	1.5 million
Annual Growth	2.3 percent
Agricultural Land	25% of area
Agri. Land per Capita	0.5 acre
Literacy Rate	65-80 percent

	LEBANON	U.S.
Life Expectancy *(Years)*.....	n.a.	70
Inhabitants per Physician ..	1,200	760
Road Miles per 1,000 sq.mi..	556	1,020
Electric Power per Capita... (KWH per year)	150	4,070

CENTRAL GOVERNMENT FINANCES

Country Fiscal Year Ending - December 31	- $ Millions - 1954	1955 (Budget)	1956 (Budget)
Total Expenditures.....	65.1	61.5	71.2
Revenues, excl. receipts of U.S. Grant Aid....	79.5	61.5	71.2
Deficit or Surplus before U.S. Grant Aid....	14.4	-	-
Budgetary Receipts from U.S. Grant Aid.....	-	-	-
Budgetary Receipts from U.S. Loans.....	-	-	-
DEFENSE EXPENDITURES			
Total Defense Expenditures.....	6.7	6.7	7.1
As percent of Total Gov't Expenditures.....	10%	11%	10%
As percent of Gross National Product	1%	1%	1%
TOTAL DEBT (gross).....	7.5	n.a.	4.2
As percent of GNP.....	1%	n.a.	1%
Foreign Debt.....	-	n.a.	4.2

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

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

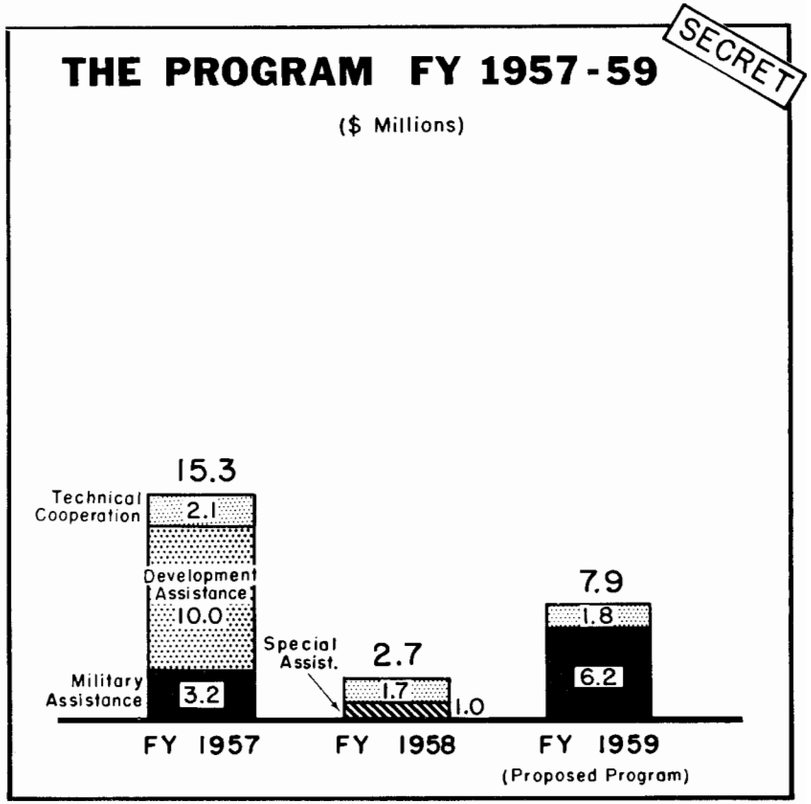
Country LEBANON

MUTUAL SECURITY PROGRAM

U.S. Interests: Lebanon is a constitutional republic located in a strategic position as a trade and communications center at the eastern end of the Mediterranean. It is a center of western influence, culture, and commercial interest in the Near East. It has a long land frontier with Syria where pro-Soviet elements have recently consolidated their power.

Lebanon's population of approximately 1,500,000 persons is divided almost equally between Christians and Moslems. Lebanon has traditionally maintained close and friendly relations with the West, although an active element of the population, for the most part Moslem, favors a policy of "positive neutralism" similar to that of Egypt and Syria. In November 1956 President Chamoun replaced a cabinet dominated by Arab Nationalist sentiment with a firmly pro-Western cabinet. This Government was the first one in the Near East to give formal support to the American Doctrine including a forthright statement condemning Communism. Opposition to the Lebanese Government's pro-Western policy has received support from pro-Egyptian, pro-Syrian and pro-Soviet elements. The present Government has thus undertaken serious political risks to maintain a pro-Western posture. It is in the interest of the United States to support this Government. To that end, aid has been given to the Lebanese Army and security forces and to economic development projects.

Approximately 95% of Lebanon's trade is with non-Communist countries. The Lebanese business community is organized according to western concepts of free enterprise and prefers to maintain Lebanon within the western market. Soviet bloc countries, however, are actively attempting to increase their trade with Lebanon, and the Soviet Union has made it known that Lebanon could receive economic assistance from the Soviet bloc similar to that received by Egypt and Syria. It is in the U.S. interest to assist the Lebanese Government to maintain a healthy economy and to stimulate economic development in order to provide an example for other countries of the Near East of the benefits to be obtained from cooperation with the Free World.



Obligations and Expenditures $ in thousands			
MILITARY ASSISTANCE	PROGRAMMED	DEL./EXP.	UNLIQUIDATED
Cumulative 6/30/57	3,233	1,951	1,282
Estimate F.Y. 1958		1,281	XXX
Cumulative 6/30/58	3,233	3,232	1
ECONOMIC ASSISTANCE	OBLIGATIONS	EXPENDITURES	UNLIQUIDATED
Cumulative 6/30/57	34,963	17,540	17,423
Estimate F.Y. 1958	2,650	7,620	XXX
Cumulative 6/30/58	37,613	25,160	12,453

MILITARY ASSISTANCE

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

Lebanon

Major Components by Category (all values in thousands of dollars)	Annual Programs				Del./Exp. F.Y. 1950-58 Programs		
	Quantity and Value		Proposed F.Y. 1959		Estimate F.Y. 1958	Cumulative June 30, 1958	F.Y. 1959 and Later
	F.Y. 1957	F.Y. 1958	Quantity	Value			
Country Total	$3,233	-	-	$6,176	$1,281	$3,232	$1
Aircraft, Components, Spares & Related Equip.	-	-	-	-	-	-	-
Ships, Harbor Craft, Components and Spares	-	-	-	-	-	-	-
Tanks, Other Vehicles, Weapons, Comp. & Spares	$1,431	-	-	$4,494	$ 98	$1,431	-
Tank, Light, M24, M41	-	-	18	$1,356	-	-	-
Carrier, Personnel (all models)	-	-	15	$ 617	-	-	-
Tractor, HS, 13 Ton, M5 Series	22	-	-	-	-	22	-
Tractor, HS, 18 Ton, M4 Series	-	-	4	$ 102	-	-	-
Truck, 1/4 Ton, 4x4 (all models)	37	-	10	$ 106	12	37	-
Truck, 2 1/2 Ton, 6x6, Cargo (all models)	64	-	76	$ 368	-	64	-
Truck, 5 Ton, 6x6, Cargo (all models)	-	-	15	$ 181	-	-	-
Truck, 4-5-6 Ton, 6x6, Wrecker	3	-	-	-	-	3	-
Howitzer, 105mm M2, Al w/carriage or mount	18	-	-	-	-	18	-
Howitzer, 8" (all models)	-	-	4	$ 227	-	-	-
Rifle, 106mm, w/mount	12	-	-	-	12	12	-
Ammunition	$ 435	-	-	$ 928	$ 81	$ 435	-
Cartridge, 40mm (all types) (M Rds)	-	-	12	$ 67	-	-	-
Cartridge, 90mm, HE, w/f (M Rds)	-	-	8	$ 264	-	-	-
Cartridge, 105mm, How, HE (all types) (M Rds)	11	-	6	$ 150	-	11	-
Cartridge, 155mm How, HE (all types) (M Rds)	-	-	6	$ 246	-	-	-
Cartridge, 8" How (all types) (M Rds)	-	-	1	$ 88	-	-	-
Electronics & Comm. Equipment, Comp. and Spares	$ 977	-	-	$ 214	$ 956	$ 977	-
SCR-506 (AN/GRC-19) Radio	74	-	-	-	74	74	-
SCR-608 (AN/GRC-5) Radio	53	-	-	-	53	53	-
AN/TRC-3 Radio Terminal	-	-	6	$ 30	-	-	-
AN/TPS-1 Radar	4	-	2	$ 52	4	4	-
AN/TRC-4 Radio Relay	-	-	3	$ 33	-	-	-
Other Materiel	$ 390	-	-	$ 540	$ 146	$ 389	$1
Construction	-	-	-	-	-	-	-
Training	-	-	-	-	-	-	-
All Other	-	-	-	-	-	-	-

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

Lebanon

Objectives of Military Assistance:

(a) Encourage and support the Lebanon Government as one of the more moderate and responsible voices in the Arab world.
(b) Provide the Lebanon Government with the capability of maintaining internal security.
(c) Provide the Lebanon Government with a modest capability of deterring or resisting external aggression
(d) Provide to the area an example of the effectiveness of U.S. - Arab cooperation.

Major Combat Forces:

Strategic Objectives	MAP Supported
1 Division	None

Active Military Strength: 11,892

MAP Accomplishments: The U.S. has provided $3.8 million of military equipment under Section 401 during the past year. This included $1.6 million in engineering and communications equipment, early in the year, and $2.2 million in arms and military vehicles by a Richards' Mission commitment. The only U.S. military equipment previously provided was 25 recoilless rifles and ammunition ($264 thousand) which was sold to Lebanon in 1956. The majority of the military equipment for the Lebanon Armed Forces has been provided by France and the U.K.

Appraisal of Forces:

Army: Can maintain marginal internal security, but could provide only a token defense against external aggression from either adjacent country.

Navy: Can patrol the Beirut harbor and immediate adjacent waters.

Air Force: Can provide limited reconnaissance and ground support for the Army.

Factors preventing greater effectiveness of forces are: limited manpower, limited geography, shortage of technical skills, inadequate materiel reserves, and lack of standardization of military materiel.

PROGRAMS (In Thousands Dollars)	FY 1957	FY 1958	Proposed FY 1959
Country Programs	3,233	-	6,176
Portion Special Materiel Program	(130)	(100)	(2,000)
Total	(3,363)	(100)	(8,176)

Country Contributions:

0.7% of total population in the armed forces.
10% of national budget for the armed forces.

Proposed FY 1959 Program Provides: In order to continue to support the western oriented Government of Lebanon, it is planned in FY 1959 to provide a modest buildup of the Lebanese Army to ensure the maintenance of internal security and to develop some capability to counter the increased Syrian threat.

In addition, negotiations concerning limited air force assistance for Lebanon are currently underway and are expected to result in a requirement to provide six jet aircraft. Therefore, for FY 1959, in addition to the $6.1 million country program already planned for the army, $2 million for this air force assistance is included in the "Special Materiel Program" for Lebanon indicated above and is discussed in the Special Materiel Section of the Non-Regional Book.

Miscellaneous Data: U.S. excess stock delivered (no change) through 30 June 1958: $0. Military sales through June 1957: .3 million.

There are no U.S. MAAG or Mission personnel in the country.

Country: LEBANON

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	Dev Asst	Tech. Coop.	Other	Total	Sp Asst	Tech. Coop.	Other	Total	DS or SA	Tech. Coop.
PROJECT ASSISTANCE											
Technicians	777		777		700	50	650		847		847
Participants	214		214		221	100	121		145		145
Contractual Services	617		617		499		499		325		325
Supplies and Equipment	71		71		880	850	30		42		42
Contrib. to Coop. Services											
Other Costs	421		421		350		350		391		391
Total Project Assistance	2,100		2,100		2,650	1,000	1,650		1,750		1,750
NON-PROJECT ASSISTANCE											
Agric. Commodities Total											
Surplus											
Other											
Industrial Commodities Total	10,000	10,000									
Raw Materials and Fuels	9,645	9,645									
Machinery and Equipment	355	355									
Other Indus. Commodities											
Cash Transactions											
Other											
Total Non-Project Assistance	10,000	10,000									
TOTAL COUNTRY PROGRAMS	12,100	10,000	2,100		2,650	1,000	1,650		1,750		1,750
NUMBER OF PEOPLE											
Technicians (On duty close of year)	54		54		58	2	56		53		53
U.S. Employed	40		40		41	2	39		42		42
Contract	14		14		17		17		11		11
Porticipants (Programmed during year)	87		87		54	20	34		67		67
Non-Contract	87		87		54	20	34		67		67
Contract											

GPO 934793

Country LEBANON

ECONOMIC ASSISTANCE

Objectives

- To assist the Lebanese Government to accelerate its economic development plans and programs.
- To help narrow the gap in food production by giving technical assistance in agricultural research, demonstration, and extension.
- To assist its education programs, to encourage private industry to improve production techniques, research, management, and training.
- To assist in improving transportation by helping to improve techniques used in building roads and airports.
- To promote the development of the rural areas of Lebanon by providing power transmission and village water supply.

Accomplishments

American influence remains strong in Lebanon and the present government consistently takes a strong pro-Western position on many international issues in the UN and elsewhere. The $10 million Development Assistance commitment made to Lebanon in FY 1957 was the first aid grant under the terms of the Middle East Resolution. This assistance is being used for the procurement of iron and steel, copper wire, pumps, transformers, pipe, asphalt, lumber and sawmill products to be used in the overall development program. Development and program activities include some initiated in earlier years in agriculture, industry, transportation, labor, education, and internal security.

An English Language Teaching project has been an outstanding success. The number of students has risen by 30-50% per annum during the past several years. This is a joint project now reaching 3000 students per year. An Industry Institute, established with U.S. technical assistance, is now filling a real need in Lebanon, both in providing actual technical assistance to growing industry and in demonstrating U.S. interest in facilitating the growth of industry.

Major Problems: Lebanon is poor in commercially exploitable mineral and other natural resources. Strategic location and well developed commercial facilities give it an important service function as communications hub, financial center, "safehaven" and distribution point for its Arab neighbors. The Christian element in Lebanon, officially estimated at half the population, is the strongest source of support for the overt pro-Western attitude of the Government. Lebanese trade prosperity is equally dependent on its association with the west and on friendly relations with the Arab States of which Syria is the most important trading partner. To the extent that Soviet influence and improvement of Syrian facilities reduces Syrian use of Lebanese facilities, the Lebanese economy will suffer. If the large scale Soviet aid is effective in producing economic gains for Syria, opponents to the present Government may increase pressure to induce a change in the attitude of open support for the west displayed to date. The effective counter to such criticisms would be a display of achievement stemming from association with the west and energetic use of Lebanese financial and human resources. Lebanon has not entirely defined or explored it possibilities for further economic growth.

Summary of Program $ in thousands

Function	Actual F.Y. 1957	Estimate F.Y. 1958	Proposed F.Y. 1959
Defense Support			
Development Assistance	10,000		
Special Assistance		1,000	
Technical Cooperation	2,100	1,650	1,750
Other Programs			
Total	12,100	2,650	1,750

Social stresses are mounting in Lebanon, as the stability of traditional feudal controls in rural areas is weakened by the advance toward a fully employed modern industrial and trading state. With domestic peace between Christian and Moslem, the lure of higher standards of living is drawing people from mountain villages to the cities. This trend can be offset by the introduction of improved agricultural techniques and the extension to rural areas of basic living comforts.

U.S. assistance to Lebanon helps expand facilities, such as roads, airports, and the Industry Institute, and improve the rural standard of living by assisting development of village water supply, low cost housing and power transmission. Agricultural extension and research assistance are also significant. During FY 1957 a total of $12.1 million in economic and technical assistance was made available to Lebanon. Despite initial delays and procedural difficulties of the Government of Lebanon, contracts are now being let. Engineering and design work has been proceeding for a $4 million road development program. Unexpended balances from these programs are being utilized during FY 1958.

Border incidents with Syria and difficult internal security problems led early in FY 1958 to an appeal for special U.S. assistance to the Lebanese Civil Police. In response, a $1 million

program was planned for FY 1958; $750,000 is supplying equipment and $250,000 is available to supply technical advisors and participant training.

To date there is no request to provide direct assistance in public administration to the Government of Lebanon, although improved administration is greatly needed. However, every effort is made to effect improvement in this area through all technical assistance activities whether they involve work of U.S. technicians or training of Lebanese participants.

Proposed FY 1959 Program

The Technical Cooperation program of $1,750,000 is proposed, mainly to continue the FY 1958 program. The program emphasizes technical services and training activities and is designed to meet the needs of the economic programs now underway in Lebanon. It will continue to support the development of an agricultural extension service, improvement of crop and soil management practices, marketing and credit facilities; improve and encourage production and management of small industries, through the Industry Institute; assist in planning a country-wide power transmission system to provide power to rural villages; and give technical advice in bringing safe water supply to rural villages. A continued labor project will demonstrate to officers and members of free trade union federations improved methods of carrying out their duties and assist in developing workers vocational courses within existing facilities. Technical advice on development of national level housing management and administration will continue.

ECONOMIC ASSISTANCE – PROJECT ASSISTANCE BY FIELD OF ACTIVITY

(In thousands of dollars)

Function and Fiscal Year	Total Cost	Agriculture and Natural Resources	Industry and Mining	Transportation	Labor	Health and Sanitation	Education	Public Administration	Community Develop., Social Welfare & Housing	General and Miscellaneous
ACTUAL FY 1957										
Defense Support										
Development Assistance										
Technical Cooperation	2,100	562	512	78	62	288	191	23	201	183
Other Programs										
Total	2,100	562	512	78	62	288	191	23	201	183
ESTIMATE FY 1958										
Defense Support										
Special Assistance	1,000							1,000		
Technical Cooperation	1,650	233	522	81	104	81	84		71	474
Other Programs (or DA)										
Total	2,650	233	522	81	104	81	84	1,000	71	474
PROPOSED FY 1959										
Defense Support										
Special Assistance										
Technical Cooperation	1,750	230	425	205	50	45	100	100	65	530
Total	1,750	230	425	205	50	45	100	100	65	530

Country: LEBANON

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
Agriculture and Natural Resources - Total	230	158	46		15	11			
Agricultural Extension	88	64	11		10	3			
Animal Resources Development	64	37	20		5	2			
Plant Resources Development	78	57	15			6			
Industry - Total	425	42	19	325		39			
Industry Institute	252		15	225		12			
Power Transmission	140	26	2	100		12			
Village Water Supply	33	16	2			15			
Transportation - Total	205	173	15			17			
Beirut Airport	23	13	4			6			
Public Roads Development	182	160	11			11			
Labor - Total	50	15	20		3	12			
Labor Education	50	15	20		3	12			
Public Health - Total	45	25			9	11			
Health and Vital Statistics	45	25			9	11			
Education - Total	100		5			95			
Adult Education (English Language Study)	100		5			95			
Public Administration - Total	100	50	30		5	15			
Gendarmerie Training Program	100	50	30		5	15			
Housing - Total	65	44	10			11			
National Housing Program	65	44	10			11			
General and Miscellaneous - Total	530	340			10	180			
Joint Planning and Economic Development	5					5			
Technical Support	525	340			10	175			
Total Technical Cooperation	1,750	847	145	325	42	391			

Country: LEBANON

ECONOMIC ASSISTANCE

TABLE II

COMPOSITION OF NON-PROJECT ASSISTANCE

(In thousands of dollars)

Commodities and Other	PROGRAM		
	Actual FY 1957	Estimate FY 1958	Proposed FY 1959
Fuel - Asphalt	984		
Raw Materials and Semi-Finished Products	8,661		
Iron and Steel - Towers	2,000		
Iron and Steel - Pipe	3,614		
Iron and Steel - Insulators	259		
Lumber and Sawmill Products	458		
Copper and Copper Products	2,330		
Machinery and Vehicles	355		
Transformers			
Total Non-Project Assistance Program	10,000		

LEBANON

MSP assistance to Lebanon has been provided in the form of support to particular projects or as imports for the account of the Government of Lebanon. Neither form of activity provided for resale within Lebanon. In FY 1954 and FY 1957, Lebanon had agreed to establish a special account in Lebanese pounds in an amount equivalent to the dollar value of U.S. financed government imports, and to use such funds for development projects mutually agreed upon by the U.S. and Lebanon. The balance of the amounts originating from FY 1954 funding are expected to be fully expended by FY 1959.

The U.S. financed imports provide added resources to the Lebanese economy, enabling the Lebanese Government to pursue a desirable program of development. The local currency deposits represent a Lebanese set-aside of budgeted government revenues, and as such add nothing to Lebanon's total resource availabilities. There have been instances, however, where dollar financed projects have been inadequately supported in terms of Lebanon's contribution of local currency. The creation of the special account was designed to assure availability of local currency required for rapid and efficient installation and use of dollar-financed equipment. Special account funds, therefore, have been directly related to the use of MSP dollar appropriations and for the specific developmental purposes for which the dollar-financed equipment was provided.

It is questionable whether the enforced deposit of local currency under circumstances which do not, under strict interpretation of the Mutual Security Act, require such deposit - has proved to be genuinely in the U.S. interest. The Lebanese Government has in recent months indicated its readiness to undertake expenditures of Lebanese pounds in an amount which will assure full and prompt use of arrivals of U.S. financed equipment, but has requested release from an agreement to deposit the pound value of U.S. aid into an account which it believes to be subject to U.S. permissive control. The "counterpart issue" has become a target for opposition criticism and a liability to the present pro-Western government. Pursuant to Lebanon's request, the U.S. has recently agreed to such release with respect to the balance of the FY 1957 program. Lebanon has already deposited some 8 million Lebanese pounds (the equivalent of $2.5 million). These funds will be used for agreed purposes and are expected to be fully committed and expended by the end of FY 1959. No further deposits are required. Lebanon is not in FY 1958, nor is it expected to be in FY 1959, the recipient of any form of aid calling for any form of local currency deposit.

TABLE III

(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)

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: LEBANON

STATUS OF LOCAL CURRENCY FUNDS
(Administered by MSP Agencies)

(In thousands of dollar equivalent)

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

TABLE IV

Type of Programs Generating Local Currencies and its Utilization	ACTUAL FY 1957			ESTIMATE FY 1958		PROPOSED FY 1959	
	Cumulative Through 7/1/56	Net Change	Cumulative Through 6/30/57	Net Change	Cumulative Through 6/30/58	Net Change	Cumulative Through 6/30/59
MSP U.S.-OWNED LOCAL CURRENCIES							
Potential Generation from U.S. Dollar Program							
Deposits							
Obligations							
Expenditures							
COUNTERPART							
Potential Generation from U.S. Dollar Program		2,500	2,500		2,500		2,500
Deposits				2,500	2,500		2,500
Commitments				2,500	2,500		2,500
Expenditures						2,500	2,500
P.L. 480 TITLE I							
Potential Generation from U.S. Dollar Program							
Deposits							
Obligations							
Expenditures							
OTHER LOCAL CURRENCY							
Potential Generation from U.S. Dollar Program	903		903		903		903
Deposits	903		903		903		903
Commitments	582	50	632	271	903		903
Expenditures	267	245	512	391	903		903

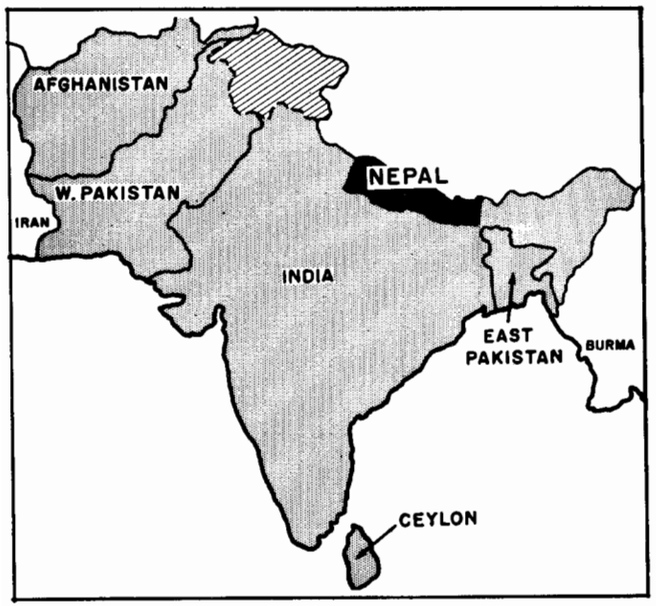
Country: LEBANON

TABLE V

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

PURPOSE AND ACTIVITY	FY 1957			FY 1958			FY 1959		
	MSP Source	P.L. 480 Title I Source	Other Sources	MSP Source	P.L. 480 Title I Source	Other Sources	MSP Source	P.L. 480 Title I Source	Other Sources
MILITARY PURPOSES									
Projects									
Budget Support									
Military Procurement									
Total Military Purposes									
ECONOMIC PURPOSES									
Project Assistance by Field of Activity									
Agriculture									
Industry and Mining									
Transportation			50	1,500		271			
Labor									
Health and Sanitation									
Education									
Public Administration									
Community Development, Social Welfare and Housing				1,000					
General and Miscellaneous									
Total			50	2,500		271			
Budget Support (Not Elsewhere Classified)									
Total Economic Purposes			50	2,500		271			
Procurement for Third Country	XXX			XXX			XXX		
TOTAL ALL PURPOSES			50	2,500		271			

NEPAL



ECONOMIC TRENDS

	Unit	Calendar Years 1954	1955	1956	1957Est.
GROSS NATIONAL PRODUCT					
Total GNP *(In 1955 Prices)*.	$ Millions			345	
Per Capita GNP	Dollars			40	
PRODUCTION					
Rice, rough[a]	1,000 MT	1,150	1,225	1,050	
TRADE WITH U.S. *(US Customs Data)*					
Exports to U.S. (f.o.b) ...	$ Thousands	120	110	87	48
Imports from U.S. (f.o.b)..	"	4	23	45	21
Trade Balance with U.S. .	"	116	87	42	27
FOREIGN EXCHANGE RESERVES.... (end of year)	$ Millions		NOT	AVAILABLE	

BASIC DATA

Population	8.9 million
Annual Growth	2 percent
Agricultural Land	25% of area
Agri. Land per Capita	1 acre
Literacy Rate	2 percent

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

CENTRAL GOVERNMENT FINANCES

Country Fiscal Year Ending - July 15	- $ Thousands - 1955
Total Expenditures.....	11,849
Revenues, excl. receipts of U.S. Grant Aid....	7,158
Deficit or Surplus before U.S. Grant Aid....	-4,691
Budgetary Receipts from U.S. Grant Aid.....	451
Budgetary Receipts from U.S. Loans.....	–
DEFENSE EXPENDITURES	
Total Defense Expenditures.....	3,266
As percent of Total Gov't Expenditures.....	27%
As percent of Gross National Product.....	n.a.
TOTAL DEBT (gross).....	
As percent of GNP.....	
Foreign Debt.....	

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

Country NEPAL

MUTUAL SECURITY PROGRAM

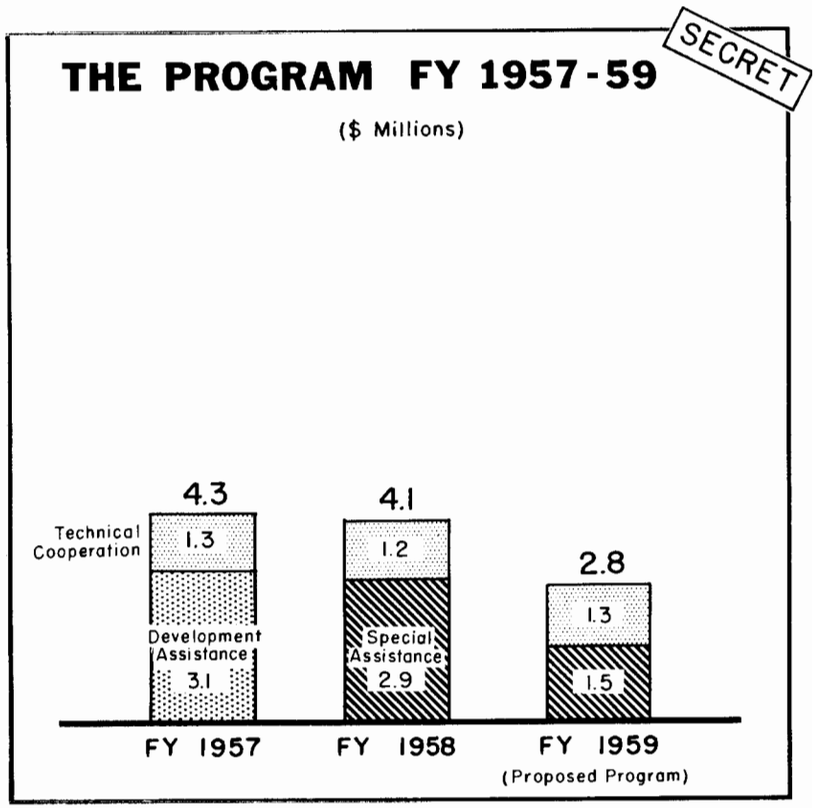
Shaded areas are Security classified and must not be divulged to unauthorized individuals. All other material is unclassified.

U.S. Interests: Situated along the southern slope of the Himalayas, Nepal is bordered on the north by Communist Chinese-dominated Tibet, and on the south by India. As such it forms a strategic part of the frontier of free Asia with the Communist bloc.

United States interests in Nepal include the desire to see the country maintain its independence and sovereignty in the face of the clear and present danger of penetration and absorption by its neighbor to the north, Communist China. If Nepal were to fall into the Communist orbit, India's natural defense to the north, the Himalayas, would be breached.

Our interests lie in helping the Nepalese Government to unify the country and thereby to enhance the stability of the regime. Nepal does not enjoy a stable government. The existing government's control over large portions of the country, especially the northern mountainous areas, is tenuous, at best. A chief reason for the lack of governmental control is the almost total lack of speedy communications between the capital and the outlying areas. The major portion of our aid program efforts have been directed basically toward solving these problems. Until and unless Nepal enjoys a stable unified government, economic progress will be slow and will not satisfy the aspirations of the Nepalese people.

At the inception of our aid program in Nepal, the Indians exhibited considerable misgivings toward our intentions and our activities. However, the Indians gradually realized that our interest and theirs in Nepal were parallel to some extent. This realization has eased our problems in securing Indian cooperation in the execution of our aid program which is necessary because of geographical factors. Cooperation with India must be undertaken with great care, however, to avoid arousing the unfounded suspicions of the Nepalese that we have accepted the often ill-concealed Indian attitude that Nepal is, in effect, a protectorate of India. The Nepalese welcome our interest in Nepal and view it to some extent as a counterbalance to both of Nepal's neighbors, India and Communist China.



Obligations and Expenditures $ in thousands			
MILITARY ASSISTANCE	PROGRAMMED	DEL./EXP.	UNLIQUIDATED
Cumulative 6/30/57			
Estimate F.Y. 1958			XXX
Cumulative 6/30/58			
ECONOMIC ASSISTANCE	OBLIGATIONS	EXPENDITURES	UNLIQUIDATED
Cumulative 6/30/57	10,056	5,001	5,055
Estimate F.Y. 1958	4,065	2,615	XXX
Cumulative 6/30/58	14,121	7,616	6,505

Country: NEPAL

ECONOMIC ASSISTANCE

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

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

(In thousands of dollars)

MAJOR COST COMPONENT	ACTUAL FY 1957				ESTIMATE FY 1958				PROPOSED FY 1959		
	Total	Dev Asst	Tech. Coop.	Other	Total	Sp Asst	Tech. Coop.	Other	Total	Sp Asst	Tech. Coop.
PROJECT ASSISTANCE											
Technicians	476	75	401		888	329	559		898	372	526
Participants	188	35	153		159	60	99		139	34	105
Contractual Services	1,096	981	115		1,411	1,381	30		175	150	25
Supplies and Equipment	1,407	1,367	40		943	835	108		801	627	174
Contrib. to Coop. Services	568	338	230		424	270	154		246	25	221
Other Costs	612	293	319		240		240		491	292	199
Total Project Assistance	4,347	3,089	1,258		4,065	2,875	1,190		2,750	1,500	1,250
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	4,347	3,089	1,258		4,065	2,875	1,190		2,750	1,500	1,250
NUMBER OF PEOPLE											
Technicians (On duty close of year)	38	14	24		64	37	27		63	37	26
U.S. Employed	30	10	20		43	17	26		42	17	25
Contract	8	4	4		21	20	1		21	20	1
Participants (Programmed during year)	32	8	24		24	10	14		23	8	15
Non-Contract	32	8	24		24	10	14		23	8	15
Contract											

GPO 934793

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

Country NEPAL

ECONOMIC ASSISTANCE

Objectives

- To encourage Nepal in its plan for economic development through assistance.
- To help expand and up-grade national educational facilities.
- To help develop new, and improve existing small industrial plants.
- To help increase agricultural production.
- To help extend modern public health education and facilities.
- To help engineer the country's first vehicular road system.
- To help install a national telecommunications network thereby providing the means for continuous internal cultural and economic growth in the country.

Accomplishments

The expressed policy of the Government of Nepal is to establish a democratic form of government and to encourage the participation of private capital in its economic development plans. **Although Communist Chinese aid was accepted over a year ago, it has not yet been utilized and a reported open-end offer of economic aid from Soviet Russia has not been accepted.** U.S.-Nepal friendly relationships and mutual respect have been strengthened. Measurable progress has been achieved in assisting the Government of Nepal through specific projects in teacher training, rural school expansion, adult education, and establishing a modern national education policy; surveying existing industries and potential new industries, establishing an industrial Development Center, modernizing labor and industrial legislation, and conducting mineralogical surveys; improved agricultural practices, seed improvement, and irrigation; health education, establishment of rural clinics, malaria control and upgrading of existing hospital facilities; building roads and bridges, construction of irrigation dams and systems, contracting for installation of 27 mile aerial goods-carrying tramway; and designing a national telecommunications system.

Major Problems: Following a revolution in 1951, Nepal overthrew a despotic hereditary family dictatorship. Since then the country has been governed by a succession of Prime Ministers, appointed by the King, who holds absolute power, assisted by an advisory council of Ministers. A 3% literacy rate inhibits technical advance; an estimated $3 million yearly deficit in the operating budget poses financial problems even before any extended increase in development activity is superimposed. Growing internal pressures for higher living standards, focused in various groups representing the conflicting interests of Democracy and Communism, and external

Summary of Program $ in thousands

Function	Actual F.Y. 1957	Estimate F.Y. 1958	Proposed F.Y. 1959
Defense Support			
Development Assistance	3,089		
Special Assistance		2,875	1,500
Technical Cooperation	1,258	1,190	1,250
Other Programs			
Total	4,347	4,065	2,750

pressure from the Communist bloc and fear of India, present Government officials with a complex of economic and social problems difficult to overcome.

Two governments have fallen in 1957 and the King is presently exercising direct rule. Pressure for the first free elections in the country's history - now scheduled for early 1959 - has resulted in recent civil disobedience disorders in the capital and other populous centers. The disruption of orderly government temporarily retarded the implementation of the U. S. aid program in FY 1958.

Nepal's terrain varies from sub-tropical malaria-ridden plains on the south to the permanent Alpine region of the Himalaya Mountains on the north. Rough foot trails furnish the only east-west internal means of travel. One fair weather road connects the capital city with India. The isolation of concentrations of population in the central valley areas from one another by the formidable mountainous terrain retards social and economic development.

Nepal inaugurated a Five Year Plan for Economic Development in 1957 which encompasses all aspects of cultural and economic development, but places major emphasis on increasing agricultural and industrial production, constructing expanded transportation and communication systems, and enacting governmental reforms. To finance the estimated 5 year cost of $70 million will require extensive foreign assistance. Such assistance is desired and being sought from the governments of friendly free nations. **If the Government of Nepal concludes that the development promises they are making to their people cannot be met from Free World sources, they may feel it necessary to accept existing Communist bloc offers of assistance. In order to counteract the spread of Communism it is in our interests to assist Nepal in supporting feasible plans to achieve political and economic stability. Such U.S. support is also a stabilizing factor to the Nepalese who fear Indian as well as Communist encroachment.**

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

Proposed FY 1959 Program

A program of $2,750,000 is proposed for FY 1959. Proposed funds are for the continuation of current projects in both the technical assistance and special assistance programs, and encompass long range development projects as well as short range impact-type projects.

Special Assistance: **$1,500,000 is proposed to carry forward projects to upgrade existing hospital facilities, assist selected existing industries and develop economically feasible new industries, expand the internal transportation and communication facilities, and support technical assistance programs through the procurement of essential supplies and equipment.**

Technical Cooperation: A Technical Cooperation Program of $1,250,000 is proposed to continue training in industrial management, production and marketing, the expansion and strengthening of national education facilities, the improvement of public health education and training, increasing agricultural production and the extension of the Village Development Programs.

Other Programs: $5,000,000 approved in FY 1957 from Asian Economic Development Funds is the U.S. contribution to a regional project to which India has contributed $1,600,000 and Nepal $400,000 to construct a vital road system connecting Nepal with the Free World via India. Linking this international system with the internal road network will greatly facilitate the cultural and economic growth of Nepal. The basic international agreements signed in January 1958 initiate implementation of this program.

$1,350,000 Asian Economic Development Funds is presently under consideration for financing of a project to engineer and install a radio-telephone telecommunications system in Nepal, with international connections in India. This project will assist the political and economic unification of Nepal by expanding the internal and external commercial communication facilities. The connecting stations in India will be integrated with the present Indian communications network and reciprocal traffic charges with Nepal arranged by mutual agreement between these two countries.

ECONOMIC ASSISTANCE – PROJECT ASSISTANCE BY FIELD OF ACTIVITY

(In thousands of dollars)

Function and Fiscal Year	Total Cost	Agriculture and Natural Resources	Industry and Mining	Transportation	Labor	Health and Sanitation	Education	Public Administration	Community Develop., Social Welfare & Housing	General and Miscellaneous
ACTUAL FY 1957										
Defense Support										
Development Assistance	3,089		274	1,958		204				653
Technical Cooperation	1,258	130	77			144	316	3	165	423
Other Programs										
Total	4,347	130	351	1,958		348	316	3	165	1,076
ESTIMATE FY 1958										
Defense Support										
Special Assistance	2,875		764	1,808						303
Technical Cooperation	1,190	145	235			236	200		163	211
Other Programs (or DA)										
Total	4,065	145	999	1,808		236	200		163	514
PROPOSED FY 1959										
Defense Support										
Special Assistance	1,500		301	924						275
Technical Cooperation	1,250	209	54			232	223		282	250
Total	2,750	209	355	924		232	223		282	525

Country: NEPAL

ECONOMIC ASSISTANCE

TABLE I

DISTRIBUTION OF FY 1959 PROJECT ASSISTANCE

(In thousands of dollars and equivalent)

Functions and Projects	DIRECT U.S. DOLLAR COST - Proposed							Local Currency Cost - Proposed	
	Total	U.S. Technicians	Non-Contract Participants	Contracts	Commodities	Other Costs	Contributions to Cooperative Services	MSP includ. Counterpart	P. L. 480 Administered by ICA
TECHNICAL COOPERATION									
Agriculture and Natural Resources - Total	209	135	7		15	12	40		
Agricultural Extension	209	135	7		15	12	40		
Industry and Mining - Total	54	48				6			
Industrial Development Training	54	48				6			
Health and Sanitation - Total	232	81	35		37	19	60		
Public Health Administration	70	50	14			6			
Health and Sanitation Training	162	31	21		37	13	60		
Education - Total	223	55	49	25	30	28	36		
Rural Teacher Training	80		35	25	15	5			
Adult Education	143	55	14		15	23	36		
Community Development, Social Welfare, and Housing - Total	282	112	14		57	14	85		
Village Develop-Administration	46	34				7	5		
Village Develop-Field Service	79	36	14		2	2	25		
Village Develop-Training Schools	157	42			55	5	55		
General and Miscellaneous - Total	250	95			35	120			
Technical Support	250	95			35	120			
Total Technical Cooperation	1,250	526	105	25	174	199	221		

Country: NEPAL

ECONOMIC ASSISTANCE

DISTRIBUTION OF FY 1959 PROJECT ASSISTANCE

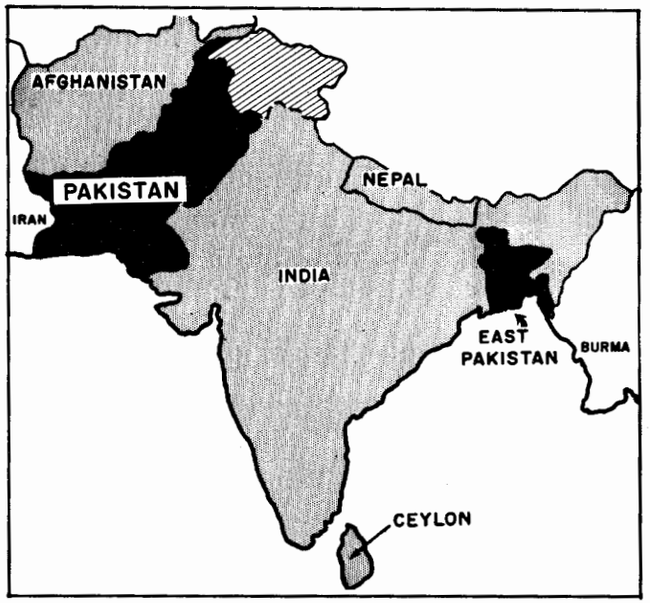
(In thousands of dollars and equivalent)

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

TABLE I

Functions and Projects	DIRECT U.S. DOLLAR COST - Proposed							Local Currency Cost - Proposed	
	Total	U.S. Technicians	Non-Contract Participants	Contracts	Commodities	Other Costs	Contributions to Cooperative Services	MSP includ. Counterpart	P. L. 480 Administered by ICA
SPECIAL ASSISTANCE									
Industry and Mining - Total	301	85	34	100	38	19	25		
Mineral Surveys	150	63	14		33	15	25		
Industrial Development Surveys	151	22	20	100	5	4			
Transportation - Total	924	232		50	549	93			
Regional Roads	170	135				35			
Suspension Bridges	624			50	549	25			
Public Works and Communications	130	97				33			
General and Miscellaneous - Total	275	55			40	180			
Technical Support	275	55			40	180			
Total Special Assistance	1,500	372	34	150	627	292	25		
GRAND TOTAL	2,750	898	139	175	801	491	246		

PAKISTAN



ECONOMIC TRENDS

	Unit	Calendar Years 1954	1955	1956	1957Est.
GROSS NATIONAL PRODUCT					
Total GNP *(In 1955 Prices)*.	$ Millions	4,140	4,200	4,330	4,450
Per Capita GNP	Dollars	51	51	52	52
PRODUCTION					
Agricul. Prod. Index[a]	1935-39=100	105	102	113	113
Wheat	1,000 MT	3,742	3,526	3,810	3,454
Rice, rough	"	12,828	10,997	13,803	14,062
Jute	"	907	1,234	1,234	1,234
FOREIGN TRADE					
Total Exports (f.o.b)	$ Millions	359	401	340	315
Jute[b]	"	168	181	180	150
Cotton[b]	"	150	90	106	75
Total Imports (c.i.f)	"	348	290	354	415
Trade Balance	"	11	111	-14	-100
FOREIGN EXCHANGE RESERVES[c] ... (end of year)	$ Millions	328	370	373	290
COST OF LIVING INDEX	1953=100	98	94	98	106

BASIC DATA

Population	85 million
Annual Growth	1.5 percent
Agricultural Land	21% of area
Agri. Land per Capita	0.6 acre
Literacy Rate	15 percent

	PAKISTAN	U.S.
Life Expectancy *(Years)*.....	32	70
Inhabitants per Physician ..	12,000	760
Road Miles per 1,000 sq.mi..	160	1,020
Electric Power per Capita... (KWH per year)	8	4,070

CENTRAL GOVERNMENT FINANCES

Country Fiscal Year Ending - March 31	- $ Millions - 1956	1957 (Budget)	1958 (Budget)
Total Expenditures.....	530	547	665
Revenues, excl. receipts of U.S. Grant Aid....	352	300	271
Deficit or Surplus before U.S. Grant Aid....	-178	-247	-394
Budgetary Receipts from U.S. Grant Aid.....	12	78	77
Budgetary Receipts from U.S. Loans.....	n.a.	6	19
DEFENSE EXPENDITURES			
Total Defense Expenditures.....	185	211	210
As percent of Total Gov't Expenditures.....	35%	39%	32%
As percent of Gross National Product.....	4.4%	4.7%	4.3%
TOTAL DEBT (gross).....	727	n.a.	
As percent of GNP.....	17		
Foreign Debt.....	37		

n.a. - Not Available a - Crops harvested in crop-year beginning in year stated.
b - Years ending June 30 of year stated. c - Issue Department of Central Bank.

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

U.S. Interests: Pakistan's two parts (East and West Pakistan) lie astride of India and border or adjoin Communist China and the USSR. Pakistan is about one-tenth the size of the United States - with a population estimated at 85,000,000. East Pakistan, separated from West Pakistan by 1,000 miles of Indian territory, has only 15% of the land area but 55% of the population.

Pakistan has not yet attained economic viability or political stability. Although predominantly agricultural, it continues to experience recurrent food crises. Politically, the decline of the Muslim League, the proliferation of political parties and the shifting of political allegiance among its leaders have resulted in frequent changes of government.

Both geographically and politically, Pakistan is an island of pro-western influence in the great land mass of Asia. American political, economic and strategic interests in South Asia are heavily buttressed and significantly advanced by having Pakistan as an ally. It has joined in a Mutual Defense Assistance Agreement with the U.S.

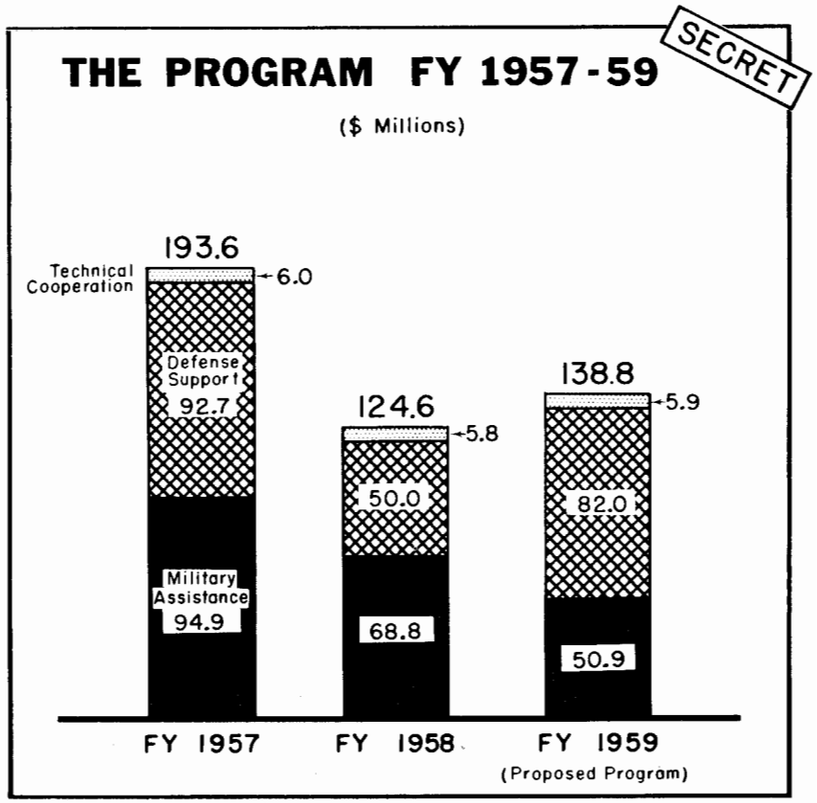
Pakistan has developed policies essentially pro-West in outlook and generally pro-United States in implementation. It is the only one of the five South Asian countries that has rejected "nonalignment" as a policy in favor of firm alliances with the West.

As a leading Asian and Moslem power, Pakistan's influence extends beyond the South Asian region. In its relations with other Moslem states and with other members of the Afro-Asian bloc, Pakistan can be an efficacious advocate of Western policies and can exert a moderating influence on the extreme nationalism and anti-Western attitudes of some of the members of these groups.

As a member both of the Baghdad Pact and SEATO, Pakistan is an important link in the regional security of the Middle East-Asian arc. In this capacity, Pakistan contributes not only military strength, but moral and psychological support.

As a member of the Commonwealth, the Colombo Plan and the United Nations, Pakistan's pro-Western orientation is often translated into an important source of support for United States' policies in the international arena.

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



Obligations and Expenditures $ in thousands			
MILITARY ASSISTANCE	PROGRAMMED	DEL./EXP.	UNLIQUIDATED
Cumulative 6/30/57	275,271	156,090	119,181
Estimate F.Y. 1958	68,760	78,020	XXX
Cumulative 6/30/58	344,031	234,110	109,921
ECONOMIC ASSISTANCE	OBLIGATIONS	EXPENDITURES	UNLIQUIDATED
Cumulative 6/30/57	341,002	195,314	145,688
Estimate F.Y. 1958	55,800	83,393	XXX
Cumulative 6/30/58	396,802	278,707	118,095

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

Pakistan

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	$94,907	$68,760	-	$50,855	$78,020	$234,110	$109,921
Aircraft, Components, Spares & Related Equip.	$ 342	$ 1,286	-	$ 2,606	$ 9,482	$ 37,147	$ 3,161
F-86F	-	-	13	$ 2,150	26	120	-
H-19	-	2	-	-	-	4	2
SA-16	-	-	-	-	4	4	-
T-33	2	-	-	-	2	16	-
Ships and Harbor Craft, Components and Spares	$14,169	$ 3,985	-	$ 5,182	$ 5,963	$ 19,227	$ 16,354
Coastal Minesweeper (MSC)	2	-	2	$ 4,262	-	4	4
Destroyer (DD) Modernization & Conversion	-	1	-	-	2	4	1
Landing Craft Medium (LCM)	6	-	-	-	6	6	-
Landing Craft Vehicle Personnel (LCVP)	6	-	-	-	6	6	-
Fuel Oil Barge (YO)	-	-	1	$ 530	-	-	-
Tanks, Other Vehicles, Weapons, Comp. & Spares	$26,352	$26,160	-	$ 6,402	$17,527	$ 69,451	$ 29,035
Pylon Tank, Type II, 120 Gallon	-	-	1,700	$ 456	-	-	-
Tank, Medium, M26, M46, M47, M48 Series	72	-	72	$ 3,115	-	72	-
Mount, Trailer, Multi, Cal..50, M3, M55	-	-	-	-	-	96	-
Carriage, Motor, Twin, 40mm Gun	-	34	-	-	-	-	34
Tractor, HS, 13 Ton, M5 Series	8	-	-	-	8	111	-
Tractor, HS, 18 Ton, M4 Series	50	-	-	-	12	54	-
Vehicle, Tank Recovery, M32 Series	9	9	-	-	5	18	9
Trailer, 1-1 1/2 Ton, 2 Wheel, Cargo	1,375	2,078	-	-	1,029	1,356	2,362
Truck, 1 Ton, Power Wagon	-	813	-	-	-	-	813
Truck, 1/4 Ton, 4x4 (all models)	1,238	905	12	$ 29	854	2,352	905
Truck, 3/4 Ton, 4x4, Cargo (all models)	208	-	-	-	232	588	-
Truck, 2 1/2 Ton, 6x6, Cargo (all models)	915	2,044	36	$ 257	671	2,249	2,376
Truck, 2 1/2 Ton, 6x6, Dump (all models)	-	13	-	-	-	-	13
Rifle, 106mm, w/mount	158	72	-	-	143	620	72
Ammunition	$ 7,520	$ 5,586	-	$ 7,585	$ 4,618	$ 20,405	$ 6,910
Cartridge, Cal..50 (all types) (M Rds)	954	378	432	$ 210	1,498	9,999	3,567
Cartridge, Fix. HE, w/f, PD, 90mm Gun(M Rds)	7	-	3	$ 108	-	21	5
Cartridge, HEAT, w/f 106mm Rifle (M Rds)	18	35	52	$ 2,061	-	21	35
Cartridge, HE, M1, w/f, 105mm How (M Rds)	45	-	27	$ 792	1	153	-
Cartridge, HE, 8' How (all types) (M Rds)	-	42	1	$ 100	-	1	42
Rocket, 2.75" FFAR w/Plaster Head	-	11,280	-	-	-	-	11,280
Electronics & Comm. Equipment, Comp. & Spares	$ 5,909	$ 2,756	-	$ 147	$ 4,140	$ 21,123	$ 6,547
SCR-508 (AN/GRC-3) Radio	-	13	-	-	-	431	13
AN/FPS-6 Radar	-	2	-	-	-	-	2
Other Materiel	$ 8,495	$ 3,779	-	$ 2,406	$10,312	$ 29,957	$ 8,229
Construction	$30,244	$23,095	-	$25,207	$24,859	$ 31,228	$ 38,142
Training	$ 1,876	$ 1,616	-	$ 1,320	$ 891	$ 5,344	$ 1,071
All Other	-	$ 497	-	-	$ 228	$ 228	$ 472

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

Pakistan

Objectives of Military Assistance: **Assist Pakistan in the development and support of armed forces which have the capability of maintaining internal security and resisting external aggression.**

Major Combat Forces:

Strategic Objectives	MAP Supported
5 1/2 Divisions	5 1/2 Divisions
23 Vessels	16 Vessels
10 Air Squadrons	8 Air Squadrons

Active Military Strength: 244,360

MAP Accomplishments: Since the signing of the US-Pakistan Mutual Defense Agreement in May of 1954, MAP has provided equipment, supplies and training, which, with the exception of the Light Bomber Squadron, fulfill the US military assistance commitment to Pakistan by completing the provision of equipment for 4 Infantry Divisions, 1 1/2 Armored Divisions and essential supporting units of the Army; equipment for 6 of the 7 squadrons of the Air Force; and replacement or modernization of 12 combatant vessels (minesweepers and destroyers) of the Navy. Also included have been essential communication and logistics facilities, training ammunition, and 30 day war reserve ammunition. This virtually completes the 1954 US commitment to Pakistan to complete equipment of stipulated forces.

Appraisal of Forces:

Army: Capable of maintaining internal security but not capable of defending its borders or maintaining its territorial integrity against an attack supported by USSR Ground or Air Forces, even when brought to full strength in men and equipment. East Pakistan is entirely vulnerable to major attack from any quarter.

Navy: Has limited escort, minesweeping and anti-submarine capability. Capacity in these operations is being considerably increased by modernization of destroyers and the delivery of new minesweepers under currently approved programs.

Air Force: Fairly capable of limited ground support for Pak Army operations. None of the squadrons in being have as yet met prescribed standards but all have significant combat potential. As training in operations and tactics proceeds, a steadily improving capacity for protection of the main airfields, limited day interceptor, and ground support operations can be anticipated.

Factors tending to limit effectiveness of forces are: almost complete dependence upon foreign sources for the provision of

PROGRAMS (In Thousands Dollars)	FY 1957	FY 1958	Proposed FY 1959
Country Programs	94,907	68,760	50,855
Portion Special Materiel Program	(14,754)	(13,496)	(12,413)
Total	(109,661)	(82,256)	(63,268)

major items of equipment; low general educational standards; lack of large-unit staff and command experience; and national economy incapable of maintaining the programmed military establishment without outside aid.

Country Contribution: A professional volunteer force of 244,360 men; an annual military budget of some $210 million, or about a third of the total national budget; wholehearted and unequivocal support of SEATO and Baghdad Pact.

Proposed FY 1959 Program Provides:

Army: Force improvement confined to items involving no increase in maintenance costs; ammunition to fill a 60 day balanced war reserve; replacement of 72 obsolete medium tanks with M-47's.

Navy: Provision of two MSC's in replacement for ineffective vessels to be scrapped; modernization of one destroyer; provision of self-propelled oil barge; training ammunition.

Air Force: Replacement of 10 attrited F-86F aircraft; provision of certain specialized ground operations vehicles; training ammunition.

Continuation of approved military construction projects, fuel storage, airfield facilities, etc.

Miscellaneous Data: US excess stocks delivered at no charge through 30 June 1958: $5 million (Est). Military Sales through 30 June 1957: $20 million.

MAAG Strength:	US Mil	US Civ	Local	Total
1957	53	0	49	102
1958	69	1	53	123

Country: PAKISTAN

ECONOMIC ASSISTANCE

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

(In thousands of dollars)

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

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	1,922	397	1,525		2,529		2,529		2,415		2,415
Participants	832	103	729		1,197		1,197		995		995
Contractual Services	16,984	14,074	2,910		1,786		1,786		1,980		1,980
Supplies and Equipment	14,935	14,110	825		288		288		510		510
Contrib. to Coop. Services											
Other Costs											
Total Project Assistance	34,673	28,684	5,989		5,800		5,800		5,900		5,900
NON-PROJECT ASSISTANCE											
Agric. Commodities Total	22,945	22,945			18,500	18,500			13,000	13,000	
Surplus	17,000 a/	17,000			7,500 a/	7,500					
Other	5,945	5,945			11,000	11,000			13,000	13,000	
Industrial Commodities Total	41,055	41,055			31,500	31,500			69,000	69,000	
Raw Materials and Fuels	18,429	18,429			17,000	17,000			29,000	29,000	
Machinery and Equipment	22,626	22,626			13,500	13,500			36,000	36,000	
Other Indus. Commodities					1,000	1,000			4,000	4,000	
Cash Transactions											
Other											
Total Non-Project Assistance	64,000	64,000			50,000	50,000			82,000	82,000	
TOTAL COUNTRY PROGRAMS	98,673	92,684	5,989		55,800	50,000	5,800		87,900	82,000	5,900
NUMBER OF PEOPLE											
Technicians (On duty close of year)	324	70	254		385	90	295		359	90	269
U.S. Employed	144		144		160		160		153		153
Contract	180	70	110		225	90	135		206	90	116
Participants (Programmed during year)	244	40	204		303		303		253		253
Non-Contract	228	40	188		264		264		216		216
Contract	16		16		39		39		37		37

a/ Triangular Trade used to supply following commodities:

	1957	1958
Fertilizer	4,500	
Raw materials	500	
Machinery	12,000	7,500

GPO 934793

Country PAKISTAN

ECONOMIC ASSISTANCE

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

Objectives

- To enable Pakistan to meet its defense commitments;
- To help provide the imports needed to maintain minimum consumption levels;
- To promote a Pakistan investment program which will provide the productive base for eventual self-sustaining growth;
- To assist in improving agricultural production and generally building up the technical skills needed to plan and implement development projects.

Accomplishments

With U.S. assistance, Pakistan has been able to carry out the mutually-agreed defense programs, increase the rate of capital investment moderately over the past year, and import sufficient raw materials to keep its small industrial sector running even if at low levels of output. Foodgrain supplies from the U.S. continue to be crucially important in maintaining a consumption standard still among the lowest in the world. The technical cooperation program has accelerated introduction of modern technology into most sectors of the economy. For example, the community development program in Pakistan is a broad attack on the critical problems of the rural areas of the country. Rural villages contain 85% of the population. This "Village Agricultural and Industrial Development" program has two main objectives: (1) directly to raise economic standards, and (2) to instill in the villagers the will and ability to help themselves through recognizing their common problems and formulating and implementing plans for solving these problems with a maximum of self-reliance and a minimum of assistance from government. As of mid-1957, there were 860 village workers in training, and 1,406 village workers had been trained and posted in 9,000 villages with a total population of approximately 6,000,000.

Major Problems: Existing unresolved political and economic issues between Pakistan and India (Kashmir, Indus Waters) impede full economic development of each and limit availability of their strength as a counter to Communist action. The Pakistan economy is struggling under the burden of (a) defense expenditures in excess of $200 million equivalent annually in addition to heavy U.S. military assistance; (b) government development expenditure estimated to exceed $200 million equivalent this year; and (c) the need for foodgrain imports of a million tons annually over the past two years.

Summary of Program $ in thousands

Function	Actual F.Y. 1957	Estimate F.Y. 1958	Proposed F.Y. 1959
Defense Support	92,684	50,000	82,000
Technical Cooperation	5,989	5,800	5,900
Total	98,673	55,800	87,900

About two-thirds of foodgrain requirements were covered by P.L. 480 programs in the current and preceding year. Despite this financing of imports and MSP, Pakistan's foreign exchange reserves were drawn down by $40 million in FY 1957 and a similar loss is expected in FY 1958 due to foodgrain import requirements in excess of P.L. 480 availabilities. This drain of foreign exchange has restricted total investment activity in Pakistan, and reduced the effectiveness of plans to use foreign and domestic resources for additional development. The size of local currency-supported programs is determined by the size of the generating import programs, the magnitude of which are in turn decided on the basis of import requirements and not because of local currency needs. MSP counterpart and P.L. 480 proceeds administered by ICA are programmed for military budget support, or for various development budget projects after negotiations with the Government of Pakistan. The real resource position is too tightly limited by the foreign exchange shortage to afford much extra impact from local currency financing.

Depreciation and obsolescence of military materiel are likely to compel higher defense expenditures in future years if force standards are to be maintained. With the population increasing by more than a million a year, it is evident that self-sufficiency in food will be difficult to regain. It is unlikely that the present rate of development expenditure will expand production sufficiently to support even existing standards of living for the growing population, let alone support increased consumption or permit decreased reliance on external assistance. Yet even present rates of expenditure cannot be continued in the absence of assurance of sufficient external aid.

Self-sufficiency in food would permit large savings of foreign exchange which could be channeled into capital investment. This achievement will require extensive time-consuming training in agricultural skills and heavy costs for fertilizer imports, plant construction, and extended irrigation and drainage facilities. To meet these and other investment requirements Pakistan has already indicated its interest in access to the Development Loan Fund.

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

U.S. objectives can best be met by doing everything possible, consonant with defense commitments, to facilitate increases in food production. Progress in this field is almost certain to be slow. At times, the best result obtainable may be no more than prevention of further deterioration in the economic situation, and avoidance of serious loss of hopes for progress by democratic means. Only with the continued supply of external resources, including technical skills, can the objectives be met.

The program proposed below for FY 1959 represents the minimum prospective annual cost of supporting a staunch political and military ally. In the light of the advantages afforded by the achievement of common U.S.-Pakistan objectives, the balance of advantage for the U.S. appears to lie in continuing to meet these costs. Only thus can Pakistan continue in its role as the anchor of both SEATO and the Baghdad Pact.

Proposed FY 1959 Program

Defense Support of $82 million is proposed for Pakistan for FY 1959 to finance imports essential to operation of the economy at the present level of activity. This financing, as in the past, would be used for various consumption needs and production supplies, such as raw materials, machinery and spare parts. The sum of $82 million as proposed for FY 1959, compared with a planned level of $50 million for FY 1958, would support such imports at a level similar to that maintained in the current year. Since foreign exchange holdings are already down almost to the level which forced devaluation of the currency in mid-1955, further programs cannot safely be planned in reliance on the use of reserves. If the required total of defense, consumption, and investment goods imports is to be assured, the import balance needs to be covered by the increased defense support proposed. This estimated requirement assumes that the major portion of food import requirements can be met through P.L. 480 programs, and that there will be no significant increase in the defense burden borne by Pakistan.

Technical Cooperation: For FY 1959 a Technical Cooperation program of $5.9 million is proposed for Pakistan to finance projects to improve agricultural practices aiming at achievement of a greater degree of self-sufficiency in wheat and rice; to foster self-help techniques for rural community development; and to provide engineering services to assist in planning and supervising development projects. Provision of technical skills on this scale is necessary if Pakistan is to plan and implement development projects as required to attack its economic problems. Reflecting the overshadowing food problem, the preponderance of agriculture and related activities in the total program continues.

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										
Defense Support	28,684	676	18,710	8,986		252				60
Technical Cooperation	5,989	895	1,133	988		834	4	597	439	1,099
Total	34,673	1,571	19,843	9,974		1,086	4	597	439	1,159
ESTIMATE FY 1958										
Defense Support										
Technical Cooperation	5,800	1,532	827	899	55	575	260	307	545	800
Total	5,800	1,532	827	899	55	575	260	307	545	800
PROPOSED FY 1959										
Defense Support										
Technical Cooperation	5,900	1,460	1,389	165	15	726	335	415	560	835
Total	5,900	1,460	1,389	165	15	726	335	415	560	835

Country: PAKISTAN

ECONOMIC ASSISTANCE

TABLE I

DISTRIBUTION OF FY 1959 PROJECT ASSISTANCE

(In thousands of dollars and equivalent)

Functions and Projects	DIRECT U.S. DOLLAR COST - Proposed							Local Currency Cost - Proposed	
	Total	U.S. Technicians	Non-Contract Participants	Contracts	Commodities	Other Costs	Contributions to Cooperative Services	MSP includ. Counterpart	P. L. 480 Administered by ICA
TECHNICAL COOPERATION									
Agriculture and Natural Resources - Total	1,460	945	290	140	85				
Agricultural Development	480	360	120						
West Pakistan Groundwater Survey	205	90		115					
Soil and Water Conservation	90	60	30						
Plant Protection	100	45	55						
Forest Research Laboratory	70	15	20		35				
Forestry Management	90	75	15						
Agricultural Workshops	130	120	10						
West Pakistan Fisheries	100	30	20		50				
East Pakistan Fisheries	35	15	20						
Grain Storage	25			25					
Technical Support	135	135							
Industry and Mining - Total	1,389	165	175	895	154				
Industrial Research Center	334		60	220	54				
Industrial Productivity Center	325	15	60	200	50				
Engineering Services	475			475					
Geological Survey	115	60	5		50				
Karnafuli Multipurpose Project	65	15	50						
Technical Support	75	75							
Transportation - Total	165	120	45						
Railway Rehabilitation	25	15	10						
Aviation Ground Facilities	140	105	35						
Labor - Total	15	15							
Labor Technical Support	15	15							
Health and Sanitation - Total	726	90	110	420	106				
Medical Instrument Repair	60		10	20	30				
Basic Medical Science Institute	276		30	200	46				
General Public Health Advisory Services	390	90	70	200	30				
Education - Total	335	15		320					
Intercollege Exchange	320			320					
Technical Support	15	15							

Country: PAKISTAN

ECONOMIC ASSISTANCE

TABLE I

DISTRIBUTION OF FY 1959 PROJECT ASSISTANCE

(In thousands of dollars and equivalent)

Functions and Projects	DIRECT U.S. DOLLAR COST - Proposed							Local Currency Cost - Proposed	
	Total	U.S. Technicians	Non-Contract Participants	Contracts	Commodities	Other Costs	Contributions to Cooperative Services	MSP includ. Counterpart	P. L. 480 Administered by ICA
TECHNICAL COOPERATION - Continued									
Public Administration - Total	415	90	140	160	25				
Institute of Public and Business Administration	160			160					
Development of Statistical Services	95	60	10		25				
Superior Civil Service	130		130						
Technical Support	30	30							
Community Development, Social Welfare and Housing - Total	560	435	125						
Village Aid	560	435	125						
General and Miscellaneous - Total	835	540	110	45	140				
Audio Visual Aid	105	45	60						
Atomic Energy Research and Development	95		50	45					
General Technical Support	635	495			140				
Total Technical Cooperation	5,900	2,415	995	1,980	510				

Country: PAKISTAN

ECONOMIC ASSISTANCE

DISTRIBUTION OF FY 1959 PROJECT ASSISTANCE

(In thousands of dollars and equivalent)

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

TABLE I

Functions and Projects	DIRECT U.S. DOLLAR COST - Proposed							Local Currency Cost - Proposed	
	Total	U.S. Technicians	Non-Contract Participants	Contracts	Commodities	Other Costs	Contributions to Cooperative Services	MSP includ. Counterpart	P. L. 480 Administered by ICA
LOCAL CURRENCY									
Agriculture and Natural Resources - Total								19,000	20,000
Ganges Kobadek Irrigation								4,000	
Taunsa Barrage Irrigation								4,000	
East & West Pakistan Provincial Land and Water Development								5,000	12,000
Agricultural Bank									8,000
Food Grain Storage								6,000	
Industry and Mining - Total								8,000	25,000
Small Industries Corporation									6,000
Power Transmission and Distribution									5,000
Warsak Multipurpose Hydroelectric and Irrigation								5,000	
Karnafuli Multipurpose Hydroelectric and Irrigation								3,000	
Pakistan Industrial Finance Corporation									4,000
Pakistan Industrial Credit and Investment Corporation									10,000
Transportation - Total								2,000	
Aviation Ground Facilities								2,000	
Health and Sanitation - Total								6,000	
Karachi Water Supply and Sewage Disposal								6,000	
General and Miscellaneous - Total								5,000	
Technical Support								5,000	
Total Local Currency								40,000	45,000
GRAND TOTAL	5,900	2,415	995	1,980	510			40,000	45,000

Country: PAKISTAN

TABLE II

ECONOMIC ASSISTANCE

COMPOSITION OF NON-PROJECT ASSISTANCE

(In thousands of dollars)

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

Commodities and Other	PROGRAM		
	Actual FY 1957	Estimate FY 1958	Proposed FY 1959
Surplus Agricultural Commodities - Total	17,000	7,500	
Deduct sales to this country for benefit of other countries			
Add sales to other countries for benefit of this country	17,000	7,500	
Net imports for benefit of this country	17,000	7,500	
Food, Feed and Fertilizer - Total	5,945	11,000	13,000
Raw Materials and Semifinished Products - Total	18,429	17,000	29,000
Machinery and Vehicles - Total	22,626	13,500	36,000
Miscellaneous and Unclassified - Total		1,000	4,000
Total Non-Project Assistance Program	64,000	50,000	82,000

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

Local currencies for Pakistan arise as the counterpart of MSP aid or as proceeds of sales of surplus agricultural commodities under Section 402 or P.L. 480 or earlier agricultural programs (P.L. 77 approved June 25, 1953, made wheat available to Pakistan for emergency relief purposes). The small P.L. 77 balances are expected to be fully expended by the end of FY 1958. U.S.-owned MSP proceeds will also be fully obligated and largely expended by that time. Increased availabilities in FY 1959 are expected through MSP counterpart and P.L. 480.

U.S.-financed imports of equipment and commodities provide resources needed by the Government of Pakistan in its economic and defense activities. Given the total resource review which governs Pakistan's budget making, no additional favorable psychological impact at the governmental level arises from local currency programs alone. Most popular economic projects supported by counterpart also depended on U.S. aid-financing to cover their direct import requirements; it is not likely that significantly greater public appreciation of the U.S. effort followed the local currency release. Favorable publicity followed releases to a few projects not dollar-financed, but such opportunities to date have been few. The main concern in programming local currency has been to remain within the realistic limits set by the physical situation and follow orderly procedures in assigning releases to specific purposes within the accepted over-all levels. In practice, military budgets have had priority, first for P.L. 480 proceeds, and as presently projected for MSP local currencies. Agriculture, industry, and health predominate among programmed economic uses. Future releases can be projected only in illustrative terms and depend for final details on negotiations with the Government.

Commitments of Pakistan counterpart in FY 1958 and 1959 are expected to exceed additions during that period to the potential total to be generated. Although counterpart commitments will exceed deposits by the end of FY 1959, there would be approximately $80 million equivalent still to be generated available for future commitment. The expected balance of unexpended commitments would be $30 million equivalent of counterpart, less than one-sixth of the total committed. Obligations of P.L. 480, Title I local currencies administered by ICA would be almost fully expended by the end of FY 1959. This would leave an estimated $37 million available for future obligations, the bulk of it still ungenerated since only $12 million of deposits are expected to remain unobligated at the end of FY 1959.

Support of minimum U.S. objectives depends on helping Pakistan meet the import program to support its population at present standards and to carry out its military and economic development programs; local currency availabilities cannot reduce the amounts of imports needed. Existing availabilities of local currency have been taken into account in considering uses. There have been difficulties delaying use of U.S.-owned local currencies to be lent to Pakistan (chiefly P.L. 480 Sec. 104g funds) since the U.S. proposed interest rates have been higher than those prevailing in Pakistan or higher than the rate at which the public agencies can borrow from the banking system. Since in Pakistan's view the overriding determinant on economic decisions has tended to be the foreign exchange impact, the local currency availability has not been accorded the procedural attention it may receive in countries where the domestic issue has greater urgency. Recent discussions of Pakistan's budgetary practices have suggested that releases of local currency for appropriate uses will be facilitated in the future.

TABLE III

(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)

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 a/	Sec. 104d	Sec. 104e	Sec. 104g	Total Administered by MSP Agencies
FY 1955 Actual	29,400	4,540		14,860			10,000	24,860
FY 1956 Actual	16,900	3,400		11,000			2,500	13,500
FY 1957 Actual	74,400	14,900		48,400 b/			11,100	59,500
FY 1958 Estimate	65,400	13,250	16,350	5,000			30,800	35,800
FY 1959 Estimate	85,000	16,750	21,250				47,000	47,000
TOTAL	271,100	52,840	37,600	79,260			101,400	180,660

a/ To be administered by Department of Defense.
b/ Includes $17,400 thousand administered by ICA.

Country: PAKISTAN

STATUS OF LOCAL CURRENCY FUNDS
(Administered by MSP Agencies)

(In thousands of dollar equivalent)

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

TABLE IV

Type of Programs Generating Local Currencies and its Utilization	ACTUAL FY 1957			ESTIMATE FY 1958		PROPOSED FY 1959	
	Cumulative Through 7/1/56	Net Change	Cumulative Through 6/30/57	Net Change	Cumulative Through 6/30/58	Net Change	Cumulative Through 6/30/59
MSP U.S.-OWNED LOCAL CURRENCIES							
Potential Generation from U.S. Dollar Program	11,757		11,757		11,757		11,757
Deposits		11,757	11,757		11,757		11,757
Obligations				11,757	11,757		11,757
Expenditures				10,000	10,000	1,757	11,757
COUNTERPART							
Potential Generation from U.S. Dollar Program	98,173	49,148	147,321	50,000	197,321	82,000	279,321
Deposits	33,942	40,195	74,137	52,000	126,137	65,000	191,137
Commitments	1,925	31,850	33,775	65,000	98,775	100,000	198,775
Expenditures	1,925	31,850	33,775	45,000	78,775	90,000	168,775
P.L. 480 TITLE I							
Potential Generation from U.S. Dollar Program	38,360	59,500	97,860	35,800	133,660	47,000	180,660
Deposits	14,454	62,890	77,344	42,656	120,000	35,000	155,000
Obligations	9,418	8,071	17,489	61,000	78,489	65,000	143,489
Expenditures	152	5,840	5,992	61,000	66,992	75,000	141,992
OTHER LOCAL CURRENCY							
Potential Generation from U.S. Dollar Program	36,469		36,469		36,469		36,469
Deposits	20,427	16,042	36,469		36,469		36,469
Commitments	17,395	17,246	34,641	1,828	36,469		36,469
Expenditures	17,395	17,246	34,641	1,828	36,469		36,469

Country: PAKISTAN

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

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

TABLE V

PURPOSE AND ACTIVITY	FY 1957			FY 1958			FY 1959		
	MSP Source	P.L. 480 Title I Source	Other Sources	MSP Source	P.L. 480 Title I Source	Other Sources	MSP Source	P.L. 480 Title I Source	Other Sources
MILITARY PURPOSES									
Projects									
Budget Support		8,071		33,757	37,400		60,000	20,000	
Military Procurement									
Total Military Purposes		8,071		33,757	37,400		60,000	20,000	
ECONOMIC PURPOSES									
Project Assistance by Field of Activity									
Agriculture	11,424		5,040	19,000	10,000		19,000	20,000	
Industry and Mining	7,587			9,000	13,600		8,000	25,000	
Transportation	273			2,000			2,000		
Labor									
Health and Sanitation	6,111			7,000			6,000		
Education	456			500					
Public Administration	186								
Community Development, Social Welfare and Housing	256			500					
General and Miscellaneous	5,557 a/		12,206 b/	5,000 a/			5,000 a/		
Total	31,850		17,246	43,000	23,600		40,000	45,000	
Budget Support (Not Elsewhere Classified)						1,828			
Total Economic Purposes	31,850		17,246	43,000	23,600	1,828	40,000	45,000	
Procurement for Third Country	XXX			XXX			XXX		
TOTAL ALL PURPOSES	31,850	8,071	17,246	76,757	61,000	1,828	100,000	65,000	

a/ Technical Support Costs
b/ Disaster Relief

Country SAUDI ARABIA

MUTUAL SECURITY PROGRAM

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

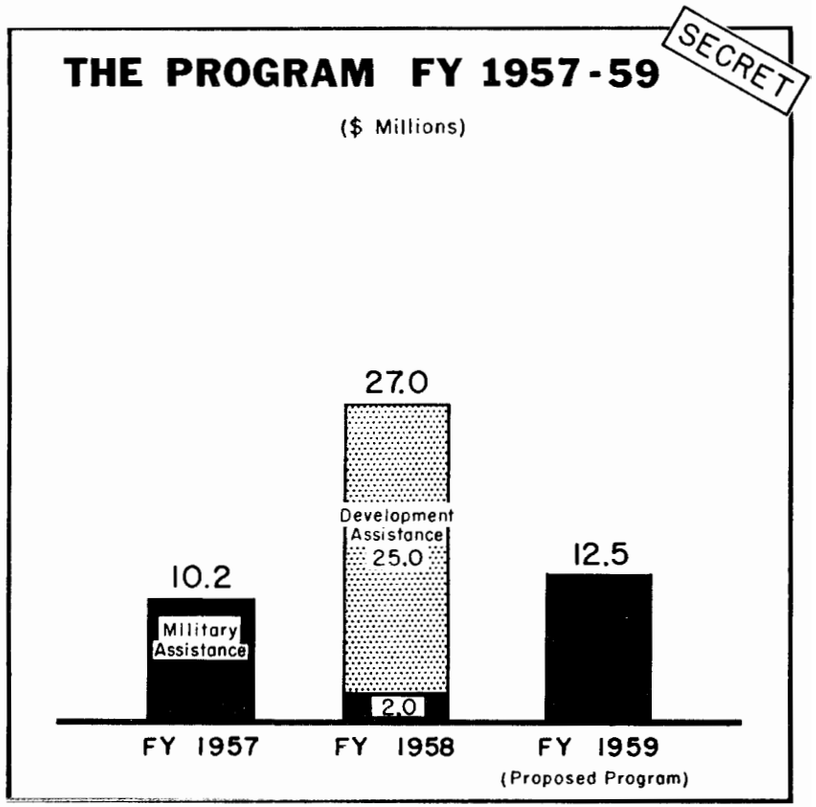
U.S. Interests: Saudi Arabia is important because of its strategic location along the Red Sea and the Persian Gulf, and because it is the second largest producer of petroleum in the Middle East. Since World War II Saudi Arabia has extended rights to the United States Air Force at Dhahran Airfield.

King Saud, as keeper of the Holy Places of Islam and as a strong advocate of Arab unity, occupies a place of major importance in the Arab world and throughout the Moslem world. He has for many months been exercising his influence in ways he deems most effective to check the advance of Soviet influence in the Middle East.

Following King Saud's visit to the United States in January and February, 1957 an agreement was concluded on April 2, 1957 for carrying out an expanded military training program, for the sale of military equipment, for certain economic projects, and for the extension of U.S. rights at Dhahran for an additional five years. This agreement was supplemented by the Richards' Mission which visited Saudi Arabia in April, 1957. During his visit to the U.S., King Saud publicly subscribed to the underlying principles of the United States Middle East Resolution.

King Saud's internal position, while under attack from unfriendly elements in other Arab States, particularly Egypt, remains strong. The Communist party is outlawed and Communist activity heavily suppressed. Saudi Arabia, because of differences with the United States over aspects of the Palestine problem, does not generally support the United States in international forums, although the King renders private support to anti-communist forces in the area.

Saudi Arabia's principal economic link with the United States is through the production of petroleum. A wholly-owned American company has the major concession in Saudi Arabia. Saudi Arabia's principal economic problems result from a lack of suitable land for development, the absence of sound fiscal management and a lack of planning for the effective use of oil revenues. To date there have been no economic relationships established with the Soviet Bloc.



Obligations and Expenditures $ in thousands			
MILITARY ASSISTANCE	PROGRAMMED	DEL./EXP.	UNLIQUIDATED
Cumulative 6/30/57	10,223		10,223
Estimate F.Y. 1958	1,986	7,861	XXX
Cumulative 6/30/58	12,209	7,861	4,348
ECONOMIC ASSISTANCE	OBLIGATIONS	EXPENDITURES	UNLIQUIDATED
Cumulative 6/30/57	2,377	2,376	1
Estimate F.Y. 1958	25,000	601	XXX
Cumulative 6/30/58	27,377	2,977	24,400

PREVIOUS PAGE BLANK

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

Saudi Arabia

Major Components by Category (all values in thousands of dollars)	Annual Programs				Del./Exp. F.Y. 1950-58 Programs		
	Value		Proposed F.Y. 1959		Estimate F.Y. 1958	Cumulative June 30, 1958	F.Y. 1959 and Later
	F.Y. 1957	F.Y. 1958	Quantity	Value			
Country Total	$10,223	$1,986	-	$12,485	$7,861	$7,861	$4,348
Aircraft, Components, Spares & Related Equip.	$ 4,739	-	-	$ 297	$4,739	$4,739	-
T-33	-	-	1	$ 132	10	10	-
F-86F	-	-	1	$ 165	12	12	-
H-34	-	-	-	-	1	1	-
Ships and Harbor Craft, Components and Spares	$ 120	$ 16	-	$ 164	$ 120	$ 120	$ 16
Coast Guard Utility Boat, 40' (CGUB)	2	-	2	$ 160	2	2	-
Tanks, Other Vehicles, Weapons, Comp. & Spares	$ 147	-	-	-	$ 147	$ 147	-
Trailer, Fuel Servicing, F-7	-	-	-	-	2	2	-
Truck, Fire Crash O-10	-	-	-	-	1	1	-
Ammunition	-	-	-	-	-	-	-
Electronics & Comm. Equipment, Comp. & Spares	$ 429	$ 3	-	-	$ 429	$ 429	$ 3
Other Materiel	$ 4,087	$ 371	-	$ 268	$1,521	$1,521	$2,937
Construction	$ 635	$ 385	-	$ 8,787	$ 635	$ 635	$ 385
Training	$ 66	$1,143	-	$ 2,969	$ 270	$ 270	$ 939
All Other	-	$ 68	-	-	-	-	$ 68

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

Saudi Arabia

Objectives of Military Assistance:

(a) To retain US base rights at Dhahran Airfield;
(b) Increase the capability of the Saudi Government to maintain internal security;
(c) Provide a modest capability to deter or counter aggression;
(d) Provide a vehicle for influencing Saudi military personnel in a pro-Western direction;
(e) In Saudi Arabia US military assistance assumes particular significance in support of US political objectives.

Major Combat Forces:

Strategic Objectives	MAP Supported
2 Divisions	1 Squadron
2 Vessels	

Active Military Strength: 15,161

MAP Accomplishments: Pursuant to a 1951 five-year agreement on US base rights at Dhahran Airfield, a US training mission was established to provide training in the use of equipment purchased under the agreement and to provide tactical training. During this period the cost was about $1 million annually. During the negotiations in early 1957 for a five-year extension of the Dhahran base rights, the US agreed to provide $35 million in grant assistance during FY 1957-1961; this to consist of added personnel, training equipment, and some of the construction required for an intensified air training program, our expanded Army training advisory program, and a modest Navy training program. In addition the US agreed to sell Army equipment to complete two divisions, and a limited amount of Air and Navy equipment. During FY 1957-1958, a three-year credit of $50 million was extended in connection with these sales.

Appraisal of Forces:

Army: Can maintain internal security, but provide only elemental defense against external aggression and has basically no capability against sophisticated military establishments, even of small powers.

Navy: None

Air Force: Can provide limited reconnaissance and ground support for the Army. Bombing and strafing capabilities are limited to visual attacks in numbers of 3 to 5 planes.

Factors limiting the effectiveness of forces are: A national society generally living under primitive conditions; a lack of familiarity with mechanical devices; an extremely low literacy rate; an exaggerated opinion of the combat capability of the Arab warrior; a wholesale lack of understanding of modern warfare, almost no appreciation of the military maintenance requirement, and a marginal diet which seriously reduces the physical capability of the individual soldier.

PROGRAMS (In Thousands Dollars)	FY 1957	FY 1958	Proposed FY 1959
Country Programs	10,223	1,986	12,485
Portion Special Materiel Program	-	(700)	(422)
Total	(10,223)	(2,686)	(12,907)

Country Contribution: 0.5% of total population in the armed forces; about 1/3 of national budget for the armed forces.

Proposed FY 1959 Program Provides:

Army: Increase of US advisors from 102 to 225, making US advice available to almost all units and activities except those near Aqaba.

Navy: Provide 31 US advisors. Commence training on two 40-foot motor vessels. Begin the operation of a Saudi Naval school.

Air Force: Increase US advisors from 20 to 214. Intensify significantly the technical and pilot training programs. Conduct full-scale direct training of the Saudi Air Force.

Continue to provide, within the agreed ceiling, from both grant and reimbursable aid, those materials and items of equipment required for the intensified training program and for the development of the Saudi forces.

Miscellaneous Data: US excess stocks delivered at no charge through 30 June 1958: $.9 million (Est). Military sales through 30 June 1957: $23.1 million.

There are no US MAAG personnel in the country. Normal MAAG functions are carried out by the US Military Training Mission to Saudi Arabia.

Country: SAUDI ARABIA

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	Dev Asst	Tech. Coop.	Other	Total	Dev Asst	Tech. Coop.	Other	Total	DS or SA	Tech. Coop.
PROJECT ASSISTANCE											
Technicians											
Participants											
Contractual Services	22	22			25,000	25,000					
Supplies and Equipment											
Contrib. to Coop. Services											
Other Costs											
Total Project Assistance	22	22			25,000	25,000					
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	22	22			25,000	25,000					
NUMBER OF PEOPLE											
Technicians (On duty close of year)											
U.S. Employed											
Contract											
Participants (Programmed during year)											
Non-Contract											
Contract											

GPO 934793

Country SAUDI ARABIA

ECONOMIC ASSISTANCE

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

Objectives of Development Assistance

- Pursuant to conversations on US-Saudi Arabian cooperation between the King and the President in February 1957, the U.S. agreed to provide economic assistance to Saudi Arabia. The specific objective of this economic assistance was the improvement of transportation and communications facilities in the Dhahran area where there are extensive private and official U.S. interests. The commitment was formally established by exchange of notes on April 2, 1957, and was supplemented in part by an exchange of aides memoires by Ambassador Richards.

Accomplishments of Development Assistance

Negotiations in FY 1957 involved a basic bilateral agreement with two subsidiary project agreements, namely: construction of civil air terminal facilities at Dhahran ($5 million), and expansion of the facilities at the seaport of Dammam ($20 million). Problems which confronted the negotiators at that time prevented formal obligation of the funds before June 30, 1957, but Congress reappropriated the funds.

The precise location of the Civil Air Terminal facilities at Dhahran has been established, with approval in principle between ICA, the U.S. Air Force Commander of the Second Air Command stationed at Dhahran, and the Saudi Arabian Government. Agreement in principle has also been achieved for the transfer of implementation of the Civil Air Terminal project to the Department of Defense. The design and construction would be authorized under the terms of the Air Force construction agreement with Saudi Arabia rather than under an economic assistance agreement.

Technical difficulties contributed to the inability to conclude negotiations on the expansion of port facilities at Dammam at the end of FY 1957. The Government of Saudi Arabia has given the project serious study and further discussions in FY 1958 are now expected to result in formal obligation of funds by the end of the year.

Summary of Program $ in thousands

Function	Actual F.Y. 1957	Estimate F.Y. 1958	Proposed F.Y. 1959
Defense Support			
Development Assistance	22	25,000 a/	
Special Assistance			
Technical Cooperation			
Other Programs			
Total	22	25,000 a/	

Major Problems: Development work planned by the Government of Saudi Arabia is concerned mainly with the provision of water, development of transportation and communications, and a heavy construction program of public and government buildings. The large amounts of money necessary to implement these plans are not readily available, however, for lack of adequate long-term management of oil income.

Proposed FY 1959 Program

In the event that agreement cannot be concluded in FY 1958, it would be necessary to continue efforts to reach agreement because of the continuing nature of U.S. commitments. Further congressional action would then be required to continue the availability of the funds. If, however, agreement is reached in FY 1958, then operations in FY 1959 would involve only continuing activity for implementation of the economic assistance projects up to the amount of $25 million originally intended for this activity.

a/ FY 1957 commitment reappropriated funds available for use in FY 1958.

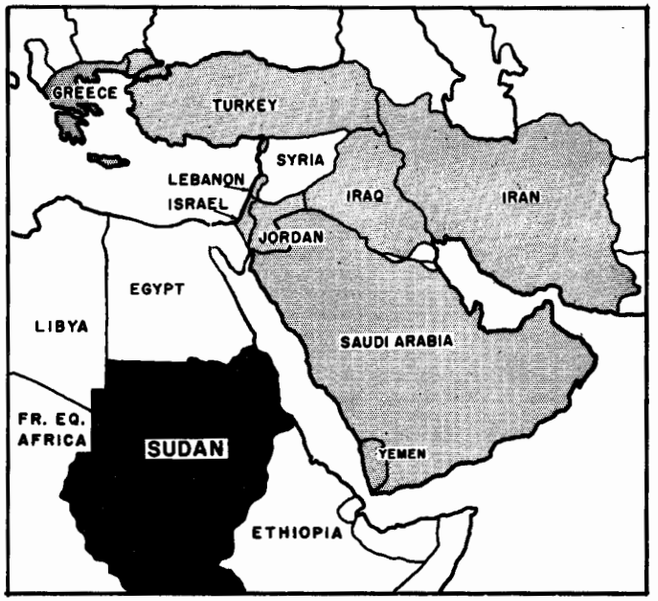
Country: SAUDI ARABIA

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 & Communications	Labor	Health and Sanitation	Education	Public Administration	Community Develop., Social Welfare & Housing	General and Miscellaneous
ACTUAL FY 1957										
Defense Support										
Development Assistance	22	22								
Technical Cooperation										
Other Programs										
Total	22	22								
ESTIMATE FY 1958										
Defense Support										
Special Assistance										
Technical Cooperation										
Development Assistance	25,000			25,000						
Total	25,000			25,000						
PROPOSED FY 1959										
Defense Support										
Special Assistance										
Technical Cooperation										
Total										

SUDAN



ECONOMIC TRENDS

	Unit	Calendar Years 1954	1955	1956	1957Est.
GROSS NATIONAL PRODUCT					
Total GNP *(In 1955 Prices)*.	$ Millions	n.a.	715	740	765
Per Capita GNP	Dollars	n.a.	70	71	72
PRODUCTION					
Agricul. Prod. Index[a]	1952-54=100	n.a.	120	156	159
Cotton	1,000 MT	87	96	134	140
Gum Arabic	"	40	42	46	48
FOREIGN TRADE					
Total Exports (f.o.b)	$ Millions	116	145	192	160
Cotton	"	62	87	118	80
Gum Arabic	"	11	14	15	18
Total Imports (c.i.f)	"	137	139	130	180
Trade Balance	"	-21	6	62	-20
FOREIGN EXCHANGE RESERVES .... (end of year)	$ Millions	n.a.	61	101	83
COST OF LIVING INDEX	1953=100	108	110	106	106

BASIC DATA

Population	10.6 million
Annual Growth	2 percent
Agricultural Land	3% of area
Agri. Land per Capita	1.7 acres
Literacy Rate	6 percent

	SUDAN	U.S.
Life Expectancy *(Years)*.....	n.a.	70
Inhabitants per Physician ..	47,000	760
Road Miles per 1,000 sq.mi..	45	1,020
Electric Power per Capita... (KWH per year)	5	4,070

CENTRAL GOVERNMENT FINANCES

Country Fiscal Year Ending - June 30	- $ Millions - 1956	1957 (Budget)	1958 (Budget)
Total Expenditures[b]	96	102	108
Revenues, excl. receipts of U.S. Grant Aid....	110	121	112
Deficit or Surplus before U.S. Grant Aid....	14	19	4
Budgetary Receipts from U.S. Grant Aid.....	-	-	-
Budgetary Receipts from U.S. Loans.....	-	-	-
DEFENSE EXPENDITURES			
Total Defense Expenditures.....	7	8	14
As percent of Total Gov't Expenditures.....	7%	8%	13%
As percent of Gross National Product.....	1%	1%	n.a.
TOTAL DEBT (gross).....	Not Available		
As percent of GNP.....			
Foreign Debt.....			

n.a. - Not Available a - Crops harvested in crop-year beginning in year stated.
b - Excludes Development Budget.

Country SUDAN

MUTUAL SECURITY PROGRAM

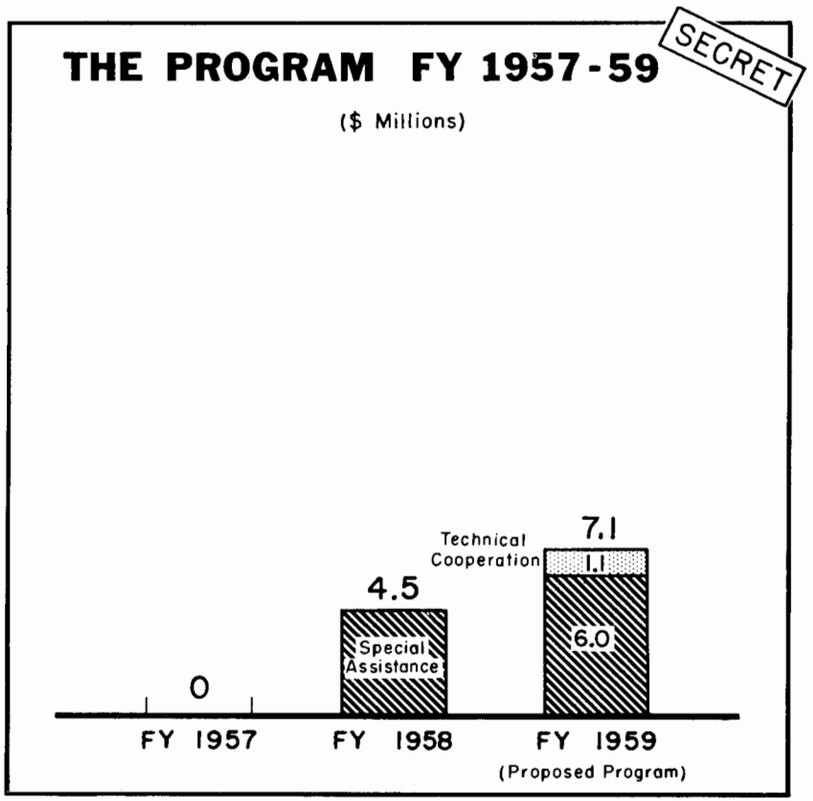
Shaded areas are Security classified and must not be divulged to unauthorized individuals. All other material is unclassified.

U.S. Interests: This young African country is located just south of Egypt and is traversed by the Nile River. Predominantly Moslem, it forms a link between Africa and the Arab World. A target of Communist interest, it is important that this newly created state (January 1, 1956) maintain its independence and continue to consolidate the pro-Western policy of its present government. The Sudanese Government has recently asked for the negotiation of an aid agreement with the U.S., and these negotiations are under way.

Because of the Sudan's location on the Nile River, Egypt has always had a special position there and is at the present time seeking to increase that influence at the expense of the Western Powers. The Soviet bloc and international communism are also focusing their attention on the Sudan with a view to gaining a political and economic advantage. The Russian Embassy staff currently numbers 70 as compared with our combined Embassy and USIA American staff of 15.

To reduce Sudanese vulnerability to Soviet penetration, it is important that we assist the Sudan to escape its present heavy dependence on cotton. Last year the Sudan had difficulty in disposing of its cotton and the Soviet Government took advantage of the situation to make a tempting offer of economic aid coupled with a cotton barter arrangement. The Prime Minister took a strong stand in opposition to this offer and it was not accepted.

Militarily the Sudan constitutes an important communications link in our strategic military air line of communications around the world. It is important that MATS aircraft continue to have the right to overfly the Sudan and make refueling stops at Khartoum.



Obligations and Expenditures $ in thousands			
MILITARY ASSISTANCE	PROGRAMMED	DEL./EXP.	UNLIQUIDATED
Cumulative 6/30/57			
Estimate F.Y. 1958			XXX
Cumulative 6/30/58			
ECONOMIC ASSISTANCE	OBLIGATIONS	EXPENDITURES	UNLIQUIDATED
Cumulative 6/30/57			
Estimate F.Y. 1958	4,520	700	XXX
Cumulative 6/30/58	4,520	700	3,820

Country: SUDAN

ECONOMIC ASSISTANCE

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

(In thousands of dollars)

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

MAJOR COST COMPONENT	ACTUAL FY 1957				ESTIMATE FY 1958				PROPOSED FY 1959		
	Total	DS or DA	Tech. Coop.	Other	Total	Sp Asst	Tech. Coop.	Other	Total	Sp Asst	Tech. Coop.
PROJECT ASSISTANCE											
Technicians					268	268			774		774
Participants					52	52			56		56
Contractual Services					1,500	1,500			920	800	120
Supplies and Equipment					2,650	2,650			4,250	4,200	50
Contrib. to Coop. Services											
Other Costs					50	50			1,100	1,000	100
Total Project Assistance					4,520	4,520			7,100	6,000	1,100
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					4,520	4,520			7,100	6,000	1,100
NUMBER OF PEOPLE											
Technicians (On duty close of year)					13	13			43		43
U.S. Employed					10	10			37		37
Contract					3	3			6		6
Participants (Programmed during year)					13	13			14		14
Non-Contract					13	13			14		14
Contract											

GPO 934793

Country SUDAN

ECONOMIC ASSISTANCE

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

Objectives

- To help diversify the agriculture of country and avoid pitfalls inherent in reliance on an almost one-crop economy (cotton).
- To assist in developing transportation and communications.
- To assist in planning and execution of sound over-all economic development plans.
- To aid in combatting internal subversion and maintaining law and order.

Accomplishments

A bilateral aid agreement under the mutual security program is being negotiated with the Sudan and the program is expected to be under way during FY 1958.

The possibility of MSP aid to the Sudan was discussed in April 1957 when the Richards' Mission visited Khartoum in connection with the American Doctrine. Lacking unanimity in the cabinet, however, the Prime Minister was forced to take the position that Sudan at that time neither could accept nor reject aid under the Doctrine. In response to an informal request by Sudan for an explanation of MSP aid, an ICA technical survey mission was subsequently sent to the Sudan. Following these discussions, Sudan made a formal request - with full cabinet approval - for the conclusion of a bilateral assistance agreement.

Major Problems: The Sudan is a vast territory, embracing approximately 1,000,000 square miles (approximately one-third the size of the United States). The population of about 10,000,000, 94 percent illiterate, has diverse ethnic, cultural and religious backgrounds. Some 30 percent of the territory of the Sudan is unproductive desert. There are few roads and many of those, particularly in the South, are impassable during the rainy season.

Although the economy of the Sudan is predominantly agricultural the country is not self-sufficient in certain foodstuffs. Its principal crop is cotton, the export of which provides the Sudan with 65 percent of its foreign exchange earnings and government revenues. During 1957, the Sudan failed to move its bumper crop of cotton until late in the year. Unfavorable trade and payments balances were recorded for the first six months of the year and final figures for the year are expected to show a net loss.

The Sudan has historically enjoyed a favorable reserve position and the country should in the future be able to undertake some measure of development. Sudan will require foreign advice,

Summary of Program $ in thousands

Function	Actual F.Y. 1957	Estimate F.Y. 1958	Proposed F.Y. 1959
Defense Support			
Development Assistance			
Special Assistance		4,520	6,000
Technical Cooperation			1,100
Other Programs			
Total		4,520	7,100

counsel, and financing to effect the size of the program required. After a short period of grant assistance, however, Sudan is expected to be able to service long-term loans for implementation of major development projects.

Virtually no manufacturing takes place in the Sudan. A major problem is the lack of power and known fuel supplies; more serious, however, is the virtual absence of mechanisms of capital formation and mobilization. Sudan does not have as yet its own bank of issue; although a monetary agreement with Egypt was concluded in April 1957, the Egyptian pound has not yet been entirely removed from current circulation within Sudan. In addition, there is an almost total lack of resource surveys upon which plans of private foreign investors could be based.

The Sudan has no detailed economic development plans per se, but the Government has identified specific needs of the economy, each of which is in its own way significant to Sudanese economic expansion. These are: water storage - the Government believes the proposed Roseires Dam on the Blue Nile should substantially meet Sudan's needs (Sudan is expected to request IBRD financing for this project); a transportation system (railways and roads) capable of moving goods and providing communications services year-round (Sudan is also expected to request the IBRD to finance railway expansion); sufficient power to permit rapid development of domestic production of goods which are now imported (Roseires Dam is expected also to supply this power); the acquisition of sufficient external technical assistance to train Sudanese counterparts to man and maintain Sudan's economic plant; a complete study of the question of agricultural diversification.

Proposed FY 1959 Program

Technical Cooperation: A Technical Cooperation program is proposed totalling $1.1 million. To provide the impetus for a complete examination of the question of agricultural diversification,

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

the group of specialists in research, extension, and crop improvement will be expanded. The project of assistance in highway organization to be initiated in FY 1958 will be intensified. Vocational education assistance to Khartoum Technical Institute, also to begin in FY 1958 by the provision of faculty in certain critical trades and industrial technical education fields, will be continued in FY 1959. A survey of elementary and secondary education is proposed. Based on a survey to be made in FY 1958, a contract will be let with a U.S. consulting firm to provide specialists to design and lay out the plans for construction of village potable water facilities. This construction will permit the gradual and permanent settling of many of the 30 percent of the population which is nomadic. This fact alone should make a financial asset of a sizeable portion of the estimated 25,000,000 head of livestock which does not now move in the normal channels of trade. Audio-visual training, another project to be initiated in FY 1958, will be strengthened with the addition of another audio-visual specialist in equipment and maintenance.

Finally, a labor participant team will be brought to the United States in order to add strength to the pro-western Sudan Government Workers' Trade Union Federation by contacts with U.S. trade unions.

Special Assistance: The $6 million proposed in Special Assistance for FY 1959 will be used to provide assistance in the fields of agriculture, industry, transportation and education.

ECONOMIC ASSISTANCE – PROJECT ASSISTANCE BY FIELD OF ACTIVITY

(In thousands of dollars)

Function and Fiscal Year	Total Cost	Agriculture and Natural Resources	Industry and Mining	Transportation	Labor	Health and Sanitation	Education	Public Administration	Community Develop., Social Welfare & Housing	General and Miscellaneous
ACTUAL FY 1957										
Defense Support										
Development Assistance										
Technical Cooperation										
Other Programs										
Total										
ESTIMATE FY 1958										
Defense Support										
Special Assistance	4,520	42		1,580		13	1,732		5	1,148 a/
Technical Cooperation										
Other Programs (or DA)										
Total	4,520	42		1,580		13	1,732		5	1,148
PROPOSED FY 1959										
Defense Support										
Special Assistance	6,000	1,500	500	3,000			1,000			
Technical Cooperation	1,100	474		206	12		186			222
Total	7,100	1,974	500	3,206	12		1,186			222

a/ Mainly equipment for the mobile audio-visual van and radio-telecommunications projects.

Country: SUDAN

ECONOMIC ASSISTANCE

DISTRIBUTION OF FY 1959 PROJECT ASSISTANCE

(In thousands of dollars and equivalent)

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

TABLE I

Functions and Projects	DIRECT U.S. DOLLAR COST - Proposed							Local Currency Cost - Proposed	
	Total	U.S. Technicians	Non-Contract Participants	Contracts	Commodities	Other Costs	Contributions to Cooperative Services	MSP includ. Counterpart	P. L. 480 Administered by ICA
TECHNICAL COOPERATION									
Agriculture and Natural Resources - Total	474	330	24	120					
Agricultural Research	113	105	8						
Agricultural Extension	173	165	8						
Crop Improvement	38	30	8						
Agricultural Information	30	30							
Potable Water Supply	120			120					
Transportation - Total	206	186	20						
Highway Organization	206	186	20						
Labor - Total	12		12						
Labor Trade Union Participant Team	12		12						
Education - Total	186	186							
Elementary and Secondary Educ. Survey	36	36							
Vocational Educ. (Khartoum Tech. Inst.)	150	150							
General and Miscellaneous - Total	222	72			50	100			
Mobile Audio-Visual Van Project	30	30							
Technical Support	192	42			50	100			
Total Technical Cooperation	1,100	774	56	120	50	100			
SPECIAL ASSISTANCE									
Agriculture and Natural Resources - Total	1,500			200	800	500			
Potable Water Supply Facilities	1,000			200	800				
Agricultural Credit	500					500			
Industry and Mining - Total	500					500			
Industrial Credit	500					500			
Transportation - Total	3,000			600	2,400				
Highway Construction	3,000			600	2,400				

Country: SUDAN

ECONOMIC ASSISTANCE

DISTRIBUTION OF FY 1959 PROJECT ASSISTANCE

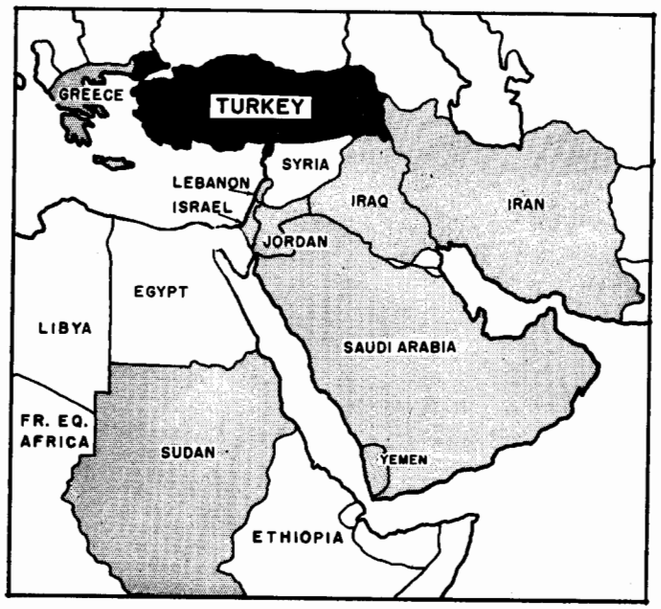
(In thousands of dollars and equivalent)

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

TABLE I

Functions and Projects	DIRECT U.S. DOLLAR COST - Proposed							Local Currency Cost - Proposed	
	Total	U.S. Technicians	Non-Contract Participants	Contracts	Commodities	Other Costs	Contributions to Cooperative Services	MSP includ. Counterpart	P. L. 480 Administered by ICA
SPECIAL ASSISTANCE - Continued									
Education - Total	1,000				1,000				
Vocational Education (Khartoum Technical Institute)	1,000				1,000				
Total Special Assistance	6,000			800	4,200	1,000			
GRAND TOTAL	7,100	774	56	920	4,250	1,100			

TURKEY



ECONOMIC TRENDS

	Unit	Calendar Years 1954	1955	1956	1957Est.
GROSS NATIONAL PRODUCT					
Total GNP *(In 1955 Prices)*.	$ Millions	6,730	7,410	7,700	8,100
Per Capita GNP	Dollars	287	307	310	318
PRODUCTION					
Agricul. Prod. Index[a]	1952-54=100	92	104	104	105
Wheat	1,000 MT	4,900	5,520	5,120	5,500
Tobacco	"	114	115	119	119
Cotton	"	142	130	145	115
FOREIGN TRADE					
Total Exports (f.o.b)	$ Millions	335	313	305	335
Tobacco	"	86	89	94	100
Cotton	"	52	46	26	45
Total Imports (c.i.f)	"	478	498	407	375
Trade Balance	"	-143	-185	-102	-40
FOREIGN EXCHANGE RESERVES... (end of year)	$ Millions	205	211	230	311
COST OF LIVING INDEX	1953=100	110	119	136	150

BASIC DATA

Population	25.5 million
Annual Growth	3 percent
Agricultural Land	28% of area
Agri. Land per Capita	2 acres
Literacy Rate	40 percent

	TURKEY	U.S.
Life Expectancy *(Years)*.....	n.a.	70
Inhabitants per Physician ..	3,100	760
Road Miles per 1,000 sq.mi..	105	1,020
Electric Power per Capita... (KWH per year)	75	4,070

CENTRAL GOVERNMENT FINANCES

Country Fiscal Year Ending - February 28	- $ Millions - 1956 (Budget)	1957 (Budget)	1958[b]
Total Expenditures.....	1,081	1,204	1,426
Revenues, excl. receipts of U.S. Grant Aid....	966	1,094	1,353
Deficit or Surplus before U.S. Grant Aid....	-115	-110	-73
Budgetary Receipts from U.S. Grant Aid.....	39	33	37
Budgetary Receipts from U.S. Loans.....	20	23	22
DEFENSE EXPENDITURES			
Total Defense Expenditures.(Calendar years).	386(1955)	418(1956)	440(1957)
As percent of Gross National Product.....	5.2%	4.8%	4.3%
As percent of Total Gov't Expenditures[c]...	36%	35%	32%
TOTAL DEBT (gross).....	761	n.a.	
As percent of GNP.....	10%		
Foreign Debt.....	265		

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

b - ICA estimate.
c - Computed from fiscal year data.

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

U.S. Interests: Turkey is strategically located and has control of the only water channel between the Mediterranean and the Black Sea. U.S. interests are primarily concerned with continuance of Turkey's independence and territorial integrity, **its identification with the Free World, and its will and ability to resist communist invasion, subversion and pressures.**

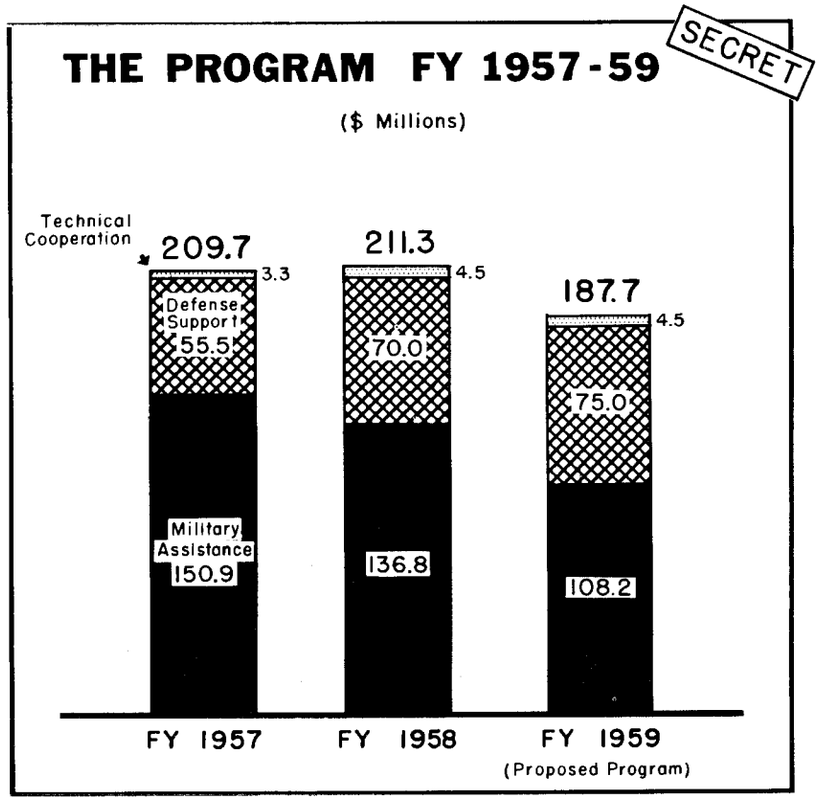
Turkey is a staunch ally in NATO, and was instrumental in the organization of the Baghdad Pact. In the UN, Turkey has been an active participant and a strong supporter of the U.S. The Turkish Government remained firm yet calm in the face of Soviet and Syrian propaganda pressures in late 1957 and was vindicated when the UN refused to accept a Syrian complaint of aggressive intent by Turkey.

Turkey has joined with the U.S. in a Mutual Defense Assistance Agreement **and has granted special military facilities to the U.S. which are of highly strategic value. The complex of air bases in Turkey available to the West adds materially to the strength of NATO in the eastern Mediterranean.** In addition, two NATO headquarters are located at Izmir, in southwestern Turkey. The Turkish Army is the largest in the Middle East. Its forces are committed to NATO in the event of general hostilities.

Turkey has a long history of opposition to Russia. Its people are firm in their determination to maintain their independence. Politically, Turkey is one of the most stable countries in the Middle East.

Turkey is currently faced with serious economic difficulties. The Turkish Government has embarked on a highly ambitious program of national development. The cost of this program, combined with the burden of maintaining a large military establishment, has imposed a severe strain on the Turkish economy. It is in the U.S. interest to assist Turkey in achieving an economy sufficiently strong to permit the Turkish Government to undertake an increasingly greater share of its defense expenditures as well as allow a modest rise in the standard of living.

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



Obligations and Expenditures $ in thousands			
MILITARY ASSISTANCE	PROGRAMMED	DEL./EXP.	UNLIQUIDATED
Cumulative 6/30/57	1,273,528	992,770	280,758
Estimate F.Y. 1958	136,774	183,633	XXX
Cumulative 6/30/58	1,410,302	1,176,403	233,899
ECONOMIC ASSISTANCE	OBLIGATIONS	EXPENDITURES	UNLIQUIDATED
Cumulative 6/30/57	618,980	528,314	90,666
Estimate F.Y. 1958	74,500	78,622	XXX
Cumulative 6/30/58	693,480	606,936	86,544

Turkey

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	$150,875	$136,774	-	$108,247	$183,633	$1,176,403	$233,899
Aircraft, Components, Spares & Related Equip.	$ 47,979	$ 10,681	-	$ 17,591	$ 17,707	$ 187,895	$ 67,558
C-119G	-	18	-	-	-	-	18
F-84G	-	-	-	-	26	478	-
F-100	60	-	20	$ 11,269	-	-	60
RF-84F	-	-	3	$ 1,196	10	44	-
Ships and Harbor Craft, Components and Spares	$ 26,305	$ 9,878	-	$ 15,213	$ 20,233	$ 65,674	$ 20,056
Destroyer (DD) (overhaul)	4	-	-	-	4	4	-
Landing Craft Medium (LCM)	-	10	28	$ 1,232	-	-	10
Net Tender (AN)	-	-	1	$ 1,984	-	-	-
Submarine (SS) (overhaul)	1	1	1	$ 1,200	1	4	1
Submarine (SS) (activation)	-	2	1	$ 4,030	-	-	2
Gate Vessel (YNG)	-	-	3	$ 1,608	-	-	-
Coastal Minesweeper (MSC)	4	3	1	$ 2,131	-	-	7
Motor Torpedo Boat (PT)	-	-	2	$ 1,946	-	-	-
Motor Launch 64' (L Boat)	-	-	1	$ 380	-	-	-
Tanks, Other Vehicles, Weapons, Comp. & Spares	$ 30,559	$ 61,075	-	$ 32,024	$ 75,812	$ 383,095	$ 61,003
Tank, Medium, M26, M46, M47, M48 Series	23	444	187	$ 8,091	112	534	429
Carriage, Motor, Twin, 40mm Gun	-	-	8	$ 758	-	-	-
Vehicle, Tank Recovery, M74, M51	40	70	25	$ 1,669	-	22	70
Trailer, 1-1 1/2 Ton, 2 Wheel Cargo	926	4	260	$ 153	60	6,613	869
Truck, 1 Ton, Power Wagon	-	971	-	-	805	805	166
Truck, 1/4 Ton, 4x4 (all models)	-	69	1,291	$ 1,375	269	8,623	64
Truck, 3/4 Ton, 4x4, Cargo (all models)	1,180	-	120	$ 376	1,380	3,722	-
Truck, Tractor, 4-5-6 Ton, 6x6 (all models)	-	1	79	$ 902	-	-	1
Truck, 2 1/2 Ton, 6x6, Cargo (all models)	800	2,388	239	$ 1,574	2,847	8,797	2,533
Truck, 4-5-6 Ton, 6x6, Wrecker	24	65	34	$ 606	3	436	65
Howitzer, 155mm, M1, w/carriage	-	101	-	-	7	215	94
Rifle, U.S. Cal..30, M1 Series	-	83,782	-	-	-	650	83,782
Ammunition	$ 3,647	$ 13,892	-	$ 17,340	$ 27,382	$ 242,858	$ 17,357
Cartridge, HE w/f, 4.2" Mortar (M Rds)	-	98	12	$ 252	163	689	99
Cartridge, 40mm (all types) (M Rds)	174	340	138	$ 963	206	2,203	134
Cartridge, HE,AT, w/f, 106mm Rifle (M Rds)	-	62	13	$ 650	-	99	62
Cartridge, HE, MK1, w/f, 3.7" Gun (M Rds)	-	38	117	$ 5,382	-	-	38
Bomb, Fragmentation, 750 lb.	-	-	2,844	$ 1,758	-	-	-
Rocket, 2.75" FFAR HEAT	-	-	10,242	-	-	-	-
Electronics & Comm. Equipment, Comp. & Spares	$ 7,305	$ 9,423	-	$ 7,008	$ 15,182	$ 86,230	$ 19,815
AN/GRC-27 Radio	-	-	53	$ 465	3	28	20
AN/TPN-12 Radar	-	-	15	$ 900	-	-	-
Other Materiel	$ 31,151	$ 27,951	-	$ 15,278	$ 22,761	$ 146,486	$ 45,584
Construction	$ 165	$ 150	-	$ 503	$ 32	$ 31,058	$ 275
Training	$ 3,241	$ 3,098	-	$ 3,290	$ 2,484	$ 27,405	$ 1,417
All Other	$ 523	$ 626	-	-	$ 2,040	$ 5,702	$ 834

N.E. 17

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

Turkey

Objectives of Military Assistance:

(a) Assist Turkey in maintaining internal security and in organizing, training, equipping, and maintaining the military forces required by NATO approved defense plans.

(b) Provide this assistance in a manner which will assure that it contributes to the development of Turkish forces capable of effective integrated action generally in consonance with the strategic concept for defense of the NATO area.

Major Combat Forces:

Strategic Objectives	MAP Supported
20 8/3 Divisions	20 8/3 Divisions
5 Honest John/Little John Bns.	5 H.J/L.J. Bns
3 Lacrosse Bns, 2 Hawk Bns.	3 Lacrosse Bns, 2 Hawk
2 Nike Bns.	2 Nike Bns
77 Naval Vessels	65 Naval Vessels
20 Air Squadrons	20 Air Squadrons

Active Military Strength: 532,280

MAP Accomplishments: MAP has provided most of the equipment and much of the training for the Turkish Armed Forces. Our early support, beginning in 1947 when the US took over from the British in this area, strengthened the Turkish Government to the point where it felt better able to adopt a firmer attitude toward the Soviet Union which at that time had territorial designs on Turkey and was demanding a role in the defense of the Turkish Straits. Turkish adherence to NATO in early 1952 and the establishment of objectives for the defense of the NATO area, coupled with MAP assistance, has produced an effective M-Day ready force of 10-8/3 divisions plus 10 reserve divisions which could be rapidly mobilized. Modernization of the Turkish Navy has proceeded with substantial US assistance. The Turkish Air Force has attained considerable skills through logistic and operational training on jet equipment furnished through MAP.

Appraisal of Forces:

Army: Capable of insuring internal security and defending indefinitely against any satellite attack on the borders of Turkey which is not accompanied by support from the USSR; dependent upon outside materiel and logistical assistance to resist an attack by major USSR combat units.

Navy: Has an offensive submarine capability in the Black Sea, but because of a lack of modern surface equipment, a limited capability to perform anti-submarine escort and minesweeping missions.

Air Force: Has limited capability to perform its NATO assigned tasks of supporting the Army and defending against air attacks and supporting the allied counter air campaign in the southeastern zone of the NATO area. This capability will improve markedly with the modernization of three fighter-bomber squadrons beginning early in FY 1959.

PROGRAMS (In Thousands Dollars)	FY 1957	FY 1958	Proposed FY 1959
Country Programs	150,875	136,774	108,247
Portion Special Materiel Program	(32,030)	(87,096)	(50,589)
Total	(182,905)	(223,870)	(158,836)

Factors reducing the effectiveness of forces are: (a) limited technical competence required to operate and maintain modern military equipment; (b) limited industrial capacity to meet military requirements; (c) strained economy in an attempt to carry out an over-ambitious economic development program simultaneously with a large buildup of armed forces.

Country Contribution: 532,280 men in armed forces; about $440 million in annual defense expenditures; firm active support of and participation in NATO and Baghdad Pact; local production of a part of the ammunition requirements; 2.2% of total population in Armed Forces; 32% of total Turkish budget for the military; 4.3% of GNP for military

Proposed FY 1959 Program Provides:

Army: Modernization, maintenance, and training support, major items being combat and other vehicles, guns, mortars, communications equipment and war reserves of ammunition.

Navy: Submarines and small craft for modernization and buildup.

Air Force: Modernization, maintenance, training, major items being transport aircraft, ground handling equipment, communications and electronic equipment.

Continuation of military communications network, raw materials for ammunition manufacture, POL and miscellaneous essential soft goods.

Miscellaneous Data: US excess stocks delivered at no charge through 30 June 1958: $42.9 million (Est). Military sales through 30 June 1957: $47 thousand.

MAAG Strength:	US Mil	US Civ	Local	Total
1957	456	73	221	750
1958	394	67	217	678

Country: TURKEY

ECONOMIC ASSISTANCE

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

(In thousands of dollars)

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

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	1,013		1,013		1,383		1,383		1,419		1,419
Participants	731		731		850		850		725		725
Contractual Services	1,070	291	779		1,937		1,937		1,671		1,671
Supplies and Equipment	4,678	3,990	688		280		280		567		567
Contrib. to Coop. Services											
Other Costs	143	8	135		50		50		118		118
Total Project Assistance	7,635	4,289	3,346		4,500		4,500		4,500		4,500
NON-PROJECT ASSISTANCE											
Agric. Commodities Total	1,850	1,850									
Surplus	1,850	1,850									
Other											
Industrial Commodities Total	42,556	42,556			60,500	60,500			64,300	64,300	
Raw Materials and Fuels	27,731	27,731			28,300	28,300			25,000	25,000	
Machinery and Equipment	10,101	10,101			23,700	23,700			25,800	25,800	
Other Indus. Commodities	4,724	4,724			8,500	8,500			13,500	13,500	
Cash Transactions											
Other -Ocean Freight	6,805	6,805			9,500	9,500			10,700	10,700	
Total Non-Project Assistance	51,211	51,211			70,000	70,000			75,000	75,000	
TOTAL COUNTRY PROGRAMS	58,846	55,500	3,346		74,500	70,000	4,500		79,500	75,000	4,500
NUMBER OF PEOPLE											
Technicians (On duty close of year)	201	34	167		219	36	183		219	7	212
U.S. Employed	93		93		109		109		116		116
Contract	108	34	74		110	36	74		103	7	96
Participants (Programmed during year)	274		274		313		313		257		257
Non-Contract	190		190		241		241		212		212
Contract	84		84		72		72		45		45

GPO 934793

Country TURKEY

ECONOMIC ASSISTANCE

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

Objectives

- To help maintain economic activity at a level at least sufficient to support the substantial military effort, permit investments essential for growth, and insure tolerable levels of consumption;

- To help preserve public acceptance of Turkey's western political orientation and vigorous support of the present defense effort;

- To help improve utilization of both human and material resources to permit eventual net improvement in Turkey's living standards.

Accomplishments

Since the inception of U.S. aid in 1947 material progress has been made in Turkey's economic development. Supported by U.S. aid, Turkey has achieved a 40% increase in gross national product, in fixed prices, from 1950 through 1956, although recently poor crops and a decline in the rate of industrial growth due to the shortage of foreign exchange have reduced the annual real increase in GNP to barely enough to compensate for population growth.

A national road network has been developed, permitting closer commercial integration and affording significant military advantage. Since 1950, improvement in agricultural techniques and the bringing of additional land under cultivation has almost doubled agricultural production capacity. New mineral resources have been developed; annual coal production has increased by more than a million tons, electric power generating capacity has almost doubled. Such developments and increased plant facilities are reflected in the rising index of industrial production, estimated for 1957 at roughly 86% above 1948. These gains have instilled an enthusiasm and confidence in the people which has reinforced a political unity unique in the Middle East. This solidarity makes possible continued vigorous Turkish contributions to the mutual security of the Free World -- contributions characterized by Turkey's initiative and prominent role in NATO, the Baghdad Pact and the Balkan Alliance.

Major Problems: Turkey's gains have been accompanied by accumulation of a large foreign debt and a deterioration of internal fiscal conditions. Current per capita consumption levels are not increasing significantly. The major problem is Turkey's inability to carry on, unaided, intensive development and at the same time maintain a strong military position. This situation has been aggravated by Turkey's disinclination to adopt stabilization measures which would enable more effective use of total resources.

Turkey's investment program, paid for in part with short-term credits, has been over-balanced in favor of the primary stages of development which do not "pay off" rapidly in terms of increased export earnings or import savings. Eventually this investment will have provided a necessary foundation for expansion; at present Turkey can finance such a program only by resort to inflationary methods. The imbalance between internal and external prices has impaired the position of Turkey's products in competitive world trade; the foreign liabilities of $1.2 billion, including debt of government enterprises and accumulated commercial arrears, have reduced ability to acquire new suppliers' credits for current imports. Ability to import has been curtailed drastically. **Total imports went down 18% in FY 1956 from FY 1955, and in FY 1957 probably will be lower with alarming prospective repercussions on the economy. Gold and foreign exchange reserves are fully pledged. Turkey depends heavily on U.S. aid to finance imports. As total imports have declined, the essentials financed by MSP economic aid and through P.L. 480 have become increasingly significant to counter domestic inflation and maintain the level of economic activity.**

Summary of Program $ in thousands			
Function	Actual F.Y. 1957	Estimate F.Y. 1958	Proposed F.Y. 1959
Defense Support	55,500	70,000	75,000
Technical Cooperation	3,346	4,500	4,500
Total	58,846	74,500	79,500

The Soviet Union has repeatedly attempted to take advantage of Turkey's weakened credit position in the west by attractive trade offers, but the Turkish Government has given them a cool reception and the proportion of Turkish trade exchange with the U.S.S.R. has actually declined since last year. Turkey's strong and politically stable position in the Middle East is fundamental to U.S. policy. Adequate economic help is essential not only to prevent economic deterioration but also to permit well-balanced additional growth of Turkish productive capacity. Turkey has already expressed its interest in access to the Development Loan Fund.

Turkish desires for commitments of economic assistance are large. The U.S. is continuing to attempt to convince Turkish officials that a coordinated and economic use of available resources and more careful fiscal management will make possible a faster and more effective rate of development. The character of the national budget recently presented to the National Assembly and recent declarations by Prime Minister Menderes indicate the possibility that with successful quadrennial elections behind it, the administration may now be ready to consider the application of remedial measures.

Revised 3/24/58

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

Due to successive years of poor cereal crops Turkey has, to date, purchased almost $157 million in surplus agricultural commodities under Title I, PL 480 ($46.8 million in FY 1958). Half the freight for these shipments represents an additional foreign exchange requirement on Turkey. It is anticipated that PL 480 requirements in FY 1959, composed primarily of wheat and vegetable oils, will be met.

Proposed FY 1959 Program

Defense Support: A Defense Support program of $75 million is proposed. This represents the minimum aid level required to assure the essential level of imports of raw materials, basic commodities and spare parts for current industrial and agricultural operations and to maintain the defense effort during this critical period of foreign exchange shortage. Effective economic operation and avoidance of disruptive shortages require a constant and assured inflow of materials. Funding limitations in FY 1958 threaten continuity of this flow in the near future. Even with the proposed aid level for FY 1959 desirable import targets cannot be met unless Turkish earnings far exceed current estimates, or there is an expansion in other credits.

The Defense Support funds proposed for FY 1959 will be used for commodity imports, including raw materials and semi-finished products, machinery and vehicle parts, lubricants, electrical equipment, chemicals, and steel; and for ocean freight.

Technical Cooperation: The proposed $4.5 million Technical Cooperation program will support projects in the fields of industry, agriculture, education, public administration and labor. The program is designed to accelerate the acquisition of technical skills to assist the Turks to plan for and sustain their intensive development and military effort. The industry program stresses improved management and the adoption of procedures which will attract private capital ventures. Continued assistance in public administration is planned to improve methods of public accounting, budgeting and management. Special attention is being given to improvement of the system of basic education, particularly since a primary cause of concern in the modernization of the Turkish military establishment is the limited capacity of Turkish recruits to absorb training. Advisory services in health and housing are intended to help bring evidence of better living conditions directly to the people. Opportunities for the application of peaceful uses of atomic energy in Turkey are being supported through an intensive training schedule in the U.S. for Turkish scientists.

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										
Defense Support	4,289	620	3,015				154		500	
Technical Cooperation	3,346	528	187	450	11	39	517	741	5	868
Total	7,635	1,148	3,202	450	11	39	671	741	505	868
ESTIMATE FY 1958										
Defense Support										
Technical Cooperation	4,500	569	720	674	165	225	850	435	13	849
Total	4,500	569	720	674	165	225	850	435	13	849
PROPOSED FY 1959										
Defense Support										
Technical Cooperation	4,500	543	639	722	180		1,305	446	15	650
Total	4,500	543	639	722	180		1,305	446	15	650

Country: TURKEY

ECONOMIC ASSISTANCE

TABLE I

DISTRIBUTION OF FY 1959 PROJECT ASSISTANCE

(In thousands of dollars and equivalent)

Functions and Projects	DIRECT U.S. DOLLAR COST - Proposed							Local Currency Cost - Proposed	
	Total	U.S. Technicians	Non-Contract Participants	Contracts	Commodities	Other Costs	Contributions to Cooperative Services	MSP includ. Counterpart	P. L. 480 Administered by ICA
TECHNICAL COOPERATION									
Agriculture and Natural Resources - Total	543	284	234		22	3			
Farmer Services Institutions	98	58	35		4	1			
Water Resources	147	64	80		3				
Land and Water Use	98	64	28		5	1			
Livestock and Poultry Development	61	35	21		5				
Crops, Grass and Forage Development	97	40	53		3	1			
Forestry Development	42	23	17		2				
Industry and Mining - Total	639	60	94	312	118	55			
Power:									
Operation and Maintenance of Hydro-electric plants	20		20						
Hydrological Data Study and Planning	79	30	25		24				
Power Distribution Analysis	10			10					
Utility Directors Training	9		9						
Industrial Investment	100			60	15	25			
Industrial Center	200	15	40	100	15	30			
Industrial Allocations System	30	15		15					
Handicraft Development	11			11					
Mining:									
Preventive Maintenance	40			40					
Mining Assistance Commission Advisors	140			76	64				
Transportation - Total	722	247	71	390	8	6			
Highway Engineering Advisors	107	107							
Airline Operation Training Program	390			390					
Civil Aviation Training Program	225	140	71		8	6			

Country: TURKEY

ECONOMIC ASSISTANCE

TABLE I

DISTRIBUTION OF FY 1959 PROJECT ASSISTANCE

(In thousands of dollars and equivalent)

Functions and Projects	DIRECT U.S. DOLLAR COST - Proposed							Local Currency Cost - Proposed	
	Total	U.S. Technicians	Non-Contract Participants	Contracts	Commodities	Other Costs	Contributions to Cooperative Services	MSP includ. Counterpart	P. L. 480 Administered by ICA
TECHNICAL COOPERATION - Continued									
Labor - Total	180	92	64		24				
Workers Education	15	12			3				
Trade Union Administration	13		13						
Industrial Training (Apprenticeship)	108	70	25		13				
Industrial Relations Research	6		6						
Employment Service - Manpower, Resources and Requirements	18	10			8				
Ministry of Labor Trainees	20		20						
Education - Total	1,305	171	192	685	257				
Vocational and Trade Schools	300			300					
Georgetown English Language Program	85			85					
Nebraska University - Professional and and Higher Education	425			300	125				
General Education Services	450	126	192		132				
Literacy Training	45	45							
Public Administration - Total	446	100	42	284	20				
Public Administration - University of Ankara	306		22	284					
Civil Police Administration	90	50	20		20				
Public Administration Services	50	50							
Community Development, Social Welfare and Housing - Total	15	15							
Aided Self-Help Housing	15	15							
General and Miscellaneous - Total	650	450	28		118	54		1,700	
Atomic Energy Training Program	28		28						
Technical Support	622	450			118	54			
Trust Fund								1,700	
Total Technical Cooperation	4,500	1,419	725	1,671	567	118		1,700	

Country: TURKEY

ECONOMIC ASSISTANCE

DISTRIBUTION OF FY 1959 PROJECT ASSISTANCE

(In thousands of dollars and equivalent)

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

TABLE I

Functions and Projects	DIRECT U.S. DOLLAR COST - Proposed							Local Currency Cost - Proposed	
	Total	U.S. Technicians	Non-Contract Participants	Contracts	Commodities	Other Costs	Contributions to Cooperative Services	MSP includ. Counterpart	P. L. 480 Administered by ICA
LOCAL CURRENCY									
Agriculture - Total									5,500
Agricultural Credit Bank									2,000
Livestock Development									1,500
Water Resources Development									2,000
Industry and Mining - Total									8,000
Mining Research									4,000
Industrial Aid Commission									2,000
Housing Credit Institute									2,000
Transportation - Total									1,500
Roads Improvement									1,500
Education - Total									4,000
General Education Services									4,000
Community Development, Social Welfare, and Housing - Total									1,000
Improvement of Community Development									1,000
Health Services									1,000
General and Miscellaneous - Total									20,000
Industrial Development Bank									20,000
Total Local Currency									40,000
GRAND TOTAL	4,500	1,419	725	1,671	567	118		1,700	40,000

Country: TURKEY

ECONOMIC ASSISTANCE

COMPOSITION OF NON-PROJECT ASSISTANCE

(In thousands of dollars)

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

TABLE II

Commodities and Other	PROGRAM		
	Actual FY 1957	Estimate FY 1958	Proposed FY 1959
Surplus Agricultural Commodities - Total	850		
Hides and skins	850		
Deduct sales to this country for benefit of other countries			
Add sales to other countries for benefit of this country	1,000		
Net imports for benefit of this country	1,850		
Food, Feed and Fertilizer - Total			
Fuel	13,401	2,800	4,000
Raw Materials and Semifinished Products	14,330	25,500	21,000
Machinery and Vehicles	10,101	23,700	25,800
Miscellaneous and Unclassified	4,724	8,500	13,500
Other - Ocean Freight	6,805 a/	9,500 b/	10,700 c/
Total Non-Project Assistance Programs	51,211	70,000	75,000

a/ Includes $6,745,000 for PL 480, Title I ocean freight.
b/ Includes $4,125,000 for PL 480, Title I ocean freight.
c/ Includes $4,285,000 for PL 480, Title I ocean freight.

LOCAL CURRENCY - Narrative

TURKEY

Local currencies available for programming in Turkey derive from deposit of the counterpart of MSP dollar grants, and the proceeds of sales of agricultural surplus commodities financed under MSP and P.L. 480, Title I.

The primary objective of MSP assistance to Turkey is accomplished by financing imports of goods which could not otherwise be provided. During the past several years, the major assignments of the local currency generated by this assistance have been to support the military budget, and to help Turkey finance the heavy defense establishment required by Turkish commitments to NATO. Small amounts are used annually to provide for local currency costs of the Technical Cooperation program. Given the restraints imposed on the economy by the general shortage of foreign exchange and the heavy competing domestic requirements for defense and investment, there has been a constant inflationary threat. In consequence, there has been serious concern that release of additional local currencies for investment might merely increase the pressure on existing resources and contribute to inflation.

In 1957, Turkish lira equivalent to $5 million were made available to the Industrial Development Bank, a leading institution which encourages private enterprise in Turkey. It is hoped that in the future additional amounts above defense requirements will permit support of essential economic development projects in the fields of agriculture, mining, and private investment. Loan agreements for use of P.L. 480 sales proceeds earmarked for economic development are presently being negotiated. These funds are intended to provide for investment projects already contemplated by the Government of Turkey in order to prevent an additional inflationary impact.

It is estimated that at the end of FY 1959 over 80% of the potential generation of Turkish counterpart will be committed and approximately $105 million equivalent, mainly still to be generated, will remain available for future commitment. Unexpended deposits already committed, estimated at $55 million equivalent, would represent only 10% of cumulative deposits.

ICA-administered U.S.-owned P.L. 480 proceeds to be generated are expected to be over 85% deposited by the end of FY 1959. Unobligated deposits as of that date, available for loan under Section 104(g) are not expected to exceed $23 million equivalent. Unexpended local currency obligations of $20 million would be equivalent to about one-third of cumulative obligations. Little change in the contemplated pattern of local currency use can be expected in FY 1959 in view of the continuing military requirement. Although the local currency availabilities are a useful element of the pattern of U.S. support to Turkey and are taken into account, the basic factor which governs the determination of dollar aid requirement is the need for imports of goods and supplies which Turkey cannot finance from its own resources.

TABLE III

(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)

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	26,200	13,100					13,100	13,100
FY 1956 Actual	15,100	7,550					7,550	7,550
FY 1957 Actual	68,900	34,450					34,450	34,450
FY 1958 Estimate	46,800	21,060	7,020				18,720	18,720
FY 1959 Estimate	57,500	25,875	8,625				23,000	23,000
TOTAL	214,500	102,035	15,645				96,820	96,820

Country: TURKEY

STATUS OF LOCAL CURRENCY FUNDS
(Administered by MSP Agencies)

(In thousands of dollar equivalent)

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

TABLE IV

Type of Programs Generating Local Currencies and its Utilization	ACTUAL FY 1957			ESTIMATE FY 1958		PROPOSED FY 1959	
	Cumulative Through 7/1/56	Net Change	Cumulative Through 6/30/57	Net Change	Cumulative Through 6/30/58	Net Change	Cumulative Through 6/30/59
MSP U.S.-OWNED LOCAL CURRENCIES							
Potential Generation from U.S. Dollar Program	16,603	458	17,061		17,061		17,061
Deposits	7,755		7,755	9,306	17,061		17,061
Obligations	7,755		7,755	9,306	17,061		17,061
Expenditures	7,755		7,755	9,306	17,061		17,061
COUNTERPART							
Potential Generation from U.S. Dollar Program	421,469	30,588	452,057	70,625	522,682	78,820	601,502
Deposits	307,189	35,643	342,832	81,368	424,200	77,514	501,714
Commitments	331,189	34,285	365,474	63,396	428,870	67,700	496,570
Expenditures	307,189	35,643	342,832	30,000	372,832	68,400	441,232
P.L. 480 TITLE I							
Potential Generation from U.S. Dollar Program	20,650	34,450	55,100	18,720	73,820	23,000	96,820
Deposits	12,065	7,066	19,131	40,000	59,131	25,000	84,131
Obligations				21,000	21,000	40,000	61,000
Expenditures				7,000	7,000	34,000	41,000
OTHER LOCAL CURRENCY							
Potential Generation from U.S. Dollar Program							
Deposits							
Commitments							
Expenditures							

Country: TURKEY

SUMMARY OF LOCAL CURRENCY PROGRAM ADMINISTERED BY MSP AGENCIES BY PURPOSE AND FIELD OF ACTIVITY

Obligations or Commitments by Fiscal Year

(In thousands of dollar equivalent)

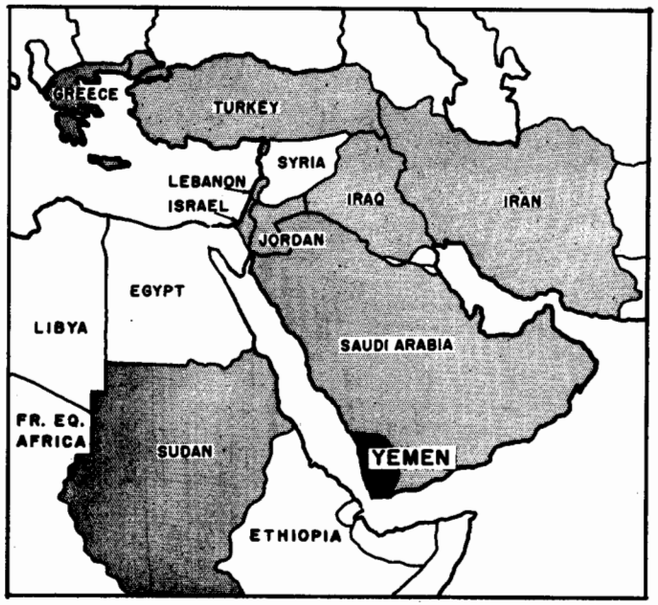
Shaded areas are Security classified and must not be divulged to unauthorized individuals. All other material is unclassified.

TABLE V

PURPOSE AND ACTIVITY	FY 1957			FY 1958			FY 1959		
	MSP Source	P.L. 480 Title I Source	Other Sources	MSP Source	P.L. 480 Title I Source	Other Sources	MSP Source	P.L. 480 Title I Source	Other Sources
MILITARY PURPOSES									
Projects									
Budget Support	27,785			71,002			66,000		
Military Procurement									
Total Military Purposes	27,785			71,002			66,000		
ECONOMIC PURPOSES									
Project Assistance by Field of Activity									
Agriculture					6,000			5,500	
Industry and Mining	5,000				6,000			8,000	
Transportation					4,000			1,500	
Labor									
Health and Sanitation									
Education								4,000	
Public Administration									
Community Development, Social Welfare and Housing					5,000			1,000	
General and Miscellaneous	1,500 a/			1,700 a/			1,700 a/	20,000	
Total	6,500			1,700	21,000		1,700	40,000	
Budget Support (Not Elsewhere Classified)									
Total Economic Purposes	6,500			1,700	21,000		1,700	40,000	
Procurement for Third Country	XXX			XXX			XXX		
TOTAL ALL PURPOSES	34,285			72,702	21,000		67,700	40,000	

a/ Trust Fund.

YEMEN



BASIC DATA

AREA	Approximately 75,000 square miles, about the same as Syria or Oklahoma.
POPULATION	Population estimates range from 3 to 5 million.
POPULATION DENSITY..	40 to 65 per square mile.
RELIGION	99% Muslim.
GNP	No data are available, but per capita income is very low, probably not over $50 per year.

BACKGROUND INFORMATION

DESCRIPTION	Yemen is a mountainous and fertile country. An absolute monarchy since freed from Turkish rule in 1918, Yemen until recently was isolated and archaic. Yemen has emerged into contact with international affairs with membership in the Arab League and the United Nations. The capitals are San'a and Ta'iz, the latter the residence of the ruler (the Imam).
AGRICULTURE	The Yemeni highlands are well adapted to agriculture, producing one of the world's finest coffees, as well as grains, fruits, and vegetables. 90% of the people are engaged in farming. By far the leading cash crop is coffee; Yemen has grown coffee for more than a thousand years, and at one time produced most of the world's supply. Coffee accounts for more than half of total exports. Other important crops are grains, fruits, vegetables, and qat (a mild narcotic). Stock raising also flourishes, especially in the lowlands.
OIL	No production to date. Concessions have been granted for exploration for oil and other minerals.
MEDICAL SERVICES	A small hospital in Ta'iz and dispensaries in two other cities are operated by Italian doctors. There were recently fewer than a dozen doctors in the country (contracted Italian and French doctors). Three Soviet doctors arrived in early 1957.
EDUCATION	Instruction is in the traditional Muslim pattern and is limited to boys. Illiteracy is estimated at 75%. The Government has sent more than 200 students abroad for study in recent years, mostly to Egypt.
ROADS	Lack of good roads is a major obstacle to economic development. Most roads are camel tracks.
RAILROADS	None.

Country YEMEN

MUTUAL SECURITY PROGRAM

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

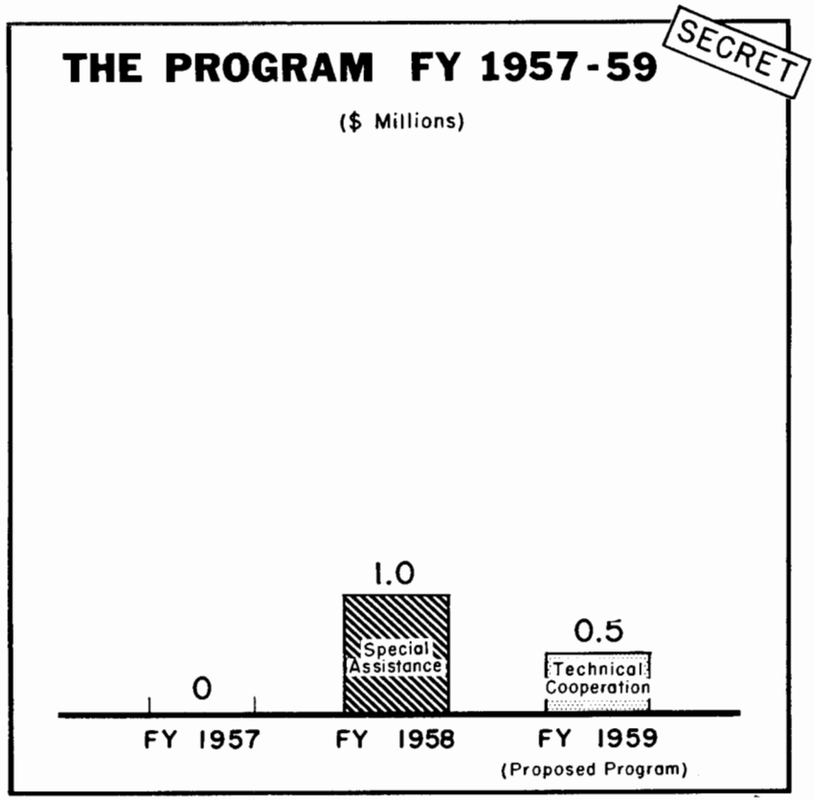
U.S. Interests: **The Kingdom of Yemen is a relatively backward absolute monarchy in southwestern Arabia, strategically situated at the mouth of the Red Sea. The Soviet Union and its satellites have established a position of significant influence in Yemen through cultivation of close relations with the Crown Prince and Foreign Minister, through sale of a substantial quantity of arms, and through agreement on certain economic projects.** Since October, 1956, Yemen has received some $10,000,000 of Soviet military equipment, as well as approximately 75 Communist technicians who are now in the country engaged in public health, aviation, port construction, irrigation and other projects. Trade pacts and agreements calling for technical, scientific and cultural exchanges have just been negotiated by Yemen with Rumania, Poland, Yugoslavia and Communist China.

Western nations, including the United States, face a particularly challenging situation in Yemen, both because of Soviet inroads and because of problems existing between Yemen and Western nations, particularly Britain. The British face a continuing dispute over the Yemeni claim to most of the Aden Protectorate to the south. Of the Western nations, only Italy currently occupies a position of influence.

In the face of the strong Soviet efforts, the United States Government has sought to respond to Yemeni requests and to establish a countering position of influence through a program of economic assistance. At the same time the United States has indicated its willingness to establish a resident diplomatic mission and has encouraged private American enterprise to enter the country.

While the absolute authority of the Imam remains unquestioned, there is little doubt that over the years to come demands for moderation and pressures from the extremes of communism and nationalism will challenge this authority. The United States seeks through the programs proposed to play a role in the evolutionary development of Yemen which will balance, if not curtail, Yemen's current dependence on the Soviet Union.

Yemen has a small but important trade with the United States in coffee. Outside of this commodity and except for possible oil exploration in the country, the chances of a substantial contribution through United States private enterprise are slim.



Obligations and Expenditures $ in thousands			
MILITARY ASSISTANCE	PROGRAMMED	DEL./EXP.	UNLIQUIDATED
Cumulative 6/30/57			
Estimate F.Y. 1958			XXX
Cumulative 6/30/58			
ECONOMIC ASSISTANCE	OBLIGATIONS	EXPENDITURES	UNLIQUIDATED
Cumulative 6/30/57			
Estimate F.Y. 1958	950	150	XXX
Cumulative 6/30/58	950	150	800

Country: YEMEN

ECONOMIC ASSISTANCE

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

(In thousands of dollars)

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

MAJOR COST COMPONENT	ACTUAL FY 1957				ESTIMATE FY 1958				PROPOSED FY 1959		
	Total	DS or DA	Tech. Coop.	Other	Total	Spec. Asst.	Tech. Coop.	Other	Total	DS or SA	Tech. Coop.
PROJECT ASSISTANCE											
Technicians					20	20			450		450
Participants											
Contractual Services					770	770					
Supplies and Equipment					120	120					
Contrib. to Coop. Services											
Other Costs					40	40					
Total Project Assistance					950	950			450		450
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					950	950			450		450
NUMBER OF PEOPLE											
Technicians (On duty close of year)					14	14			23		23
U.S. Employed					3	3			23		23
Contract					11	11					
Participants (Programmed during year)											
Non-Contract											
Contract											

GPO 934793

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

Country YEMEN

ECONOMIC ASSISTANCE

Objectives

The economic assistance proposed for Yemen during FY 1958 and in FY 1959 is designed:

- To counter mounting Soviet economic and military penetration by offering a modest program which would assist the Yemen Government to plan and undertake long-range development.

- To help provide full and reliable information on Yemen's topography and natural resources, thus facilitating mineral and petroleum exploration.

- To assist in roads development which would improve access to the remote areas of the country and encourage improved agricultural production, marketing and crop planning.

Accomplishments

The U.S. Government offered technical assistance to Yemen in 1951, but negotiations lapsed, and no U.S. activities were undertaken at that time.

Ambassador Richards visited Yemen in April, 1957. Discussions of possible aid were inconclusive. During the summer of 1957, however, Yemen requested resumption of discussions, and in August a survey team was sent to Yemen to evaluate the possibilities of economic assistance and development activities. The survey was completed and recommendations for economic assistance embodied in a report submitted in November, 1957. U.S.-Yemeni discussions, looking to agreement on the elements to initiate program activities which included projects for road construction and improvement, aerial photographic survey work, geological survey operations and selected agricultural studies. If Yemeni interest warrants, work in the field of public health may be feasible. It is difficult, however, to predict at this time whether more than initial or survey elements can be brought to program and obligation stage during FY 1958.

Major Problems: Long isolated from the general current of world development, Yemen possesses only rudimentary communications and administrative machinery. The population has considerable suspicion of foreigners, especially westerners, whom they tend to identify with "colonialism" and with Yemen's present difficulties with the Aden Protectorate administered by the U.K. Yemen port facilities are inadequate and, except at Salif, equipment must be lightered ashore from anchorages. Internal communications are unreliable. Roads are poor and the terrain mountainous, ranging

Summary of Program $ in thousands

Function	Actual F.Y. 1957	Estimate F.Y. 1958	Proposed F.Y. 1959
Defense Support			
Development Assistance			
Special Assistance		950	450
Technical Cooperation			
Other Programs			
Total		950	450

from sea level to 12,000 feet, and torrential storms during the summer make it difficult to maintain communications among the principal centers of the country. While there is some elementary Koranic education for boys on a local level, there is no technical education and there has been little addition from the few students sent abroad since they rarely return to stay. The absence of normal governmental machinery and of modern financial and educational institutions, as well as adequate technical and professional personnel, make difficult the accomplishment of development objectives.

There are major difficulties to be overcome in mounting an effort for economic modernization. There is no adequate systematic assembly of reliable information about the physical, technical, financial and economic resources of the country on which Yemen can build any broad range of detailed assessments of feasible activity. There appear to be no regularized budget processes for planning long range activities within the normal process of government and private facilities afford few if any additional channels for such action. The internal economy operates primarily on a barter or direct exchange basis and there is no formal monetary machinery.

The size of Communist military and economic assistance and the speed with which such aid has been forthcoming pose additional difficulties for the U.S. There are some indications that the Imam may hope to avoid over commitment to the Soviet bloc. Nevertheless it might be difficult for him to decline Communist offers unless the U.S. aid alternative were sufficiently directed to the areas of special interest to Yemen and of appropriate size and type to weigh concretely in the balance. A carefully designed U.S. economic program would not only contribute to Yemen's development but would also strengthen the hand of moderate elements who are disposed to favor consolidation of ties with the West. To pursue an appropriate economic program, Yemen may desire access to forms, sources and amounts

Revised 3/24/58

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

of development financing with which it has had little experience to date.

Proposed FY 1959 Program

The Technical Cooperation program proposed for FY 1959 in the amount of $450,000, would provide for employment of technicians to pursue work on projects which it is now expected can be started during FY 1958, and to carry out further exploration of possible development which the preliminary work may indicate as desirable.

ECONOMIC ASSISTANCE – PROJECT ASSISTANCE BY FIELD OF ACTIVITY

(In thousands of dollars)

Function and Fiscal Year	Total Cost	Agriculture and Natural Resources	Industry and Mining	Transportation	Labor	Health and Sanitation	Education	Public Administration	Community Develop., Social Welfare & Housing	General and Miscellaneous
ACTUAL FY 1957										
Defense Support										
Development Assistance										
Technical Cooperation										
Other Programs										
Total										
ESTIMATE FY 1958										
Defense Support										
Special Assistance	950	150	800							
Technical Cooperation										
Other Programs (or DA)										
Total	950	150	800							
PROPOSED FY 1959										
Defense Support										
Special Assistance										
Technical Cooperation	450	77	57	210		10				96
Total	450	77	57	210		10				96

Country: YEMEN

ECONOMIC ASSISTANCE

DISTRIBUTION OF FY 1959 PROJECT ASSISTANCE

(In thousands of dollars and equivalent)

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

TABLE I

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
Agriculture and Natural Resources - Total	77	77							
Geological Survey	57	57							
Coffee production consultant	5	5							
General Agriculturist	15	15							
Industry and Mining - Total	57	57							
Aerial Photography Survey	57	57							
Transportation and Communications - Total	210	210							
Roads Betterment and Location	153	153							
Roads Construction	57	57							
Health and Sanitation - Total	10	10							
Public Health Services	10	10							
General and Miscellaneous - Total	96	96							
Technical Support	96	96							
Total Technical Cooperation	450	450							

PALESTINE REFUGEES

Current Situation: During 1957 because of inadequate financial contributions by the various governments the ability of the United Nations Relief and Works Agency for Palestine Refugees in the Near East (UNRWA) to meet the needs of the Palestine Refugees deteriorated seriously. The financial situation of the Agency became so critical that while the basic level of relief to the refugees was maintained, rehabilitation programs had to be drastically curtailed. In view of these developments, the continuation of the relief program for the refugees should be expected with less prospect of reducing relief rolls through the rehabilitation programs. Since neither Israel nor the Arab host governments evinced any official interest in any agreed approach for the settlement of the refugee problem during the year, the prospects for the balance of the Agency's mandate, which expires June 30, 1960, are that there will be increasing financial and political demands on the United States. These developments will be particularly critical in our relations with and support of Jordan, which is the host government to over half of all the refugees.

In Section 407 of the Mutual Security Act of 1957, the Congress expressed the desire that:

> "In determining whether or not to continue furnishing assistance for Palestine refugees in the Near East, the President shall take into account whether Israel and the Arab host governments are taking steps toward the resettlement and repatriation of such refugees."

Executive Order #10575 delegated to the Secretary of State the authority to formulate policy with respect to the assistance program of UNRWA. Pursuant to this authorization, the Secretary of State determined that the United States would continue to furnish assistance for Palestine refugees even though no steps had been taken by Israel and the Arab host governments toward the resettlement and repatriation of such refugees.

With the view to encouraging some action along the lines desired by the Congress, the United States representatives at the 12th UN General Assembly declared that this Government would hold available to the Director of the Agency $300,000 for planning or carrying out plans for the transfer of such administrative responsibilities of the Agency to the host governments as may be arranged between them and the Director in 1958. The fund has been earmarked from the $23,800,000 reappropriated for the Palestine refugees by the Mutual Security Appropriation Act, 1958. It was felt that through proposing the establishment of such a fund for the purposes indicated, some of the host governments might during the coming year

Program Summary ($ in thousands)

F.Y. 1957	Estimate F.Y. 1958	Proposed F.Y. 1959
21,500	19,872 a/	25,000

DETAIL OF PROGRAM ($ in thousands)

United Nations Relief and Works Agency

	Actual FY 1957	Pledged FY 1958	Proposed FY 1959
Receipts			
U.S. Contributions	19,872	23,000 a/	25,000
Other Contributions	8,392	10,000	10,700
Total Contributions	28,264	33,000	35,700
Expenditures			
Relief	25,000	25,700	
Rehabilitation	10,200	7,200	
Total Expenditures	35,200	32,900	35,700 b/

a/ It is estimated at this time that U.S. obligations will amount to $21.5 million of which $1.628 million will be prior year funds.

b/ A breakdown of the 1959 UNRWA budget is not given as it will not be available until about September 1958.

Obligations and Expenditures $ in thousands

ECONOMIC ASSISTANCE	OBLIGATIONS	EXPENDITURES	UNLIQUIDATED
Cumulative 6/30/57	135,822	134,194	1,628
Estimate F.Y. 1958	19,872	19,000	XXX
Cumulative 6/30/58	155,694	153,194	2,500

PREVIOUS PAGE BLANK

be prepared through quiet negotiation to assume some of the responsibilities of the Agency particularly if it becomes further apparent that UNRWA, through lack of funds, must further curtail some of its present functions. It is unlikely that any more overt acceptance of the steps desired of the parties by Congress will be obtainable during the coming year.

The Relief Program: The number of refugees registered with UNRWA as of June 30, 1957 was 933,556, as compared with 922,279 the previous year. This increase was due to the excess of births over the total of deaths and permanently rehabilitated refugees. As in previous years, the basic daily ration consisted of 1,600 calories in the winter and 1,500 calories in the summer. Special rations, in addition to the basic rations, are issued as follows: An additional ration to non-hospitalized tuberculosis patients; 190 calories per day in milk rations to babies under one year; 144 calories in milk rations to children one to fifteen years old, to pregnant women, to nursing mothers, and to sick persons on medical recommendation; 500 calories per day of dry rations to pregnant women, from the determination of pregnancy to the end of the twelfth month after delivery; and 700 calories in a hot midday meal, six days weekly, to sick refugees (mainly children), on medical recommendation.

Of the total number of registered refugees, 102,586 are in Lebanon, 92,524 are in Syria, 517,388 are in Jordan, and 221,058 are in Gaza. About forty percent are provided shelter as well as food, medical attention and social services. Twenty-five of UNRWA's camps are in Jordan, where the refugees represent over one-third of the population of the country.

A small increase is anticipated in the cost of those relief services in UNRWA which may not be curtailed. This increase will be largely due to increases in the prices of foodstuffs. For FY 1958, UNRWA is continuing the informal practice of purchasing approximately 50% of its flour requirements from the United States in recognition of the support given the program by the United States Government.

Rehabilitation Program: The relief program, while essential, is no solution to the refugee problem. Urgent need, therefore, for rehabilitation programs continues. Through the existing educational program and through small scale economic assistance programs to refugee families and individuals, the relief rolls may be reduced. The need for large scale economic development capable of making refugees self-sustaining remains obvious. In an effort to meet this need, UNRWA has in the past helped finance the preparation of detailed engineering studies for the construction of resettlement projects in the Jordan Valley in the northwest part of the Sinai Peninsula. It has also financed smaller studies of other settlement possibilities in Syria and Jordan such as well-drilling on the west bank of the Jordan Valley. Unfortunately, however, because of the failure of members of the United Nations, other than the United States and the United Kingdom, to make contributions to the rehabilitation programs, these programs have had to be drastically curtailed. Thus, the individual grants program in Jordan and small scale livestock projects and urban housing, also in Jordan, have been discontinued. By the end of FY 1958, if further assistance from other Governments to the rehabilitation program is not forthcoming, it appears certain that all rehabilitation programs, including certain aspects of the educational program, will have to be curtailed. In the case of Jordan in particular, these developments would be most critical in terms of the political stability of the country.

Finances: In view of the definitely inadquate pledges from the Special Pledging Session for UNRWA at the General Assembly session just concluded, and because of the call for the urgent assistance of the Secretary-General in the resolution adopted on the continuation of UNRWA's operations, the Secretary-General has undertaken on an urgent basis to solicit additional funds from various Governments. Should this means of solicitation prove successful, it may be possible to maintain or increase the present educational program and reinstitute certain rehabilitation programs. In that event a request for an increase in the United States contribution for rehabilitation program can logically be expected in view of our position that we attach the utmost importance to the continued effective operation of UNRWA's relief and rehabilitation programs and are prepared, therefore, to contribute up to seventy percent (70%) of total contributions from all sources for the Palestine refugees. In line with this percentage limitation, the United States has pledged, up to $23 million, $18 million for UNRWA's relief program and $5 million for the rehabilitation program. Only $19,872,000 of current year funds have been shown as the estimated FY 1958 Program as it is presently estimated that other governments' contributions will not permit the utilization of the full U.S. pledge.

The proposed FY 1959 U.S. contribution to the two programs is $25 million. This would permit UNRWA to continue its basic minimum relief program of providing food, shelter and health services for the refugees, taking into consideration the

increasing number of refugees and cost of services and supplies, as well as allow the Agency to resume a part of those rehabilitation activities which it had to curtail in 1957-58 because of lack of funds. This, of course, is dependent upon the Agency receiving a sufficient sum in contributions from other governments to enable us to fulfill our pledges.

Country: NEAR EAST AND SOUTH ASIA
REGIONAL AND UNDISTRIBUTED

SUMMARY OF MUTUAL SECURITY PROGRAMS BY FUNCTION

(In thousands of dollars)

FUNCTION	PROGRAM		
	Actual FY 1957	Estimate FY 1958	Proposed FY 1959
MILITARY ASSISTANCE			
ECONOMIC ASSISTANCE			
Defense Support	1,250 a/		
Development Assistance	17,747 b/		
Technical Cooperation	3,791	2,710	2,250 d/
Special Assistance		9,750 c/	
Other Programs	3,250 c/		
Total Economic Assistance	26,038	12,460	2,250
TOTAL ALL PROGRAMS	26,038	12,460	2,250

ESTIMATED OBLIGATIONS AND EXPENDITURES

(In thousands of dollars)

	Programmed	Del./Exp.	Unliquidated		Obligations	Expenditures	Unliquidated
MILITARY ASSISTANCE				ECONOMIC ASSISTANCE			
Cumulative 6/30/57				Cumulative 6/30/57	33,251	13,185	20,066
Estimate FY 1958			XXX	Estimate FY 1958	12,460	16,900	XXX
Cumulative 6/30/58				Cumulative 6/30/58	45,711	30,085	15,626

a/ Ship breakout.
b/ Includes $12,670 thousand in Baghdad Pact projects and $5,000 thousand for Suez Canal clearance.
c/ United Nations Emergency Forces.
d/ Excludes $400 thousand provided from Africa Regional Projects funds for joint projects.

PREVIOUS PAGE BLANK

NEAR EAST AND SOUTH ASIA
Country: 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	Dev Asst	Tech. Coop.	Other	Total	Sp Asst	Tech. Coop.	Other	Total	Sp Asst	Tech. Coop.
PROJECT ASSISTANCE											
Technicians	1,071 a/		1,071 a/		443		443		337		337
Participants	18		18		14		14		67		67
Contractual Services	8,097	5,670	2,427		1,920		1,920		1,300		1,300
Supplies and Equipment	7,000	7,000			20		20		56		56
Contrib. to Coop. Services											
Other Costs	275		275		313		313		490		490
Total Project Assistance	16,461	12,670	3,791		2,710		2,710		2,250		2,250
NON-PROJECT ASSISTANCE											
Agric. Commodities Total											
Surplus											
Other											
Industrial Commodities Total											
Raw Materials and Fuels											
Machinery and Equipment											
Other Indus. Commodities											
Cash Transactions	8,250	5,000 b/		3,250 d/	9,750 d/	9,750 b/					
Other	1,327 c/	1,327 c/									
Total Non-Project Assistance	9,577	6,327		3,250	9,750	9,750					
TOTAL COUNTRY PROGRAMS	26,038	18,997	3,791	3,250	12,460	9,750	2,710		2,250 e/		2,250 e/
NUMBER OF PEOPLE											
Technicians (On duty close of year)	29		29		48	22	26		82	50	32
U.S. Employed	29		29		26		26		32		32
Contract					22	22			50	50	
Participants (Programmed during year)	449		449		537		537		567		567
Non-Contract	25		25		40		40		67		67
Contract	424		424		497		497		500		500

a/ Includes $744,000 covering salaries of technicians evacuated from Middle East during Suez crisis.
b/ Clearing of Suez.
c/ Includes $1,250 thousand for ship breakout.
d/ UN Emergency Forces.
e/ Excludes $400 thousand from Africa Regional Projects funds for joint projects.

ECONOMIC ASSISTANCE

Objectives

- To improve effectiveness of U.S. aid by using central staffs and facilities, wherever feasible, to meet the same needs in several countries.
- To stimulate inter-country cooperation in economic development, where joint planning and execution of projects is more effective than separate national action.
- To encourage economic development under the Baghdad Pact, and use of its machinery for joint action to strengthen this critical area.

Accomplishments

Continuing activities in the Regional Projects Technical Cooperation program involve principally the training of area nationals at the American University of Beirut; the control of locusts and other insects in Near Eastern, South Asian and African countries through the Insect Control project; short-term training courses, seminars, etc., in agricultural, industrial, and labor techniques; advisory services to the country programs where the activity can be adequately assisted without the full time services of a technician in each country; projects arising from Baghdad Pact Economic Committee considerations.

The ICA regional training program at the American University of Beirut began in 1951. The number of trainees under these programs has increased from 128 in 1951-52 to 497 in 1957-58. Popularity of the training programs in agriculture, engineering, public administration, public health, public finance, education, business administration, nurses training and pharmacy is indicated by the increasing number of applications from countries throughout the region.

The Insect Control program, implemented under an inter-agency agreement with the U.S. Department of Agriculture, is directed to eradication or control of the locust and other destructive insects which have historically taken a heavy toll of crops in this largely agricultural area. Short-term training courses in agricultural techniques of common interest, such as range management and agricultural credit, have evoked wide interest and eager participation. The Insect Control Program and the training courses at the American University of Beirut serve countries in Africa as well as those in the Near East and South Asia, and contributions from ICA funds administered for each of these regions go into their funding.

The U.S. joined the Baghdad Pact Economic Committee in April 1956.

Summary of Program $ in thousands

Function	Actual F.Y. 1957	Estimate F.Y. 1958	Proposed F.Y. 1959
Defense Support	1,250		
Development Assistance	17,747		
Special Assistance		9,750	
Technical Cooperation	3,791	2,710	2,250
Other Programs	3,250		
Total	26,038	12,460	2,250

The Pact's committee and sub-committees have identified some concrete and potentially useful projects for joint action, which would strengthen the economy of the region, but which could not be carried out effectively by Iran and Iraq, Pakistan and Turkey, each acting alone. They have recommended priorities and several plans, and facilitated actual execution. Recommendations by the Economic Committee were reflected in projects granted assistance pursuant to commitments totalling $12.7 million made under the Middle East Resolution by Ambassador Richards in the Spring of 1957. These projects are directed toward improving the area's critically poor communications and expanding economic opportunities. They include: A highway linking the systems of Turkey and Iraq; a highway linking the systems of Turkey and Iran; a railroad linking the systems of Turkey and Iran; and a modern telecommunications system to supplement and modernize the communications facilities which now exist, and to link the four Pact Region capitals. These projects are now in the survey stage. Responsible technicians of the four countries concerned in these projects are participating with U.S. technicians in the surveys and in development of plans for implementation of the projects.

Some good preliminary plans for small technical assistance projects in such fields as agriculture and health have also been proposed by the Economic Committee; negotiations with the U.S. and the U.K. are underway. Substantial U.K. support has been enlisted: about $3.4 million for Baghdad Pact-sponsored economic projects, $2.8 million of which is for capital investments. A beginning has been made under the Pact in inter-country technical assistance among member nations; for instance, Pakistan has offered some of its livestock breeding facilities to the other Pact countries.

Major Problems: U.S. FY 1957 Baghdad Pact project commitments would not serve to carry on the full range of Baghdad Pact-sponsored railroad and road projects. If they are later to be carried forward creditably, more financing by the member

countries is needed. This may require the members to give the joint projects higher priorities in their national development programs than they have already done.

The increased tensions resulting from the Suez crisis and the refugee problem have made cooperation more difficult. The regional experience indicates basic obstacles to rapid progress in multilateral technical and economic development in this area. Intra-area tensions have handicapped recognition of joint interests upon which a growing body of multilateral and regional activity could be based. Further, there is a lack of regional institutions to deal with common problems. In the absence of such institutions, fully vested with local support, a continuing substantial contribution from the U.S. is necessary if the activities which are needed are to gain acceptance and be carried out effectively.

Proposed FY 1959 Program

Technical Cooperation: The funding proposed here for FY 1959 Regional Projects amounts to $2.25 million. In addition, proposals for the African area include $400,000 to be contributed to funding of projects in which African countries participate jointly with those in the Near East and South Asia. Essentially, this is a program of continuing projects. The major regional component is training at the American University of Beirut. Other significant activities include insect control, advisory services in transportation and civil aviation, short-term training courses and seminars in agricultural and labor techniques, and advisory technical assistance requested by the Baghdad Pact Economic Committee.

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 Sani tion	Education	Public Administration	Community Develop., Social Welfare & Housing	General and Miscellaneous
ACTUAL FY 1957										
Defense Support										
Development Assistance	12,670		8,370	4,300						
Technical Cooperation	3,791	381		47			2,570		49	744
Other Programs										
Total	16,461	381	8,370	4,347			2,570		49	744
ESTIMATE FY 1958										
Defense Support										
Special Assistance										
Technical Cooperation	2,710	474	430	42	20		1,631		15	98
Other Programs (or DA)										
Total	2,710	474	430	42	20		1,631		15	98
PROPOSED FY 1959										
Defense Support										
Special Assistance										
Technical Cooperation	2,250 a/	353		42	62		1,693			100
Total	2,250	353		42	62		1,693			100

a/ Excludes $400 thousand provided from Africa Regional Projects funds for joint projects.

NEAR EAST AND SOUTH ASIA
Country: 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
Agriculture and Natural Resources - Total	353	150	38	75	36	54			
Regional Insect Control	283 a/	128		75	35	45			
Regional Workshop Agricultural Credit	35	17	18						
Regional Range Management Conferences and Training Courses	35	5	20		1	9			
Transportation - Total	42	41				1			
Aviation Advisor	21	20				1			
Transportation Advisor	21	21							
Labor - Total	62	24	29			9			
Labor Industrial Safety Display	20	12				8			
Labor Leadership Seminar	42	12	29			1			
Education - Total	1,693	42		1,225		426			
Regional Training Office	43	42				1			
American University of Beirut	1,650 b/			1,225		425 c/			
General and Miscellaneous - Total	100	80			20				
Technical Support (Baghdad Pact)	100	80			20				
Total Technical Cooperation	2,250	337	67	1,300	56	490			

a/ Excludes $150,000 provided from Africa Regional Projects. Total cost of this project is $433,000.
b/ Excludes $250,000 provided from Africa Regional Projects. Total cost of this project is $1,900,000.
c/ Maintenance, travel and supplies for participants not provided under contract.